

TEXAS RACING COMMISSION



2008 ANNUAL REPORT

TEXAS RACING COMMISSION

**8505 Cross Park Drive, Suite 110
Austin, Texas 78754-4552**

**Mailing Address:
P. O. Box 12080
Austin, Texas 78711-2080**

**Phone: 512-833-6699
Fax: 512-833-6907**

**Web Page Address:
www.txrc.state.tx.us**

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TEXAS RACING COMMISSION

P. O. BOX 12080
AUSTIN, TEXAS 78711-2080
(512) 833-6699
FAX (512) 833-6907

January 30, 2009

The Honorable Rick Perry
Governor of the State of Texas
State Capitol, Room 200
Austin, Texas 78701

Dear Governor Perry:

In accordance with Section 3.10 of the Texas Racing Act, Vernon's Texas Civil Statutes, I am pleased to submit the 2008 Annual Report of the Texas Racing Commission on behalf of the Commissioners and staff. This report covers the Commission's activities for the prior calendar year as well as statistics and information relating to all aspects of Texas greyhound and horse racing and breeding programs.

In July 2008, the agency saw the culmination of a productive year-long Sunset review process with the adoption of several important recommendations to the 81st Legislature. The recommendations will improve and update the Texas Racing Act and we look forward to participating in the Sunset process in the 2009 legislative session.

All aspects of the pari-mutuel racing industry have continued to decline. While several factors have contributed to the downward trend, including growth in the amount of unregulated gaming via the Internet, wagering opportunities in our neighboring states and disputes between horsemen's groups and racetracks over simulcast signals, there is now the added impact of the national economic decline. All of these factors adversely affect the racetracks, the racing participants, and the State of Texas. In 2008, the total amount wagered at Texas racetracks fell by almost \$45 million, representing a 9% decrease from 2007 wagering totals. This contributed to the national trend, which saw the total amount wagered on pari-mutuel racing fall more than \$1 billion.

The combined impact of the economic downturn and the 2008 hurricanes have resulted in significantly declining revenue for the agency – which is appropriated GR-Dedicated funds generated from industry fees and revenue tied to wagering. It became apparent in December 2008 that the agency is facing a serious revenue shortfall for fiscal year 2009. Consequently, the agency is taking immediate steps to reduce costs as well as considering alternatives for raising revenue. In addition, the Commission's Working Group on Future Funding continues to develop proposals for improving the agency's method of finance that may be considered in the 81st Legislative session.

As Chair of the Commission, I assure you that the Commissioners and staff continue to diligently regulate the pari-mutuel racing industry in Texas as efficiently and effectively as possible. We appreciate the opportunity to serve you and the citizens of our great state.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. Pablos".

Rolando B. Pablos
Chair

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January 30, 2009

The Honorable Rick Perry
Governor of the State of Texas
State Capitol, Room 200
Austin, Texas 78701

Dear Governor Perry:

As the chief administrator of the Texas Racing Commission, I am pleased to present the Commission's 2008 Annual Report.

The Texas Racing Commission continues to fulfill its mission in securing the safety and integrity of pari-mutuel racing and wagering. In 2008, the Commission and agency staff worked diligently to provide strict, consistent regulation through extensive field oversight and improved policy development. I want to express my gratitude to all the members of the Commission for their valued contributions to the agency and for their generosity with their time and energy. I also want to commend the staff for their work ethic and dedication which are exemplary in state government. Even though the agency is small and has limited resources, staff members continue to fulfill the mission of ensuring the safety and integrity of pari-mutuel racing in Texas.

On behalf of the Commissioners and the staff, we express our gratitude to the Chair of the Public Safety Commission, the Comptroller of Public Accounts, and their staff, as they consistently provide critical assistance in our regulation of the pari-mutuel industry. These state agency partnerships demonstrate the benefits that accrue with combined efforts and resources. In fact, this past year's cooperative effort with the Department of Public Safety brought the much needed implementation of electronic fingerprinting technology.

In 2008, the Racing Commission saw the culmination of many productive hours of hard work with Sunset Commission members and staff with the adoption of the Sunset recommendations to the 81st Legislature. We look forward to working on the Sunset legislation with the goal of improving racing regulation, particularly in the area of racetrack licensing.

The complexities of the pari-mutuel industry and the geographical separation of the tracks and headquarters present frequent challenges. In addition, the impact of the 2008 hurricanes and the economic downturn have further accelerated the decline in the agency's revenue from industry fees and pari-mutuel wagering. Consequently, the agency is facing a significant cash shortfall for fiscal year 2009 and is working to address the problem through a combination of budget cuts, fee increases, and a request for supplemental funding.

Despite these challenges, we are operating effectively, always mindful of the economic realities faced by the Texas horse and greyhound racing industry.

Sincerely,

A handwritten signature in blue ink that reads "Charla Ann King".

Charla Ann King
Executive Director

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TEXAS DEPARTMENT OF PUBLIC SAFETY

5805 N. LAMAR BLVD • BOX 4087 • AUSTIN, TEXAS 78773-0001

512/424-2000

www.txdps.state.tx.us



STANLEY E. CLARK
DIRECTOR
LAMAR BECKWORTH
ASST. DIRECTOR



COMMISSION
ALLAN B. POLUNSKY, CHAIR
C. TOM CLOWE, JR.
ADA BROWN
JOHN STEEN
CARIN MARCY BARTH

January 9, 2009

Mr. Rolando Pablos, Commission Chair
Texas Racing Commission
8505 Cross Park Drive, Suite 110
Austin, Texas 78754-4594

RE: ARTICLE 179e, SECTION 3.10
VERNON'S TEXAS CIVIL STATUTES

Dear Mr. Pablos,

Pursuant to the requirements outlined in Article 179e, Section 3.10 of Vernon's Texas Civil Statutes, the Texas Department of Public Safety provides the following information relating to organized crime and illegal gambling in Texas for the year 2008.

CRIMINAL ACTIVITY AND CRIME TRENDS

Homeland security efforts continued to be a law enforcement priority in 2008. With the rise in violence in the border regions of Mexico, border security enforcement has been increased through multi-agency collaborative efforts. Trans-national gangs are a continual threat. While historically these groups have operated primarily in the international border regions, the state is experiencing a migration to metropolitan areas. Organized crime groups continue to pursue lucrative international smuggling operations which include drugs, stolen vehicles, weapons and illegal aliens.

Identity theft is an ever increasing concern to law enforcement on a national level. With the rapid advances in technology, identity theft has become easier to perpetrate and more difficult to curtail. Federal, state and local jurisdictions continue to investigate these offenses but despite the enforcement efforts, these activities continue to thrive due to jurisdictional issues and the anonymity provided by technology.

The reportable crime index will not be available until May 2009.

ILLEGAL GAMBLING

While animal related gambling, such as dog fights and cockfights still exist, the bulk of illegal gambling continues to involve 8-liner businesses. State and local law enforcement personnel, working in conjunction with the Office of the Texas Attorney General have made concerted efforts to curtail these businesses. Illegal horse racing at non pari-mutuel tracks or "*brush tracks*" are a continuing issue in rural areas of the state. These tracks are difficult to investigate and prosecute due to the erratic schedule of operation, clandestine/rural location and the tight-knit associations in which they operate. Many racing interests feel these tracks are having a definitive negative impact on the legitimate pari-mutuel tracks and the racing industry in Texas.

With Highest Regards,

A handwritten signature in blue ink, appearing to read "Jesse Flores".

Jesse Flores, Commander
Motor Vehicle Theft Service

THE COMMISSION

The Texas Legislature created the Texas Racing Commission in 1986 to be the state agency responsible for overseeing and regulating pari-mutuel horse and greyhound racing in Texas. The Commission functions pursuant to authority granted in the Texas Racing Act, Vernon's Texas Civil Statutes, Art. 179e.

MISSION

The Texas Racing Commission will enforce the Texas Racing Act and its rules to ensure the safety, integrity, and fairness of Texas pari-mutuel racing.

PHILOSOPHY

The Texas Racing Commission performs its responsibilities in strict compliance with state laws. The agency conducts its regulatory activities fairly, consistently, efficiently, and courteously.

THE COMMISSIONERS

The Commission consists of nine members, seven of which are appointed by the Governor with the advice and consent of the Senate, and two are ex-officio members, the Comptroller of Public Accounts and the Chair of the Public Safety Commission. The seven non-salaried commissioners each serve overlapping six-year terms.

Of the seven appointed Commissioners, five members must be representatives of the general public and have general knowledge of business or agribusiness. Of these five general business appointees, one appointee may be a veterinarian.

One member must have experience or special knowledge related to greyhound racing and one must have experience or special knowledge related to horse racing. A Commissioner, designated by the Governor, serves as the Chair of the Commission. The nine members elect a Vice-Chair for a term of two years.

Governor Rick Perry appointed **Rolando Pablos** of San Antonio as Chair of the Commission on October 31, 2008, replacing Jesse Adams as the presiding officer. Mr. Pablos was first appointed to the Commission on October 3, 2007. He is an attorney with Monty Partners LLP, a firm that focuses on employment, labor law, and immigration issues. He is also the co-founder of Burg O.A. Entertainment. Mr. Pablos is chairman of the San Antonio Hispanic Chamber of Commerce Board of Directors, and also serves on the boards of the San Antonio Free Trade Alliance, the Hispanic Alliance for

Progress Institute, and the San Antonio Zoo. His term now expires on February 1, 2013.

G. Kent Carter, DVM, was named to the Commission on February 19, 2004. On August 8, 2007, Dr. Carter was elected by his fellow Commissioners to serve as the Vice-Chair of the Commission. He serves as Chief of Medicine in the Department of Large Animal Clinical Sciences at Texas A&M University. In 2008, he was inducted into the International Horseshoeing Hall of Fame as the 2008 college and industry veterinarian, recognizing his accomplishments, achievements and contributions in the advancement of equine foot-care. He also served on the Board of Directors for the American Association of Equine Practitioners from 2004-2007. Dr. Carter's term on the Commission expires on February 1, 2009.

Jesse Adams was first appointed to the Commission on May 16, 2003. He served as Chair of the Commission from August 1, 2007, until October 31, 2008. Mr. Adams is President of Adams & Polunsky, a real estate and tax-consulting firm in San Antonio. He serves on the board of the Texas Association of Property Tax Professionals, the National Association of Home Builders, and the San Antonio Board of Realtors. His term expires on February 1, 2009.

Charles L. "Sonny" Sowell was named to the Commission on August 26, 2003. He is a licensed attorney and serves as Vice President of the McNair Group. He is also Vice-Chair of the Harris County Sports and Convention Corporation, President of the Houston

Athletic Committee and Director of the Houston Chapter of the National Football Foundation and College Hall of Fame. His term expires on February 1, 2009.

Robert Schmidt of Fort Worth was appointed to the Commission on November 16, 2007. Mr. Schmidt is a practicing orthopedic surgeon and a partner of the Texas Hip and Knee Center, L.L.P. He is currently a member of the American Academy of Orthopedic Surgeons, president-elect of the Society for Arthritic Joint Surgery, and past board member of the Arthritis Foundation. His term expires on February 1, 2011.

Gloria Hicks of Corpus Christi was appointed to the Commission on November 9, 2007. She is the chief financial officer of Ed Hicks Imports. She is a member and past president of the Texas State Aquarium Board, and a member of the South Texas Institute of

the Arts Board of Governors. Commissioner Hicks serves as a board member of the South Texas Botanical Gardens, Citizens for Education Excellence, Texas Society of Certified Public Accountants, and American Institute of Public Accountancy. On October 30, 2008, Governor Perry appointed her as the commissioner with special knowledge or experience related to greyhound racing. Her term now expires on February 1, 2011.

Ronald Ederer of Fair Oaks Ranch was appointed to the Commission on July 17, 2007, as the commissioner with knowledge or experience related to horse racing. Mr. Ederer is an attorney in private practice in San Antonio and previously served as the US Attorney for the Western District of Texas. He is a member of the State Bar of Texas, San Antonio Bar Association, American Bar Association, and the Federal Bar Association. His term expires on February 1, 2013.

EX OFFICIO MEMBERS

On March 5, 2008, the Chair of the Public Safety Commission, Allen B. Polunsky, named **Elizabeth Anderson** as his designee to the Racing Commission, replacing **Ernest Angelo**. Ms. Anderson, a marketing and information technology consultant, was appointed to the Public Safety Commission in November of 2007. On October 7, 2008, Chair Polunsky appointed Public Safety Commissioner **Thomas Clowe** as his new designee, replacing Ms. Anderson, who resigned from the Public Safety Commission. Mr. Clowe is from Waco and is a ranch land developer and investor in various

Texas nursing homes. He is also a retired senior management advisor of the State Bar of Texas and former appointee to the Texas Lottery Commission. His term on the Public Safety Commission expires January 1, 2010.

Susan Combs was sworn into office in January 2007 as the Comptroller of Public Accounts and serves as an ex-officio member of the Racing Commission. **Jimmy Archer**, the Comptroller's Chief of Criminal Investigations, regularly serves as Ms. Combs' designee at Commission meetings.

COMMISSION MEETINGS, ACTIONS, AND ACTIVITIES

The Texas Racing Commission met seven times during calendar year 2008 compared to the usual six meetings per year.

Hurricane Ike caused major damages to the Sam Houston Race Park (SHRP) facility when the storm moved through the Houston area in early September. A special meeting of the Commission was held on October 29 to consider the track's request to cancel their fall Thoroughbred meet. The meeting, held at SHRP, included a tour of the damaged areas, including the grandstand, backside barns, dorms, and the infield tote board. The Commission granted SHRP's request to cancel the meet scheduled to start on November 28 and run through April 4, 2009. The Commission also approved Retama Park's request to extend their fall Thoroughbred meet for 43 days, following an agreement between SHRP and Retama Park to move Thoroughbred purse money.

Two new Commission working groups and two new committees were established in 2008. At the April 1, 2008, Commission meeting, the Policies, Procedures, and Ethics Working Group and the Working Group on Future Funding were established.

Commissioners Ron Ederer and Gloria Hicks were named to the Ethics Working Group. The group was charged with updating and upgrading current ethics procedures for staff and for Commissioners as well as reviewing the basic policies and procedures for operations.

**Chair Pablos forms
new committees and
working groups.**

At the October 7, 2008, Commission meeting, the work of both the Ethics Working Group and agency staff culminated in the adoption of an Ethics Policy for all Commission employees, the Commissioners, and the General Counsel's office. The policy was distributed to all Commission employees, racetracks, breed registries, and the horsemen's organization. It was also posted at each racetrack for viewing by the licensees and the public.

The Working Group on Future Funding was established to review the agency's funding issues. Commissioners Sonny Sowell and Gloria Hicks are now leading this group. With the combined impact of a declining pari-mutuel industry, the national economic downturn, and the effects of the 2008 hurricanes, the agency is faced with significantly reduced revenue. This group is working closely with staff to develop proposals that include some immediate steps to reduce costs and alternatives for raising revenue. In conjunction with the Sunset's recommendation to eliminate the uncashed winning tickets as a significant source of revenue for the agency, this working group is continuing to explore options for improving the agency's method of finance that may be considered in the 81st Legislative session.

At the December 2, 2008, Commission meeting, two new committees were established. Serving on the Committee on Racetrack Licensing are Commissioners

Tom Clowe and Robert Schmidt. The charge for this committee is to review all facets of racetrack licensing, including the processes by which new licenses are granted and the factors the Commission considers when reviewing requests

New committees hold hearings to seek public input on rules and policies.

to change the ownership or location of a racetrack. The committee may hold public hearings to obtain public input on racetrack licensing proceedings and will report that input to the Commission. The committee may also bring recommendations

to the full Commission for any changes to the rules or policies regarding racetrack licenses.

Vice Chair Dr. Carter and Commissioner Jimmy Archer are serving on the second new committee, the Committee on Rules. The charge for this committee is to review and propose rules of the Commission relating to all aspects of racing except those relating to racetrack licenses. The committee may establish working groups of experts, members of the public, or other interested parties to advise the committee about a proposed rule of the Commission. The committee will bring their recommendations to the full Commission for any changes to the rules.

Commission meetings are open to the public and, in addition to the required postings in the Texas Register, the agendas and agenda materials are posted on the agency's website prior to the meeting. Transcripts of each meeting are available on the Texas Racing Commission website, which is located at www.txrc.state.tx.us.

ASSOCIATION OF RACING COMMISSIONERS INTERNATIONAL

The Commission continues its membership in this international professional association which facilitates regulatory agencies to work together to develop a stronger, more unified approach to racing regulation. In addition to active participation in national discussions, membership allows the agency to check the status of licensees across the nation for problems, search rulings in other jurisdictions, and take advantage of RCI's substantial expertise in a wide variety of racing-related subjects, including wagering security.

The Commission's Executive Director continues to serve on RCI's Board of Directors. RCI leadership accepted Texas' invitation to come to Austin for its 2008 annual conference. The meeting, held from March 24-28, provided the Commissioners and staff an excellent opportunity to participate fully in a national program that featured topics on wagering integrity, racing medication issues, horse and greyhound research forums, racing news, racing from a player's perspective, and the need for uniform regulation on a majority of these topics.

The conference, one of the most well-attended in recent years, included addresses by the Chair of the Commission, Jesse Adams, and Comptroller and Racing Commissioner Susan Combs who delivered the keynote address at the opening session

In addition to the benefit gained by the variety of issues addressed at the annual conference, agency staff leveraged the regional breakout sessions into an ongoing opportunity to meet with neighboring and regional states. Since March of 2008, staff have facilitated monthly teleconferences with the executive directors of neighboring and regional state racing commissions to discuss timely regulatory issues and develop consistent approaches for effective regulation across state lines.

**Monthly phone
conferences enhance
regional cooperation.**

SUNSET REVIEW, RECOMMENDATIONS, AND DECISIONS

Beginning in the summer of 2007, the Racing Commission underwent a productive year-long Sunset review process resulting in recommendations to the 81st Legislature from the Sunset Commission. The review began with the development of the agency's Self-Evaluation Report, a comprehensive overview of the agency that identifies problems, opportunities, and issues submitted by the agency for consideration in the Sunset review.

The Sunset staff worked extensively with agency staff, as well as industry stakeholders, to evaluate the agency and develop its recommendations. In addition to working with Commission management and attending Commission meetings, the Sunset staff made visits to Corpus Christi Greyhound Race Track, Lone Star Park, Manor Downs, and Retama Park. In-depth interviews with racetrack management and Commission field staff helped the Sunset staff understand the uniqueness of the Texas Racing Commission in comparison to other state agencies.

In its Summary Report to the Sunset Commission, published in March 2008, Sunset staff concluded that *"...while the Commission is well-managed and effectively meets its mission, the Commission's statute has not kept pace with changes in the racing industry, specifically the decline in wagering and overall racing industry profits."* According to the Sunset report, the recommendations made should provide clearer statutory authority and give the Racing Commission added flexibility to oversee today's racing industry. Sunset staff recommended seven statutory changes and four management actions to update and improve the Texas Racing Act.

**Sunset recommendations
will give agency
added flexibility.**

Sunset staff also recommended that the Racing Commission continue as an independent agency for six years, instead of the usual 12, in order to provide the legislature with an earlier opportunity to re-evaluate the agency's role in regulating a declining industry.

The Sunset staff also evaluated whether other agencies could better regulate the pari-mutuel racing industry, considering both the Department of Public Safety and the Texas Lottery Commission. However, it concluded that neither agency had the infrastructure or expertise needed to regulate the racing industry.

The Sunset Commission held a public hearing on the staff recommendations on the Texas Racing Commission on April 19, 2008, and the Sunset Commission voted on its final recommendations to the 81st Legislature on July 15, 2008. The passage of these recommendations will improve the agency's regulatory authority by establishing a renewal process for racetrack licenses, clarifying the agency's authority to revoke a license, and clarifying that unlicensed entities are prohibited from accepting wagers from Texas residents.

The Sunset Commission also considered the need for the Equine Research Account Advisory Committee. This Committee, created in 1991, recommends funding for equine research projects using a portion of wagers placed on Texas horse races. The recommendation to the 81st Legislature is to abolish the Committee and continue to allow the Texas AgriLife Research's Director to directly award these equine research grants.

More information regarding the Sunset process and to read the reports on the Racing Commission and the Equine Research Advisory Committee, go to the Sunset Commission's website at www.sunset.state.tx.us.

SAFETY AND MEDICATION WORKING GROUP

The Commission and the industry continued their work in 2008. Subjects covered at the Working Group's September 2008 meeting included anabolic steroid testing, use of toe grabs for thoroughbreds, and uniform classification guidelines for foreign substances.

Anabolic steroid testing to begin on January 1, 2009.

The Commission adopted the Working Group's recommendations to begin anabolic steroid testing starting on January 1, 2009, and for the racetrack associations to use *House Rules* to limit toe grabs on Thoroughbred and Arabian horses to

two millimeters and on Quarter Horse, Paint Horse and Appaloosa horses to four millimeters.

In early 2009, the Commission will consider whether to adopt the RCI Model Rules on anabolic steroid testing and the prohibition on toe grabs.

SIGNIFICANT REVISIONS TO REGULATORY PROCEDURES FOR LICENSEES

REVISIONS TO FINGERPRINT AND CRIMINAL BACKGROUND CHECK PROCESS

Significant revisions were made to the fingerprint process for licensees on December 1, 2008, when a new electronic fingerprint system was implemented. The system, designed to reduce the turnaround time for retrieving criminal history background information from the Department of Public Safety (DPS) and the Federal Bureau of Investigations (FBI), also enhances the processing of 'inked' fingerprint cards. Commissioner Beth Anderson, representing DPS, was instrumental in facilitating the accelerated implementation plan.

Each occupational applicant, including those 10 years of age or older, is now required to submit fingerprint cards. In addition, the Commission is updating a licensee's background information more often, as license holders are fingerprinted every three years, instead of every five years. Additionally, each time a background check is required, the applicant pays a \$12 fingerprint processing fee.

The new system is reducing the turnaround time for retrieving criminal history background information from DPS and the FBI and enabling the Commission to more quickly identify those who are not eligible for licensure due to a disqualifying criminal violation.

REVISIONS TO HORSE TRAINER EXAMINATION PROCESS

Applicants for an initial horse trainer's license with the Commission are required to pass both a written and a practical exam. In 2008, staff conducted a thorough review of the testing process, including an assessment of other states' processes. Staff worked in a cooperative effort with the Texas Horsemen's Partnership to review and revise the process. As a result of the review, the Commission significantly revised both the existing written and practical tests.

In conjunction with the new tests, the Commission published a comprehensive study guide to assist prospective trainers in preparing for the examinations. The goal of the more stringent testing, which took effect in July, is to protect the health and safety of racing animals and racing participants, as well as the integrity of the sport, by ensuring that an individual licensed as a trainer in Texas knows both the industry's best practices and the state's regulatory requirements.

**New study guide now
available for
prospective trainers.**

The revised practical exam consists of a three-part "hands-on" test, administered by a three-member panel composed of a Commission Steward, a Commission Veterinarian, and a representative from the Texas Horsemen's Partnership.

IMPACT OF HURRICANES DOLLY AND IKE

The 2008 hurricane season had an extraordinary impact on several business sectors in Texas including both horse and greyhound racing. The combined effects of Hurricane Dolly, a Category 2 hurricane that hit the Texas coast on July 23, 2008, and Hurricane Ike, also a Category 2 hurricane that made landfall on September 13, 2008, caused damage to three Texas racetracks. All three tracks, Valley Race Park, Gulf Greyhound Park, and Sam Houston Race Park were forced to close due to the storms. In addition to the cost of damages to track infrastructure, there were also corresponding losses in wagering and other revenue due to the cancellation of both live and simulcast racing at these tracks

**Hurricanes cause physical
and economic damages
to the racing industry.**

SAM HOUSTON RACE PARK

Sam Houston Race Park (SHRP) in Houston experienced the most significant damage, including extensive roof and water damage in the grandstand area. There was also major damage to the infield, the tote board, and several areas on the backside including barns and dorms. Due to the damage, SHRP had to cancel the last two dates of live racing of their 2008 Quarter Horse meet as well as suspend simulcast operations for over a week.

**SHRP will re-open
for live QH racing on
May 1, 2009.**

According to SHRP officials at the end of 2008, repairs were underway with a target completion date of April 1, 2009. The track is scheduled to re-open for live racing events on May 1, 2009, hosting their 16th American Quarter Horse meet.

GULF GREYHOUND PARK

Gulf Greyhound Park (GGP), located just 15 miles from Galveston, also experienced extensive damage as Hurricane Ike moved inland. The track was hit hard by Hurricane Ike, with substantial damage to the roof, tote board paddock, and fencing. Because GGP was built to withstand a Category 4 hurricane, there were no injuries to personnel or greyhounds. Gulf also opened the kennel area to almost 100 greyhounds from nearby greyhound farms that were in harms way.

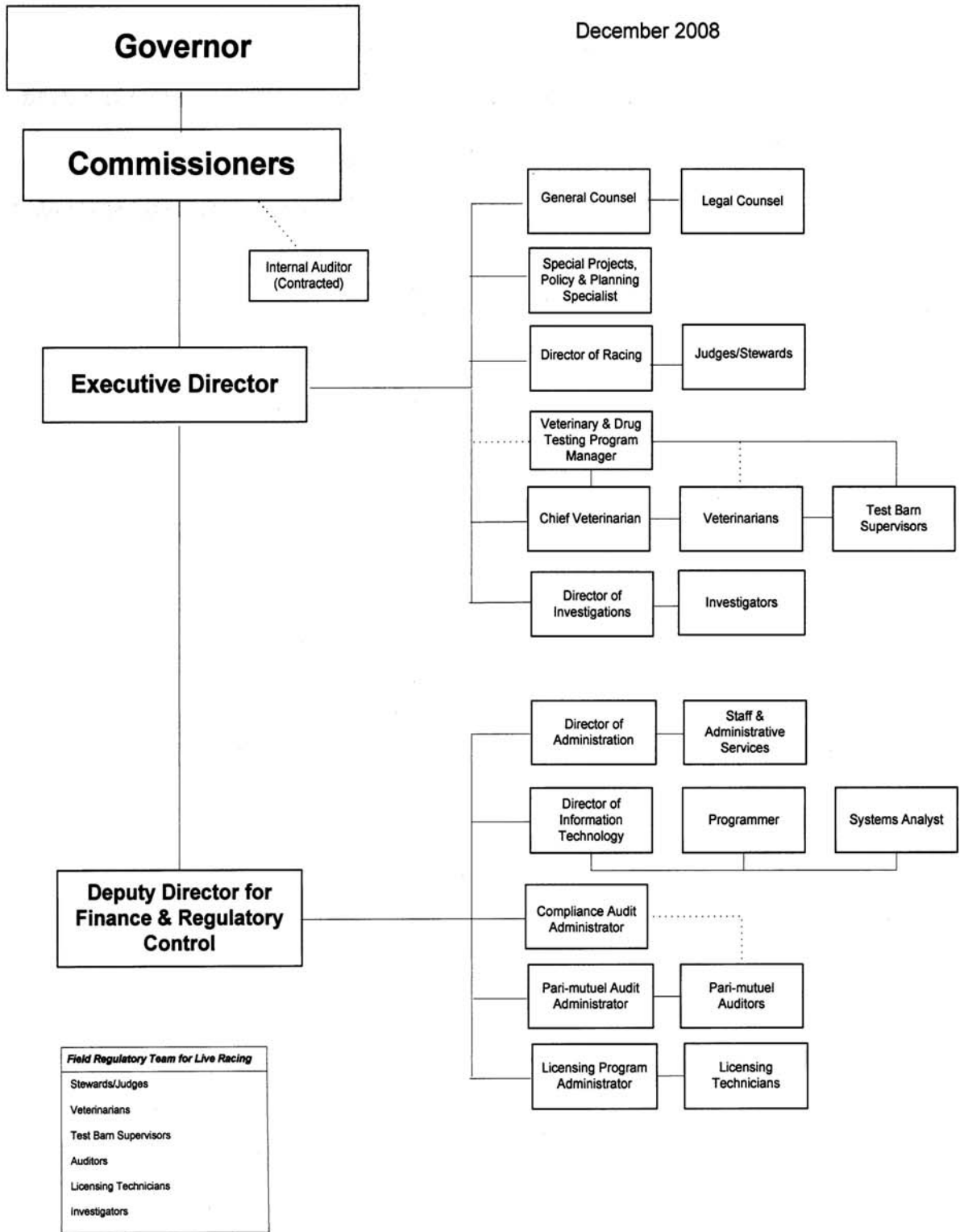
GGP was able to open for simulcasting about two weeks after the hurricane and resumed live racing one week later.

VALLEY RACE PARK

Valley Race Park, in Harlingen, was the only Texas track affected by Hurricane Dolly. The track was closed for two days after sustaining some flooding and wind damage.

Texas Racing Commission

December 2008



COMMISSION STAFF – ORGANIZATION

EXECUTIVE

EXECUTIVE DIRECTOR

As head of the agency, the Executive Director supervises the agency's activities as a whole.

The Executive Director is responsible for establishing operating policies and procedures for the agency and ensuring that the agency's regulatory responsibilities are carried out. The Executive Director represents the agency before the Legislature and other governmental agencies.

With the assistance of the General Counsel and support staff, the Executive Director coordinates the evaluation of racetrack license applications, issues recommended race date allocations, and assesses administrative penalties against racetrack licensees.

The executive division is also responsible for other administrative functions of the Commission, including responding to all public information requests.

GENERAL COUNSEL

The General Counsel advises the Commissioners and staff on all legal issues affecting the agency. Coordinating all aspects of Commission meetings and rulemaking proceedings, the General Counsel also represents the agency before the State Office of Administrative Hearings when prosecuting appeals from decisions made by the Board of Stewards/Judges and disciplinary cases initiated by the Executive Director.

INVESTIGATIONS

The Director of Investigations reports directly to the Executive Director and oversees the investigators and their activities. The investigators, who are all licensed peace officers, coordinate the

enforcement of the Commission's Rules and the Texas Racing Act.

Investigations are conducted on animal drug positives, criminal histories returned on license applicants, illegal wagering, use and possession of contraband, drug abuse and narcotics trafficking, and other illicit activities that could affect the integrity of pari-mutuel racing.

Drug testing of licensees suspected of using illegal drugs while performing their duties has become an important aspect of regulating the industry. If a licensee tests positive for an illegal controlled substance or alcohol, the licensee faces a suspension and is required to seek professional help.

RACING

The Director of Racing supervises personnel directly responsible for regulating the conduct of live racing. The division includes Stewards at horse tracks and Judges at greyhound tracks. The Judges and Stewards monitor the conduct of live races and enforce the Racing Act and the Commission's Rules of Racing.

The Stewards and Judges have broad authority to resolve matters arising during a race meeting. They may issue fines up to \$5,000 and/or suspend licensees for up to one year.

VETERINARY DIVISION

The Chief Veterinarian oversees this division, supervising the veterinarians and test barn supervisors working at the racetracks. The Veterinary & Drug Testing Program Manager assists in overseeing all aspects of the drug testing program.

This division is responsible for inspecting all race animals before they race to ensure they are sound to compete, inspecting the stable and kennel areas for animal health and safety issues, and implementing the

Commission's race animal drug testing program.

The Chief Veterinarian also serves as a liaison between the Commission and veterinary-related organizations and agencies, such as the Animal Health Commission, the American Association of Equine Practitioners, and the Texas Veterinary Medical Association.

FINANCE AND REGULATORY CONTROL

DEPUTY DIRECTOR

The Deputy Director assists the Executive Director and oversees this division, which is responsible for all of the Commission's regulatory functions that are not restricted to live racing and the agency's support functions.

PARI-MUTUEL AND AUDITING

The pari-mutuel and auditing department regulates all activities related to wagering and is headed by a Pari-Mutuel Audit Administrator and a Compliance Audit Administrator. The department protects the interest of the wagering public and assures the proper collection and distribution of funds in accordance with the Racing Act. To achieve this, tests of the pari-mutuel totalisator systems are routinely performed to assure compliance with the Rules of Racing.

On-site pari-mutuel auditors perform daily audits and verifications of handle, earned purse, paid purse, outs and voucher balances, depository reports, and requests for simulcast approval. The audit staff also performs routine procedural audits, conducts random inspections of pari-mutuel wagering facilities, and responds to public complaints relating to wagering.

OCCUPATIONAL LICENSING

The licensing department, headed by a Licensing Administrator, is responsible for issuing occupational licenses and registrations to all persons involved in pari-mutuel greyhound and horseracing. This

department works closely with the Investigators and the Stewards/Judges.

Licensing staff at each racetrack help maintain the integrity of the industry by ensuring that all participants are licensed and in good standing.

Generally, any person who works on the grounds of a pari-mutuel racetrack or who seeks to make a living through pari-mutuel racing in Texas must be licensed by the Commission.

To ensure all participants in racing are properly licensed, the Commission has over fifty licensing categories, including stable and kennel area occupations, such as jockeys, owners, kennel owners, trainers, and grooms, as well as all employees of the racetrack, such as management personnel, food service workers, and mutuel tellers.

FINANCE AND ACCOUNTING

This department is headed by the agency's Chief Financial Officer and is responsible for the budget, accounting, purchasing, personnel, travel coordination, and other administrative functions of the Commission. The department also assists in preparing the biennial Legislative Appropriation Request, the operating budget, the annual financial report, and reports on performance measures.

INFORMATION TECHNOLOGY

This department procures and supports all hardware and software necessary for the day-to-day activities of the Commission. The IT department is also responsible for developing and maintaining the agency's network, database, and web site.

The Commission's custom programs and database operate twenty-four hours a day, seven days a week, providing staff, licensees, the Department of Public Safety, the Texas A&M Drug Testing Laboratory, and the general public with up-to-date information regarding all aspects of the Commission's regulatory programs.

AGENCY HIGHLIGHTS

ADMINISTRATIVE

During FY 2008, the agency met or exceeded four of its five performance outcome measure targets: increase the percentage of compliance audits passed; reduce the rate of rulings by maintaining a high percentage of investigations resulting in disciplinary action and by having a high percentage of licensees with no recent violations; and issuing a new occupational license within a specified time. The only outcome measure not met was the percentage of race animals injured or dismissed from racing. The Commission has emphasized to both horse and greyhound trainers the importance of reporting all racing related injuries, including those that occur during training. Several factors affect the number of animal injuries including the condition and quality of the racing surface, the overall quality of racing stock, and the frequency that a race animal competes.

The Executive Division coordinated seven regular Commission meetings. The General Counsel coordinated and completed rule reviews for Chapters 309 and 311 as required by Government Code § 2001.039 and initiated the review of Chapters 307, 313, and 315. During the year, the Commission considered and adopted amendments to fifty-four rules.

The Commission approved the internal audit plan for FY 2009 as submitted by the agency's internal auditor, Monday Rufus, P.C. The audit will focus on the agency's personnel processes and includes follow-up reviews of two prior internal audit recommendations regarding racing administration, originally issued in August of 2006 and the Texas Bred Incentive Program audit, issued in May of 2007.

TECHNOLOGY

In 2008, the Information Technology (IT) department responded to approximately 150 service requests and 400 database change requests, ranging from providing new reports to assisting with the implementation of the electronic fingerprint systems, and automating several licensing functions.

A major IT project was completed in October when the agency's new public website was moved into live production. In addition to a fresh, modern look, overall navigation was improved and a search engine was added. Along with the extensive information that has been available on the website, including the agenda meeting materials and transcripts of the Commission meetings, licensee rulings are now routinely posted in both alphabetical order and in order by track.

**Improvements and
enhancements made
to public website.**

During 2008, the department began a long-term project to standardize office automation software and access to agency resources.

REGULATORY

In 2008, pari-mutuel auditors reviewed wagering data on 7,368 live races and 659,409 simulcast races to ensure proper collection and distribution of funds. A total of 1,886

import and export simulcast requests were reviewed for compliance with the Texas Racing Act, the Texas Rules of Racing, and the Federal Interstate Horse Racing Act.

TXRC continues to work extensively with totalisator (tote) system companies, the third party vendors that provide pari-mutuel wagering computer services to racing associations operating in the state of Texas.

In 2008, the agency contracted with Gaming Laboratories International, an accredited testing laboratory for reviewing, testing, and evaluating the validity of pari-mutuel wagers and pay-offs to ensure accurate information goes to the bettor, the racing associations, the Comptroller of Public Accounts, and the Texas Racing Commission. The contract was initiated in July 2008 and is expected to be completed in March 2009.

The Commission completed its fourth full year of participation in the TexasOnline program, a web-based program that provides the public the convenience of applying for a myriad of state services online. During 2008, over 17.5% of all individual and business renewals were processed through the online program. This represents a 2% increase over the 2007 usage. New license applications via the TexasOnline program accounted for 6.53% of all new applications received.

In 2008, a total of 10,632 occupational licenses and 96 business licenses were issued, down almost 8% from 2007. Factors contributing to the decline was the closing of Corpus Christi Greyhound Race Track and the loss of race dates at Sam Houston Race Park due to Hurricane Ike.

Of the occupational licenses issued, new licenses accounted for 4,184 while renewals accounted for 6,448. The 96 business licenses consisted of 23 kennel licenses and 73 vendor licenses. There were 959 trainer type licenses, 180 jockey licenses, and 13 apprentice jockey licenses issued during the year. The largest number of licenses issued was for track employees, which totaled 3,246 licenses. Individual owner licenses followed with a total of 2,897 being issued. The remaining 2,535 licenses were issued among the other license categories, including exercise riders, kennel helpers, and veterinarians.

Stewards and Judges issued a total of 504 disciplinary rulings, with 343 resulting in fines, 170 resulting in suspensions, and 1 resulting in revocation. There were a total of 23 applications for licensure that were denied due to ineligibility. Three appeals were filed during 2008. One of the appeals was withdrawn before going to a hearing at the State Office of Administrative Hearings. Settlements were reached in the remaining two appealed cases.

Seven disciplinary reports were issued by the Executive Director during 2008 for violations of the Commission's rules regulating simulcasting. The penalties totaled \$6,630.

INVESTIGATIONS

During calendar year 2008, the Investigations Division worked 272 cases as compared to 297 cases in 2007. Case referrals to the Board of Stewards/Judges for animal drug positives continued to decline, with 9% fewer positives than reported in 2007. This signifies continued and significant progress toward the goal of voluntary compliance through proactive enforcement.

The Investigations Division is transitioning to an intelligence-led policy model. Through the utilization of strategic information, a more specific tactical allocation of resources is

being applied. For example, having a more visible DPS and local law enforcement presence at the beginning of a live race meet may deter some objectionable behavior, such as human alcohol and drug substance abuse.

The Division continues to build and foster its relationships with the DPS and local law enforcement agencies. The critical assistance from these entities helps ensure the safety of the public, participants, and animals involved in racing.

Both scheduled and random inspections increased during 2008. This proactive approach has helped reduce the number of animal and human drug positives. The division has also increased inspections at the licensed training facilities, ensuring that the official works are conducted within the guidelines of the Texas Rules of Racing.

During 2008, # of inspections up; animal and human drug positives down.

ANIMAL EXAMINATIONS / DRUG TESTING

Commission veterinarians are required to examine each animal that is entered in a pari-mutuel race to determine their health and soundness for racing. During 2008, Commission veterinarians performed 40,881 greyhound and 24,270 equine pre-race examinations. For the greyhounds this is a decrease of 36,203 examinations from 2007. This decline was due to the closing of Corpus Christi Greyhound Race Track and the impact of Hurricane Ike on Gulf Greyhound Park's racing schedule.

Commission veterinarians also supervised the collection of 7,712 greyhound urine specimens, 5,714 equine urine specimens, and 6,008 equine blood specimens. These specimens were submitted to the Texas Veterinary Medical Diagnostic Laboratory, the Commission's authorized drug testing laboratory. The laboratory tested the specimens for substances that could alter the outcome of a race or would interfere with the detection of illegal drugs.

Pursuant to the authority granted by Commission rule, the Executive Director has promulgated a classification system for prohibited drugs, chemicals, and other substances as a means of assessing penalties.

The classification system for greyhounds separates drugs into six classes based on their effect on the greyhounds, with Class 1 being the most potent scheduled stimulants and depressants that have no generally accepted use in the greyhound. Of the 21 prohibited substances detected in greyhounds during 2008, five were Class 3 substances, seven were Class 4 substances, and nine were Class 6 substances.

The classification system for equines consists of five classes, with Class 1 substances having the highest potential to affect performance and having no generally accepted medical use in racehorses. Of the 19 prohibited substances detected in racehorses during 2008, six were Class 2 substances, six were Class 4 substances, and seven were Class 5 substances.

The Commission continued its Total Carbon Dioxide (TCO₂) testing program. The purpose of bicarbonate administration, known as "milk-shaking," is to decrease lactic acid buildup in muscle tissue during exercise to allow the horse to perform better. Testing is accomplished by evaluating total carbon dioxide in serum using pre-race blood specimens. The Commission collected 1,860 blood samples for TCO₂ testing in 2008 and none exceeded the maximum allowable concentration.

RESULTS OF DRUG TESTING 2008 COMPARED TO 2007

| GREYHOUND | | 2007 | 2008 | HORSE | | 2007 | 2008 |
|------------------------------|-------|--------|--------|------------------------------|--|--------|--------|
| No. of Starters | | 77,014 | 40,811 | No. of Starters | | 26,652 | 24,270 |
| No. of Samples | | 15,428 | 7,712 | No. of Samples | | 6,346 | 6,016 |
| Drug (Classification) | | | | Drug (Classification) | | | |
| Caffeine (4) | | 1 | 6 | Camphor (4) | | 1 | 0 |
| Diazepam (2) | | 1 | 0 | Clenbuterol (4) | | 3 | 2 |
| Gammahydroxyphenylbutazone | | 1 | 0 | Flunixin (4) | | 4 | 1 |
| Polyethyleneglycol (6) | | 1 | 0 | Hydroxylidocaine (2) | | 1 | 3 |
| Procaine (6) | | 15 | 3 | Lidocaine (2) | | 1 | 2 |
| Sulfadimethoxine (5) | | 1 | 0 | Mepivacaine (2) | | 0 | 1 |
| Sulfamethazine (6) | | 0 | 6 | Methylprednisolone (4) | | 0 | 3 |
| Theobromine (4) | | 0 | 1 | Phenylbutazone (n/a) | | 21 | 23 |
| Theophylline (3) | | 1 | 5 | Phenylpropanolamine (3) | | 1 | 0 |
| | TOTAL | 21 | 21 | Polyethyleneglycol (5) | | 2 | 0 |
| | | | | Procaine (3) | | 2 | 0 |
| | | | | Sulfadiazine (5) | | 0 | 5 |
| | | | | Trimethoprim (5) | | 0 | 2 |
| | | | | 2-(1-hydroxyethyl)- | | 3 | 0 |
| | | | | TOTAL | | 39 | 42 |

GREYHOUND DRUG CLASSIFICATION SCHEDULE

-Class 1 substances have the highest pharmacologic potential to affect performance and have no generally accepted medical use in racing greyhounds.

-Class 2 substances are prominent central nervous system stimulants in the lesser DEA schedules.

-Class 3 substances include non-scheduled drugs that have no generally accepted therapeutic use in racing greyhounds, drugs that could alter performance in a normal, healthy greyhound, drugs that have a high potential for abuse as local anesthetics and potent diuretics with potential for diluting urine.

-Class 4 substances are non-scheduled drugs with cardiac or respiratory effects, mild sedatives and steroidal anti-inflammatory drugs with short withdrawal times indicating race day administration.

-Class 5 substances are therapeutic medications routinely used to restore the healing of an ailing greyhound.

-Class 6 substances are local anesthetics likely to produce urinary levels due to factors other than use as a nerve-blocking agent and substances likely to interfere with testing procedures.

HORSE DRUG CLASSIFICATION SCHEDULE

-Class 1 substances are stimulants and depressants that have the highest potential to affect performance and have no generally accepted medical use in racehorses.

-Class 2 substances have a high potential for affecting the outcome of a race and are not generally accepted as therapeutic agents in racehorses or they have therapeutic agents that have a high potential for abuse.

-Class 3 substances may or may not have a generally accepted therapeutic use in racehorses and have less potential for affecting the performance of a racehorse than Class 2 substances.

-Class 4 substances are therapeutic medications with a limited ability to influence performance that are routinely used in racehorses.

-Class 5 substances are therapeutic medications for which concentration limits have been established.

INSPECTION PROGRAM

Due to the complexity of racing operations, all divisions share the inspection responsibility to ensure compliance with the Racing Act and the Rules of Racing. Regular inspections ensure compliance before the beginning of each live race meet, as racetracks make renovations, and as personnel changes. Through this inspection program, areas of non-compliance are identified and staff follows up to ensure appropriate remedial action has occurred.

INSPECTIONS BY AREA

The Commission's inspection program is separated into six inspection areas:

- Safety and Security consists of reporting complaints, first aid, facility lighting, fencing, security, fire prevention, and hay and feed storage.
- Administrative Operations consists of patron facilities and amenities, public notices, automatic banking machines, bookkeeping and accounting system, and association ownership.
- Live Racing Operations consists of barn and kennel area operations and maintenance, videotape equipment, track surface, watering equipment, starting boxes and gates, rails, and distance markers.
- Animal Health and Safety/Drug Testing Operations consists of drug testing facilities and equipment, maintenance and safety on the backside, and equine ambulance and treatment areas.
- Pari-mutuel Wagering Operations consists of mutuel department operations, totalisator system operations, and patron wagering devices.
- Training Tracks consists of licensing, facility equipment, and reporting requirements.

2008 Inspections by Area

| Type of Inspection | Number of Inspections |
|--|-----------------------|
| Safety and Security | 24 |
| Administrative Operations | 16 |
| Live Racing Operations | 24 |
| Animal Health and Safety/Drug Testing Operations | 31 |
| Pari-mutuel Wagering Operations | 27 |
| Training Tracks | 4 |
| TOTAL | 126 |

Inspections by Track

Of the 126 inspections, 52 were scheduled, 48 were random, and 26 were follow-up inspections. Fifty-eight, or 58%, of the scheduled and random inspections indicated 100% compliance, with no remedial action required subsequent to initial inspection.

Horse tracks are inspected prior to the opening of their live racing season and unannounced inspections are conducted during the live racing meet.

Greyhound tracks are inspected twice each year with periodic unannounced inspections occurring throughout the year.

During 2008, the Commission initiated a Training Facility inspection program. Training facilities may provide official workouts for horses if licensed by the Commission.

All four licensed training facilities, Diamond D Ranch, El Primero Training Center, Oakleaf Training Center, and Valhalla Farms were inspected during the year.

2008 Inspections by Track

| Track Name | Number of Inspections |
|-------------------------------------|-----------------------|
| Corpus Christi Greyhound Race Track | 6 |
| Gillespie County Fair and Festivals | 11 |
| Gulf Greyhound Park | 23 |
| Lone Star Park at Grand Prairie | 22 |
| Manor Downs | 14 |
| Retama Park | 21 |
| Sam Houston Race Park | 14 |
| Valley Race Park | 11 |
| Diamond D Ranch | 1 |
| El Primero Training Center | 1 |
| Oakleaf Training Center | 1 |
| Valhalla Farms | 1 |
| TOTAL | 126 |

TEXAS-BRED INCENTIVE PROGRAM

The Texas Racing Act provides purse supplements and monetary awards to breeders and owners of Texas-bred horses and greyhounds to encourage the horse and greyhound breeding industries.

GREYHOUND PROGRAM

Funding for the Texas-bred Greyhound Incentive Program is derived from:

- 50% of the total breakage from live, simulcast same-species, and simulcast cross-species handle; and
- 1% of multiple two and multiple three wagers from simulcast same-species and simulcast cross-species handle.

The 50% of breakage and the 1% of multiple two and three wagers is paid to the Texas Greyhound Association (TGA). That money is dedicated 50% to stakes races and 50% to the owners of all Texas-bred greyhounds racing at Texas tracks. Once a month these funds are distributed by dividing the monthly total available for awards by the number of winning Texas-bred greyhounds for that month.

Two percent of the total money from breakage received by the TGA must be set aside for grants for rehabilitating or locating homes for greyhounds.

The procedures and criteria for applying for a grant were finalized by the TGA and approved by the Commission in 1999. During 2008, \$1,600 was distributed to five qualified Texas non-profit rehabilitation and adoption groups from this source of funding, with grants varying from \$144 to \$544.

Purse money earned from inter-state simulcast wagering on greyhound races

at a horse track is also paid to the TGA for use at Texas greyhound racetracks.

This source of purse money resulted in \$1,203,267 going to purses at Gulf Greyhound Park and \$380,407 going to purses at Valley Race Park during 2008. This represents an overall increase of 8.36% over 2007.

HORSE PROGRAM

The Texas Racing Act authorizes an incentive award for each owner, breeder, and stallion owner of an accredited Texas-bred horse that finishes first, second, or third in any race other than a Texas-bred stakes race. The awards are funded from:

- breakage from all pari-mutuel pools; and
- 1% of all multiple two and multiple three wagers from live, simulcast same-species, and simulcast cross-species handle.

A Texas-bred stakes race supplement is funded from 9.8% of the breakage from all pari-mutuel pools. This money is retained by the racetracks for distribution through the horsemen's bookkeeper. Horses finishing in an accredited Texas-bred stakes race receive an incentive award as a purse supplement according to the payout conditions of the race.

The remaining money is distributed on a 40%/40%/20% split, respectively, among the owners, breeders, and stallion owners of the accredited Texas-bred horse.

The Texas Racing Act names the official breed registries that are responsible for determining the qualifications for Texas-bred accreditation, maintaining the eligibility

lists, and distributing the monetary awards: the Texas Thoroughbred Association, the Texas Quarter Horse Association, the Texas Appaloosa Horse Club, the Texas Arabian Breeders Association, and the Texas Paint Horse Breeders Association.

In November 1998, the Texas Appaloosa Horse Club requested to be

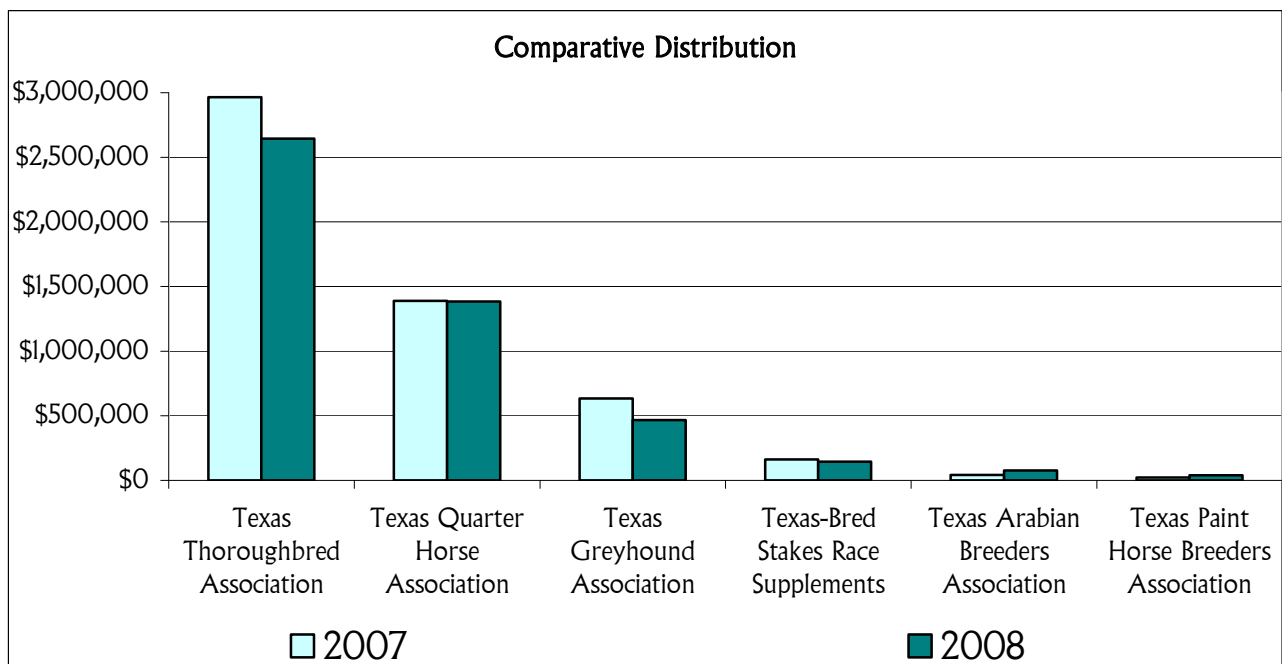
withdrawn from the program due to lack of participation. The Commission forwarded the request to the Legislature for their consideration but no action has ever been taken. No funds were distributed to the Texas Appaloosa Horse Club during 2008.

(See Appendix, page xv for a directory of all official Texas breed registries.)

Texas-Bred Incentive Program

Comparative Distributions
Year 2008 vs. Year 2007

| | 2007 | 2008 | % Change |
|--|--------------------|--------------------|---------------|
| Texas Thoroughbred Association | \$2,964,612 | \$2,643,629 | -10.83% |
| Texas Quarter Horse Association | \$1,388,118 | \$1,385,159 | -0.21% |
| Texas Greyhound Association | \$634,675 | \$467,489 | -26.34% |
| Texas-Bred Stakes Race Supplements | \$162,687 | \$146,762 | -9.79% |
| Texas Arabian Breeders Association | \$41,444 | \$76,762 | 85.22% |
| Texas Paint Horse Breeders Association | \$22,613 | \$38,757 | 71.39% |
| Texas Appaloosa Horse Club | \$0 | \$0 | 0.00% |
| TOTAL | \$5,214,149 | \$4,758,559 | -8.74% |



EQUINE RESEARCH PROGRAM

The Texas Racing Act mandates that a portion of wagers made at horse tracks fund equine research for racehorses. The Texas Equine Research Account Advisory Committee (TERAAC) serves as an adjunct to the Texas AgriLife Research to review research proposals and recommend grant awards. The Committee meets at least twice a year at Texas A&M University in College Station.

Research projects that address the needs and priorities of the Texas horse racing industry in the fields of Agricultural Economics, Animal Science, and Large Animal Medicine are submitted to the Committee for grant consideration.

The Texas Legislature did not appropriate any funds to the Equine Research Account during fiscal year 2008. However, Texas AgriLife Research dedicated \$151,500 during 2008 for the funding of seven equine research proposals.

- Effect of Forage Type and Nutritional Strategies to Reduce the Severity of Gastric Ulcer Syndrome in Exercising Horses (\$25,000)
- Genetic Analysis of Laminitis and Heaves in the Horse (\$28,000)
- Studying Genetic Factors Associated with Race Track Injuries (\$12,500)
- Relationship of Semen Laboratory Measures and Fertility of Stallions Subjected to Artificial Insemination (\$32,000)
- Influence of Confinement Housing on the Cecal Environment of the Horse (\$30,000)
- Efficacy of Boldenone in Improving Recovery from Racing in Thoroughbred Horses (\$4,000)
- Elimination of Boldenone, Stanozolol, and Exogenous Testosterone from the Urine and Serum of Horses in Training (\$20,000)

An Equine Research Forum was held during the Annual Conference of Racing Commissioners International in Austin, which was hosted by the Texas Racing Commission in March 2008. Dr. David Forrest, TERAAC Chair, presented an overview of the scope and mission of the Committee. During the conference, Dr. Bhanu Chowdhary presented results of research funded by the Equine Research Account entitled "Genetics: What Has This To Do With Horses and the Race Tracks?" In addition, Dr. Noah Cohen presented results of research funded by the Equine Research Account entitled "Feeding Alfalfa Hay Reduces Gastric Ulceration In Young Exercising Horses." Results of Equine Research Account funded projects were also presented during the Texas A&M Symposium and Sale held in May in College Station.

INDUSTRY HIGHLIGHTS

To present a more complete picture of the Texas racing industry, the Commission includes the following information, submitted by Texas racing industry organizations.

TEXAS ARABIAN BREEDERS ASSOCIATION

The Annual Texas Arabian Breeders Association Race Horse Auction was held at Retama Park and it attracted several new Texas buyers. Average prices for the auction held constant with those in 2007.

The Lone Star Futurities, normally run at Sam Houston Race Park, were run at Retama Park in 2008 and were both Grade III for the first time.

The second leg of the Arabian Triple Crown was run at Sam Houston Race Park on March 29. The Yellow Rose Stakes for 4 year-old fillies was won by DC Willful Spirit, an accredited Texas-bred, bred and owned by Dan and Claudia Spears of Willis, Texas. The Texas Six Shooter for 4 year-old colts and geldings was won by Remarkable Man, an accredited Texas-bred who was bred by Mandolyn Hill Farms in Aubrey, Texas and owned by Kathy Smoke of Michigan. Remarkable Man also went on to win the last leg of the Triple Crown run at Delaware Park.

TEXAS GREYHOUND ASSOCIATION

The Texas Greyhound Association is the officially designated greyhound breed registry for accredited Texas-bred greyhounds. In 2008, Texas greyhound owners and breeders registered a total of 2,081 greyhound puppies as Texas-bred. Although the number of puppies decreased, it does show a continued commitment to greyhound racing in Texas.

To encourage and promote Texas breeding, over \$426,000 was disbursed in Owner Awards through the Texas Bred Incentive Program during 2008. The TGA also paid out \$38,500 for Texas Bred Stakes races at Gulf Greyhound Park and Valley Race Park.

TEXAS QUARTER HORSE ASSOCIATION

Accredited Texas-bred Quarter Horses, as well as the people that own and breed them, are annually at the pinnacle of racing's top achievements and 2008 was no exception.

Jerry Windham of College Station, Texas, bred Stolis Winner, the winner of Quarter Horse racing's most prestigious race, the \$2 million All American Futurity in Ruidoso

Downs, New Mexico. Stolis Winner, a two-year-old gelding bred and raised in College Station, won the All American in convincing style and by doing so placed himself at the top of the heap for World Champion honors.

Accredited Texas-bred Unbridled Jet defeated horses from every region in the U.S. when he won the AQHA Ford Juvenile Challenge Championship at Evangeline Downs in Louisiana.

The Texas Quarter Horse Association (TQHA) once again hosted its Yearling Sale at Sam Houston Race Park. The sale, restricted to accredited Texas-breds, is in its eleventh year and continues to grow each year. In spite of Hurricane Betty dumping five inches of rain in the Houston area and flooding parts of the sale area, 345 yearling racehorses were sold for an average price of over \$12,000.

The TQHA Foundation provided scholarships to several deserving students. TQHA also supported many youth oriented organizations such as 4-H, the Austin Livestock Show Calf Scramble, and R.O.C.K. (Ride On Center for Kids), a therapeutic riding academy in Georgetown, Texas.

For the eighth consecutive year, the Grade I Texas Classic Futurity held at Lone Star Park at Grand Prairie reached the \$1 million mark.

TEXAS PAINT HORSE BREEDERS ASSOCIATION

The Texas Paint Horse Breeders Association (TPHBA) made strides forward in 2008 with the introduction of a website, which allows its members quick access to information. The website helped improve the number of entries to the early 2009 races and also helped increase the number of horses accredited by the December 31 deadline.

Sam Houston Race Park hosted several new stakes races in 2008 with Texas-bred horses dominating every race. Lone Star Park continues to offer its support to TPHBA by offering the richest Paint Horse stakes races in Texas with the Lone Star Paint and Appaloosa Futurity and the Olympia Joe Handicap.

With continued support from the tracks and participation in Texas H.O.R.S.E. (Horse Organization for Racing, Showing, and Eventing), TPHBA is working toward making Texas the place to raise and race Paint Horses and preserving the Texas horse heritage.

TEXAS THOROUGHBRED ASSOCIATION

The Texas Thoroughbred Association (TTA) hosted its Annual Conference and Awards Banquet, with native Texan Carl Nafzgen serving as keynote speaker.

The Texas Thoroughbred Educational Fund awarded scholarships totaling \$38,500 to nine students whose parents are TTA members.

TTA Editorial Assistant Bana Varnon won the American Horse Publications Student Award. Ms. Varnon attends the University of Texas at Austin where she is majoring in journalism. She began at the TTA as an intern and now works as a staff writer for *The Texas Thoroughbred* magazine while attending UT.

Mary Ruyle, TTA Business Manager, received the JoAnn Weber Distinguished Service Award from the Texas Horse Racing Hall of Fame prior to their special night of racing at Retama Park on October 4. Mary was chosen for her more than 20 years of service at the TTA and for her dedication to the Thoroughbred industry.

TEXAS HORSEMEN'S PARTNERSHIP

The Texas Horsemen's Partnership (THP) is the official horsemen's organization, as recognized by the Commission.

THP began the first of 2008 with the election of officers by each of its respective partners. Dr. Tommy Hays was elected President of the Texas Horsemen's Benevolent and Protective Association (THBPA/Quarter Horse, Paint and Appaloosa Board) and Chairman of the THP Management Committee. In March, former President Jim Helzer was chosen to serve a fourth term on the American Quarter Horse Association's executive committee. Carl Moore was elected President of the Texas Thoroughbred HBPA, Inc. (TTHBPA/Thoroughbred and Arabian Board). Larry Christopher was elected Vice-President. In late October, Mr. Moore resigned from the board and Mr. Christopher

stepped into the president's role for the remainder of the year.

Terry Blanton and Tooter Jordan continue in their efforts as Directors of Race. Both frequently attend industry related meetings and are at the current race meets to speak to and take constructive criticism from the membership. Through this approach, the THP has not only increased the strength of the partnership boards, but brought the membership up to date on the emerging legislative efforts.

When the hurricane hit the coast of Texas and specifically at Sam Houston Race Park in early September, both directors were instrumental in hands on evacuation and emergency relocation for both horses and people from and to the Houston area. Their knowledge and kindness helped save and keep many people in the Texas racing industry from immediate danger.

The 2008 economy forced the THP to re-negotiate outdated simulcasting revenue splits with the racetracks. This was done to improve the drain on purse accounts with the new wave of advanced deposit wagering companies across the nation and country. THP joined the Thoroughbred Horsemen's Group to negotiate a formidable revenue split that enhanced the purse structures more evenly throughout the state.

The THP also negotiated the renewal of the Cross Species Global Agreement, a contract between the horse and greyhound industry that allows and encourages the exchange of simulcast signals between Texas horse and greyhound tracks.

For the year 2008, the Texas Horsemen's Assistance Fund, Inc. provided benevolence to approximately 277 members in the form of medical, vision, dental, and death benefits in an approximate amount of \$55,026. Approximately \$114,334 was provided through the Chaplaincy Educational and Special Horsemen's Programs for an annual estimated total of \$169,360 in overall benevolence.

The THP continues to provide on-track doctor services, flu shots, dinners for the owners, shuttle services to off-track venues, participation in the National HBPA, the nationally affiliated The Elite Program (Groom Elite Program), and an affiliation as a founding member with LoneStar Outreach to Place Ex-Racers (LOPE).

2008 Purse Statistics

| Source of Funds | Quarter Horse | Thoroughbred | Arabian | Paint | TOTAL HORSE |
|--|---------------------|---------------------|------------------|------------------|---------------------|
| Earned Purse | \$6,277,916 | \$21,155,257 | \$400,100 | \$151,200 | \$27,984,474 |
| Texas Bred Stakes | \$17,622 | \$71,383 | \$0 | \$0 | \$89,004 |
| Stakes | \$4,393,946 | \$936,380 | \$56,800 | \$112,520 | \$5,499,646 |
| Sponsors | \$485,500 | \$763,025 | \$86,950 | \$15,000 | \$1,350,475 |
| ATB Sponsored Purse | \$25,000 | \$147,000 | \$0 | \$0 | \$172,000 |
| TOTAL PURSES PAID | \$11,199,984 | \$23,073,045 | \$543,850 | \$278,720 | \$35,095,599 |
| Average Daily Purses Paid at All Meets | \$98,245 | \$126,082 | \$12,949 | \$39,817 | \$277,094 |

NOTE: Texas Appaloosa Horse Club no longer participates in the Texas-bred Program.

| Source of Funds | TOTAL GREYHOUND | Source of Funds | 2007 HORSE & GREYHOUND | 2008 HORSE & GREYHOUND | % CHANGE |
|-------------------------------------|--------------------|-------------------------------------|------------------------|------------------------|---------------|
| Earned Purse | \$2,030,796 | Earned Purse | \$33,458,656 | \$30,015,270 | -10.3% |
| Texas Bred Stakes | \$0 | Texas Bred Stakes | \$134,659 | \$89,004 | -33.9% |
| Stakes | \$32,000 | Stakes | \$5,194,920 | \$5,531,646 | 6.5% |
| Sponsors | \$97,936 | Sponsors | \$1,203,388 | \$1,448,411 | 20.4% |
| TGA Cross Species Purse Supplements | \$1,417,425 | TGA Cross Species Purse Supplements | \$1,359,919 | \$1,417,425 | 4.2% |
| TOTAL PURSES PAID | \$3,578,156 | ATB Sponsored Purse | \$313,000 | \$172,000 | -45.0% |
| Avg. Purses Paid per Performance | \$10,555 | TOTAL PURSES PAID | \$41,664,542 | \$38,673,756 | -7.2% |

Summary of All Texas Greyhound Racetracks
from 1/1/2008 through 12/31/2008

| | Column 1 Live On-Track | Column 2 Live Export | Column 3 Simulcast Same-Species | Column 4 Simulcast Cross-Species | Column 5 Sum of 1 through 4 Total | Column 6 Sum of 1 & 2 Live On-Track & Export Total | Column 7 Sum of 3 & 4 Combined Simulcast Import Total | Column 8 Sum of 1 & 7 Combined On-Track Total |
|---------------------------|------------------------------|----------------------------|---------------------------------------|--|--|--|---|---|
| # of Race Days | 389 | n/a | 1,066 | 1,190 | 2,645 | 389 | 2,256 | 2,645 |
| # of Performances | 462 | n/a | 9,223 | 8,515 | 18,200 | 462 | 17,738 | 18,200 |
| Attendance | 212,907 | n/a | 88,852 | 302 | 302,061 | 212,907 | 89,154 | 302,061 |
| Net Handle | \$14,914,137 | \$17,618,393 | \$22,476,650 | \$22,385,241 | \$77,394,421 | \$52,532,530 | \$44,861,891 | \$59,776,028 |
| Horse Purse | | | | \$85,842 | \$85,842 | \$0 | \$85,842 | \$85,842 |
| Greyhound Purse | \$757,159 | \$494,633 | \$656,856 | \$47,850 | \$1,936,478 | \$1,231,772 | \$704,706 | \$1,441,845 |
| TTA Purse | | | | \$156,093 | \$156,093 | \$0 | \$156,093 | \$156,093 |
| TQHA Purse | | | | \$156,093 | \$156,093 | \$0 | \$156,093 | \$156,093 |
| TGA Purse | | | | | \$0 | \$0 | \$0 | \$0 |
| Escrowed Horse Purse | | | | \$925,395 | \$925,395 | \$0 | \$925,395 | \$925,395 |
| TX Horsemen's Partnership | | | | | \$0 | \$0 | \$0 | \$0 |
| THP Escrow Horse Purse | | | \$209,309 | \$234,226 | \$234,226 | \$0 | \$234,226 | \$234,226 |
| Texas Bred | | | \$224,747 | \$180,616 | \$389,925 | \$0 | \$389,925 | \$389,925 |
| State Tax | | | | \$279,542 | \$504,289 | \$0 | \$504,289 | \$504,289 |
| Hub Fee | | | | \$312,542 | \$312,542 | \$0 | \$312,542 | \$312,542 |
| Simulcast Fee | | | \$601,779 | \$841,878 | \$1,443,657 | \$0 | \$1,443,657 | \$1,443,657 |
| Racetracks | \$2,581,797 | \$530,687 | \$3,493,291 | \$1,543,616 | \$8,149,391 | \$3,112,484 | \$5,036,907 | \$7,618,704 |
| Total Commissions | \$3,318,936 | \$1,025,320 | \$5,185,982 | \$4,763,693 | \$14,293,931 | \$4,344,256 | \$9,949,675 | \$13,268,611 |
| Breakage | \$47,963 | \$0 | \$37,552 | \$68,649 | \$154,164 | \$47,963 | \$106,201 | \$154,164 |

Net LOSS of wagering dollars in Texas as a result of simulcasting at greyhound racetracks:

\$9,138,473 Total Export-Interstate Handle - Out of state locations wagering on Texas greyhound racetracks
 \$42,553,149 Total Import-Interstate Handle - Texas greyhound racetracks wagering on out of state racetracks
 -\$33,414,676 Net LOSS of wagering dollars in Texas as a result of simulcasting at greyhound racetracks

Summary of All Texas Horse Racetracks

from 1/1/2008 through 12/31/2008

| | Column 1 Live On-Track | Column 2 Live Export | Column 3 Simulcast Same-Species | Column 4 Simulcast Cross-Species | Column 5 Sum of 1 through 4 Total | Column 6 Sum of 1 & 2 Live On-Track & Export Total | Column 7 Sum of 3 & 4 Combined Simulcast Import Total | Column 8 Sum of 1 & 7 Combined On-Track Total |
|---------------------------|------------------------------|----------------------------|---------------------------------------|--|--|--|---|---|
| # of Race Days | 271 | n/a | 2,401 | 3,218 | 5,890 | 271 | 5,619 | 5,890 |
| # of Performances | 271 | n/a | 26,760 | 13,621 | 40,652 | 271 | 40,381 | 40,652 |
| Attendance | 1,139,588 | n/a | 590,579 | 238,255 | 1,968,422 | 1,139,588 | 828,834 | 1,968,422 |
| Net Handle | \$47,341,016 | \$204,645,006 | \$298,426,033 | \$41,692,846 | \$592,104,901 | \$251,986,022 | \$340,118,879 | \$387,459,895 |
| Horse Purse | \$3,552,169 | \$2,488,412 | \$21,344,236 | \$513,830 | \$27,898,647 | \$6,040,581 | \$21,858,066 | \$25,410,235 |
| Greyhound Purse | | | | \$424,159 | \$424,159 | \$0 | \$424,159 | \$424,159 |
| TTA Purse | | | | | \$0 | \$0 | \$0 | \$0 |
| TQHA Purse | | | | | \$0 | \$0 | \$0 | \$0 |
| TGA Purse | | | | | \$0 | \$0 | \$0 | \$0 |
| Escrowed Horse Purse | | | | \$1,868,707 | \$1,868,707 | \$0 | \$1,868,707 | \$1,868,707 |
| TX Horsemen's Partnership | | | | | \$0 | \$0 | \$0 | \$0 |
| THP Escrow Horse Purse | | | | | \$0 | \$0 | \$0 | \$0 |
| Texas Bred | \$270,076 | | | | \$0 | \$0 | \$0 | \$0 |
| State Tax | | | | | \$0 | \$0 | \$0 | \$0 |
| Hub Fee | | | | | \$0 | \$0 | \$0 | \$0 |
| Simulcast Fee | | | \$2,185,094 | \$372,823 | \$2,827,993 | \$270,076 | \$2,557,917 | \$2,827,993 |
| Racetracks | \$6,080,073 | \$4,046,980 | \$2,984,149 | \$520,761 | \$3,504,910 | \$0 | \$3,504,910 | \$3,504,910 |
| Total Commissions | \$9,902,318 | \$6,535,392 | \$10,577,682 | \$423,043 | \$423,043 | \$0 | \$423,043 | \$423,043 |
| | | | \$25,115,319 | \$1,162,382 | \$11,740,064 | \$0 | \$11,740,064 | \$11,740,064 |
| | | | \$62,206,480 | \$4,145,531 | \$39,387,903 | \$10,127,053 | \$29,260,850 | \$35,340,923 |
| | | | | \$9,431,236 | \$88,075,426 | \$16,437,710 | \$71,637,716 | \$81,540,034 |
| Breakage | \$314,796 | \$0 | \$1,102,613 | \$80,165 | \$1,497,574 | \$314,796 | \$1,182,778 | \$1,497,574 |

Net LOSS of wagering dollars in Texas as a result of simulcasting at horse racetracks:

| | |
|----------------|---|
| \$192,935,078 | Total Export-Interstate Handle - Out of state locations wagering on Texas horse racetracks |
| \$322,234,158 | Total Import-Interstate Handle - Texas Horse racetracks wagering on out of state racetracks |
| -\$129,299,080 | Net LOSS of wagering dollars in Texas as a result of simulcasting at horse racetracks |

Summary of All Texas Racetracks

from 1/1/2008 through 12/31/2008

| | Column 1 Live On-Track | Column 2 Live Export | Column 3 Simulcast Same-Species | Column 4 Simulcast Cross-Species | Column 5 Sum of 1 through 4 Total | Column 6 Sum of 1 & 2 Live On-Track & Export Total | Column 7 Sum of 3 & 4 Combined Simulcast Import Total | Column 8 Sum of 1 & 7 Combined On-Track Total |
|---------------------------|------------------------------|----------------------------|---------------------------------------|--|--|--|---|---|
| # of Race Days | 660 | n/a | 3,467 | 4,408 | 8,535 | 660 | 7,875 | 8,535 |
| # of Performances | 733 | n/a | 35,983 | 22,136 | 58,852 | 733 | 58,119 | 58,852 |
| Attendance | 1,352,495 | n/a | 679,431 | 238,557 | 2,270,483 | 1,352,495 | 917,988 | 2,270,483 |
| Net Handle | \$62,255,153 | \$222,263,399 | \$320,902,683 | \$64,078,087 | \$669,499,322 | \$284,518,552 | \$384,980,770 | \$447,235,923 |
| Horse Purse | \$3,552,169 | \$2,488,412 | \$21,344,236 | \$599,672 | \$27,984,489 | \$6,040,581 | \$21,943,908 | \$25,496,077 |
| Greyhound Purse | \$757,159 | \$494,633 | \$656,856 | \$472,009 | \$2,360,657 | \$1,231,772 | \$1,128,865 | \$1,866,004 |
| TTA Purse | \$0 | \$0 | \$0 | \$156,093 | \$156,093 | \$0 | \$156,093 | \$156,093 |
| TQHA Purse | \$0 | \$0 | \$0 | \$156,093 | \$156,093 | \$0 | \$156,093 | \$156,093 |
| TGA Purse | \$0 | \$0 | \$0 | \$1,868,707 | \$1,868,707 | \$0 | \$1,868,707 | \$1,868,707 |
| Escrowed Horse Purse | \$0 | \$0 | \$0 | \$925,395 | \$925,395 | \$0 | \$925,395 | \$925,395 |
| TX Horsemen's Partnership | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| THP Escrow Horse Purse | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Texas Bred | \$0 | \$0 | \$0 | \$234,226 | \$234,226 | \$0 | \$234,226 | \$234,226 |
| State Tax | \$270,076 | \$0 | \$2,394,403 | \$553,439 | \$3,217,918 | \$270,076 | \$2,947,842 | \$3,217,918 |
| Hub Fee | \$0 | \$0 | \$3,208,896 | \$800,303 | \$4,009,199 | \$0 | \$4,009,199 | \$4,009,199 |
| Simulcast Fee | \$0 | \$0 | \$0 | \$735,585 | \$735,585 | \$0 | \$735,585 | \$735,585 |
| Racetracks | \$8,661,870 | \$4,577,667 | \$28,608,610 | \$2,004,260 | \$13,883,721 | \$0 | \$13,883,721 | \$13,883,721 |
| Total Commissions | \$13,221,254 | \$7,560,712 | \$67,392,462 | \$5,689,147 | \$47,537,294 | \$13,239,537 | \$34,297,757 | \$42,959,627 |
| Breakage | \$362,759 | \$0 | \$1,140,165 | \$14,94,929 | \$102,369,357 | \$20,781,966 | \$81,587,391 | \$94,808,645 |
| | | | | \$148,814 | \$1,651,738 | \$362,759 | \$1,288,979 | \$1,651,738 |

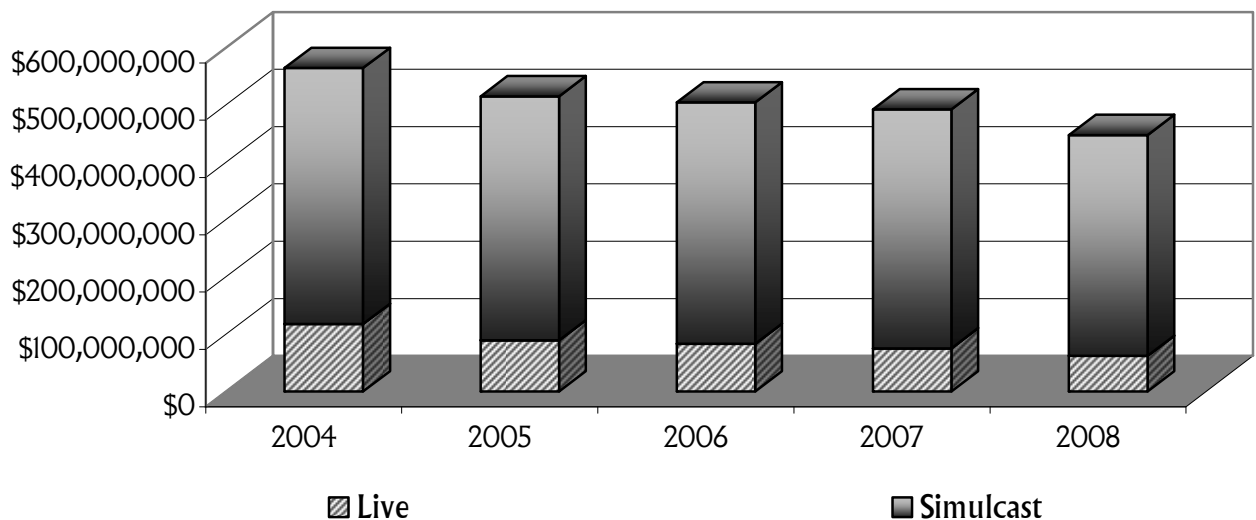
Net LOSS of wagering dollars in Texas as a result of simulcasting at Texas racetracks:

| | |
|----------------|---|
| \$202,073,551 | Total Export-Interstate Handle - Out of state locations wagering on Texas racetracks |
| \$364,787,307 | Total Import-Interstate Handle - Texas racetracks wagering on out of state racetracks |
| -\$162,713,756 | Net LOSS of wagering dollars in Texas as a result of simulcasting |

Five-Year Overview of Pari-Mutuel Racing Greyhound & Horse Tracks Combined

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| # of Tracks | 8 | 8 | 8 | 8 | 7 |
| Handle On-Track: | | | | | |
| Live | \$117,674,166 | \$89,095,132 | \$82,985,634 | \$74,989,502 | \$62,255,153 |
| Simulcast | <u>\$446,623,183</u> | <u>\$425,979,354</u> | <u>\$421,247,936</u> | <u>\$417,210,488</u> | <u>\$384,980,770</u> |
| TOTAL | \$564,297,349 | \$515,074,486 | \$504,233,570 | \$492,199,990 | \$447,235,923 |
| Live Performances | 1,352 | 1,228 | 1,298 | 1,255 | 733 |
| # of Simulcast Signals Taken | 66,542 | 64,022 | 67,118 | 67,727 | 58,119 |
| Purses Paid | \$58,168,384 | \$44,085,864 | \$43,524,681 | \$41,664,542 | \$38,673,756 |
| State Tax | \$4,650,399 | \$4,441,690 | \$4,398,721 | \$4,351,865 | \$4,009,199 |
| Tx Bred \$ | \$5,798,309 | \$5,251,107 | \$5,342,051 | \$5,214,149 | \$4,758,559 |
| Attendance | 2,783,720 | 2,432,071 | 2,361,397 | 2,276,747 | 2,270,483 |

On-Track Handle Greyhound & Horse Combined*

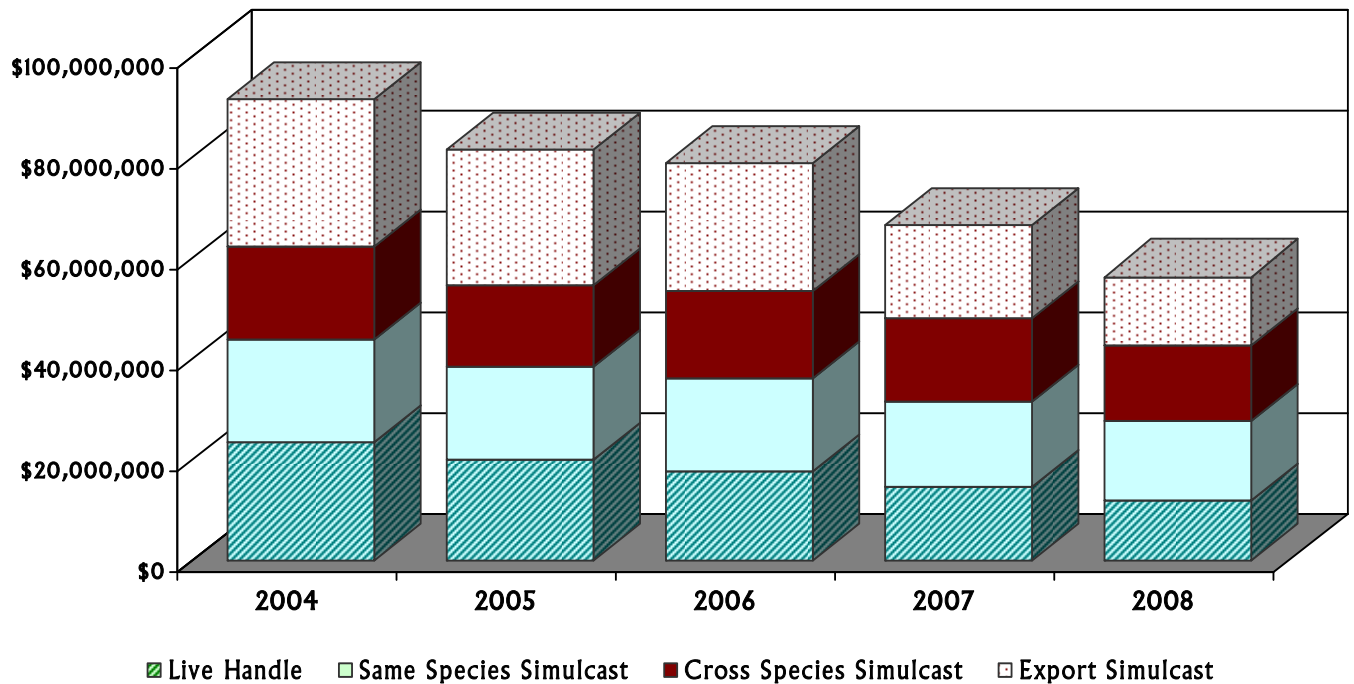


*Note: Lone Star Park's hosting of the 2004 Breeder's Cup races positively impacted the 2004 Live Handle, Export Handle, Purses Paid, and Attendance.

Greyhound Racetrack Gulf Greyhound Park

| | 2007 | 2008 | % Change |
|------------------------------------|--------------|--------------|----------|
| Live On-Track Handle | \$14,615,786 | \$12,073,799 | -17.39% |
| Import Same Species Simulcast | \$17,079,235 | \$15,813,250 | -7.41% |
| Import Cross Species Simulcast | \$16,418,634 | \$14,842,121 | -9.60% |
| Total On-Track Handle | \$48,113,655 | \$42,729,170 | -11.19% |
| Total Export Handle | \$18,778,888 | \$13,821,790 | -26.40% |
| Total Wagered on GULF | \$33,394,674 | \$25,895,588 | -22.46% |
| Average Value per Point | \$52.79 | \$65.68 | 24.42% |
| Average Purses Paid/Performance | \$6,038 | \$9,603 | 59.05% |
| Total Purses Paid | \$2,747,284 | \$2,842,566 | 3.47% |
| Total Live Performances | 455 | 296 | -34.95% |
| Total # of Simulcast Signals Taken | 9,321 | 8,422 | -9.64% |
| Total Attendance | 224,778 | 192,789 | -14.23% |







2004-2008
Gulf Greyhound Park



**Data on this page provided by Gulf Greyhound Park
For Calendar Year 1/1/2008– 12/31/2008**

| | |
|---|-------------|
| Average # of Employees/Positions on Payroll | 238 |
| Total Salaries and Wages Paid | \$3,274,367 |
| Total State Pari-mutuel Tax Paid | \$343,711 |
| Total Other State Taxes Paid | \$112,243 |
| Total Property Taxes Paid | \$287,062 |
| Total Purchased Goods and Services | \$6,273,386 |
| Total Charitable Contributions | \$50,164 |

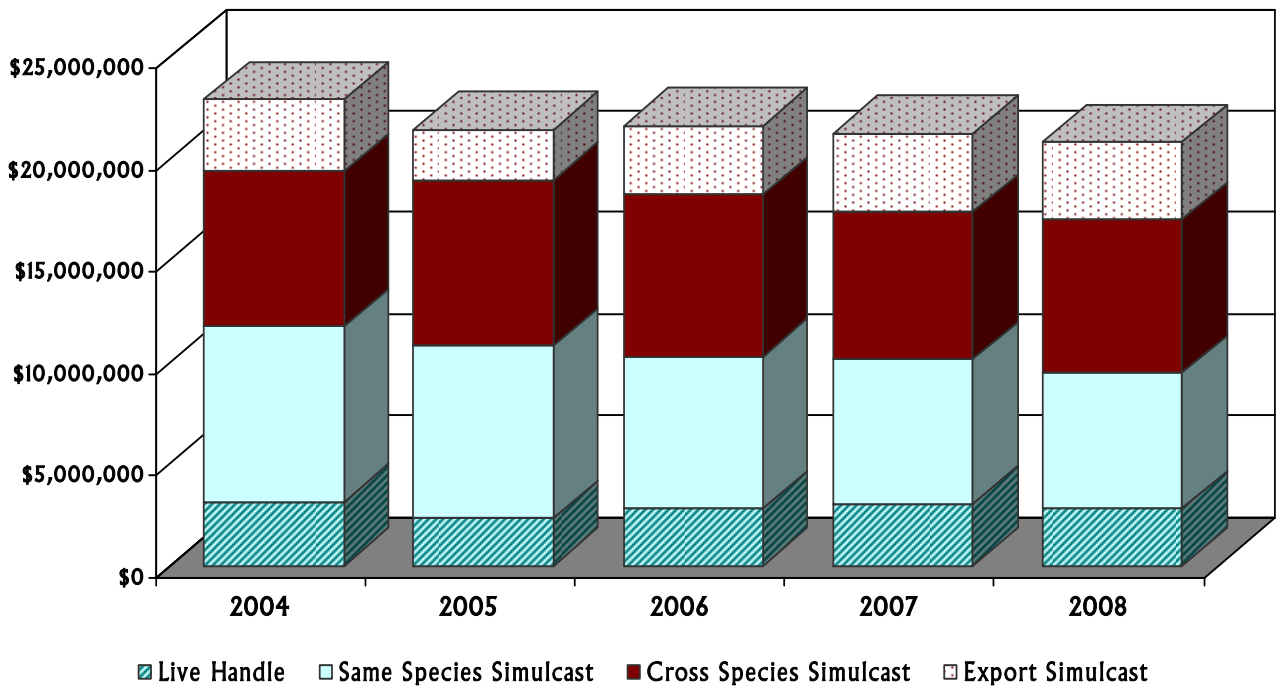
2008 Highlights

-  GGP played host to the LEADS Career Day leadership conference, which was attended by approximately 250 students from the surrounding area high schools.
-  For the third consecutive year, GGP hosted the La Marque Christmas in August Benefit, which supports underprivileged children in La Marque.
-  The Texas Department of Public Safety held their State Conference at GGP and had 80 people in attendance.
-  The \$20,000 Texas Round Up was run on May 3 with DLT White Knight from the Lingle Kennel garnering the first place finish.
-  The \$7,500 Texas Fall Sprint Classic was won by CL Nitro from the High Star Kennel.
-  GGP closed out the year with the Au Revoir Race on December 31. Gable Diego from the Gable Gulf Kennel took home the win. Gable Diego won eight out of ten starts in 2008.

Greyhound Racetrack Valley Race Park

| | 2007 | 2008 | % Change |
|------------------------------------|--------------|--------------|----------|
| Live On-Track Handle | \$3,067,898 | \$2,840,339 | -7.42% |
| Import Same Species Simulcast | \$7,096,578 | \$6,663,400 | -6.10% |
| Import Cross Species Simulcast | \$7,251,194 | \$7,543,119 | 4.03% |
| Total On-Track Handle | \$17,415,670 | \$17,046,858 | -2.12% |
| Total Export Handle | \$3,852,572 | \$3,796,603 | -1.45% |
| Total Wagered on VGP | \$6,920,470 | \$6,636,941 | -4.10% |
| Average Value per Point | \$48.44 | \$49.10 | 1.36% |
| Average Purses Paid/Performance | \$4,603 | \$4,431 | -3.73% |
| Total Purses Paid | \$722,700 | \$735,591 | 1.78% |
| Total Live Performances | 157 | 166 | 5.73% |
| Total # of Simulcast Signals Taken | 10,600 | 9,318 | -12.09% |
| Total Attendance | 120,464 | 109,272 | -9.29% |


2004-2008
Valley Race Park





**Data on this page provided by Valley Race Park
For Calendar Year 1/1/2008 – 12/31/2008**


| | |
|---|-------------|
| Average # of Employees/Positions on Payroll | 175 |
| Total Salaries and Wages Paid | \$1,570,660 |
| Total State Pari-mutuel Tax Paid | \$161,880 |
| Total Other State Taxes Paid | \$103,060 |
| Total Property Taxes Paid | \$48,400 |
| Total Purchased Goods and Services | \$3,715,329 |
| Total Charitable Contributions | \$3,828 |

2008 Highlights

- 

Valley Race Park kept pace with the attendance and handle numbers from 2007 in spite of general economic conditions and a loss of simulcasting days due to Hurricane Dolly. Events such as pay-per-view broadcasts of World Wrestling Entertainment and Ultimate Fighting Competition generated large crowds, which enhanced the overall entertainment experience for patrons.
- 

Additional performances were added to the schedule with the availability of some kennels and greyhounds from Corpus Christi Greyhound Race Track.
- 

The second annual Texas Showdown, sponsored by the TGA went to Haven is a Cutie, from the Oxbow-Trow Kennel and owned by Haven D. Williams. The 2007 TGA Showdown champion, Sylvia, won the Consolation, which was her last race before retirement.
- 

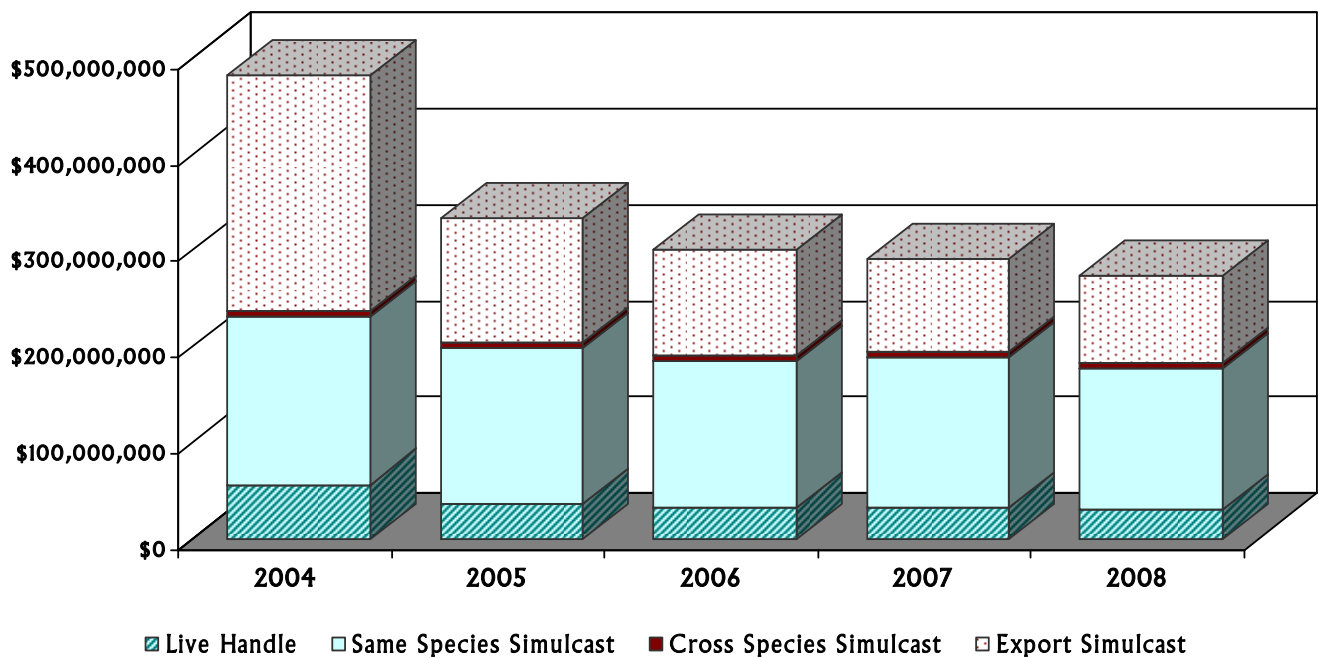
Valley Race Park's charity performances benefited the Literacy Center, the South Texas Academic Rising Scholars, RGV Livestock Show, the Texas Greyhound Association, and the Texas A & M Veterinary School.

Class 1 Horse Racetrack

Lone Star Park at Grand Prairie

| | 2007 | 2008 | % Change |
|------------------------------------|---------------|---------------|----------|
| Live On-Track Handle | \$32,060,069 | \$29,944,883 | -6.60% |
| Import Same Species Simulcast | \$157,670,948 | \$148,385,240 | -5.89% |
| Import Cross Species Simulcast | \$6,068,529 | \$5,918,577 | -2.47% |
| Total On-Track Handle | \$195,799,546 | \$184,248,699 | -5.90% |
| Total Export Handle | \$95,818,220 | \$89,954,259 | -6.12% |
| Total Wagered on LSP | \$127,878,289 | \$119,899,142 | -6.24% |
| Average Purses Paid/Quarter Horse | \$119,959 | \$131,895 | 9.95% |
| # of Quarter Horse Race Dates | 32 | 31 | -3.13% |
| Average Purses Paid/Thoroughbred | \$194,832 | \$185,331 | -4.88% |
| # of Thoroughbred Race Dates | 67 | 65 | -2.99% |
| Total Purses Paid | \$17,147,014 | \$16,411,783 | -4.29% |
| Total Live Performances | 99 | 96 | -3.03% |
| Total # of Simulcast Signals Taken | 8,523 | 8,348 | -2.05% |
| Total Attendance | 837,834 | 818,151 | -2.35% |

2004-2008
Lone Star Park at Grand Prairie








*Lone Star Park's hosting of the 2004 Breeder's Cup races positively impacted the 2004 live, same species, and export simulcast handle.

**Data on this page provided by Lone Star Park at Grand Prairie
For Calendar Year 1/1/2008 – 12/31/2008**

| | |
|--|-----------------------------------|
| Average # of Employees/Positions on Payroll | 400 off-season / 1100 live racing |
| Total Salaries and Wages Paid(includes benefits) | \$13,522,214 |
| Total State Pari-mutuel Tax Paid | \$1561,273 |
| Total Other State Taxes Paid | \$1,822,421 |
| Total Property Taxes Paid | \$2,252,445 |
| Total Purchased Goods and Services | \$14,737,508 |
| Total Charitable Contributions | \$90,614 |

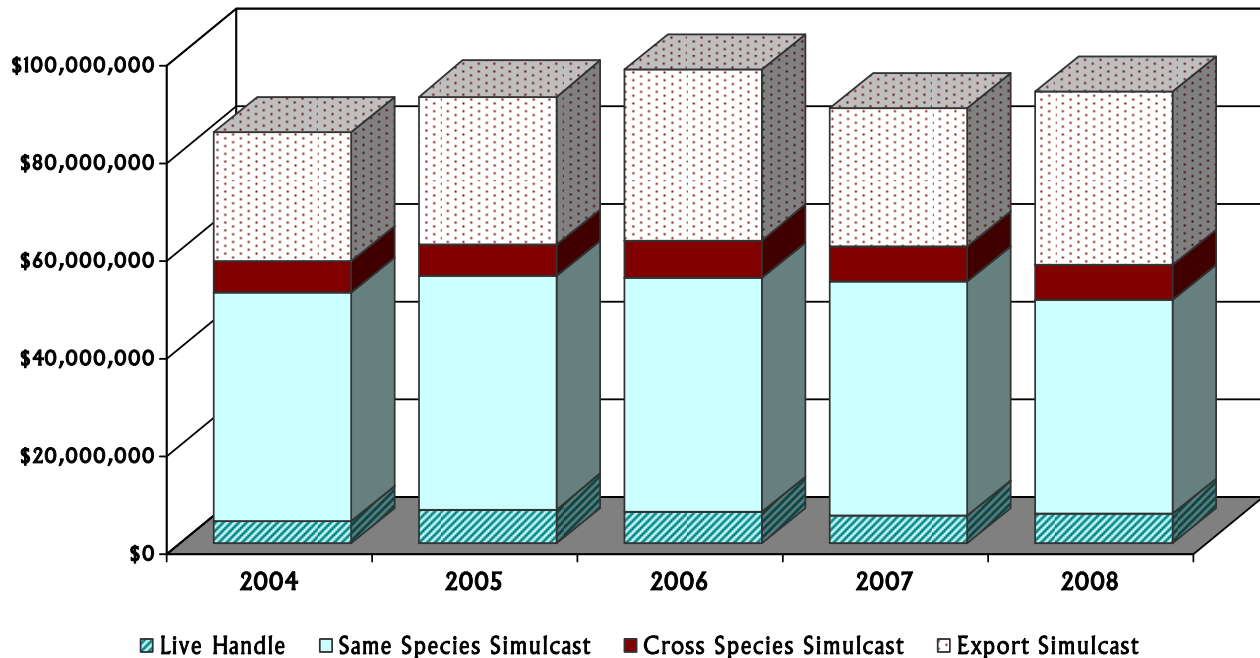
2008 Highlights

-  Lone Star Park (LSP) saw its overall 2008 attendance decline by approximately 2 percent from 2007. However, the average daily attendance during the 2008 Spring Thoroughbred season jumped by 400 per day, representing a more than 5 percent increase, the largest average increase in track history. On-track live and simulcast handle for 2008 showed a decline of just under 6 percent besting the national average decline of just over 7 percent.
-  On Lone Star Million Day, Monday, May 26, Stronach Stable's Giant Gizmo, trained by five-time Eclipse Award winner Robert Frankel and ridden by 2007 Eclipse-winning jockey Garrett Gomez, overcame a difficult trip to win the 12th running of the Grade 3, \$400,000 Lone Star Park Handicap by two lengths.
-  Stars of Texas Day on Saturday, July 12 featured the inductions of three new members into the Lone Star Park Hall of Fame – owners Clarence and Dorothy Scharbauer, L. William and Corinne Heiligbrodt, and Dixie Dot Com, who in 2001, became the only horse in history to sweep the Grade 3 Texas Mile and Lone Star Handicap in his only two appearances at LSP.
-  During the 31-day 2008 Fall Meeting of Champions for American Quarter Horses, Mr. Queens Mystery, winner of the Grade 1, \$1,154,802 Texas Classic Futurity, was named LSP's Horse of the Meeting and Champion 2-Year-Old Male. He became the fifth 2-year-old to be crowned Horse of the Meeting, joining OV Jet (1999), Eyesa Special (2000), PYC Paint Your Wagon (2005), and last year's winner Illegal Memories.
-  The Fall Quarter Horse meet saw average daily wagering on the live product remain constant with that of 2007, approximately \$115,000 per day. In addition, the average daily attendance of 3,100 mirrored the 2007 average.

Class 1 Horse Racetrack Retama Park

| | 2007 | 2008 | % Change |
|------------------------------------|--------------|--------------|----------|
| Live On-Track Handle | \$5,626,912 | \$6,185,090 | 9.92% |
| Import Same Species Simulcast | \$47,858,873 | \$43,680,821 | -8.73% |
| Import Cross Species Simulcast | \$7,352,738 | \$7,019,208 | -4.54% |
| Total On-Track Handle | \$60,838,523 | \$56,885,119 | -6.50% |
| Total Export Handle | \$28,142,325 | \$35,587,383 | 26.46% |
| Total Wagered on RETAMA | \$33,769,237 | \$41,772,474 | 23.70% |
| Average Purses Paid/Quarter Horse | \$67,513 | \$72,712 | 7.70% |
| # of Quarter Horse Race Dates | 21 | 21 | 0.00% |
| Average Purses Paid/Thoroughbred | \$121,203 | \$104,181 | -14.04% |
| # of Thoroughbred Race Dates | 32 | 51 | 59.38% |
| Total Purses Paid | \$5,374,045 | \$7,054,340 | 31.27% |
| Total Live Performances | 53 | 72 | 35.85% |
| Total # of Simulcast Signals Taken | 9,843 | 9,628 | -2.18% |
| Total Attendance | 305,420 | 308,708 | 1.08% |

**2004-2008
Retama Park**








*2004 changes attributed to a reduction in Retama Park's race dates to accommodate Lone Star Park's hosting the 2004 Breeders' Cup races.

**Data on this page provided by Retama Park
For Calendar Year 1/1/2008 – 12/31/2008**

| | |
|---|--------------------------------------|
| Average # of Employees/Positions on Payroll | 243 |
| Total Salaries and Wages Paid | \$4.9 million |
| Total State Pari-mutuel Tax Paid | \$525,000 |
| Total Other State Taxes Paid | \$311,000 |
| Total Property Taxes Paid | N/A (Tax Exempt) |
| Total Purchased Goods and Services | \$7.4 million |
| Total Charitable Contributions | \$95,000 cash & in kind donations |

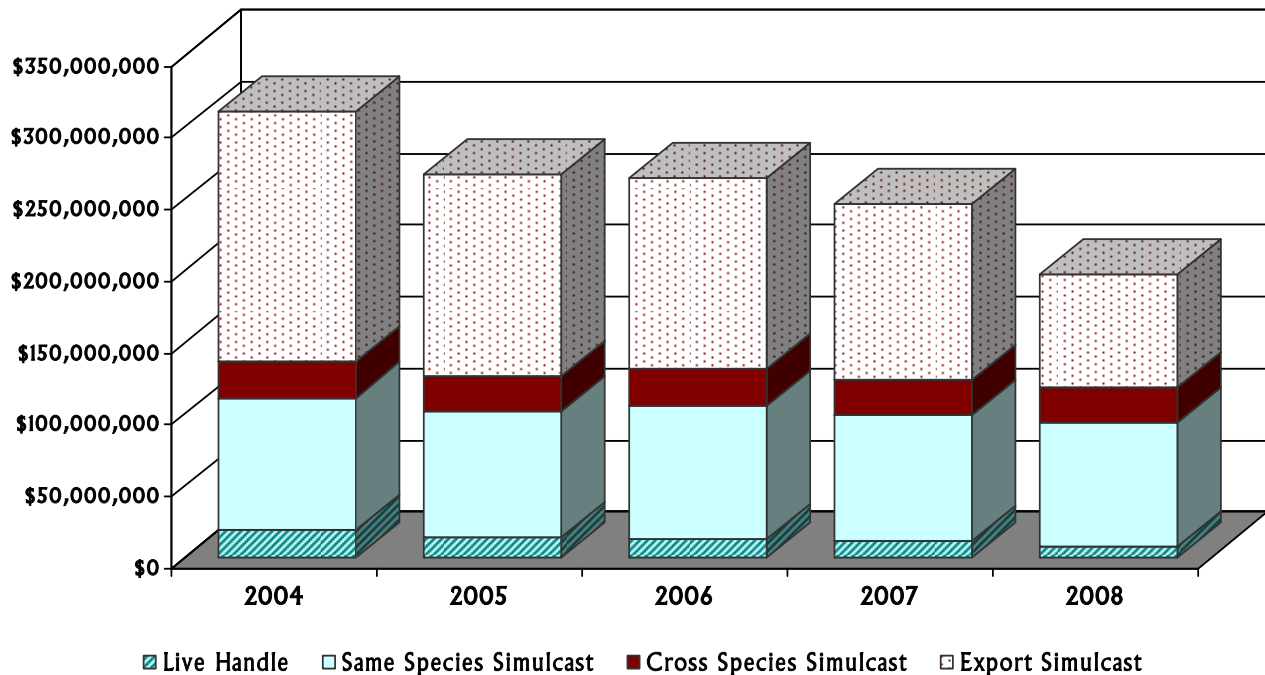
2008 Highlights

-  Retama Park started the 2008 racing season with a 21-day Quarter Horse meet, which ran from April 25 through June 22. The meet saw a modest growth in live attendance and handle over 2007. However, the export handle declined 13 percent from the previous year. The Thoroughbred meet started on August 29 and was scheduled to end on November 15. Due to the effects of Hurricane Ike on Sam Houston Race Park and the serious damage incurred, a transfer of race dates from Sam Houston Race Park to Retama Park took place. The addition of 43 live Thoroughbred racing days to Retama’s calendar was approved by the Texas Racing Commission, thereby allowing Texas Thoroughbred horsemen to continue racing in Texas.
-  At the completion of Retama’s regularly scheduled Thoroughbred meet, handle and attendance figures suffered dramatic decreases from the 2007 meet. Average daily live handle was down 23 percent with average daily live attendance posting a 17 percent decrease. The average daily export handle also saw a marked decrease of 22 percent from the prior year.
-  For the fifth consecutive year, M2 Technology signed on as title sponsor for the \$100,000 La Senorita. The one-mile turf race coincided with the colt counterpart, the \$100,000 Skyy El Joven.
-  The prime night of racing at Retama Park was the Texas Horse Racing Hall of Fame Night for Texas-bred horses. The Hall of Fame inducted five honorees at a gala celebration held at RETA on Saturday, October 4.
-  RETA had the honor of partnering with Operation Homefront of Texas for two very special projects during the year. Operation Homefront of Texas is a local organization that provides assistance to military families with parents serving overseas. Volunteers from throughout the community gathered at RETA to help prepare and assemble backpacks in August for “Operation Hope.” In December, “Operation Jolly Holly” volunteers assembled Christmas stockings. These backpacks and stockings were then distributed to children of military families with parents serving overseas. RETA donated the entire clubhouse level of the facility and staff support to these wonderful causes.

Class 1 Horse Racetrack Sam Houston Race Park

| | 2007 | 2008 | % Change |
|------------------------------------|---------------|---------------|----------|
| Live On-Track Handle | \$11,675,861 | \$8,392,520 | -28.12% |
| Import Same Species Simulcast | \$87,313,581 | \$85,458,352 | -2.12% |
| Import Cross Species Simulcast | \$25,241,040 | \$24,717,254 | -2.08% |
| Total On-Track Handle | \$124,230,482 | \$118,568,125 | -4.56% |
| Total Export Handle | \$122,577,920 | \$79,103,364 | -35.47% |
| Total Wagered on SHRP | \$134,253,781 | \$87,495,884 | -34.83% |
| Average Purses Paid/Quarter Horse | \$95,552 | \$95,801 | 0.26% |
| # of Quarter Horse Race Dates | 35 | 33 | -5.71% |
| Average Purses Paid/Thoroughbred | \$115,507 | \$116,875 | 1.18% |
| # of Thoroughbred Race Dates | 70 | 44 | -37.14% |
| Total Purses Paid | \$11,760,536 | \$8,592,011 | -26.94% |
| Total Live Performances | 105 | 77 | -26.67% |
| Total # of Simulcast Signals Taken | 13,753 | 12,915 | -6.09% |
| Total Attendance | 593,777 | 766,294 | 29.05% |

**2004-2008
Sam Houston Race Park**









*2004 changes attributed to an increase in Sam Houston Race Park's race dates to accommodate Lone Star Park's hosting the 2004 Breeders' Cup races.

**Data on this page provided by Sam Houston Race Park
For Calendar Year 1/1/2008 – 12/31/2008**

| | |
|---|--------------|
| Average # of Employees/Positions on Payroll | 312 |
| Total Salaries and Wages Paid | \$11,031,000 |
| Total State Pari-mutuel Tax Paid | \$1,164,000 |
| Total Other State Taxes Paid | \$628,000 |
| Total Property Taxes Paid | \$878,000 |
| Total Purchased Goods and Services | \$17,158,000 |
| Total Charitable Contributions | \$21,000 |

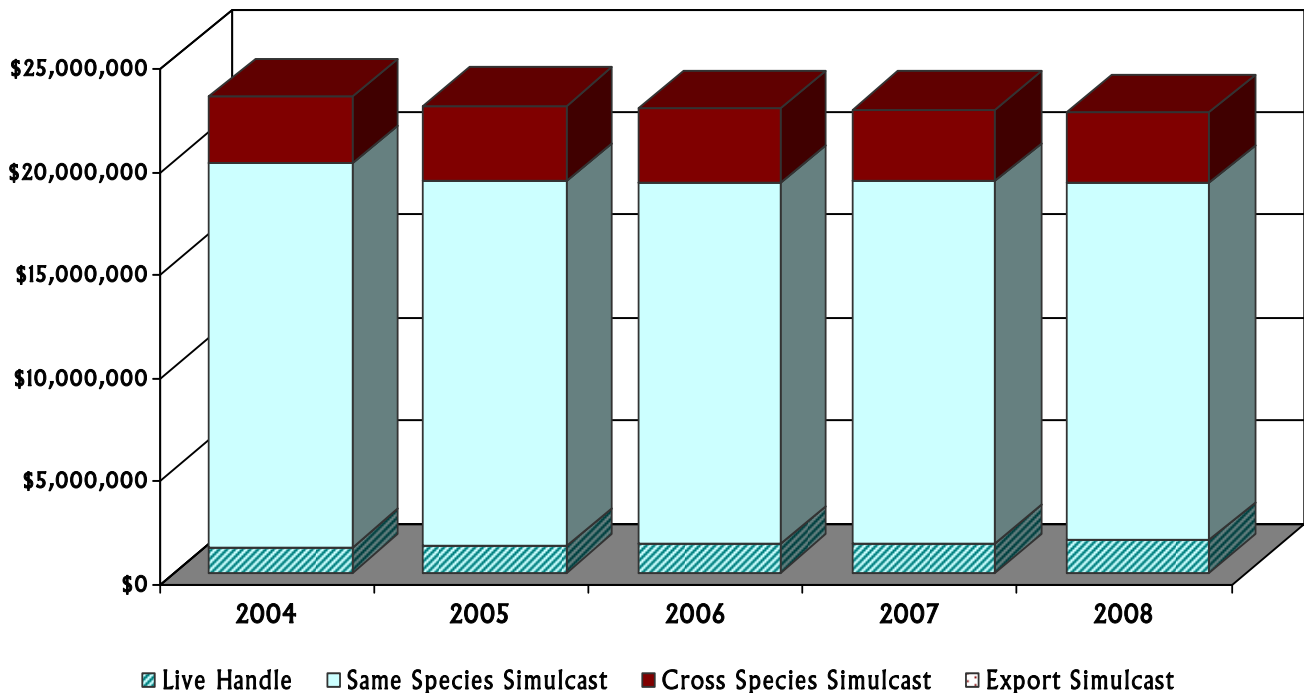
2008 Highlights

- 
 History was made at Sam Houston Race Park (SHRP) as Texas-bred Scrappy Roo won the Grade III \$200,000 Connally Breeders' Cup Turf Festival on Saturday, April 5, 2008. The field, which included a total of eight horses, competed for what was to be the largest purse offered during Sam Houston's 2007/2008 Thoroughbred meet. The 2008 Connally event proved to be the largest, in terms of live handle, since the 2003 event, yielding \$2,966,791 handle for the day.
- 
 SHRP, with the support and cooperation of the Texas Thoroughbred Association and Retama Park, held its annual Texas Champions Day, featuring the top Texas thoroughbred racers on Saturday, December 6, 2008, in San Antonio at Retama Park. The signature event celebrated Thoroughbred horses, trainers, breeders, and owners in the Lone Star State, and included eight stakes races and \$450,000 in racing purses.
- 
 The 2008 Quarter Horse meet at SHRP was cut short due to Hurricane Ike. However, the meet featured a series of big race dates including the Bank of America Texas Challenge on July 12, the TQHA Summer Showdown and TQHA Yearling Sale on July 25 and 26, and the Sam Houston Futurity and Derby on September 5 and 6.
- 
 SHRP held its annual July 4 Fireworks Extravaganza, presented by Verizon Wireless. The All-American Independence Day celebration featured a day of American Quarter Horse racing, Texas-themed dining, family activities, and live entertainment at The Showgrounds, Sam Houston's infield concert venue. The evening was highlighted by a spectacular fireworks display.
- 
 Due to damages sustained by the facility as a result of Hurricane Ike, SHRP was forced to cancel the 2008/2009 Thoroughbred meet. In addition, simulcast operations were closed for eight days as damages were evaluated. The storm's high winds and rainfall caused significant damage throughout the property including the facility's grandstands, stable areas, and the large infield tote board. As a result of Hurricane Ike, the Commission approved the relocation of 43 live racing dates to Retama Park in San Antonio.
- 
 SHRP, a proud supporter of the Racetrack Chaplaincy of America donates 2% of one day's live on-track handle to the track Chaplaincy program, twice each year. SHRP organizes a fundraiser event to help fund their programs, including holding Sunday worship services for horsemen and patrons, counseling services, and providing clothing, blankets, and food for backside workers in need.

Class 2 Horse Racetrack Manor Downs

| | 2007 | 2008 | % Change |
|------------------------------------|--------------|--------------|----------|
| Live On-Track Handle | \$1,451,110 | \$1,570,360 | 8.22% |
| Import Same Species Simulcast | \$17,613,645 | \$17,341,098 | -1.55% |
| Import Cross Species Simulcast | \$3,458,964 | \$3,480,967 | 0.64% |
| Total On-Track Handle | \$22,523,719 | \$22,392,425 | -0.58% |
| Total Export Handle | \$0 | \$0 | 0.00% |
| Total Wagered on MANOR | \$1,451,110 | \$1,570,360 | 8.22% |
| Average Purses Paid/Quarter Horse | \$104,611 | \$106,198 | 1.52% |
| Average Purses Paid/Thoroughbred | \$25,040 | \$28,113 | 12.27% |
| Average Purses Paid/Minor Breed | \$3,240 | \$2,434 | -24.89% |
| # of Mixed Race Dates | 18 | 18 | 0.00% |
| Total Purses Paid | \$2,392,038 | \$2,377,065 | -0.63% |
| Total Live Performances | 18 | 18 | 0.00% |
| Total # of Simulcast Signals Taken | 5,363 | 5,125 | -4.44% |
| Total Attendance | 59,539 | 60,680 | 1.92% |



2004-2008
Manor Downs



**Data on this page provided by Manor Downs
For Calendar Year 1/1/2008 – 12/31/2008**

| | |
|---|-------------|
| Average # of Employees/Positions on Payroll | 45 |
| Total Salaries and Wages Paid | \$889,179 |
| Total State Pari-mutuel Tax Paid | \$208,761 |
| Total Other State Taxes Paid | \$129,105 |
| Total Property Taxes Paid | \$159,271 |
| Total Purchased Goods and Services | \$2,051,822 |
| Total Charitable Contributions | \$6,926 |

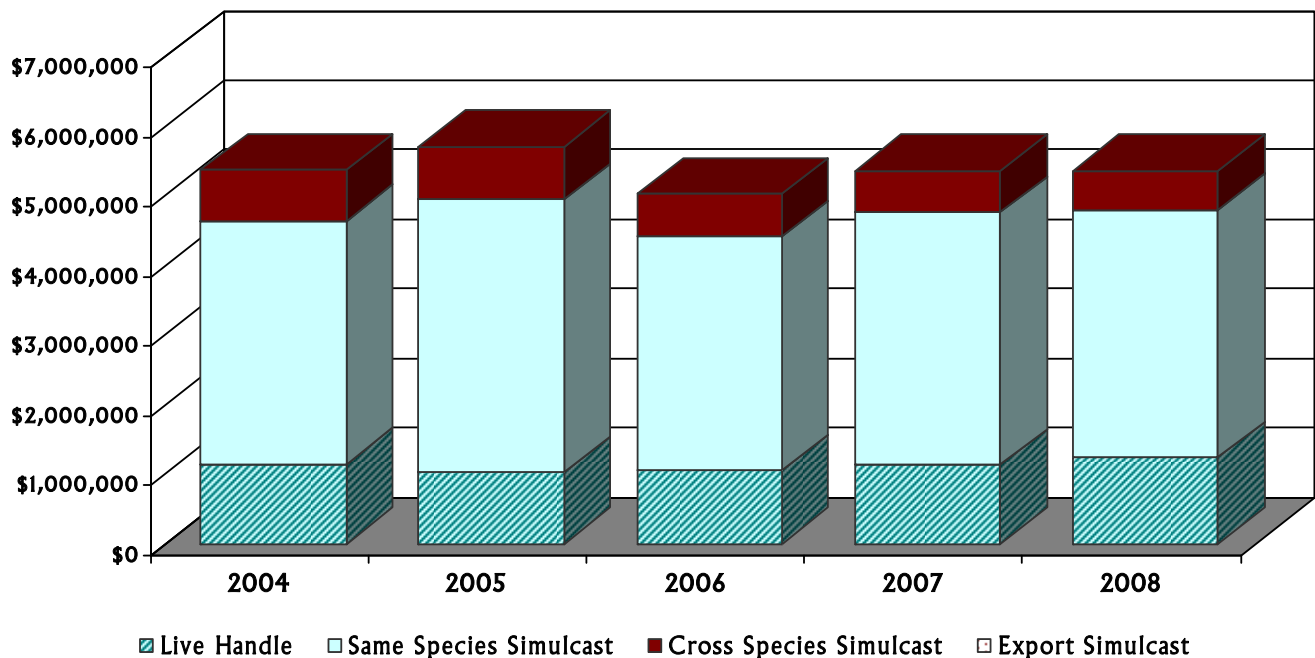
2008 Highlights

-  The eighteen day Manor Downs race meet was highlighted on April 19 with the running of the Tony Sanchez Memorial Mile. The race was won by Won Awesome Dude, ridden by Casey Lambert, clocking in at 1:37.70, setting a new track record.
-  Favorable weather benefited Manor Downs during the 2008 live meet. Average live attendance for the meet reached 1,372 patrons per day, which was the highest level reached since 2000.

Class 3 Horse Racetrack Gillespie County Fair & Festival Association

| | 2007 | 2008 | % Change |
|------------------------------------|-------------|-------------|----------|
| Live On-Track Handle | \$1,134,495 | \$1,248,163 | 10.02% |
| Import Same Species Simulcast | \$3,629,703 | \$3,560,522 | -1.91% |
| Import Cross Species Simulcast | \$601,300 | \$556,841 | -7.39% |
| Total On-Track Handle | \$5,365,498 | \$5,365,526 | 0.00% |
| Total Export Handle | \$0 | \$0 | 0.00% |
| Total Wagered on GCF | \$1,134,495 | \$1,248,163 | 10.02% |
| Average Purses Paid/Quarter Horse | \$54,656 | \$56,811 | 3.94% |
| Average Purses Paid/Thoroughbred | \$19,150 | \$18,638 | -2.68% |
| # of Mixed Race Dates | 8 | 8 | 0.00% |
| Total Purses Paid | \$590,450 | \$660,400 | 11.85% |
| Total Live Performances | 8 | 9 | 12.50% |
| Total # of Simulcast Signals Taken | 3,979 | 3,696 | -7.11% |
| Total Attendance | 12,132 | 12,865 | 6.04% |

2004-2008
Gillespie County Fair & Festival Association







**Data on this page provided by Gillespie County Fair & Festivals Association
For Calendar Year 1/1/2008– 12/31/2008**

| | |
|---|--------------|
| Average # of Employees/Positions on Payroll | 65 |
| Total Salaries and Wages Paid | \$133,513 |
| Total State Pari-mutuel Tax Paid | \$45,524 |
| Total Other State Taxes Paid | \$14,931 |
| Total Property Taxes Paid | \$0 (exempt) |
| Total Purchased Goods and Services | \$618,000 |
| Total Charitable Contributions | \$60,000* |

*Estimated in-kind to community including facility use and volunteer labor.

2008 Highlights

-  The Gillespie County Fair & Festival Association awarded \$16,200 in scholarships to 27 graduating seniors in Gillespie County. To date, over \$225,000 in scholarships have been awarded since 1991.
-  The Fair Association's donated facility use and volunteer labor is estimated at over \$60,000 for 2008. The Fair Association consists of over 50 volunteer directors who, along with their families, provide a variety of events and activities throughout the year for the community.
-  Gillespie Fair's overall handle and attendance were both up over previous years. A few track records were broken during the 2008 summer season.
-  For the first time, the Gillespie County Fair hosted the John Deer Bonus Challenge Race.

OTHER LICENSED CLASS 2 RACETRACKS

AUSTIN JOCKEY CLUB

In 1999, Austin Jockey Club, Ltd. (AJC), acquired majority ownership of Longhorn Downs, Inc., which held a horse racetrack license that was originally issued in 1989. In December 2005, Bryan Brown, one of the owners of AJC, notified the Commission that AJC had entered into a contract to sell its ownership interests in Longhorn Downs. In August of 2006, a representative of the proposed new owners provided an update to the Commission regarding their financing and proposed new site location, noting that the details of the transaction and location would be submitted for the Commission's approval in the near future. Dallas City Limits provided an oral report to the Commission in 2006 before submitting its first formal proposal in 2007. After delays caused by litigation between its two general partners, Dallas City Limits submitted a revised application in 2008. Agency staff is now reviewing the application and the Department of Public Safety is conducting the required background investigations.

LAREDO DOWNS

On March 20, 2007, the Commission granted a Class 2 horse racetrack license to Laredo Downs. At its May 14 meeting, the Commission ordered security be posted to ensure compliance with the Act and the Rules. Laredo Downs posted security and agreed to a schedule that calls for simulcasting to begin on or before January 1, 2009, and the facility to be ready for live racing on or before July 1, 2009.

Laredo Downs has not met the requirements to begin simulcasting. Therefore, effective January 1, 2009, the Commission will begin forfeiting the track's security in accordance with the order.

LAREDO RACE PARK

On March 20, 2007, the Commission conditionally granted a Class 2 horse racetrack license to Laredo Race Park for a Class 2 racetrack in Laredo, Texas. At its August 8, 2007, meeting, the Commission removed the condition and ordered security be posted to ensure compliance with the Act and the Rules. Laredo Race Park posted security and agreed to a schedule that calls for simulcasting to begin on or before July 15, 2009, and the facility to be ready for live racing on or before December 1, 2009.

SADDLE BROOK PARK

In 2001, Yellow Rose Entertainment, d/b/a Saddle Brook Park, acquired Lubbock Downs, Inc., a company to which a Class 2 horse racetrack license was issued in 1989. The Commission granted Saddle Brook's request to move the track from Lubbock to Randall County. The new owners indicated their intent to construct the facility and open for live racing and simulcasting in 2002. Construction plans were submitted and approved by the Commission staff on May 16, 2002. Saddle Brook Park reported that steel had been ordered when a problem arose with the Environmental Protection Agency over sewage disposal. At the May 14, 2007, Commission meeting, Drew Alexander reported some progress was being made on the sewage disposal issue.

but that he was unable to give any firm dates for resuming construction or opening the racetrack.

VALLE DE LOS TESOROS RACE PARK

On March 20, 2007, the Commission granted a Class 2 horse racetrack license to Valle de los Tesoros Race Park for a Class 2 racetrack in McAllen, Texas. At its May 14 meeting, the Commission ordered security be posted to ensure compliance with the Act and the Rules. Valle de los Tesoros Race Park posted security and agreed to a schedule that calls for simulcasting to begin on or before January 1, 2009, and the facility to be ready for live racing on or before July 1, 2009.

Valle de los Tesoros has not met the requirements to begin simulcasting. Therefore, effective January 1, 2009, the Commission will begin forfeiting the track's security in accordance with the order.

OTHER LICENSED GREYHOUND RACETRACKS

CORPUS CHRISTI GREYHOUND RACE TRACK

On December 31, 2007, Corpus Christi Greyhound Race Park (CCGRT) ceased pari-mutuel operations. CCGRT had applied for 60 race days during calendar year 2008. After input from the Texas Greyhound Association and many kennel owners and trainers, the Commission declined to issue any race days for CCGRT. However, the Commission left open the option for CCGRT to come before them again with an alternate race day schedule for 2008. CCGRT declined to do so and was not issued any race days for calendar year 2008. In November of 2008, CCGRT sent a letter requesting the Commission approve a change in ownership. Subsequently, the applicant, Gulf Coast Racing, submitted required information for processing by Commission and DPS staff.

Appendix

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| Year 2009 Approved Breed Splits..... | xvii |

Combined Statement of Revenues & Expenditures

For Fiscal Year 2008 as compared to Fiscal Year 2007

Source: Annual Financial Reports

| | Fiscal Year 2007 | Fiscal Year 2008 | Change +/- % |
|--|------------------------|------------------------|-----------------|
| REVENUES: | | | |
| Legislative Appropriations | \$0.00 | \$0.00 | 0% |
| Licenses, Fees & Permits | \$3,298,205.59 | \$3,677,951.23 | 11.51% |
| Interest & Other Investment Income | \$28,314.93 | \$24,256.69 | -14.33% |
| Other Revenues | <u>\$7,079,051.48</u> | <u>\$6,595,043.92</u> | -6.84% |
| TOTAL REVENUES | <u>\$10,405,572.00</u> | <u>\$10,297,251.84</u> | -1.04% |
| EXPENDITURES: | | | |
| Salaries & Wages | \$3,737,260.95 | \$3,537,361.82 | -5.35% |
| Payroll Related Costs | \$910,162.31 | \$922,212.15 | 1.32% |
| Professional Fees & Services | \$106,824.79 | \$126,301.32 | 18.23% |
| Travel | \$229,197.04 | \$215,356.83 | -6.04% |
| Materials & Supplies | \$140,323.28 | \$79,876.23 | -43.08% |
| Communications & Utilities | \$71,403.70 | \$72,926.67 | 2.13% |
| Repairs & Maintenance | \$51,178.58 | \$48,996.09 | -4.26% |
| Rentals & Leases | \$121,013.17 | \$119,276.93 | -1.43% |
| Printing & Reproduction | \$7,198.30 | \$6,540.48 | -9.14% |
| Claims & Judgments | \$0.00 | \$0.00 | 0% |
| Distributions to Others | \$5,106,389.67 | \$4,902,891.98 | -3.99% |
| Depreciation Expense | \$16,590.35 | \$15,303.65 | -7.76% |
| Capital Outlay | <u>\$0.00</u> | <u>\$0.00</u> | 0% |
| TOTAL EXPENDITURES | <u>\$10,497,542.14</u> | <u>\$10,047,044.15</u> | -4.29% |
| EXCESS REVENUES OVER EXPENDITURES | <u>(\$91,970.14)</u> | <u>\$250,207.69</u> | -372.05% |
| OTHER FINANCING SOURCES (USES): | | | |
| Operating Transfer In: | | | |
| Loss on Sale of Capital Assets | (\$24.45) | \$0.00 | -100.00% |
| Operating Transfers Out: | | | |
| Agency 902, Fund 001, Sweep | \$0.00 | \$0.00 | 0% |
| Agency 556, Fund 001, Equine Research | <u>(\$95,099.40)</u> | <u>(\$94,391.53)</u> | -0.74% |
| TOTAL OTHER FINANCING SOURCES/(USES) | <u>(\$95,123.85)</u> | <u>(\$94,391.53)</u> | -0.77% |
| NET GAIN/LOSS FROM OPERATIONS | <u>(\$187,093.99)</u> | <u>\$155,816.16</u> | -183.28% |
| BEGINNING FUND BALANCE | \$675,753.75 | \$491,193.64 | -27.31% |
| Adjusting entry to fund balance: | | | |
| Funds in Suspense | \$0.00 | \$0.00 | 0% |
| After AFR deadline | \$0.00 | \$0.00 | 0% |
| BEGINNING FUND BALANCE – RESTATED | <u>\$675,753.75</u> | <u>\$491,193.64</u> | -27.31% |
| Capital Assets & Long Term Liability Adjustments | <u>\$2,533.88</u> | <u>\$0.00</u> | -100.00% |
| ENDING FUND BALANCE | <u>\$491,193.64</u> | <u>\$647,009.80</u> | 31.72% |

Summary of Key Fiscal Year 2008

Actual Performance Measures As Compared to Target

| Fiscal Year 2008 KEY MEASURES | Target | Actual | % of Target |
|---|-------------|-------------|----------------|
| # of Horse Racetracks Regulated | 7 | 10 | 143% |
| Average Regulatory Cost per Horse Racetrack | \$33,046 | \$23,172 | 70% |
| # of Greyhound Racetracks Regulated | 3 | 3 | 100% |
| Average Regulatory Cost per Greyhound Racetrack | \$32,491 | \$23,172 | 71% |
| Number of Racetrack Inspections | 71 | 108 | 152% |
| Number of Texas-bred Awards | 23,450 | 17,786 | 76% |
| Number of Occupational Licenses Suspended or Revoked | 212 | 172 | 81% |
| Number of Investigations Completed | 900 | 220 | 24% |
| Percentage of Investigations Resulting in Disciplinary Action | 99.00% | 95.75% | 97% |
| Percentage of Licensees with No Recent Violations | 97.50% | 97.64% | 100% |
| Number of Race Animals Inspected Prior to Participating in a Race | 116,800 | 78,044 | 67% |
| Percentage of Race Animals Injured or Dismissed from Racetracks | 0.30% | 0.36% | 120% |
| Number of New Occupational Licenses Issued | 4,600 | 4,650 | 101% |
| Number of Occupational Licenses Renewed | 8,000 | 7,704 | 96% |
| Average Regulatory Cost per Licensee | \$46.33 | \$43.82 | 95% |
| Average Time (minutes) Required to Issue a New Occupational License | 7.5 | 6 | 80% |
| Percentage of Compliance Audits Passed | 98.00% | 98.25% | 100% |
| Total Pari-Mutuel Handle (in millions) | \$477.47 | \$463.88 | 97% |
| Total take to the State Treasury from Pari-mutuel Wagering (in millions) | \$4,143,756 | \$4,133,629 | 100% |

Glossary of Racing Terms

Accredited Texas-bred horse – a Texas-bred horse that meets the accreditation requirements of the state breed registry of that breed of horse.

Breakage - the odd cents by which the amount payable on each dollar wagered exceeds a multiple of 10 cents, except in the event of a minus pool, in which case the breakage is based on a multiple of 5 cents.

Common pool - a pool in which the wagers received at a receiving location are combined with the wagers received at a sending racetrack.

Cross-species simulcast signal - a simulcast signal of a horse race at a greyhound racetrack facility or a simulcast signal of a greyhound race at a horse racetrack facility.

E-wagering – stands for Ticketless Electronic Wagering. These devices may only be used within the enclosure of a licensed Texas racetrack and only under a system approved by the Commission.

Exotic pool - a mutuel pool that involves wagers on more than one entered horse or greyhound or on entries in more than one race.

Handle - the total amount of money wagered at a racetrack during a particular period.

Horsemen's organization - an organization recognized by the Commission that represents horse owners and trainers in negotiating and contracting with racetracks on subjects relating to racing and in representing and advocating the interests of horse owners and trainers before administrative, legislative, and judicial forums.

Live pari-mutuel pool - the total amount of money wagered by patrons on the result of a particular live race or combination of live races within the enclosure of the racetrack where the race is being run.

Mixed meet - a live horse race meeting in which more than one breed of horse participates.

Multiple wagering – wagering on two or more animals in one race or on one or more animals in more than one race.

Multiple two wager - a wager on two animals in one or more races.

Multiple three wager - a wager on three or more animals in one or more races.

Odds - a number indicating the amount of profit per dollar wagered to be paid to holders of winning pari-mutuel tickets.

Outstanding ticket - a pari-mutuel ticket that is not presented for payment before the end of the race day for which the ticket was purchased.

Performance - the schedule of horse or greyhound races run consecutively as one program.

Place - to finish second in a race.

Prohibited substance - a drug, chemical, or other substance that in its use or intended use is reasonably capable of influencing or affecting the outcome of a race in a manner contrary to the Racing Act or a Commission rule and that is prohibited by a Commission rule regulating the unlawful influence of a race.

Purse - the cash portion of the prize for a race.

Race date - a date on which a racetrack is authorized by the Commission to conduct races.

Race meeting - a group of days on which horse or greyhound racing is conducted at a racetrack.

Regular wager - a wager on a single horse or greyhound in a single race.

Show - to finish third in a race.

Simulcast - the telecast or other transmission of live audio and visual signals of a race, transmitted from a sending track to a receiving location, for the purpose of wagering on the race at the receiving location.

Simulcast pari-mutuel pool - the total amount of money wagered by patrons at a racetrack on the result of a particular simulcast race or combination of simulcast races.

Stallion owner - a person who is owner of record, at the time of conception, of the stallion that sired the accredited Texas-bred horse.

Straight pool - a mutuel pool that involves wagers on a horse or greyhound to win, place, or show.

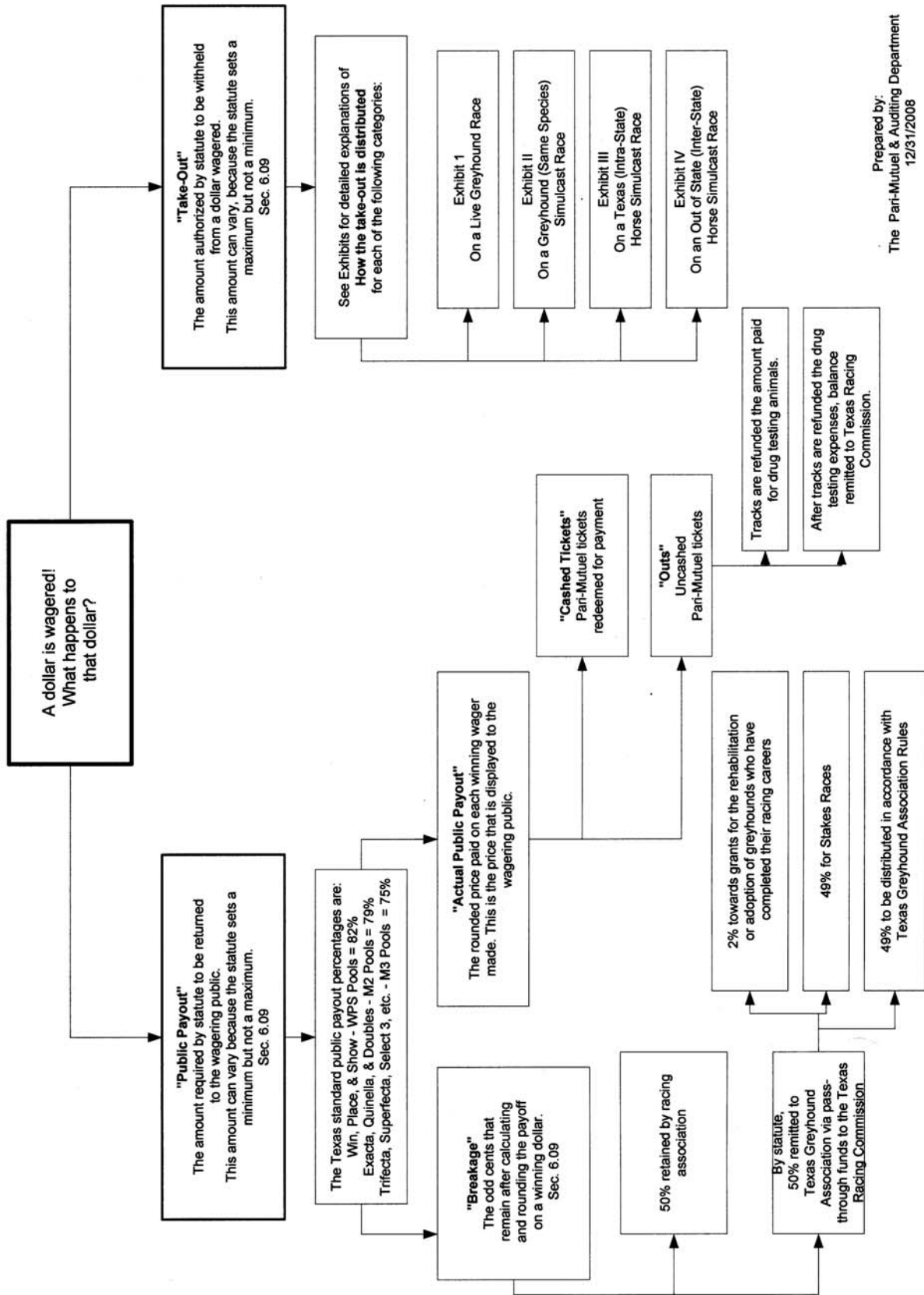
Totalisator - a machine or system for registering and computing the wagering and payoffs in pari-mutuel wagering.

Win - to finish first in a race.

WPS – an acronym for the first three places of a race: Win (1st), Place (2nd), and Show (3rd).

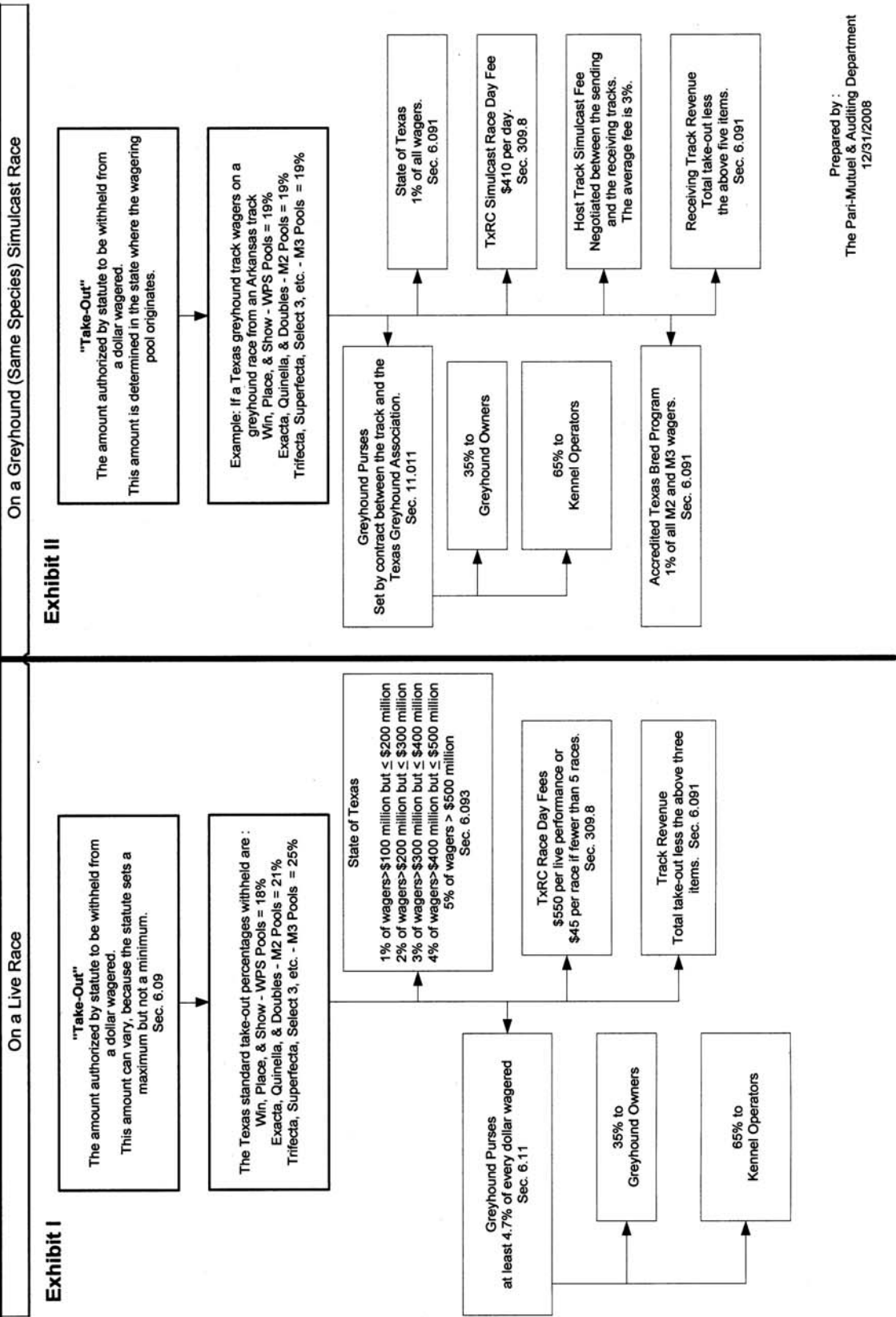
For additional definitions, see §1.03 of the Texas Racing Act and §301.1 of the Commission's Rules.

How Money Wagered at a Greyhound Track is Distributed

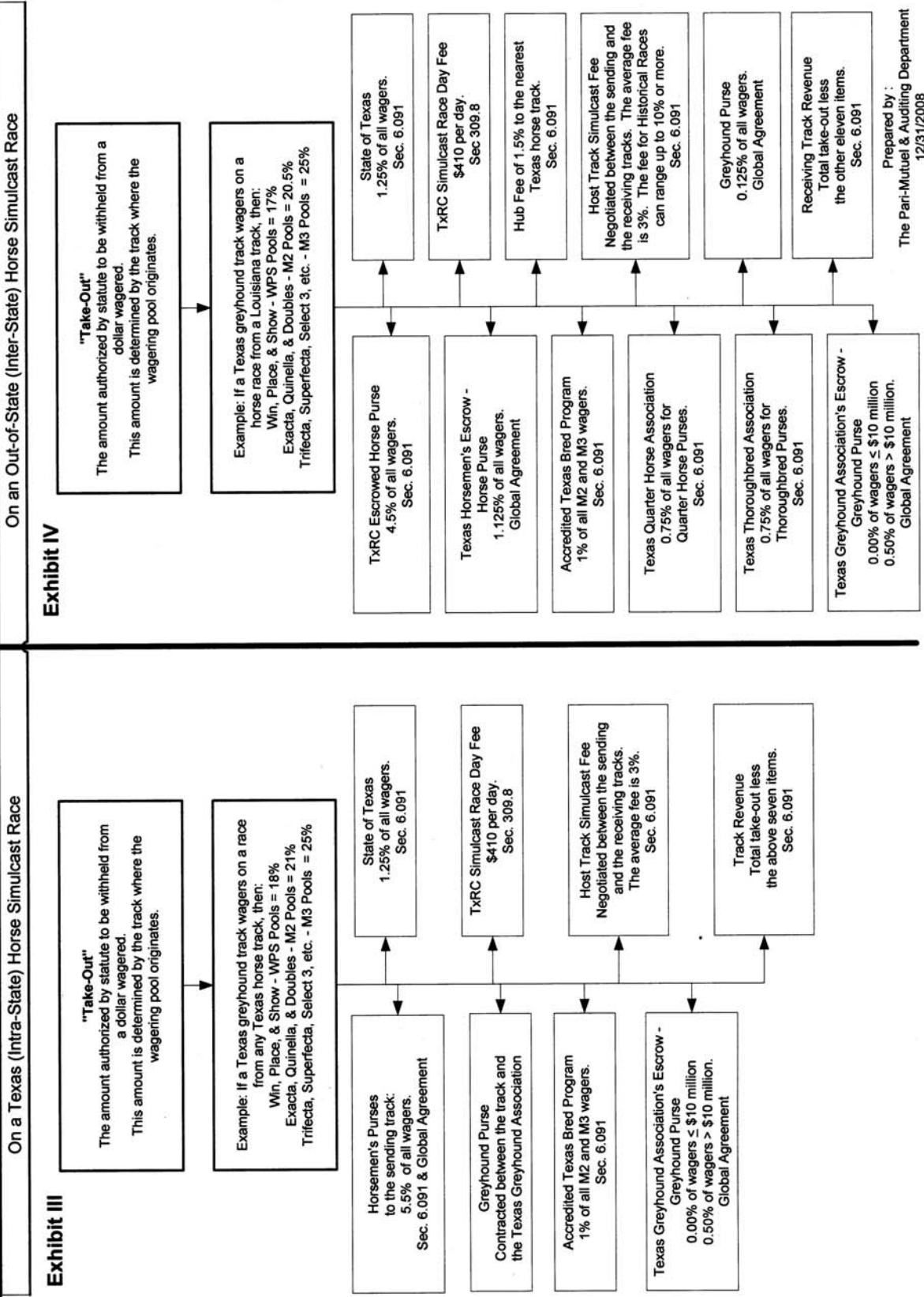


Prepared by:
The Par-Mutuel & Auditing Department
12/31/2008

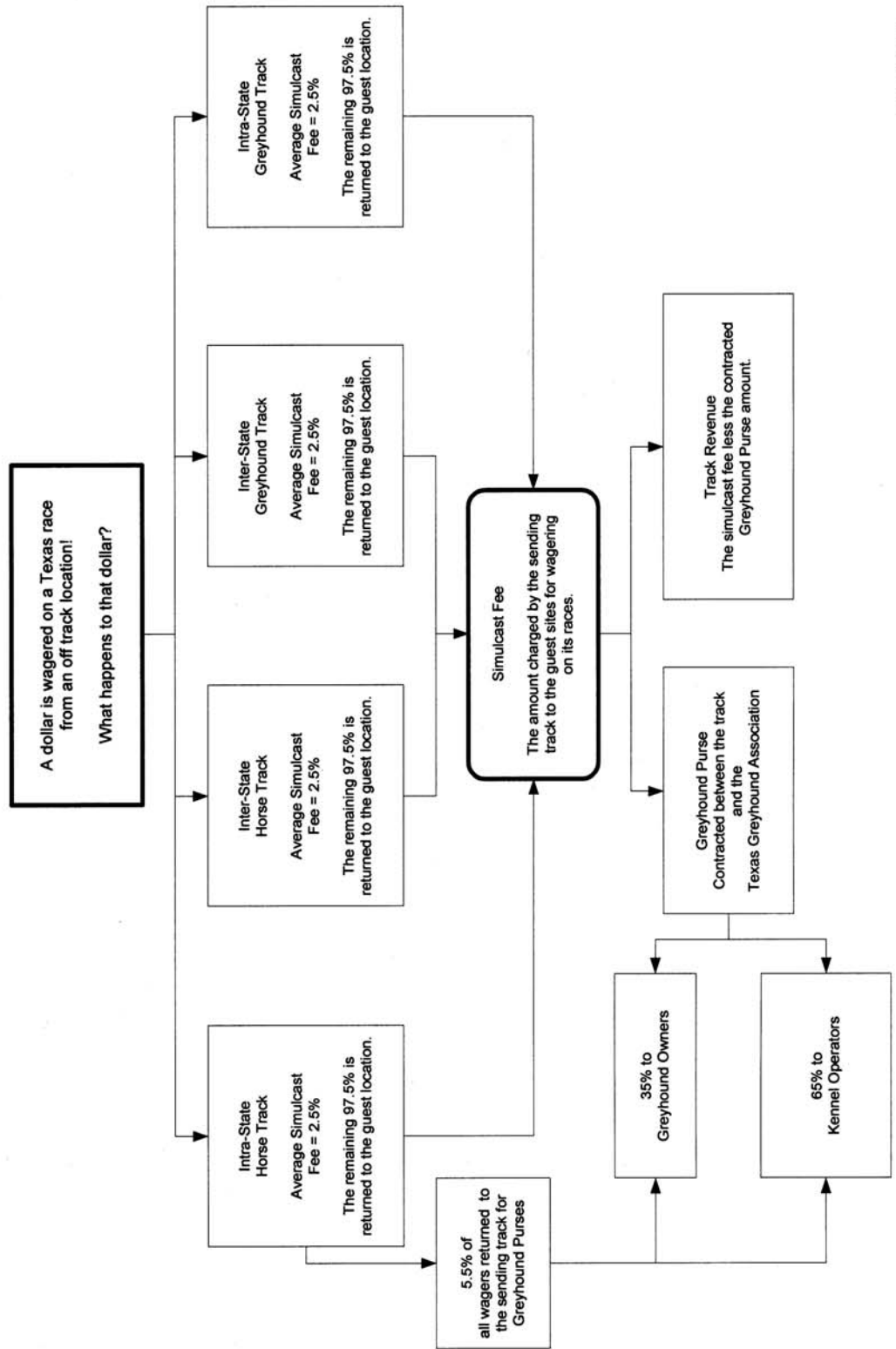
How the Take-Out from a Dollar Wagered at a Greyhound Track is Distributed



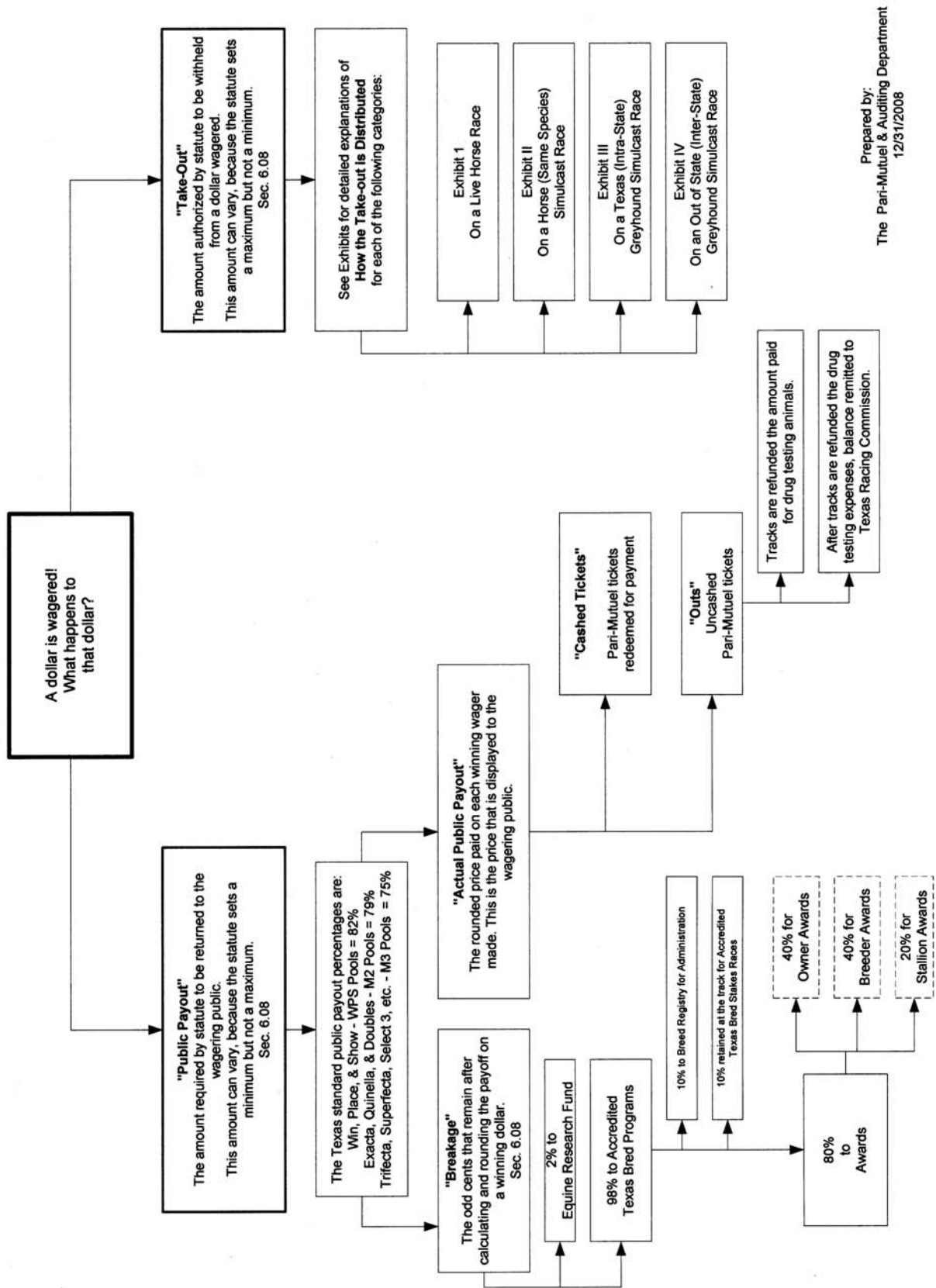
How the Take-Out from a Dollar Wagered at a Greyhound Track is Distributed



How Money Wagered on a Greyhound Track's Exported Race is Distributed

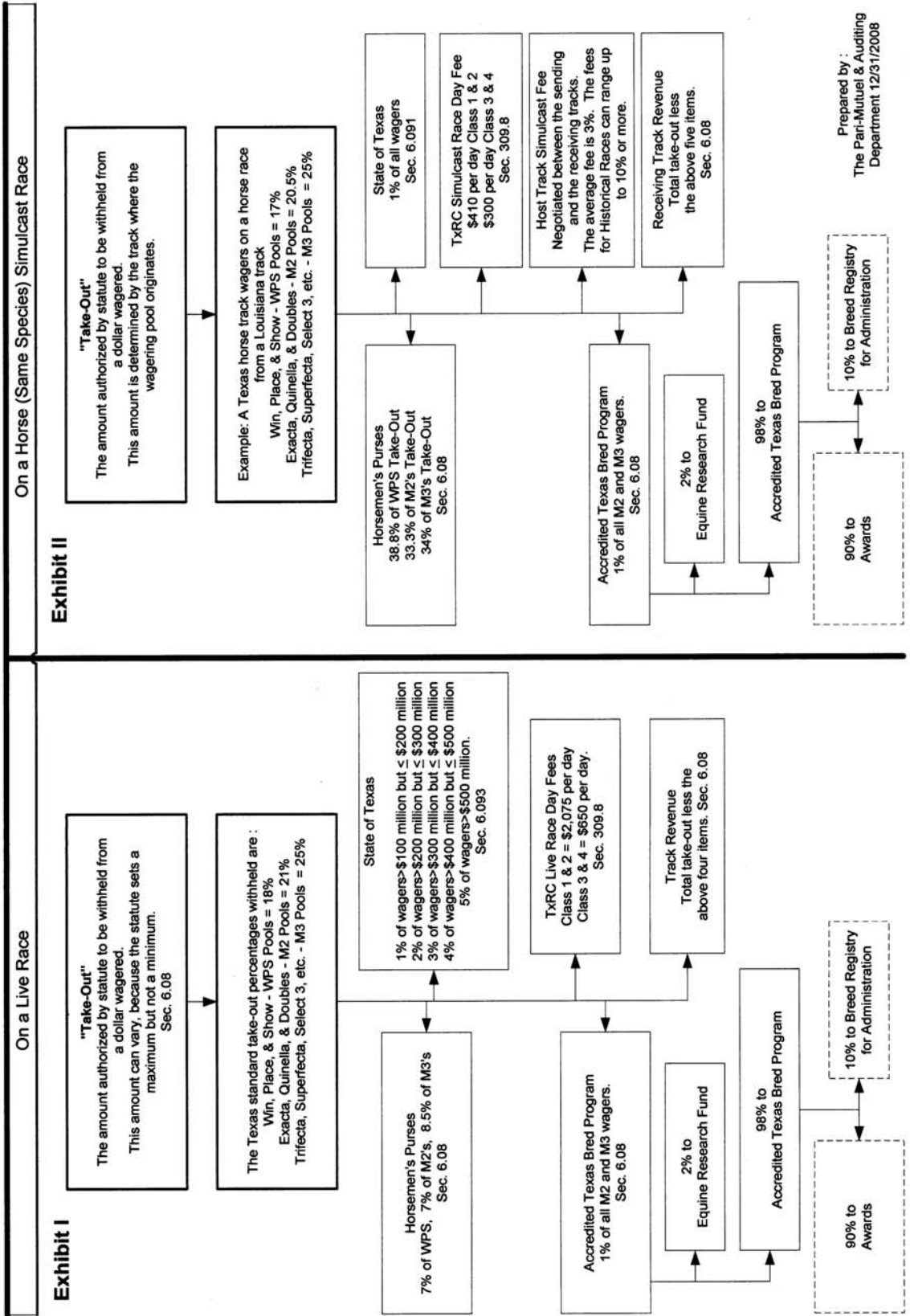


How Money Wagered at a Horse Track is Distributed



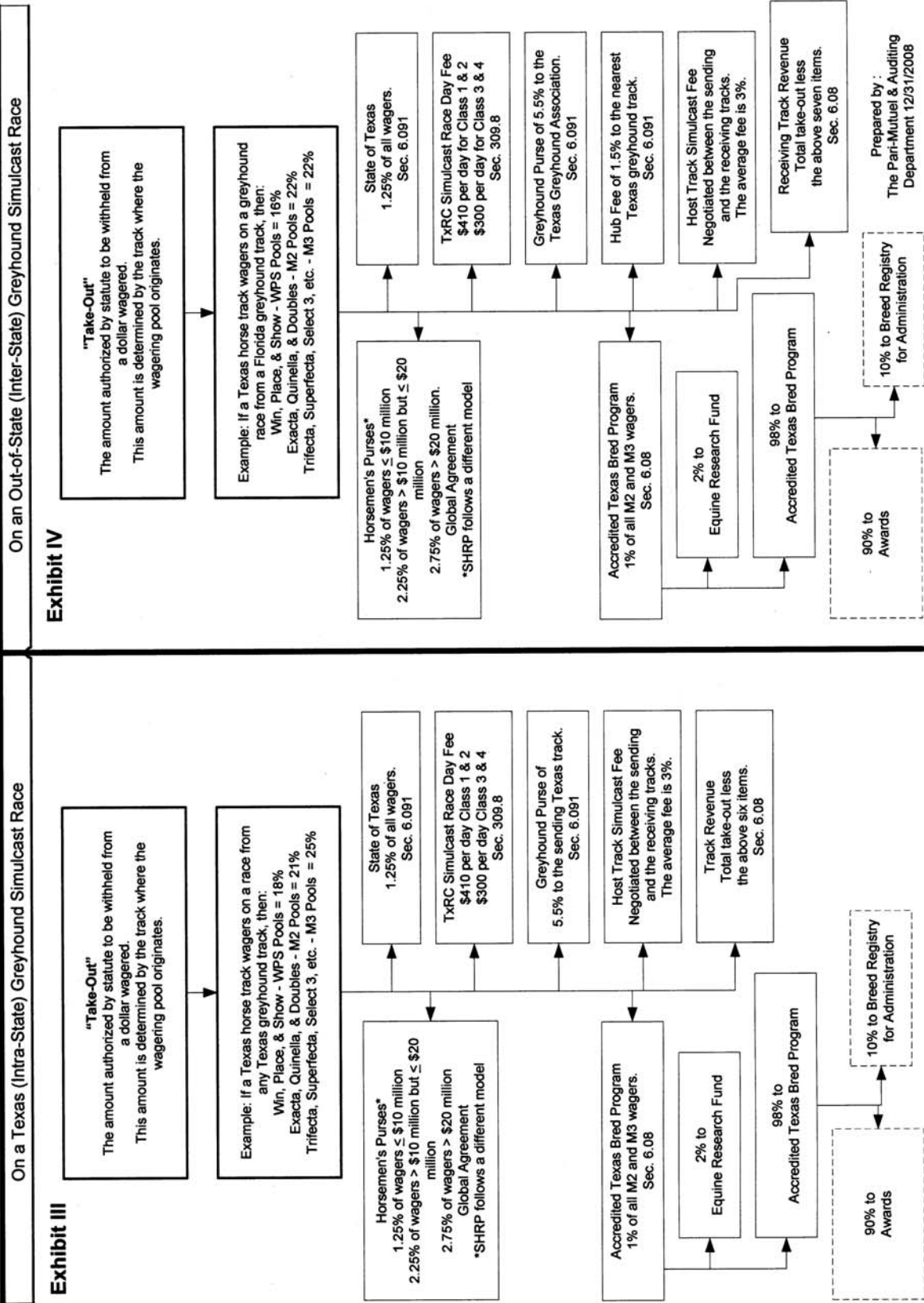
Prepared by:
The Pari-Mutuel & Auditing Department
12/31/2008

How the Take-Out from a Dollar Wagered at a Horse Track is Distributed

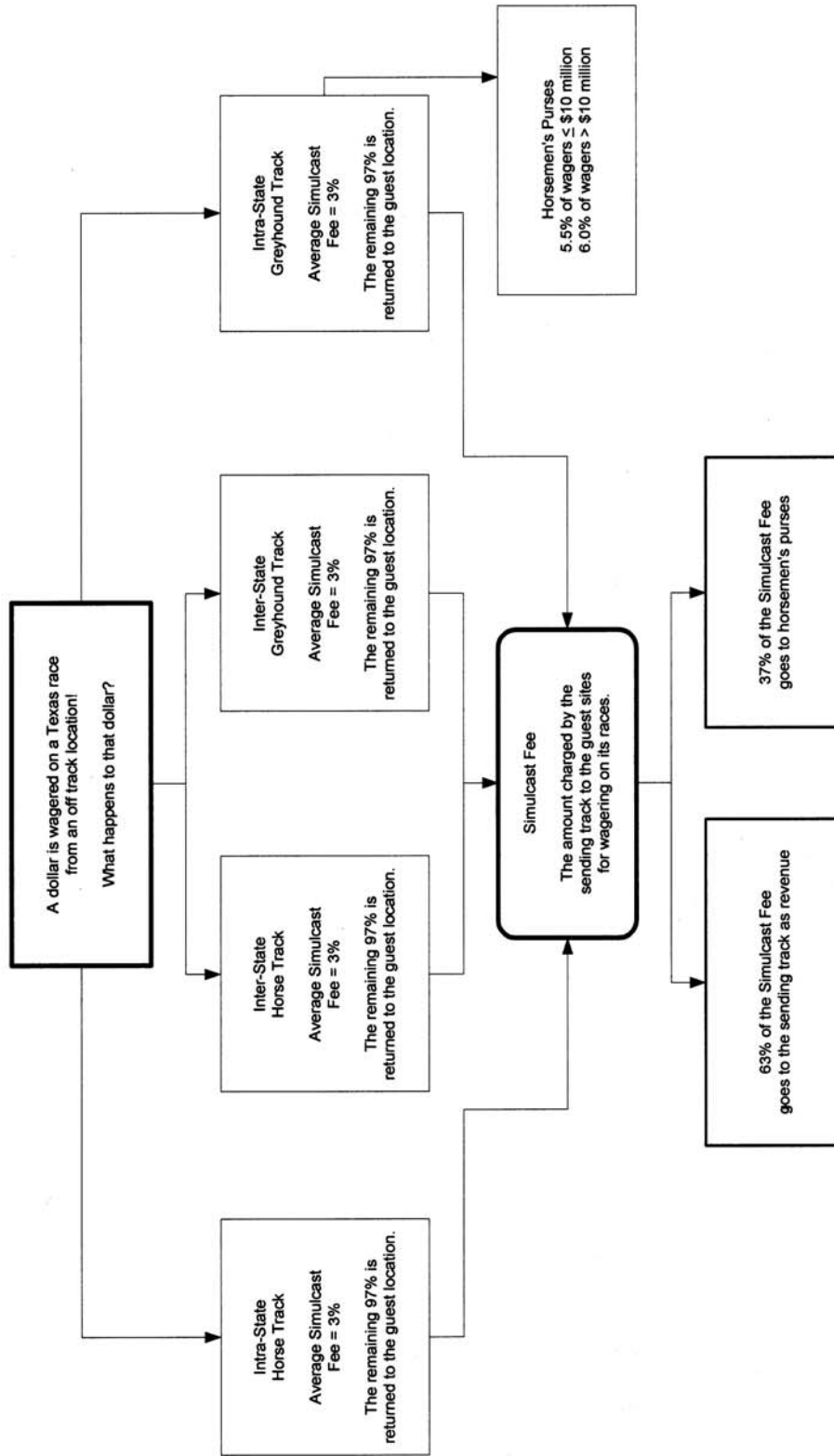


Prepared by:
The Pari-Mutuel & Auditing
Department 12/31/2008

How the Take-Out from a Dollar Wagered at a Horse Track is Distributed



How Money Wagered on a Horse Track's Exported Race is Distributed



Licensed Racetrack Directory

Greyhound Racetracks

Corpus Christi Greyhound Race Track

5302 Leopard Street, Corpus Christi, TX 78408
Phone 361-289-9333, Fax 361-299-1970

Gulf Greyhound Park

1000 FM 2004, La Marque, TX 77568
Phone 800-275-2946, Fax 409-986-9700

Valley Greyhound Park

2601 South Ed Carey Drive, Harlingen, TX 78552
Phone 956-412-7223, Fax 956-428-0163

Horse Racetracks

Austin Jockey Club (currently not constructed) – Class 2

c/o Bryan Brown, P. O. Box 47535, San Antonio, TX 78265-7535
Phone 210-651-7000, Fax 210-651-7097

Gillespie County Fair & Festivals Association – Class 3

Highway 16 South, Fredericksburg, TX 78624
Phone 830-997-2359, Fax 830-997-4923

Laredo Downs (currently not constructed) – Class 2

7220 CPL Road, Laredo, TX 78091
Phone 956-723-6354, Fax 956-725-1949

Laredo Race Park (currently not constructed) – Class 2

c/o Bob Bork, 7575 North Sam Houston Parkway West, Houston, TX 77064-3417
Phone 281-807-8700, Fax 281-807-8777

Lone Star Park at Grand Prairie – Class 1

1000 Lone Star Parkway, Grand Prairie, TX 75050
Phone 972-263-7223, Fax 972-262-5622

Manor Downs – Class 2

9211 Hill Lane, Manor, TX 78653
Phone 512-272-5581, Fax 512-278-1892

Retama Park – Class 1

One Retama Parkway, Selma, TX 78154
Phone 210-651-7000, Fax 210-651-7097

Saddle Brook Park (currently not constructed) - Class 2

3822 Business Park Drive, Amarillo, TX 79110
Phone 806-359-9546, Fax 806-359-5239

Sam Houston Race Park – Class 1

7575 North Sam Houston Parkway West, Houston, TX 77064-3417
Phone 281-807-8700, Fax 281-807-8777

Valle de los Tesoros Race Park (currently not constructed) – Class 2

3900 North McColl Road, McAllen, TX 78501
Phone 956-687-7751, Fax 956-994-9734

Racing Industry Organizations & Related Associations Directory

American Quarter Horse Association

P.O. Box 200, Amarillo, TX 79168
Phone 806-376-4888, Fax 806-349-6402

Association of Racing Commissioners, International (RCI)

2343 Alexandria Drive, Suite 200, Lexington, KY 40504-3276
Phone 859-224-7070, Fax 859-224-7071

Department of Public Safety

P.O. Box 4087, Austin, TX 78773
Phone 512-424-2000, Fax 512-424-5779

Equine Research Account Advisory Committee

Texas Agricultural Experiment Station
2142 TAMU, College Station, TX 77843-2142
Phone 979-845-3713, Fax 979-862-1637

Jockeys' Guild

P. O. Box 487, Leander, TX 78646
Phone 512-826-3344

Texas Appaloosa Horse Club (Requested withdrawal from Texas-Bred Incentive Program on 11/13/98)

P. O. Box 557, Cedar Hill, TX 75104
Phone 972-723-3708, Fax 972-723-0526

Texas Arabian Breeders' Association

P. O. Box 215, Forney, TX 75126
Phone 972-564-9430, Fax 972-552-3613

Texas Greyhound Association

P. O. Box 40, Lorena, TX 76655-0040
Phone 254-857-4377, Fax 254-857-4299

Texas Horsemen's Partnership, L.L.P.

P. O. Box 142533, Austin, TX 78714
Phone 512-467-9799, Fax 512-467-9790

Texas Paint Horse Breeders Association

P. O. Box 5039, Mabank, TX 75147
Phone 903-312-6381, Fax 903-887-0335

Texas Quarter Horse Association

P. O. Box 9449, Austin, TX 78766
Phone 512-458-5202, Fax 512-458-1713

Texas Thoroughbred Association

P. O. Box 14967, Austin, TX 78761
Phone 512-458-6133, Fax 512-453-5919

Texas Veterinary Medical Diagnostic Laboratory

P.O. Drawer 3040, College Station, TX 77841-3040
Phone 979-845-3414, Fax 979-845-1794

Year 2009 Granted Live Race Dates

Greyhound Racetracks

Corpus Christi Greyhound Race Track - no performances

Corpus Christi Greyhound Race Track ceased pari-mutuel operations on December 31, 2007

Gulf Greyhound Park - 314 performances

Wednesday through Sunday, year-round

Valley Race Park – 162 performances

Wednesday through Sunday, January 1 through April 5

Wednesday through Sunday, November 27 through December 31

Horse Racetracks

Gillespie County Fair & Festivals

Mixed Meet (8 days) – July & August

Saturday & Sunday, July 4 & 5 and Saturday & Sunday, July 18 & 19

Saturday & Sunday, August 8 & 9 and Saturday & Sunday, August 22 & 23

Lone Star Park at Grand Prairie

Thoroughbred Meet (65 days) – April 9 (Thursday) through July 26 (Sunday)

Thursday – Sunday racing

OPEN – Monday, May 25 (Memorial Day)

Quarter Horse Meet (31 days) – September 25 (Friday) through November 28 (Saturday)

Thursday – Saturday racing through October (except opening week)

Wednesday – Saturday racing for the month of November (except Thanksgiving week)

CLOSED – Wednesday, November 25 & Thursday, November 26 (Thanksgiving)

Laredo Downs

Quarter Horse Meet (6 days) – December 4 (Friday) through December 13 (Sunday)

Friday – Sunday racing

Laredo Race Park

No race days requested

Manor Downs

Mixed Meet (18 days) – February 28 (Saturday) through April 26 (Sunday)

Saturday – Sunday racing

Retama Park

Quarter Horse Meet – None for calendar year 2009

Thoroughbred Meet (27 days) – January 1 (Thursday) through February 28 (Saturday)

Thursday – Saturday racing

Thoroughbred Meet (32 days) – August 28 (Friday) through November 7 (Saturday)

Thursday – Saturday racing (except opening week)

Sam Houston Race Park

Thoroughbred Meet (18 days) – November 27 (Friday) through December 31 (Thursday)

Thursday – Sunday racing (except opening week and Christmas week)

CLOSED – Thursday, December 24 & Friday, December 25 (Christmas)

Quarter Horse Meet (54 days) – May 1 (Friday) through August 29 (Saturday)

Friday – Sunday racing for the month of May

OPEN – Monday, May 25 (Memorial Day)

Thursday – Saturday racing June through August (except closing week)

Valle de los Tesoros

Quarter Horse Meet (6 days) – December 19 (Saturday) through December 28 (Monday)

Saturday – Monday racing

(Please check with the racetracks to confirm their specific racing schedule or visit the Commission's website at www.txrc.state.tx.us for the detailed racing schedules.)

Year 2009 Approved Breed Splits

What is a "breed split"? Under the Texas Racing Act, a portion of the money wagered on simulcast races offered at horse racetracks is dedicated to purses and the Texas Bred Incentive Programs (ATB). Because this money is not directly related to live racing at Texas tracks, the Commission has developed a procedure for fairly dividing this money for payout to the owners and breeders of the different breeds of horses.

Pursuant to Commission rules, each year the racetracks must negotiate with representatives of the officially recognized organizations representing horse owners, trainers, and/or breeders for the allocation of purse funds. The tracks then recommend for Commission approval a specific allocation among the breeds for the funds generated at their respective tracks. In determining the percentages by which Texas Bred Incentive Program funds generated from simulcasting are divided, the Commission may consider criteria in accordance with Commission rules. This allocation of purse and ATB funds among the various breeds of horse is commonly referred to as the "breed splits".

| PURSES | GILLESPIE COUNTY | MANOR | LONE STAR | RETAMA | SAM HOUSTON |
|---------------|------------------|--------|-----------|--------|-------------|
| Minor Breed | 1.50% | 1.50% | 1.25% | 2.00% | 2.00% |
| Quarter Horse | 68.95% | 72.89% | 16.7875% | 21.56% | 21.56% |
| Thoroughbred | 29.55% | 25.61% | 81.9625% | 76.44% | 76.44% |

TEXAS BRED INCENTIVE PROGRAM

| | | | | | |
|---------------|--------|--------|--------|--------|--------|
| Arabian | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Paint | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| Quarter Horse | 64.67% | 64.67% | 32.33% | 32.33% | 32.33% |
| Thoroughbred | 32.33% | 32.33% | 64.67% | 64.67% | 64.67% |

Year 2009 Escrowed Horse Purse Account

The money set aside for the escrowed horse purse account is derived from wagering on interstate horse racing simulcasts at greyhound racetracks. The Racing Act requires each greyhound racetrack to deposit with the Commission 4.5% of those wagers, to be paid to the various Texas horse racetracks. Each year, the horse racetracks are permitted to request money from this account. The Commission then approves a percentage allocation to be applied to money deposited in the account throughout the calendar year, based on purse levels, racing opportunities, and the financial status of the requesting racetracks.

| | | | | | |
|---------------|---------|---------|---------|---------|---------|
| | 1.6% | 7.8% | 24.65% | 24.65% | 41.3% |
| Arabian | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% |
| Paint Horse | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% |
| Quarter Horse | 72.075% | 72.075% | 72.075% | 72.075% | 72.075% |
| Thoroughbred | 20.925% | 20.925% | 20.925% | 20.925% | 20.925% |

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This publication is also available on the Texas Racing Commission's website at <http://www.txrc.state.tx.us>

Note: Except where indicated, information in this report is for calendar year 2008 and is not audited.