



**2003**  
**Annual Report**

NOTE: EXCEPT WHERE INDICATED, INFORMATION IN THIS REPORT IS  
BASED ON CALENDAR YEAR 2003 AND IS NOT AUDITED.

## TEXAS RACING COMMISSION

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# Table of Contents

Transmittal Letters to Governor .....	2
Department of Public Safety Report .....	4
The Commission	
Mission and Philosophy .....	6
Commissioners .....	7
Significant Commission Actions .....	8
Organizational Chart .....	11
Staff - Organization .....	12
Agency Highlights .....	14
Inspection Program .....	18
Related Programs	
Texas-Bred Incentive Program .....	19
Equine Research Program .....	21
Industry Highlights .....	22
Statistics	
Year 2003 Purse Statistics .....	25
Year 2003 Statistical Racetrack Information .....	26
Five Year Overview of Pari-Mutuel Racing .....	29
Greyhound Racetracks	
Corpus Christi Greyhound Race Track .....	30
Gulf Greyhound Park .....	32
Valley Race Park .....	34
Horse Racetracks	
Lone Star Park at Grand Prairie, Class 1 .....	36
Retama Park, Class 1 .....	38
Sam Houston Race Park, Class 1 .....	40
Manor Downs, Class 2 .....	42
Gillespie County Fair & Festivals Association, Class 3 .....	44
Other Licensed Racetracks	
Austin Jockey Club .....	46
Saddle Brook Park .....	46
Appendix	
Summary of Fiscal Year 2003 Financial & Performance Information .....	ii
Glossary of Racing Terms .....	iv
Charts Depicting Pari-Mutuel Distributions .....	vi
Licensed Racetracks Directory .....	xiv
Racing Industry Organizations & Associations Directory .....	xv
Year 2004 Granted Race Dates .....	xvi
Year 2004 Approved Breed Splits .....	xvii

2003 ANNUAL REPORT



**TEXAS RACING COMMISSION**

P. O. BOX 12080  
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(512) 833-6699  
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January 30, 2004

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 to you the 2003 Annual Report of the Texas Racing Commission.

The results of our regulatory efforts, along with statistics of interest, are highlighted in this report. As Chair of the Commission, I assure you that the Commission continues to focus its energies on diligently regulating the pari-mutuel industry to insure the integrity of racing for both the participants and the wagering public.

The assistance and cooperation of the Department of Public Safety and the Comptroller of Public Accounts and her staff continues to be a vital component in the regulation of the pari-mutuel industry.

The Commissioners are proud to serve you and the citizens of the great state of Texas.

Respectfully submitted,

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

R. Dyke Rogers  
Chair

RDR:mjc

2003 ANNUAL REPORT



TEXAS RACING COMMISSION  
P. O. BOX 12080  
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January 30, 2004

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

Dear Governor Perry:

As the chief administrative officer for the Texas Racing Commission, I present the 2003 Annual Report to you in accordance with Section 3.10 of the Texas Racing Act.

Although the Commission is not funded through general revenue, but through revenue derived 100% from the pari-mutuel racing industry, the Commission met your challenge of reducing its FY2003 budget by over 7%. Although small in comparison to most agencies, over \$306,000 in savings was achieved, mainly through salaries. Savings were generated through layoffs, delayed hiring, and reduced personnel hours both in Austin and at the racetracks.

Despite the past year's financial struggles, I am pleased to report that this agency has entered FY2004 with a renewed conviction to regulate this exciting industry in a manner that keeps the trust and respect of the citizens of this state.

As the statistics in the report show, the total amount wagered in Texas over the past year has again declined. The expansion of wagering opportunities in our neighboring states of Louisiana, New Mexico, and Oklahoma continues to adversely affect the industry's potential. Sadly, the on-going viability of some of the Texas racetracks is uncertain.

Again, as reported last year, the proliferation of illegal telephone and internet gaming also continues to affect not only the profitability of the racetracks, but the State of Texas. These rogue companies do not pay taxes or contribute in any way to the State. The Commission continues to work with the Department of Public Safety and the Attorney General's office to explore enforcement options.

Looking forward, I assure you that this Commission remains determined and dedicated to providing effective, efficient regulation of the pari-mutuel racing industry.

Please do not hesitate to call me at 490-4032 should you have any questions.

Very truly yours,

A handwritten signature in cursive script that reads "Paula C. Flowerday".

Paula C. Flowerday  
Executive Secretary

PCF:mjc

C: The Honorable David Dewhurst, Lieutenant Governor  
The Honorable Tom Craddick, Speaker of the House

2003 ANNUAL REPORT

**TEXAS DEPARTMENT OF PUBLIC SAFETY**

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DIRECTOR

DAVID McEATHRON  
ASST. DIRECTOR



COMMISSION  
COLLEEN MCHUGH  
CHAIRMAN

ROBERT B. HOLT  
COMMISSIONER

January 15, 2003

Mr. R. Dyke Rogers, 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. Rogers,

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 2003.

CRIMINAL ACTIVITY AND CRIME TRENDS

During the year of 2003, the pro-active investigation of terrorism dominated much of the state's law enforcement's resources. Federal, state and local agencies are proactively engaged in this effort through intelligence gathering and the investigation of the signature crimes associated with the support of the terrorism network. Cyber terrorism remains as a growing concern as well. The reportable crime index for the first six months of 2003 reflected an index change of +2.1%.

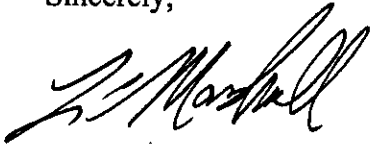
Identity theft continues to be on the increase across the nation. Keeping pace with and enhanced by the computer assisted crimes, identity theft is resulting in the loss of millions of dollars to citizens as well as providing a cloaking mechanism and financing tool for criminal organizations. This issue was addressed by the 78<sup>th</sup> Legislature in 2003. Additional investigative tools for law enforcement were addressed through an expansion of prosecution venue, credit card requirements, reporting requirements, and training for law enforcement personnel.

## 2003 ANNUAL REPORT

### ILLEGAL GAMBLING

The year of 2003 reflects some changes with respect to illegal gambling trends within the state. Unregulated Indian Gaming, a target of enforcement action by the Texas Attorney General in 2002, resulted in the curtailment in the use of slot machines and the closing of some Indian gaming facilities. Representatives from this industry continue to seek avenues to operate the casinos legally within Texas. Recent favorable court rulings resulted in the closure of many illegal 8 Liner businesses in 2003; however, some individuals continue to challenge law enforcement by openly operating 8 Liner establishments within certain areas of the state. Law Enforcement remains aware of and continues to actively investigate organizations promoting illegal internet wagering to Texas. Prosecution remains difficult with these organized crime cases due to jurisdictional boundaries. Also noted, illegal horse racing at brush tracks in rural areas of Texas is reported to be on the increase.

Sincerely,



L. C. Marshall, Commander  
Texas Department of Public Safety  
Special Crimes Service

## **The Commission**

The Texas Racing Commission was created by the Texas Legislature 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 Commission will vigorously enforce the Texas Racing Act and its rules to ensure a consistent and accurate revenue stream to the state and racing participants, safe racing facilities, fair and honest racing activities, and accountable use of economic incentives funded through pari-mutuel racing. The Commission will conduct its regulatory activities courteously and efficiently and will facilitate communication and cooperation among and between the public and the various interests within the racing industry.

### **Philosophy**

The Texas Racing Commission accepts and affirms its responsibility to perform its duties in strict compliance with applicable state laws and with the highest integrity. We will conduct our regulatory activities consistently, courteously, and efficiently while remaining sufficiently flexible to adjust to the distinctive and changing needs of and influences on the racing industry.

### **The Commissioners**

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

Of the seven appointed Racing 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 special knowledge or experience related to greyhound racing and one must have special knowledge or experience related to horse racing. The Governor designates a Commissioner to serve as the Chair of the Commission. The nine members elect a Vice-Chair for a term of two years. As of December 31, 2003, there was one vacancy on the Commission.



**Dyke Rogers** was named Chair of the Commission on May 26, 2003 by Governor Rick Perry. The President of Frontier Fuel Company has served on the Commission since November of 1999. In addition to Frontier Fuel, Mr. Rogers is engaged in numerous business ventures, including real estate and investments. His term expires in February of 2005.

**Jesse Adams** was appointed to the Commission on May 16, 2003. Mr. Adams is President of Adams & Polunsky, a real estate and tax-consulting firm in San Antonio. He serves on the boards 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.

**Treva Boyd** was appointed to the Commission on November 17, 1999. Ms. Boyd owns and operates American RV and Supply Company in San Angelo. She previously served as Labor Relations Manager for GTE of the Southwest. Ms. Boyd's term expires on February 1, 2005.

**Comer Cottrell** was named to the Commission on March 8, 2002. He resides in Plano and owns and operates FCC Investment Corporation. His previous state service includes serving as Chairman of the Texas Cosmetology Commission and as Vice-Chair of the Texas Youth Commission. His term expires in February of 2007.

**Mike Rutherford** was named to the Commission on May 3, 2001. Mr. Rutherford owns and serves as President of Rutherford Oil Corporation, an independent oil and gas producing company based in Houston. His term expires in February of 2007. He was elected by his fellow Commissioners to succeed Dyke Rogers as Vice-Chair on July 9, 2003.

**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 in February of 2009.

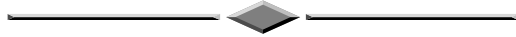
### **Ex Officio Members**

**Colleen McHugh**, Chair of the Public Safety Commission, has served as an ex officio member of the Racing Commission since October of 1998. She is a managing partner of the Corpus Christi office of Bracewell & Patterson, Attorneys at Law.

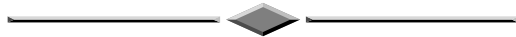
**Carole Keeton Strayhorn**, Comptroller of Public Accounts, has served as an ex officio member of the Racing Commission since her election in January of 1999. Jimmy Archer, the Comptroller's Chief of Criminal Investigations, regularly serves as Ms. Strayhorn's designee at Commission meetings.

## Significant Commission Actions

In late January 2003, the state asked each agency to reduce their spending for the remainder of FY2003, or through August 31, 2003, by 7%. The Commission executed this mandate mainly through salaries. Savings were generated through layoffs, delayed hiring, and reduced personnel hours both in Austin and at the racetracks. Other reductions included reducing travel, canceling the remainder of the internal audit contract, eliminating all money remaining for training, and reducing consumable supplies purchases.



On May 3, 2003, Governor Rick Perry designated Commissioner Boyd to be the Commissioner with special knowledge or experience related to greyhound racing. Governor Perry appointed Jesse R. Adams to the Commission on May 16. Commissioner Adams replaced Commissioner Terri Lacy whose term expired on February 1, 2003. On May 26, 2003, Governor Perry named Commissioner Dyke Rogers Chair of the Commission. At the July meeting, the Commissioners elected Mike Rutherford to serve as Vice-Chair. Governor Perry appointed Charles L. “Sonny” Sowell to the Commission on August 26, 2003 to replace Commissioner David Garza whose term expired on February 1, 2003.



At the July meeting the Commission granted the live race dates for horse racetracks for calendar year 2004. With Lone Star Park at Grand Prairie hosting the premier world Thoroughbred championships, Breeders’ Cup, on October 30, 2004, major adjustments in the traditional racing calendar were necessary. The management of the three Class 1 racetracks jointly presented a schedule that gives Lone Star Park a fall Thoroughbred meet to complement the Breeders’ Cup races. To accommodate the traditional Quarter Horse racing opportunities during the fall at Lone Star and to give continuity to the meet schedule, Sam Houston Race Park will feature an expanded Quarter Horse racing program, running from April 23 through November 6. Both Retama Park and Lone Star Park will host only Thoroughbred meets in 2004. (See Appendix Page xvi for a complete listing of these dates by racetrack.)

A necessary part of this notable agreement on live race dates was that the allocation of simulcasting revenue for purses and the Texas Bred Incentive Programs among the various breeds of horses was to remain the same for 2004 as had been approved for 2003. At its October meeting, the Commission endorsed the continuation of those allocations.

The Commission, at its August meeting, approved the 2004 greyhound performances. (See Appendix Page xvi for a complete listing of these dates by racetrack.)

Fiscal year end, August 31, 2003, saw five employees take advantage of a retirement incentive program passed during the 78th Legislative Session. The net effect to the Commission was an unplanned August 2003 expenditure of over \$46,000 for accrued

## 2003 ANNUAL REPORT

vacation and compensatory leave. Without the retirement effect, the Commission would have come in 1% under budget. With the retirement payment, the Commission exceeded its appropriation for FY2003 by \$2,314. The Governor's office provided an emergency appropriation grant to cover the shortage.

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At the October meeting, the Commission addressed an issue that could have caused significant financial problems for the agency. Under the Texas Racing Act, the Comptroller is authorized at the end of each fiscal biennium to sweep the unappropriated balance from the Commission's dedicated operating account. Because traditionally the Commission received approximately one-half of its revenues, the uncashed winning wagers ("outs"), in March, the Commission's dedicated account at the end of each fiscal year had a relatively high balance. If the account were swept, the Commission would be faced with a cash flow difficulty.

The Commission adopted several rules which adjust the date that mutuel tickets expire and when the outs are collected. Although moving the date on which a mutuel ticket expires could cause patron confusion, the Commission required the racetracks to provide program information and signage around their facilities to better educate the fans about this important change. With the amendments, mutuel tickets will now expire on September 29 of each year.

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At the request of Sam Houston Race Park, the Commission voted to open an application period for a Class 2 racetrack license for Webb County (Laredo area) for 60 days beginning on December 1, 2003 through January 29, 2004.

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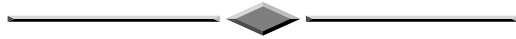
When the Texas Racing Act was enacted originally, the Texas Veterinary Medical Diagnostic Lab (TVMDL) was designated as the official drug-testing laboratory for the Commission. When the Commission underwent sunset review in 1997, the Legislature instituted an annual competitive bidding process to select the laboratory. In 2003, the Legislature eliminated the competitive bid requirement and designated TVMDL as the official drug-testing laboratory. The Commission is authorized to approve the charges for the drug testing after comparing them with the drug testing charges at similar laboratories around the country.

At the request of TVMDL, at the December meeting the Commissioners approved a \$1 increase in the per sample charge to \$71 for horses and \$32 for greyhounds. The

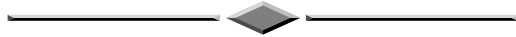
Commission also approved a change in testing protocol to enhance detection of drugs that are most likely to affect an animal's performance and to affect the outcome of a race. The number of samples tested using thin layer chromatography (TLC) will be

## 2003 ANNUAL REPORT

reduced while the number of samples tested using enzyme linked immunosorbent assay tests (ELISA) will be increased.

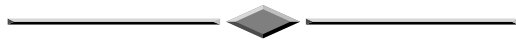


Also at the December meeting, the Commission voted unanimously to maintain the same allocation and breed split of the Escrowed Horse Purse Account for 2004 as 2003. (See Appendix Page xvii for the chart depicting the approved breed splits for 2004.)



Legislation passed during the 78th Regular Session, S.B. 279 and S.B. 1152, requires the Commission to begin participating in the Texas OnLine licensing project which provides an Internet portal for state agency licensing functions. Staff reported on the transition to this program to the Commissioners at the December meeting.

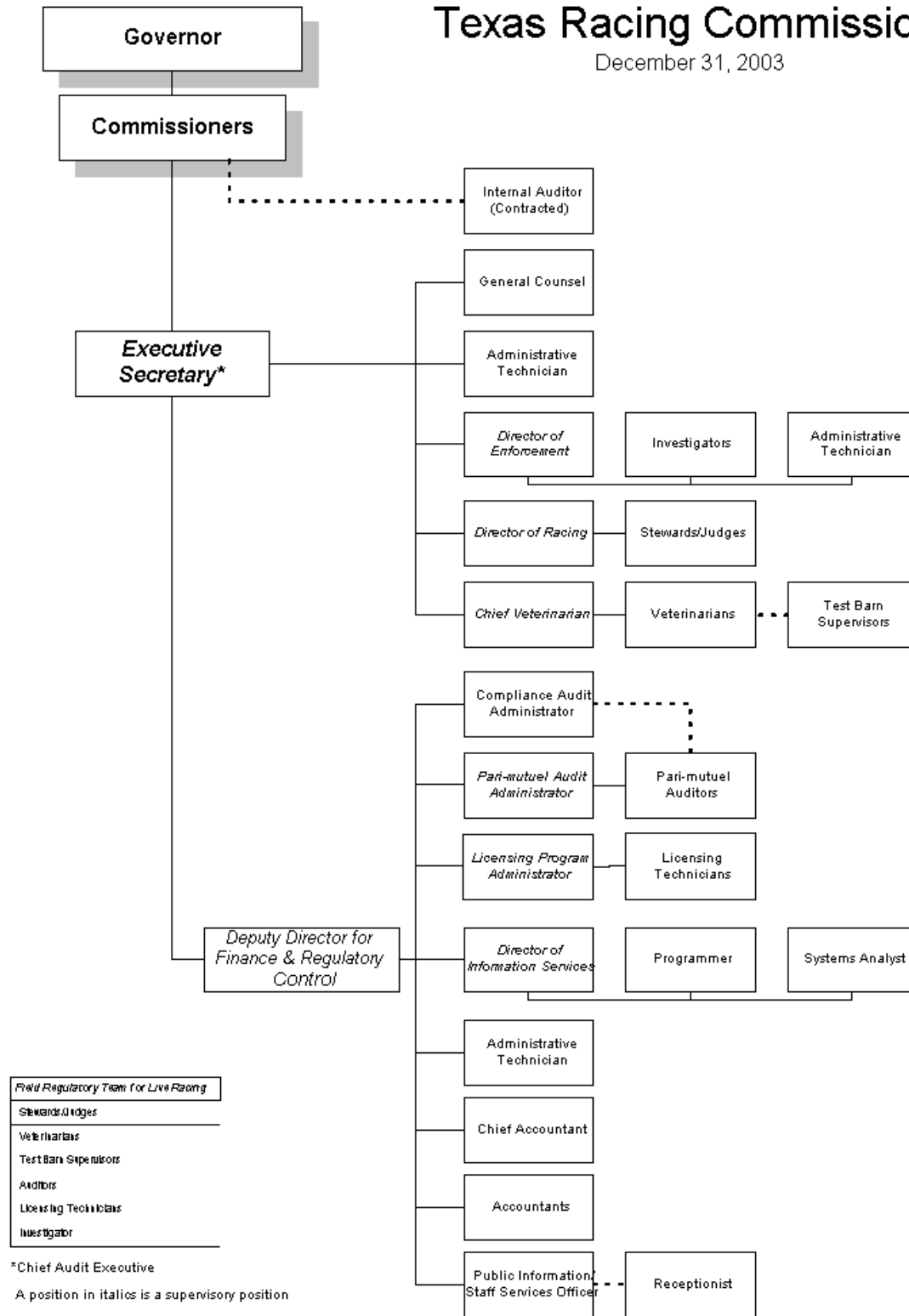
Due to the many socio-economic levels of the Commission's licensees, fully incorporating the Texas OnLine portal into the Commission's licensing program proved challenging. In exchange for providing the portal, the Texas OnLine Authority charges the Commission a small fee for every license issued, not just the licenses issued through the portal. To cover those charges, the Commission must increase licensing fees and the Commission was concerned the increase would have a disproportionate effect on licensees who would be unlikely to use the new portal. Many racing licensees are transient, have modest incomes, and have little or no access to the Internet or to credit cards, which are required to process a license application through the portal. With the support of the Texas OnLine Authority staff, the Commission Staff presented a request to defer the implementation of Texas OnLine for some license types. That request, along with a \$2 charge for all other licenses made available through the portal, was approved by the Texas OnLine Authority in December. The Commission anticipates full implementation of the Texas OnLine licensing program in mid-year 2004.



The Legislature increased the number of "general business" appointees to the Commission from four to five. The legislation also states that one of those appointees may be a veterinarian and that having a veterinary medical license qualifies as general knowledge of business or agri-business. The new Commissioner position was created on September 1, 2003, with an initial term to expire on February 1, 2009. As of December 31, 2003, the Governor had not made this additional appointment.

# Texas Racing Commission

December 31, 2003



<i>Field Regulatory Team for Live Racing</i>
Stewards/Judges
Veterinarians
Test Barn Supervisors
Auditors
Licensing Technicians
Investigator

\*Chief Audit Executive  
 A position in italics is a supervisory position

## Commission Staff – Organization

### EXECUTIVE

The Executive Division includes the Executive Secretary, General Counsel, Enforcement Department, Racing, Veterinary, and support staff.

**Executive Secretary:** As head of the agency, the Executive Secretary supervises the agency's activities as a whole. The Executive Secretary is responsible for establishing operating policies and procedures for the agency and ensuring the agency's regulatory responsibilities are carried out. The Executive Secretary represents the agency before the Legislature and other governmental agencies.

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

**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 (SOAH) when prosecuting appeals from decisions made by the Stewards/Judges and disciplinary cases initiated by the Executive Secretary.

**Enforcement:** The Director of Enforcement reports directly to the

Executive Secretary 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 department 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 Department:** The Chief Veterinarian oversees this department,

supervising the veterinarians and test barn supervisors working at the racetracks. This department 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 Secretary 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:** This department regulates all activities related to wagering.

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 computer programs are 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 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:**

Responsible for issuing occupational licenses and registrations to all persons involved in pari-mutuel greyhound and horse racing, this department works closely with the Enforcement Department and the Stewards/Judges.

Licensing staff at each racetrack helps 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 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 responsible for the budget, accounting, purchasing, personnel, travel coordination, and other administrative functions of the Commission, including responding to all public information requests.

The department also assists in the 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 24x7, providing staff, licensees, the Department of Public Safety, the TVMDL, and the general public with up to date information regarding all aspects of the Commission's regulatory programs.

## Agency Highlights

### Administrative/Staffing

The Commission attained or exceeded 72% of its 21 established Key Performance Measures for Fiscal Year 2003. The agency also met or exceeded four of its five outcome targets and 8 of 12 of its output/efficiency targets.

The agency complied with mandated Senate Bill 1 caps on Full-time Equivalent Employees and on Out of State Travel Budget for the fiscal year.

The Executive Division coordinated six regular Commission meetings.

The General Counsel coordinated rule reviews for Chapters 309, 311, and 319 as required by Government Code, §2001.035. The amendments for the chapter reviews in 2003 clarified the rule language and conformed the rules to agency practice.

Other rule changes adopted during the year included amendments to 16 TAC §303.93, which clarified the requirements for the accreditation of Quarter Horses by the breed registry and revised the procedure for paying out accredited Texas Bred awards. The amendment to 16 TAC §303.92 revised the process for hearings by the Thoroughbred breed registry. The amendment to 16 TAC §303.94 encouraged the accreditation of Arabian horses.



The amendments to 16 TAC §§319.336 and 321.33 coordinated the mutuel year with the agency's fiscal year for accounting purposes.

The amendment to 16 TAC §315.31 modified the required number of racing judges for weigh-in of greyhounds and the amendment to 16 TAC §307.65 permits the Commission to honor rulings against licensees in all racing jurisdictions rather than strictly those made in the United States.

## **Technology**

The Enforcement, General Counsel, Racing and the Information Technology Departments coordinated an update to the agency's Rulings system. This integral part of the agency's database serves as the tracking mechanism for all infractions of the Commission's Rules of Racing. Accurate, up-to-date information sharing with national and international racing jurisdictions ensures the overall integrity of racing participants.

Over the last ten years, with the opening of new racetracks and the growing trend to offer year-round simulcasting, the number of simulcast signals offered at Texas racetracks has increased dramatically from the 398 signals taken in 1992. During the last five years, the number of signals has increased over 225% for the eight operating racetracks, going from 28,287 signals in 1998 to 64,010 signals in 2003. The process for downloading in-state wagering data from the three totalisator companies, automated in late 2002, reduced data entry time and increased data accuracy in 2003.

The Information Technology Department and Pari-mutuel and Auditing Department began evaluating the feasibility of expanding this valuable process to wagering data from tracks outside Texas contributing to Texas wagering pools (export). Expected implementation of this process is early 2004.

## **Regulation**

In 2003, pari-mutuel auditors reviewed wagering data on 15,779 live races and 734,640 simulcast races to ensure proper collection and distribution of funds. A record 2,067 import and export simulcast requests were reviewed for compliance with the Rules and the Interstate Horse Racing Act.

Licensing staff issued 14,168 occupational licenses, of which 5,475 were new and 8,693 were renewals. There were 4,152 Owners, 937 Owner/Trainers, 282 Trainers, and 178 Jockeys licensed during the year.

## 2003 ANNUAL REPORT

Stewards and Judges issued a total of 625 disciplinary rulings, with 437 resulting in fines and 188 resulting in suspensions. Five appeals, less than 1% of the total rulings, were filed during 2003. Two of the five appeals were withdrawn before going to a hearing at the State Office of Administrative Hearings (SOAH). Three hearings were conducted by SOAH during the year. In the one case that was finalized during the year, the agency's position was upheld by SOAH and the Commissioners.

Six preliminary reports were issued against racetracks by the Executive Secretary, all for violations of the Commission's rules regulating simulcasting. The penalties totaled \$6,679.

### **Animal Examinations / Drug Testing**

Injured or unsound animals are not permitted to race and are re-examined before being allowed to return to competition. During 2003, Commission veterinarians performed 100,286 pre-race greyhound and 32,163 pre-race horse examinations and evaluations.

The Commission veterinarians also supervised the collection of 18,790 greyhound specimens and 7,429 horse specimens, which were submitted to the drug-testing laboratory at TVMDL. The laboratory conducted tests for substances that could produce an unfair advantage for an animal in a race through stimulation and/or the masking of pain and for substances that interfere with the detection of illegal drugs.

Pursuant to authority granted by Commission rule, the Executive Secretary has promulgated a classification for prohibited drugs, chemicals, and other substances as a means of assessing penalties. The classification system for greyhounds separates drugs into six categories based on their effect on the greyhound, with Class 1 being the most potent scheduled stimulants and depressants that have no generally accepted medical use in the greyhound.

During 2003, the greyhound racetracks requested an abbreviated performance format to enhance their market penetration. Abbreviated performances card fewer than five races and follow shortly before or after the matinee or evening performance. So although there were more greyhound performances run in 2003 than 2002, there were actually fewer races. This accounted for the slight decrease in both the number of greyhound starters and number of samples tested from racing greyhounds. The number of drug positives showed a very slight increase, going from 35, or 0.18% of the total samples taken in 2002, to 47, or 0.25% of the 18,790 samples taken in 2003.

2003 ANNUAL REPORT

Of the 47 greyhound positives, there were no Class 1, 2, 3, or 4 drugs detected. The majority of the positives were for procaine, a Class 6 drug. Procaine is a local anesthetic found as a contaminant in meat fed to greyhounds.

The decrease in the number of horse starters and samples is attributable to the sixteen fewer days of racing in 2003. There was a marked decrease in the number of positives in 2003, going from 120 positives in 2002, or 1.54% of the total samples, to 93, or 1.25% of the 7,429 samples taken in 2003.

There is a similar drug classification system for horses, Class 1 being the most potent and Class 5 being therapeutic medications having localized affect only. In 2003, there was one Class 1 positive and six Class 2 positives. Over 53% of the total positives were for overages of drugs that are permitted at limited levels: phenylbutazone, an anti-inflammatory drug and furosemide, a drug used to treat a horse that experiences exercise induced pulmonary hemorrhage.

GREYHOUND	2002	2003	HORSE	2002	2003
# of Starters	101,869	100,286	# of Starters	34,058	32,163
# of Samples	19,031	18,790	# of Samples	7,816	7,429
Furosemide	1	0	Acepromazine	0	2
Gammahydroxyphenylbutazone	3	0	Caffeine	0	1
Guaifenesin	0	2	Clenbuterol	5	5
Metoclopramide	1	0	Clonidine	3	0
Naproxen	1	0	Cromoglycate	4	1
Phenobarbital	2	0	Dimethylsulfoxide	9	1
Polyethyleneglycol	6	3	Flunixin	7	8
Procaine	18	41	Furosemide overage	6	10
Sulfamethoxazole	3	0	Furosemide not Found	2	4
Trimethoprim	<u>0</u>	<u>1</u>	in Furosemide Program Horses		
TOTAL	35	47	Guanabenz	2	0
			Hydroxylicocaine	3	4
			Ipratropium	1	0
			Ketorolac	2	0
			Lidocaine	2	1
			Methamphetamine	1	0
			Methylphenidate	0	1
			Monoethylglycinexylidid	0	1
			Phenylbutazone	52	36
			Polyethyleneglycol	2	7
			Promazine	3	0
			Rantidine (Zantac)	1	2
			Sulfadiazine	5	5
			Sulfadimethoxine	2	1
			Sulfamethoxazole	3	2
			Torseamide	1	0
			Trimethoprim	<u>4</u>	<u>1</u>
			TOTAL	120	93

# Inspection Program

Due to the complexity of racing operations, no one person can effectively monitor and assess a racetrack. All departments 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 personnel changes.

Through this program, areas of non-compliance are identified and staff follows up to ensure appropriate remedial action has occurred. The Executive Secretary reports on inspections at each Commission meeting.

The Commission has an established procedure for overseeing the construction or renovation of racetrack facilities that includes documentation and approval before the project begins,

structured progress reports, and periodic inspections.

During 2003, Commission staff conducted a total of 49 new inspections and 14 follow-up inspections at the racetracks.

Thirty-eight of the new inspections indicated 100% compliance, with no remedial action required. Only 22 items required remedial attention on the remaining inspections, as compared to 60 in 2002. As of the end of the year, 18 of the 22 remedial items were corrected and verified by a follow-up inspection.

Three of the four items outstanding as of December 31, 2003, were related to the condition of Manor Downs' facilities. The fourth non-compliant item outstanding was Manor Downs' failure to provide certain monthly pari-mutuel reports.

## Year 2003 Inspections

TYPE OF INSPECTION	NEW	FOLLOW-UP
ENFORCEMENT: SAFETY & SECURITY	5	2
EXECUTIVE: ADMINISTRATIVE OPERATIONS	9	1
PARI-MUTUEL & AUDIT: PARI-MUTUEL & SIMULCASTING OPERATIONS	15	3
JUDGES & STEWARDS: TRACK CONDITIONS & RACING EQUIPMENT	12	3
VETERINARIANS: CONDITIONS FOR RACE ANIMALS	8	5
<b>TOTALS</b>	<b>49</b>	<b>14</b>

## Texas-Bred Incentive Program

The Texas Racing Act provides purse supplements and monetary awards to breeders and owners of Texas-bred greyhounds and horses to encourage agriculture and 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 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 received by the TGA must be set aside for grants for rehabilitating or locating homes for greyhounds. The procedure and criteria for applying for a grant were finalized by the TGA and approved by the Commission in 1999.

During 2003, \$3,243 was distributed to four qualified Texas non-profit adoption groups.

Any money earned from simulcast wagering on inter-state greyhound races at a horse track is also paid to the TGA for use at Texas greyhound racetracks.

Simulcasting of inter-state greyhound races at Texas racetracks during 2003 earned \$1,647,548 for greyhound purses at Corpus Christi Greyhound Race Track, Gulf Greyhound Park, and Valley Race Park. This amount represents an increase of over 4% as compared to the amount earned during 2002.

### 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.

2003 ANNUAL REPORT

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 withdraw from the program due to lack of participation. The Commission forwarded the request to the Legislature for their consideration. No funds were distributed to the Texas Appaloosa Horse Club during 2003.

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

Year 2003 Distributions	2002	2003	% Change
Texas Thoroughbred Association	\$3,659,195	\$3,243,775	(11.3%)
Texas Quarter Horse Association	\$1,633,823	\$1,479,083	(9.5%)
Texas Greyhound Association	\$819,892	\$768,386	(6.3%)
Texas-Bred Stakes Race Supplements	\$229,580	\$208,952	(8.9%)
Texas Arabian Breeders Association	\$67,262	\$55,239	(17.9%)
Texas Paint Horse Breeders Association	\$12,037	\$14,400	19.6%
Texas Appaloosa Horse Club	\$0	\$0	0%
<b>TOTAL</b>	<b>\$6,421,789</b>	<b>\$5,769,835</b>	<b>(10%)</b>

## Equine Research Program

The Texas Racing Act mandates that a portion of wagers made at horse racetracks fund equine research for racehorses. The Texas Equine Research Account Advisory Committee serves as an adjunct to the Texas Agricultural Experiment Station to review research proposals and recommend grant awards.

The Equine Research Advisory Committee meets twice a year at Texas A&M University (TAMU) 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 Equine Research Committee for grant consideration.

The total amount of funds received by the Equine Research Fund in 2003 was \$105,522.41. The following projects and equipment purchases were funded through this program.

### Research Projects Funded in 2003

Research Projects	
“Case-Control Study of Management Practices Associated with Developmental Orthopedic Disease in Thoroughbred Race-Bred Yearlings” by Noah Cohen, TAMU Department of Large Animal Medicine and Surgery	\$12,864
“Genomic Analysis of the Equine Major Histocompatibility Complex” by Loren Skow, TAMU Department of Veterinary Anatomy & Public Health	\$24,721
“Establishing A Resource Family ‘Bank’ to Analyze Inherited Diseases and Other Traits of Significance in the Horse” by Bhanu Chowdhary, TAMU Department Veterinary Anatomy & Public Health	\$22,136
Total amount expended on research projects in 2003	\$59,721

### Equine Research Equipment Purchases Funded in 2003

TAMU Department of Animal Science & College of Veterinary Medicine (Equipment purchased to be shared by Animal Science & College of Veterinary Medicine Departments)	\$94,067
Texas Tech University Department of Animal and Food Sciences	\$23,677
Total amount expended on equine research equipment in 2003	\$117,744

## 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 Texas Arabian Breeders Association (TABA) hosted a seminar and dinner meeting with the Alamo Arabian Horse Club of San Antonio at Retama Park in October. In November they hosted the North Texas Arabian Horse Club at a similar event at Lone Star Park (LSP).

Ontario HF, an accredited Texas-bred Arabian, won the prestigious 2003 Darley Award as the Outstanding 4-Year Old Arabian Horse of the Year. These national awards are based on a horse's performance over the calendar year.

The annual meeting and awards banquet was held at Sam Houston Race Park (SHRP). TABA honored Nita Skinner for her dedicated service to Arabian racing in Texas.

### **Texas Greyhound Association**

The Texas Greyhound Association (TGA) held its annual Spring Puppy Meet in March. The event attracted 300 dogs from Texas and Oklahoma and a record \$50,000 was awarded in purse money.

The TGA continued its work on research, testing, and implementation of a new break-away lure. It was introduced at the 2003 TGA-Gulf Greyhound Park-American Greyhound Track Owners' Association (AGTOA) annual Greyhound Safety and Racing Surface Seminar held in September.

AGTOA assisted in sponsoring the seminar, bringing in participants from tracks and racing commissions across the country. Dr. William Fortney of Kansas State University spoke on the development of a new vaccine for kennel cough, and an internationally known agronomist, Chuck Dixon, spoke on track surfaces and conditions.

In addition to over \$655,000 disbursed through the Texas-Bred Incentive Program, \$81,000 was distributed to the three greyhound tracks for stakes awards. Over \$79,000 was awarded in scholarship funds to recipients of the TGA-Gulf Greyhound Park Scholarship Program.

### **Texas Horsemen's Partnership**

The Texas Horsemen's Partnership, LLP (THP), the recognized representative of horse owners and trainers, began the year by amending the bylaws of each constituent Board, the Texas Horsemen's Benevolent and Protective Association (QH & Paint) and the Texas Thoroughbred HBPA, Inc. (TB & Arabian) to prohibit conflicts of interest by Board members.

Both Jim Helzer and Terry Blanton were re-elected as Presidents of the THBPA and TTHBPA respectively at their first Board meetings held in 2003. Mr. Helzer was also elected as Chairman of the Texas Horsemen's Partnership, LLP Management



Committee. John Roark who serves on the TTHBPA Board was re-elected as the National HBPA President at the 2003 Summer Convention. Mr. Roark continues to be a driving force in the national arena. The entire racing industry has greatly profited from his hard work and untiring efforts on such prominent issues as uniform medication rules and diligent supervision of illegal simulcast outlets and off-shore betting.

As a member of THP, benefits include Partnership Programs, The Horsemen's Bookkeeper, The Horsemen's Journal, an interactive website, E-Newsletter, Chaplaincy services, complimentary Fire, Disaster & Vanning Insurance through the National HBPA affiliation, the Groom Elite Educational Program, Compass Bank Bonus Banking package, and group rates on Equine Liability insurance through the National HBPA. Additionally, THP provides representation in negotiations with racetracks, legislative matters, NTRA, TxRC, National HBPA and the Texas Racing Agri-Industry Council.

The Texas Horsemen's Assistance Fund, Inc. provides financial aid to those that are indigent, including health fairs and screenings, free medical services at racetracks, free dinner nights, appreciation dinners, off-track shuttle services, horsemen's committee meetings, Groom of the Week awards, Amber Alert, as well as other programs. THAFI also co-sponsors the Chaplaincy with the racetracks through the Race Track Chaplaincy of Texas.

## **Texas Quarter Horse Association**

The Texas Quarter Horse Association (TQHA) Yearling Sale saw an increase in the average sales price, consignments, and total revenue for the sixth straight year. SHRP hosted TQHA's annual Yearling Sale with 244 yearlings passing through the sales ring for total sales of \$2.4 million, topping the record of \$2.1 million set at last year's sale. The high seller was a Mr Jess Perry colt, Captain Perry, which sold for \$75,000. One yearling was re-purchased for \$100,000.

The Texas Classic Futurity held at LSP on November 29 was the richest race in Texas history. The total purse included \$1,088,856 for the Texas Classic Futurity final and \$88,285 for the Texas Classic Consolation.

Accredited Texas Bred and TQHA Yearling Sale Graduate, Oak Tree Special, earned the title as the World Champion Racing American Quarter Horse. He also was named the 2003 AQHA Champion Three Year Old and Three Year Old Colt.

Accredited Texas Bred broodmare, East Lady Oak, was named the AQHA's Champion Broodmare of the Year.

TQHA hosted the 3rd annual "Race Experience" for its youth members. This program introduces a "behind the scene" look at racing and breeding to their youth members who are involved in showing horses. The TQHA also awarded over \$32,000 in youth scholarships in 2003.

The TQHA spearheaded a Horse Tack Drive for California horsemen who were devastated by the raging fires. Project TAC (Texans Assisting Californians) was very successful with over 25 huge boxes sent to assist over 200 fire victims, helping to replace some of their losses.

## **Texas Thoroughbred Association**

The year proved to be a breakthrough year for the Texas thoroughbred breeding industry, which had been slower to mature compared to the Texas racing industry. In 2003, six Texas-breds won or placed in North American graded stakes.

The best of Texas-bred runners was Got Koko, the 2003 Texas-Bred Horse of the Year. She gained notoriety by ending the 11-race winning streak of Azeri, the reigning 2002 U.S. Horse of the Year. Got Koko also became only the third filly to sweep Santa Anita's prestigious La Canada Stakes Series of three races; she also finished third in the Breeders' Cup Distaff (G1).

Eagle Lake became the first Texas-bred to win a graded stakes in Texas in the WinStar Distaff (G3) at LSP. Pioneer Boy won Pimlico's Maryland Breeders' Cup Handicap (G3), one of the stakes run before the venerable Preakness. The graded stakes-placed Texas-breds included Call Me Lefty, Most Feared, and Texas Deputy.

In addition, the names of one or more Texas stallions appeared on every list of

leading sires in North America at the end of 2003, headed by Valid Expectations who ranked 40th in progeny earnings.

The TTA continued its sponsorship of the \$1,000,000 Texas Stallion Stakes Series and the TTA Sales Futurity and provided Accredited Texas-Bred source funding for the three major Texas-bred racing days, Stars of Texas Day at LSP, Texas Horse Racing Hall of Fame Day at Retama Park, and Texas Champions Day at SHRP.

The Texas Thoroughbred magazine earned three awards for excellence from the American Horse Publications group and TTA published the first-ever Texas Horse Industry Resource Directory.

The organization hosted six regional meetings throughout Texas in early summer and also hosted a sales seminar on the eve of the Fasig-Tipton Texas Summer Yearling Sale.

The three 2003 auctions--2-Year-Olds In Training, Yearlings, and Mixed Sales--produced increases in average and median prices with the Texas-bred yearlings nearly doubling in average price, another indication of the improving Texas breeding industry.

Houston Texans' owner Bob McNair received the TTA's Allen Bogan Memorial Award as member of the year for his contributions to the Perryman agricultural economic impact study and for having his Stonerside Stable, LLC represented by a record four Texas-bred stakes winners in 2003.

## 2003 Purse Statistics

Source of Funds	Quarter Horse	Thoroughbred	Arabian	Paint	TOTAL HORSE*
Earned Purse	\$7,052,616	\$27,549,197	\$377,200	\$124,900	\$35,103,913
Texas Bred Stakes	\$60,569	\$118,579	\$2,000	\$0	\$181,148
Stakes	\$3,589,423	\$1,124,407	\$50,600	\$108,532	\$4,872,962
Sponsors	\$307,500	\$594,150	\$27,550	\$54,000	\$983,200
ATB Sponsored Purse	\$4,000	\$238,300	\$2,000	\$0	\$244,300
<b>TOTAL PURSES PAID</b>	<b>\$11,014,108</b>	<b>\$29,624,633</b>	<b>\$459,350</b>	<b>\$287,432</b>	<b>\$41,385,523</b>
Average Daily Purses Paid at All Meets	\$90,280	\$141,745	\$2,198	\$2,356	\$125,032

Source of Funds	TOTAL GREYHOUND	Source of Funds	2002 HORSE & GREYHOUND	2003 HORSE & GREYHOUND	% Change
Earned Purse	\$4,197,783	<b>Earned Purse</b>	\$42,272,471	\$39,301,696	(7.03%)
Texas Bred Stakes	\$55,000	<b>Texas Bred Stakes</b>	\$326,757	\$236,148	(27.73%)
Stakes	\$8,800	<b>Stakes</b>	\$4,960,422	\$4,881,762	(1.58%)
Sponsors	\$142,368	<b>Sponsors</b>	\$3,183,282	\$1,125,568	(64.64%)
TGA's Cross Species Purse Supplements	\$1,325,074	<b>TGA's Cross Species Purse Supplements</b>	\$1,265,450	\$1,325,074	4.71%
<b>TOTAL PURSES PAID</b>	<b>\$5,729,025</b>	<b>ATB Sponsored Purse</b>	\$298,810	\$244,300	(18.24%)
Avg. Purses Paid per Performance	\$5,415	<b>TOTAL PURSES PAID</b>	\$52,307,192	\$47,114,548	(9.93%)

\*Texas Appaloosa Horse Club no longer participates in the Texas-bred Program.

# Summary of All Texas Greyhound Racetracks from 1/1/2003 through 12/31/2003

	Column 1 Live On-Track	Column 2 Live Export	Column 3 Same-Species Simulcast	Column 4 Cross-Species Simulcast	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
<b># of Race Days</b>	683	n/a	1,989	1,724	4,396	683	3,713	4,396
<b># of Performances</b>	1,062	n/a	14,771	10,416	26,249	1,062	25,187	26,249
<b>Attendance</b>	578,361	n/a	48,917	17,282	644,560	578,361	66,199	644,560
<b>Net Handle</b>	\$41,957,324	\$52,249,766	\$41,326,613	\$31,611,053	\$167,144,756	\$94,207,090	\$72,937,666	\$114,894,990
Horse Purse	\$0	\$0	\$0	\$195,542	\$195,542	\$0	\$195,542	\$195,542
Greyhound Purse	2,058,917	209,000	1,311,655	0	3,579,572	2,267,917	1,311,655	3,370,572
TTA Purse	0	0	0	210,754	210,754	0	210,754	210,754
TQHA Purse	0	0	0	210,754	210,754	0	210,754	210,754
TGA Purse	0	0	0	0	0	0	0	0
Escrowed Horse Purse	0	0	0	1,255,064	1,255,064	0	1,255,064	1,255,064
TX Horsemen's Partnership	0	0	0	0	0	0	0	0
THP Escrow Horse Purse	0	0	0	393,350	393,350	0	393,350	393,350
Texas Bred	0	0	377,335	246,499	623,834	0	623,834	623,834
State Tax	0	0	413,266	394,805	808,072	0	808,072	808,072
Hub Fee	0	0	0	421,940	421,940	0	421,940	421,940
Simulcast Fee	0	0	1,119,673	1,108,962	2,228,635	0	2,228,635	2,228,635
Racetracks	7,379,203	1,326,328	6,286,080	2,230,805	17,222,416	8,705,531	8,516,885	15,896,088
<b>Total Commissions</b>	\$9,438,120	\$1,535,328	\$9,508,010	\$6,668,476	\$27,149,934	\$10,973,448	\$16,176,486	\$25,614,606
<b>Breakage</b>	\$130,158	\$0	\$83,965	\$120,227	\$334,350	\$130,158	\$204,192	\$334,350

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

\$34,924,781	Total Export-Interstate Handle - Out of state locations wagering on Texas greyhound racetracks
64,518,139	Total Import-Interstate Handle - Texas greyhound racetracks wagering on out of state racetracks
-\$29,593,358	Net LOSS of wagering dollars in Texas as a result of simulcasting at greyhound racetracks

# Summary of All Texas Horse Racetracks from 1/1/2003 through 12/31/2003

	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
<b># of Race Days</b>	333	n/a	2,425	2,719	5,477	333	5,144	5,477
<b># of Performances</b>	333	n/a	24,980	13,869	39,182	333	38,849	39,182
<b>Attendance</b>	1,402,704	n/a	813,144	2,093	2,217,941	1,402,704	815,237	2,217,941
<b>Net Handle</b>	\$72,457,430	\$370,429,101	\$327,841,170	\$42,334,027	\$813,061,728	\$442,886,531	\$370,175,197	\$442,632,627
Horse Purse	\$5,427,246	\$4,194,164	\$23,439,375	\$594,801	\$33,655,586	\$9,621,410	\$24,034,176	\$29,461,422
Greyhound Purse	0	0	0	680,592	680,592	0	680,592	680,592
TTA Purse	0	0	0	0	0	0	0	0
TQHA Purse	0	0	0	0	0	0	0	0
TGA Purse	0	0	0	1,647,549	1,647,549	0	1,647,549	1,647,549
Escrowed Horse Purse	0	0	0	0	0	0	0	0
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	433,690	0	2,299,674	371,223	3,104,587	433,690	2,670,897	3,104,587
State Tax	0	0	3,278,412	528,766	3,807,178	0	3,807,178	3,807,178
Hub Fee	0	0	0	449,213	449,213	0	449,213	449,213
Simulcast Fee	0	0	10,829,947	1,037,352	11,867,299	0	11,867,299	11,867,299
Racetacks	9,370,205	7,061,528	27,542,767	4,363,327	48,337,826	16,431,733	31,906,094	41,276,298
<b>Total Commissions</b>	\$15,231,141	\$11,255,692	\$67,390,174	\$9,672,823	\$103,549,830	\$26,486,833	\$77,062,997	\$92,294,138
<b>Breakage</b>	\$473,466	\$0	\$1,553,918	\$104,786	\$2,132,171	\$473,466	\$1,658,705	\$2,132,171

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

\$349,579,173	Total Export-Interstate Handle - Out of state locations wagering on Texas horse racetracks
<u>340,402,161</u>	Total Import-Interstate Handle - Texas Horse racetracks wagering on out of state racetracks
\$9,177,012	Net GAIN of wagering dollars in Texas as a result of simulcasting at horse racetracks

# Summary of All Texas Racetracks from 1/1/2003 through 12/31/2003

	Column 1 Live On-Track	Column 2 Live Export	Column 3 Same-Species Simulcast	Column 4 Cross-Species Simulcast	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
<b># of Race Days</b>	1,016	n/a	4,414	4,443	9,873	1,016	8,857	9,873
<b># of Performances</b>	1,395	n/a	39,751	24,285	65,431	1,395	64,036	65,431
<b>Attendance</b>	1,981,065	n/a	862,061	19,375	2,862,501	1,981,065	881,436	2,862,501
<b>Net Handle</b>	\$114,414,754	\$422,678,867	\$369,167,783	\$73,945,080	\$980,206,484	\$537,093,621	\$443,112,863	\$557,527,617
Horse Purse	\$5,427,246	\$4,194,164	\$23,439,375	\$790,343	\$33,851,128	\$9,621,410	\$24,229,718	\$29,656,964
Greyhound Purse	2,058,917	209,000	1,311,655	680,592	4,260,164	2,267,917	1,992,247	4,051,164
TTA Purse	0	0	0	210,754	210,754	0	210,754	210,754
TQHA Purse	0	0	0	210,754	210,754	0	210,754	210,754
TGA Purse	0	0	0	1,647,549	1,647,549	0	1,647,549	1,647,549
Escrowed Horse Purse	0	0	0	1,255,064	1,255,064	0	1,255,064	1,255,064
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	433,690	0	2,677,010	393,350	393,350	0	393,350	393,350
State Tax	0	0	3,691,678	617,722	3,728,422	433,690	3,294,732	3,728,422
Hub Fee	0	0	0	923,572	4,615,249	0	4,615,249	4,615,249
Simulcast Fee	0	0	0	871,153	871,153	0	871,153	871,153
Racetracks	16,749,408	8,387,856	33,828,847	6,594,132	65,560,242	25,137,264	40,422,979	57,172,386
<b>Total Commissions</b>	\$24,669,261	\$12,791,020	\$76,898,184	\$16,341,299	\$130,699,764	\$37,460,281	\$93,239,483	\$117,908,744
<b>Breakage</b>	\$603,624	\$0	\$1,637,883	\$225,013	\$2,466,520	\$603,624	\$1,862,897	\$2,466,520

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

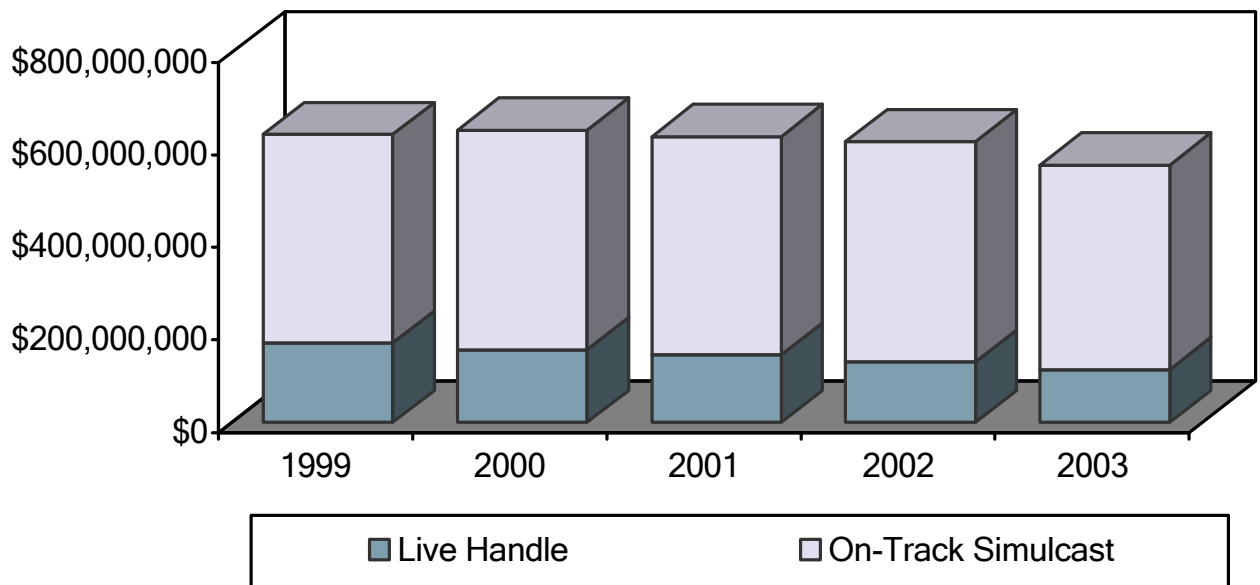
\$384,503,954	Total Export-Interstate Handle - Out of state locations wagering on Texas racetracks
404,920,300	Total Import-Interstate Handle - Texas racetracks wagering on out of state racetracks
-\$20,416,346	Net LOSS of wagering dollars in Texas as a result of simulcasting at racetracks

# Five Year Overview of Pari-mutuel Racing

## Greyhound & Horse Tracks Combined

	1999	2000	2001	2002	2003
# of Tracks	7	8	8	8	8
<b>HANDLE ON-TRACK:</b>					
Live	\$172,397,736	\$157,839,705	\$146,527,915	\$131,282,149	\$114,414,754
Simulcast	<u>\$451,928,576</u>	<u>\$475,868,631</u>	<u>\$473,486,206</u>	<u>\$477,657,907</u>	<u>\$443,112,863</u>
TOTAL	\$624,326,312	\$633,708,336	\$620,014,121	\$608,940,056	\$557,527,617
LIVE DATES	1,272	1,285	1,354	1,365	1,395
# OF SIMULCAST SIGNALS TAKEN	35,802	44,980	54,821	58,800	64,036
PURSES PAID	\$48,170,585	\$51,768,317	\$50,806,825	\$52,307,192	\$47,114,548
STATE TAX	\$4,676,860	\$4,933,323	\$4,936,353	\$4,982,805	\$4,615,249
TX BRED \$	\$6,567,234	\$6,640,235	\$6,467,625	\$6,421,789	\$5,769,835
ATTENDANCE	3,375,588	3,307,714	3,191,420	3,052,598	2,862,501

## On-Track Handle Greyhound & Horse Combined

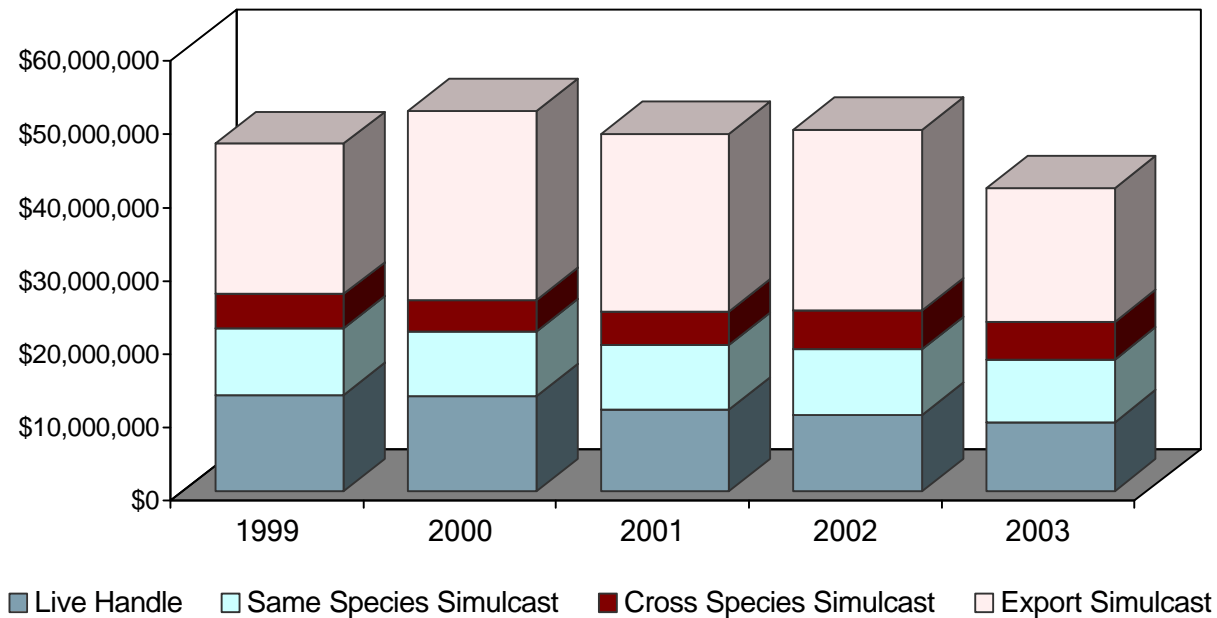


Greyhound Racetrack

**Corpus Christi Greyhound Race Track**

	2002	2003	% Change
Live On-Track Handle	\$10,392,704	\$9,392,704	(9.62%)
Import Same Species Simulcast	\$8,963,843	\$8,571,584	(4.38%)
Import Cross Species Simulcast	\$5,259,446	\$5,063,691	(3.72%)
Total On-Track Handle	\$24,615,993	\$23,027,979	(6.45%)
Total Export Handle	\$19,473,386	\$18,330,272	(5.87%)
Total Wagered on CCGRT	\$29,866,090	\$27,722,976	(7.18%)
Average Value per Point	\$30.03	\$29.25	(2.59%)
Average Purses Paid/Performance	\$3,621	\$3,306	(8.70%)
Total Purses Paid	\$1,509,804	\$1,385,362	(8.24%)
Total Live Performances	417	419	0.48%
Total # of Simulcast Signals Taken	5,756	5,917	2.80%
Total Attendance	164,224	152,686	(7.03%)

1999-2003  
Corpus Christi Greyhound Race Track





**Data on this page provided by Corpus Christi Greyhound Race Track  
For Calendar Year 1/1/2003– 12/31/2003 – Unaudited**

Average # of Employees/Positions on Payroll	127
Total Salaries and Wages Paid	\$1,639,580
Total State Pari-mutuel Tax Paid	\$149,010
Total Other State Taxes Paid	\$23,522
Total Property Taxes Paid	\$137,357
Total Purchased Goods and Services	\$4,683,954
Total Charitable Contributions	\$10,056

### **2003 Highlights**

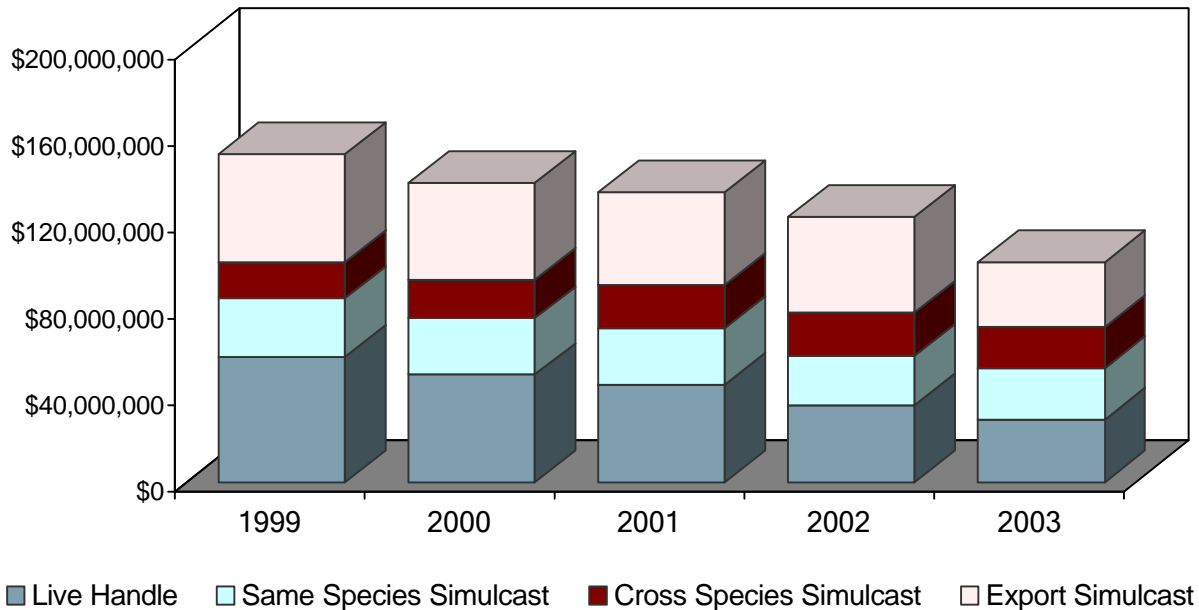
- Five charity night donations totaled over \$6,000, benefiting the Texas A&M School of Veterinary Medicine, Texas Special Olympics, the Women's Shelter of Corpus Christi, the Ronald McDonald House, and the persons working in the kennel area.
- Corpus Christi Greyhound Race Track made donations to numerous charities, including Goodwill Industries, Juvenile Justice Association, THS Choir Booster Club, Geronimo Volunteer Fire Department, St. Teresa Church, USS Lexington, United States Border Patrol, Texas Army National Guard, Gulf Coast Humane Society, Corpus Christi Retired and Senior Volunteer Program, Texas A&M University, LULAC, Salvation Army, Pee Wee's Pet Adoption, Heart of Texas (HOT) Greyhounds, and the Reguladors.
- The track continued its work with the Special Olympics by preparing 30 Easter baskets for the Special Olympics Bunny Operation.
- Each weekend Corpus Christi Greyhound Race Track allows Harley Davidson to utilize the track's large parking area to conduct a state-required safety program for new motorcycle riders.
- The Corpus Christi Greyhound Race Track adoption program placed 23 greyhounds in area homes. The track also supports the Heart of Texas greyhound adoption group.

Greyhound Racetrack

**Gulf Greyhound Park**

	2002	2003	% Change
Live On-Track Handle	\$37,758,526	\$29,034,978	(23.10%)
Import Same Species Simulcast	\$22,465,286	\$23,522,788	4.71%
Import Cross Species Simulcast	\$19,940,795	\$19,347,730	(2.97%)
Total On-Track Handle	\$78,164,604	\$71,905,496	(8.01%)
Total Export Handle	\$44,367,083	\$29,863,543	(32.69%)
Total Wagered on Gulf Greyhound	\$80,125,609	\$58,898,521	(26.49%)
Average Value per Point	\$69.54	\$64.80	(6.82%)
Average Purses Paid/Performance	\$9,726	\$8,089	(16.83%)
Total Purses Paid	\$4,532,100	\$3,672,375	(18.97%)
Total Live Performances	466	454	(2.58%)
Total # of Simulcast Signals Taken	8,365	9,048	8.16%
Total Attendance	431,299	369,647	(14.29%)

1999-2003  
Gulf Greyhound Park



**Data on this page provided by Gulf Greyhound Park****For Calendar Year 1/1/2003 – 12/31/2003 – Unaudited**

Average # of Employees/Positions on Payroll	357
Total Salaries and Wages Paid	\$5,511,883
Total State Pari-mutuel Tax Paid	\$476,451
Total Other State Taxes Paid	\$221,278
Total Property Taxes Paid	\$488,276
Total Purchased Goods and Services	\$16,415,612
Total Charitable Contributions	\$116,871

**2003 Highlights**

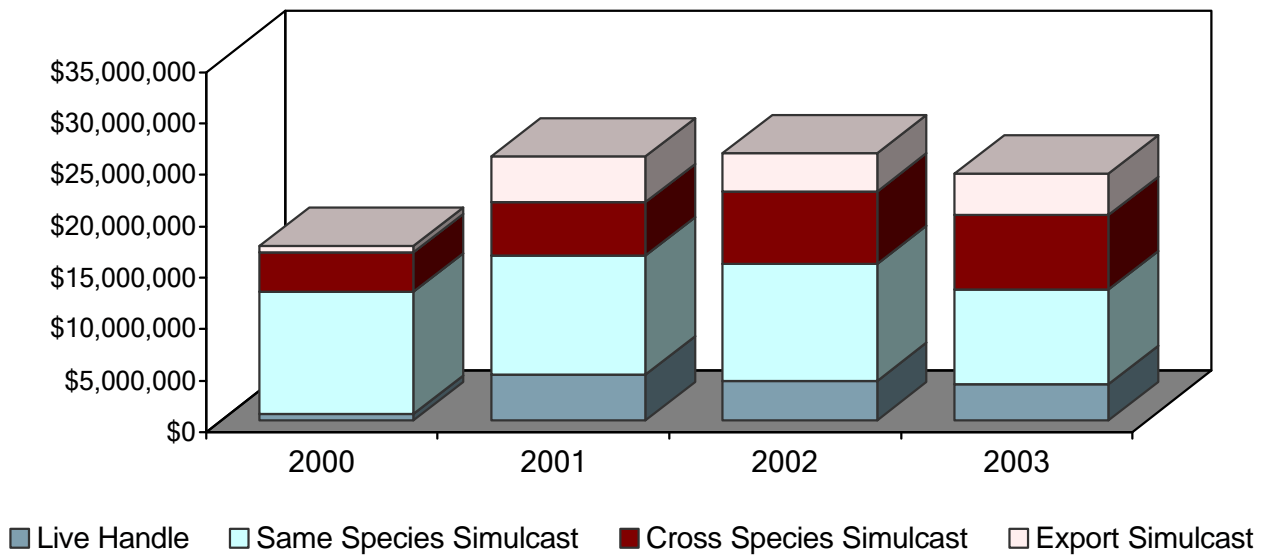
- Gulf Greyhound Park's eleventh year ended with an exciting 2-dog Match Race on New Year's Eve with LQK's Kennel Be Discrete and Beckner's Kennel Shadow of a Doubt. Be Discrete won the late night race by a neck!
- Be Discrete also won the Night of Stars XII Feature Race and, after missing three months due to an injury, won the Sheldon Levine Sprint Race. He has the 3rd highest wins nationally in 2003, registering 42 wins.
- Shadow of a Doubt was the winner of the Texas Round-up and the Texas Fall Sprint Classic, was 2nd in the New Year's Eve Match, and 2nd in the Night of Stars XII Feature Race. He won 20 races in a row from July 22 through September 3.
- Over 1,600 retired racers have been placed in homes through Gulf's adoption program, now in its eleventh year of operation.
- A Summer Concert Series, featuring Cory Morrow, Charlie Robinson, and Cross Canadian Ragweed, was well attended.
- The Weiner Dog races continue to be a very popular event bringing in over 400 entries in 2003.
- Over 300 college and high school coaches attended the 4th Annual High School Coaches Clinic.
- The Galveston Propeller Club held its annual Crawfish Boil to raise scholarship funds for Texas A&M University at Galveston.
- Gulf Greyhound Park hosted the Galveston County Leukemia & Lymphoma Society's "Light the Night Walk" with a record-breaking 250 participants.

Greyhound Racetrack

**Valley Race Park**

	2002	2003	% Change
Live On-Track Handle	\$3,809,300	\$3,529,642	(7.34%)
Import Same Species Simulcast	\$11,426,328	\$9,232,241	(19.20%)
Import Cross Species Simulcast	\$6,998,986	\$7,199,632	2.87%
Total On-Track Handle	\$22,234,611	\$19,961,515	(10.22%)
Total Export Handle	\$3,729,892	\$4,055,951	8.74%
Total Wagered on Valley Race Park	\$7,539,192	\$7,585,593	0.62%
Average Value per Point	\$47.15	\$35.63	(24.44%)
Average Purses Paid/Performance	\$6,600	\$3,629	(45.02%)
Total Purses Paid	\$858,028	\$671,288	(21.76%)
Total Live Performances	130	185	42.31%
Total # of Simulcast Signals Taken	9,808	10,214	4.14%
Total Attendance	131,334	122,227	(6.93%)

2000-2003  
Valley Race Park



**Data on this page provided by Valley Race Park****For Calendar Year 1/1/2003 – 12/31/2003 – Unaudited**

Average # of Employees/Positions on Payroll	110
Total Salaries and Wages Paid	\$1,565,000
Total State Pari-mutuel Tax Paid	\$183,000
Total Other State Taxes Paid	\$110,000
Total Property Taxes Paid	\$71,000
Total Purchased Goods and Services	\$2,411,000
Total Charitable Contributions	\$11,000

**2003 Highlights**

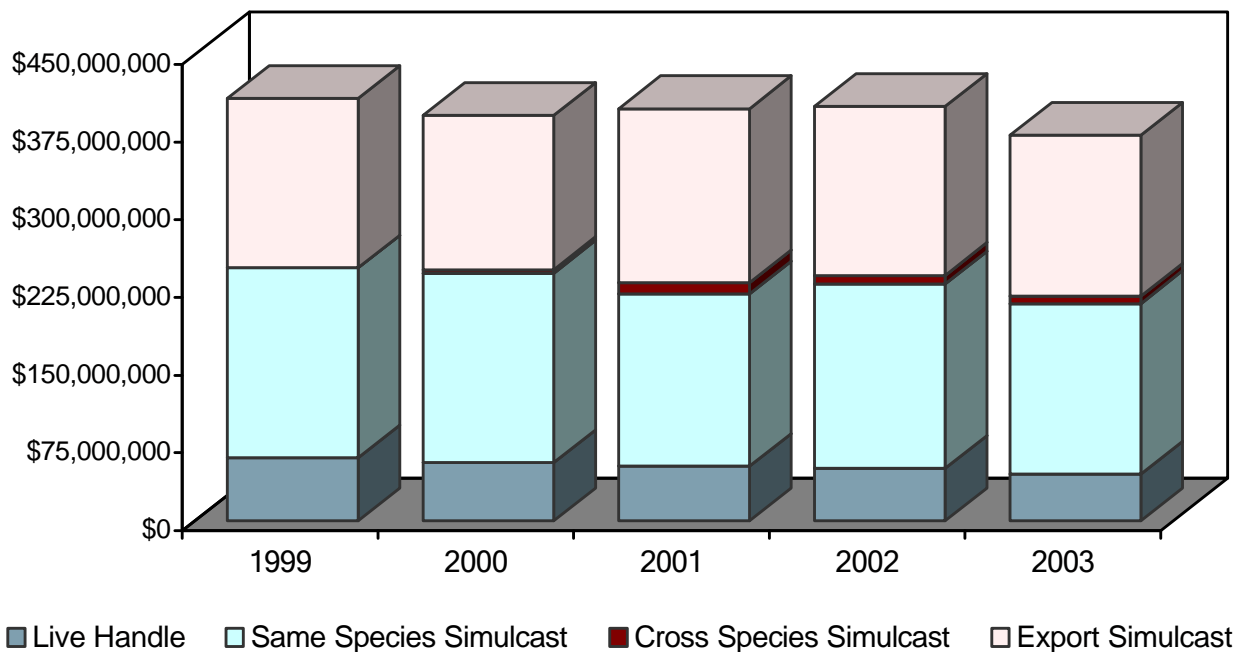
- In February, Valley Race Park (VRP) introduced an additional two-race Encore Performance following five of the seven full card race performances held each week, an 11% increase in the total number of races run per week.
- Jalapeno 100 - the 13th Annual Bicycle Tour benefiting Harlingen Youth Athletics - was staged from the Race Park. Despite inclement weather, the event attracted 300 participants from across Texas and the nation.
- The “Spotlight Series”, a feature race run each Sunday during the month of February, was initiated to provide a format for a broader distribution of the TGA purse money.
- The Rio Sun 10K, a charity 10K run and 5K walk, attracted over 450 participants from the local region and across the U.S.
- In March, the “Texas-Bred Showdown” series of races accounted for the principal sum of purse money received from the Texas Greyhound Association. Six qualifying rounds led to a \$2,000 added purse Consolation. The \$10,000 Final was won by By’s Kennel out of Corpus Christi.
- March 30th saw the return of “Bark at the Park”! With 40 dogs competing in pet dog races and 20 or more in a fashion show, there was plenty to entertain the hundreds of dog owners and their friends. Proceeds from the event went to the South Texas Animal Sanctuary and the Harlingen Humane Society.
- October saw the completion of the Arroyo Suite, a new multi-function room that seats approximately 120 and offers a great view of the track. The renovation work was undertaken as a direct result of the increased demand by group parties.
- 2003 went out with a bang with yet another successful New Year’s Eve celebration held at the Race Park. A 15-race performance was supported by live country and rock bands and an exquisite buffet in Brindles Restaurant. The New Year was ushered in with a spectacular 15-minute firework show.

Class 1 Horse Racetrack

**Lone Star Park at Grand Prairie**

	2002	2003	% Change
Live On-Track Handle	\$50,608,096	\$45,073,091	(10.94%)
Import Same Species Simulcast	\$177,867,868	\$164,462,338	(7.54%)
Import Cross Species Simulcast	\$8,530,977	\$7,411,489	(13.12%)
Total On-Track Handle	\$237,006,941	\$216,946,918	(8.46%)
Total Export Handle	\$163,175,493	\$155,147,525	(4.92%)
Total Wagered on Lone Star	\$213,783,589	\$200,196,913	(6.36%)
Average Purses Paid/Quarter Horse	\$151,400	\$121,530	(19.73%)
# of Quarter Horse Race Dates	33	33	0.00%
Average Purses Paid/Thoroughbred	\$228,065	\$216,610	(5.02%)
# of Thoroughbred Race Dates	70	70	0.00%
Total Purses Paid	\$21,180,661	\$19,425,510	(8.29%)
Total Live Performances	103	103	0.00%
Total # of Simulcast Signals Taken	6,649	7,474	12.41%
Total Attendance	1,150,416	1,102,600	(4.16%)

1999-2003  
Lone Star Park at Grand Prairie



2003 ANNUAL REPORT

Data on this page provided by Lone Star Park at Grand Prairie

**For Calendar Year 1/1/2003 – 12/31/2003 – Unaudited**

Average # of Employees/Positions on Payroll	Seasonal: 600 to 1,250
Total Salaries and Wages Paid (includes benefits)	\$17,272,858
Total State Pari-mutuel Tax Paid	\$1,766,569
Total Other State Taxes Paid	\$2,137,660
Total Property Taxes Paid	\$402,524
Total Purchased Goods and Services	\$13,683,813
Total Charitable Contributions	\$163,387

**2003 Highlights**

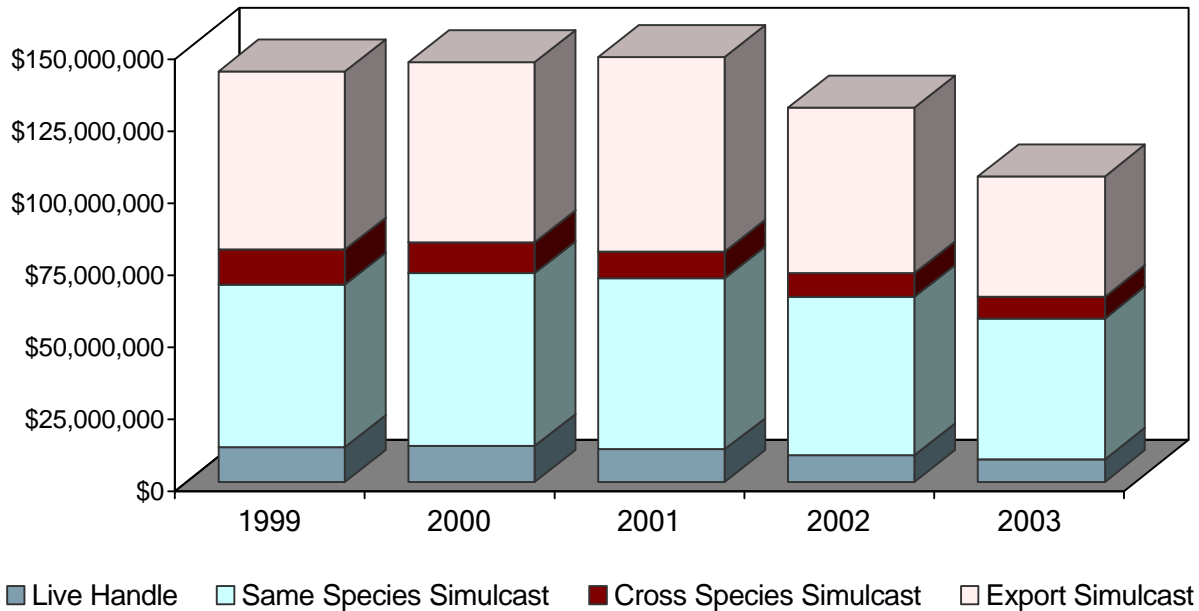
- Several LSP stakes winners went on to national prominence, including Grade III Texas Mile winner Bluesthestandard, second in the Breeders’ Cup Sprint; Grade III LSP Derby winner Dynever, third in North America’s richest race, the \$4 million Breeders’ Cup Classic; and Horse of the Meeting and Grade III LSP Handicap winner Pie N Burger, who took the \$150,000 Seabiscuit Handicap at Santa Anita on Breeders’ Cup Day.
- Cole Norman was leading trainer with a record 98 trips to the winner’s circle. Corey Lanerie’s 86 wins edged Eddie Martin Jr.’s 85 in the tightest race for leading rider in track history. Ken Murphy of Dallas bagged his third title as leading owner with a record 26 wins.
- The annual Fourth of July holiday post-race fireworks extravaganza expanded from one night to two this season and set a two-day attendance record for the six-year-old facility. Crowds for the July 3-4 twilight racing programs totaled a hefty 46,456 – up 30% from 2002 totals. Other top attendance days included a post-race Willie Nelson concert on April 4 (21,000), Kentucky Derby Day (18,100), Belmont Stakes Day (16,500), a post-race Cross Canadian Ragweed concert on June 13 (14,000), NTRA All-Star Jockey Championship Night (13,500), Preakness Stakes Day (12,500), and Opening Night (11,300).
- Handle on the 5th annual Lone Star Million program, a day featuring seven stakes races cumulatively worth \$1 million, was up from 2002. Total handle on the 11-race card was \$5.38 million. Wagers by the on-track crowd of 17,300 totaled \$2.4 million and off-track betting at simulcast outlets across North America reached \$3.8 million.
- The LSP Charitable Foundation for Grand Prairie had a successful year. The 24th Mistletoe Ball raised more than \$59,000 for local charities when it was staged at the Ruthe Jackson Center. An advance screening of the film *Seabiscuit* presented with Magna Entertainment Corporation in July raised more than \$21,000.
- At the 7<sup>th</sup> Fall Meeting of Champions for American Quarter Horses, trainer Toby Keeton earned his second training title and won the richest horse race ever run in Texas, the Grade 1, \$1,088,856 Texas Classic Futurity with Mitowilard. Horse of the Meeting Oak Tree Special won four races at LSP and went on to be named World Champion.
- Construction continued throughout the year on enhancements for the 2004 Breeders’ Cup World Thoroughbred Championships and beyond. Three new barns, including a massive 96-stall structure to serve as the quarantine facility for the Breeders’ Cup, were completed during the Thoroughbred season, along with new dorms and recreation areas. In December, construction began on a 10,000 square foot hall to be situated above the East Trackside Patio.

Class 1 Horse Racetrack

**Retama Park**

	2002	2003	% Change
Live On-Track Handle	\$9,196,253	\$7,596,059	(17.40%)
Import Same Species Simulcast	\$54,894,853	\$49,068,434	(10.61%)
Import Cross Species Simulcast	\$8,183,070	\$7,333,913	(10.38%)
Total On-Track Handle	\$72,274,176	\$63,998,406	(11.45%)
Total Export Handle	\$57,476,508	\$41,881,843	(27.13%)
Total Wagered on Retama	\$66,672,761	\$49,477,902	(25.79%)
Average Purses Paid/Quarter Horse	\$58,432	\$63,670	8.96%
# of Quarter Horse/Mixed Race Dates	31	24	(22.58%)
Average Purses Paid/Thoroughbred	\$98,062	\$97,071	(1.01%)
# of Thoroughbred Race Dates	51	48	(5.88%)
Total Purses Paid	\$7,047,683	\$6,414,659	(8.98%)
Total Live Performances	82	72	(12.20%)
Total # of Simulcast Signals Taken	8,483	8,957	5.59%
Total Attendance	419,952	394,189	(6.13%)

1999-2003  
Retama Park





Data on this page provided by Retama Park

**For Calendar Year 1/1/2003 – 12/31/2003 – Unaudited**

Average # of Employees/Positions on Payroll	259
Total Salaries and Wages Paid	\$5.6 million
Total State Pari-mutuel Tax Paid	\$582,400
Total Other State Taxes Paid	\$344,000
Total Property Taxes Paid	N/A
Total Purchased Goods and Services	\$7.5 million
Total Charitable Contributions	\$16,000 Cash \$100,000 Goods & Services

**2003 Highlights**

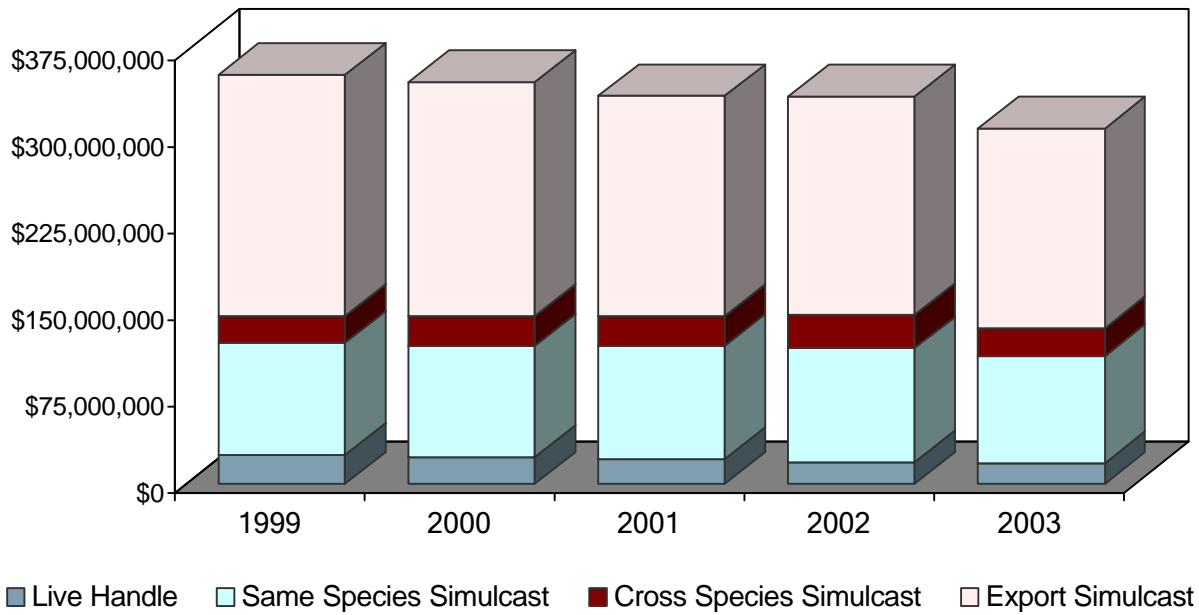
- A number of new track records were set in 2003. On June 6, American Quarter Horse Shaky Imbrujo set a new 400-yard mark of 19.77 seconds. Arabian racing saw I Am Amazing eclipsing the six and one-half furlong record for Arabians on May 4 with a time of 1:27.2 seconds. On Texas Horse Racing Hall of Fame night, two turf course records fell. Fly Slamma Jama raced a mile and one-sixteenth in a record 12:40.72 seconds and Eagle Lake established a new one-mile record on the Retama Park lawn at 1:34.54.
- Retama Park hosted the 5th annual Texas Horse Racing Hall of Fame induction ceremonies on October 4. Ott Adams, Cash Asmussen, Allen Bogan, Willard Proctor, Three Oh's, and Two Altazano were honored for the integral part they have played in the history of horse racing in Texas.
- "Fifty Cent Night" promotions featuring free admission, 50-cent Pepsi, hot dogs, and programs once again were a huge hit with families and young people. A season high 9,385 passed through the turnstiles on June 20. Over 91,200 fans attended the thirteen Fifty-Cent Nights.
- Retama Park continued its tradition of community involvement and support by donating \$100,000 in silent auction items to 234 area organizations.
- Jo Ann Weber, Executive Director of the Texas Horse Racing Hall of Fame was honored by Retama Park employees and the track's jockey colony with a race benefiting the Susan G. Komen Breast Cancer Awareness Fund. In addition to contributions from those working at the track, each jockey donated their jock mount fee for that race, with a total of \$1,500 raised for the worthy cause.
- In conjunction with the Racetrack Chaplaincy, Retama Park hosted dinners at Easter and Christmas for almost 200 backstretch personnel. All children that attended were given Easter baskets and Santa made an appearance at Christmas with a bag full of toys.

Class 1 Horse Racetrack

**Sam Houston Race Park**

	2002	2003	% Change
Live On-Track Handle	\$18,615,955	\$17,386,322	(6.61%)
Import Same Species Simulcast	\$98,394,951	\$93,085,547	(5.40%)
Import Cross Species Simulcast	\$29,264,649	\$23,691,643	(19.04%)
Total On-Track Handle	\$146,275,555	\$134,163,512	(8.28%)
Total Export Handle	\$188,940,030	\$173,426,436	(8.21%)
Total Wagered on Sam Houston	\$207,555,985	\$190,809,758	(8.07%)
Average Purses Paid/Quarter Horse	\$79,565	\$77,209.00	(2.96%)
# of Quarter Horse Race Dates	44	43	(2.27%)
Average Purses Paid/Thoroughbred	\$127,664	\$110,385	(13.53%)
# of Thoroughbred Race Dates	84	83	(1.19%)
Total Purses Paid	\$14,511,258	\$12,811,543	(11.71%)
Total Live Performances	128	127	(0.78%)
Total # of Simulcast Signals Taken	13,914	13,863	(0.37%)
Total Attendance	675,145	647,945	(4.03%)

1999-2003  
Sam Houston Race Track



2003 ANNUAL REPORT

Data on this page provided by Sam Houston Race Park

**For Calendar Year 1/1/2003 – 12/31/2003 – Unaudited**

Average # of Employees/Positions on Payroll	447
Total Salaries and Wages Paid	\$10,196,000
Total State Pari-mutuel Tax Paid	\$1,227,000
Total Other State Taxes Paid	\$518,000
Total Property Taxes Paid	\$1,006,000
Total Purchased Goods and Services	\$11,830,000
Total Charitable Contributions	\$46,000

**2003 Highlights**

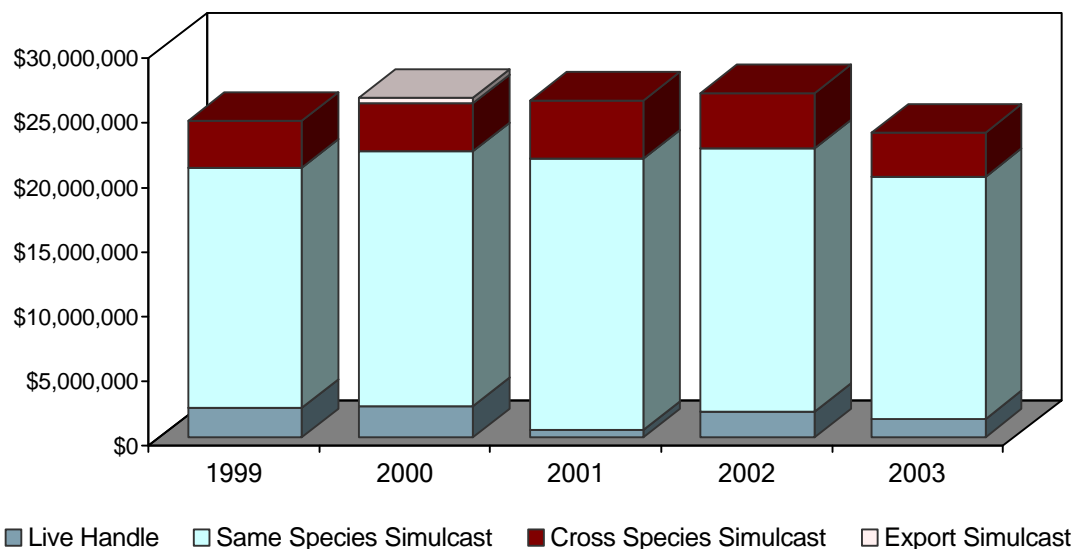
- Sam Houston Race Park (SHRP) hosted a press conference on September 5 to announce that the northwest Houston racetrack was selected to host the 12th running of the MBNA American Challenge Championships slated for November 6, 2004. The Challenge Championships will offer more than \$1 million in purses for the six stakes races.
- Candid Glen made history on February 15 by becoming the only Thoroughbred in SHRP history to win the \$200,000 Connally Breeders' Cup Turf three times.
- An all-time attendance record was set on July 4 when SHRP hosted 24,316 fans for the special live racing program followed by Foley's & The Fourth Fireworks Extravaganza.
- SHRP continues to be active in many area charities. SHRP hosted the Houston Northwest Chamber Epicurean Night to raise funds for the Barbara Bush Library and Northwest Assistance Ministries. SHRP also supported activities and fund raising efforts for the Northwest, Cy-Fair, Greenspoint, Galleria, Humble, and Atascosita Chambers of Commerce. SHRP supported the Light The Night Walk, benefiting the Leukemia Society, and sponsored two golf tournaments and auctions to raise funds for the Don MacBeth Memorial Jockey Fund and Houston Equine Research Organization (HERO). Each year SHRP makes in-kind donations to over 700 local area charities, hosting silent auctions to raise funds for their organizations.
- SHRP is a proud supporter of the Racetrack Chaplaincy of America. In addition to donating 2% of one live on-track handle to the track Chaplaincy program, twice each year SHRP organizes a fundraiser event to help fund their many programs, including Sunday worship service for horsemen and patrons, counseling services, and providing clothing, blankets, and food for backside workers in need. In conjunction with the Texas Horsemen's Partnership, SHRP opened a new building in the stable area for the track chaplain and staff.

Class 2 Horse Racetrack

**Manor Downs**

	2003	2003	% Change
Live On-Track Handle	\$1,978,049	\$1,427,258	(27.85%)
Import Same Species Simulcast	\$20,398,448	\$18,705,203	(8.30%)
Import Cross Species Simulcast	\$4,259,715	\$3,469,777	(18.54%)
Total On-Track Handle	\$26,636,212	\$23,604,241	(11.38%)
Total Export Handle	N/A	N/A	N/A
Total Wagered on Manor	\$1,978,049	\$1,427,258	(27.85%)
Average Purses Paid/Quarter Horse	\$91,153	\$108,311	18.82%
# of Quarter Horse Race Dates	18	10	(44.44%)
Average Purses Paid/Thoroughbred	\$63,340	\$69,350	9.49%
# of Thoroughbred Race Dates	10	4	(60.00%)
Average Purses Paid/Mixed	N/A	\$116,731	N/A
# of Mixed Race Dates	N/A	8	N/A
Total Purses Paid	\$2,309,709	\$2,294,360	(0.66%)
Total Live Performances	28	22	(21.43%)
Total # Simulcast Signals Taken	5,069	5,529	9.07%
Total Attendance	69,659	62,363	(10.47%)

1999-2003  
Manor Downs



2003 ANNUAL REPORT

Data on this page provided by Manor Downs

**For Calendar Year 1/1/2003 – 12/31/2003 – Unaudited**

Average # of Employees/Positions on Payroll	45
Total Salaries and Wages Paid	\$1,139,557
Total State Pari-mutuel Tax Paid	\$226,047
Total Other State Taxes Paid	\$80,405
Total Property Taxes Paid	\$117,984
Total Purchased Goods and Services	\$2,282,635
Total Charitable Contributions	\$5,576

**2003 Highlights**

Manor Downs did not respond to this portion of the information request.

According to Commission records, Manor Downs reported two charity days. Texas A&M Equine Research was the designated charity on April 20 and received over \$1,668. The second charity race day, May 4, earned over \$2,379 for the Race Track Chaplaincy.

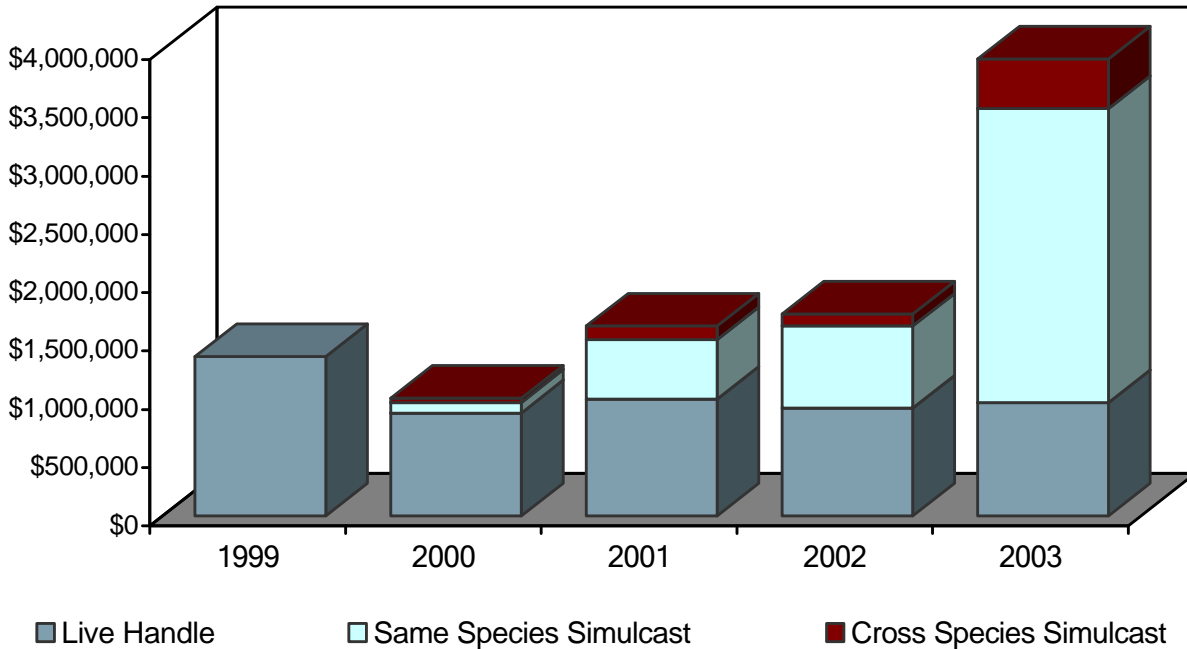
Class 3 Horse Racetrack

**Gillespie County Fair & Festivals Association**

	2002	2003	% Change
Live On-Track Handle	\$923,266	\$974,705	5.57%
Import Same Species Simulcast	\$704,009	\$2,519,648	257.90%
Import Cross Species Simulcast	\$104,689	\$427,205	308.07%
Total On-Track Handle	\$1,731,964	\$3,921,588	126.42%
Total Export Handle	N/A	N/A	N/A
Total Wagered on Gillespie	\$923,266	\$974,705	5.57%
Average Purses Paid/Quarter Horse	\$39,156	\$44,387.00	13.36%
Average Purses Paid/Thoroughbred	\$8,913	\$9,237	3.64%
# of Mixed Race Dates	8	8	0.00%
Total Purses Paid	\$360,550	\$439,450	21.88%
Total Live Performances	8	8	0.00%
Total # of Simulcast Signals Taken	756	3,008	297.88%
Total Attendance	10,569	10,844	2.60%

1999-2003

**Gillespie County Fair & Festivals Association**



2003 ANNUAL REPORT

Data on this page provided by Gillespie County Fair & Festivals Association

**For Calendar Year 1/1/2003– 12/31/2003 – Unaudited**

Average # of Employees/Positions on Payroll	70
Total Salaries and Wages Paid	\$143,000
Total State Pari-mutuel Tax Paid	\$30,512
Total Other State Taxes Paid	\$14,960
Total Property Taxes Paid	exempt
Total Purchased Goods and Services	\$571,600
Total Charitable Contributions	\$14,710 \$60,000+ in donated labor & facility use

**2003 Highlights**

- In addition to producing the oldest continuously running county fair in Texas, Gillespie County Fair and Festivals Association (GCFFA) also promotes year-round community and family entertainment by sponsoring many annual events such as the Easter Fires Pageant, the 115th Gillespie County Fair, and the annual Scholarship Fest.
- Earnings from the summer horse meets are used to maintain and upgrade the multi-use facility and to benefit Gillespie County by funding scholarships. GCFFA has created one of the most dynamic programs in the area, granting scholarships to graduating seniors in the county on an annual basis. Since 1991, over \$150,000 has been awarded to help deserving young men and women further their education goals. In 2003, \$14,400 was awarded to 28 graduating seniors from the county’s high schools.
- The value of GCFFA’s donated facility use and volunteer labor is estimated at over \$60,000 for 2003. 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 and Hill Country.
- The fairground’s new simulcast facility opened in April 2003. Replacing the state’s only “open-air beer garden” simulcast facility, GCFFA’s new, air-conditioned “Race Barn” operates year-round, Thursday through Sunday. The state-of-the-art simulcasting facility is decorated with many one of a kind furnishings especially made and designed by GCFFA members. The walls are adorned with historical photographs spanning the 116 years of GCFFA operations. The Race Barn features a full service bar and restaurant and has become one of the Hill Country’s favorite new destinations.

## Other Licensed Racetracks

### Class 2 Horse Racetrack

#### **Austin Jockey Club**

In 1999, Austin Jockey Club, Ltd., acquired majority ownership of Longhorn Downs, Inc., which held a horse racetrack license that was originally issued in 1989. The Austin Jockey Club site is located just off Riverside Drive, east of downtown Austin.

Section 309.103 of the Rules of Racing requires a racetrack to submit detailed construction plans for Commission approval at least 30 days before commencing any site work. As of December 31, 2003, no plans were submitted.

### Class 2 Horse Racetrack

#### **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. In their monthly construction update to the Commission dated February 11, 2003, Saddle Brook Park reported that steel had been ordered when a problem arose with the Environmental Protection Agency over sewage disposal. The report stated that engineers were working to determine the best and most cost-effective solution. The subsequent monthly reports, including the latest report dated November 6, 2003, stated there was no new information to report but they hoped to have a more informative report in the near future.



# Appendix

## Table of Contents

Summary of Fiscal Year 2003 Financial & Performance Measures .....	ii
Glossary of Racing Terms .....	iv
Charts Depicting Pari-Mutuel Distributions .....	vi
Licensed Racetrack Directory .....	xiv
Racing Industry Organizations & Related Associations Directory.....	xv
Year 2004 Granted Race Dates .....	xvi
Year 2004 Approved Breed Splits .....	xvii

2003 ANNUAL REPORT

**Combined Statement of Revenues & Expenditures  
For Fiscal Year 2003 As Compared to Fiscal Year 2002**

Source: Annual Financial Reports

	FISCAL 2002	FISCAL 2003	% CHANGE <sup>1</sup>
<b>REVENUES:</b>			
Legislative Appropriations	\$ 0	\$ 0	- %
Licenses, Fees & Permits	2,678,261	2,539,136	(5%)
Interest & Other Investment Income	31,264	27,563	(12%)
Other Revenues	<u>8,458,641</u>	<u>8,091,759</u>	(4%)
<b>TOTAL REVENUES</b>	<b><u>\$11,168,166</u></b>	<b><u>\$10,658,458</u></b>	<b>(5%)</b>
<b>EXPENDITURES:</b>			
Salaries & Wages	\$3,703,392	\$3,382,062	(9%)
Payroll Related Costs	881,650	904,396	3%
Professional Fees & Services	99,483	75,731	(24%)
Travel	134,543	94,937	(29%)
Materials & Supplies	68,876	60,937	(12%)
Communications & Utilities	76,471	77,753	2%
Repairs & Maintenance	55,725	43,718	(22%)
Rentals & Leases	172,277	170,955	(1%)
Printing & Reproduction	7,650	4,239	(45%)
Claims & Judgments	0	0	- %
Distributions to Others <sup>2</sup>	6,402,022	6,015,055	(6%)
Depreciation Expense	16,473	16,201	(2%)
Capital Outlay	<u>-3,810</u>	0	- %
<b>TOTAL EXPENDITURES</b>	<b><u>\$11,614,752</u></b>	<b><u>\$10,845,984</u></b>	<b>(7%)</b>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	<b><u>-\$446,586</u></b>	<b><u>-\$187,527</u></b>	<b>(58%)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of Fixed Assets	-\$1,133	\$ 0	- %
Operating Transfers Out:			
Agency 556, Fund 001, Equine Research	-114,395	-108,526	(5%)
Texas Racing Act, §3.309(b)	0	<u>-1,611,676</u>	- %
<b>TOTAL OTHER FINANCING SOURCES/(USES)</b>	<b><u>-\$115,528</u></b>	<b><u>-\$1,720,202</u></b>	<b>1,389%</b>
<b>NET GAIN/LOSS FROM OPERATIONS</b>	<b>-\$562,114</b>	<b>-\$1,907,729</b>	<b>239%</b>
<b>BEGINNING FUND BALANCE</b>	<b><u>\$4,076,680</u></b>	<b><u>\$3,497,997</u></b>	<b>(14%)</b>
Net Change in Reserve for Inventories	<u>16,567</u>	<u>82,565</u>	398%
<b>ENDING FUND BALANCE</b>	<b><u>\$3,497,999</u></b>	<b><u>\$1,507,703</u></b>	<b>(57%)</b>

<sup>1</sup>.Percentages are rounded to nearest whole number.

<sup>2</sup> The decrease in Distribution to Others is due to a change in accounting practices by the State.

## Summary of Key Fiscal Year 2003 Actual Performance Measures As Compared to Target

Fiscal Year 2003 KEY MEASURES	Target	Actual	% of Target
Number of Racetrack Inspections	50	72	144%
Average Regulatory Cost per Racetrack	\$22,218	\$19,289	87%
Number of Texas-bred Awards	27,524	22,884	83%
Number of Occupational Licenses Suspended or Revoked	245	199	81%
Number of Investigations Completed	1,372	1,104	81%
Percentage of Investigations Resulting in Disciplinary Action	93%	98.25%	106%
Percentage of Licensees with No Recent Violations	98%	97.20	99%
Number of Race Animals Inspected Prior to Participating in a Race	135,800	132,832	98%
Percentage of Race Animals Injured or Dismissed from Racetracks	0.30%	0.26%	86%
Number of New Occupational Licenses Issued	6,031	5,750	95%
Number of Occupational Licenses Renewed	8,466	8,741	103%
Average Regulatory Cost per Licensee	\$34.68	\$29.72	86%
Average Time (minutes) Required to Issue a New Occupational License	7	7.75	111%
Number of Illegal Wagering Investigations Completed	12	2	17%
Percentage of Compliance Audits Passed	95%	98.8%	104%
Average Cost per Illegal Wagering Investigation	\$414	\$495	119%
Total Pari-Mutuel Handle (in millions)	\$639.4	\$578.9	92%
Total take to the State Treasury from Pari-mutuel Wagering (in millions)	\$4.99	\$4.77	97%

## 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 multiples of five 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.

**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.

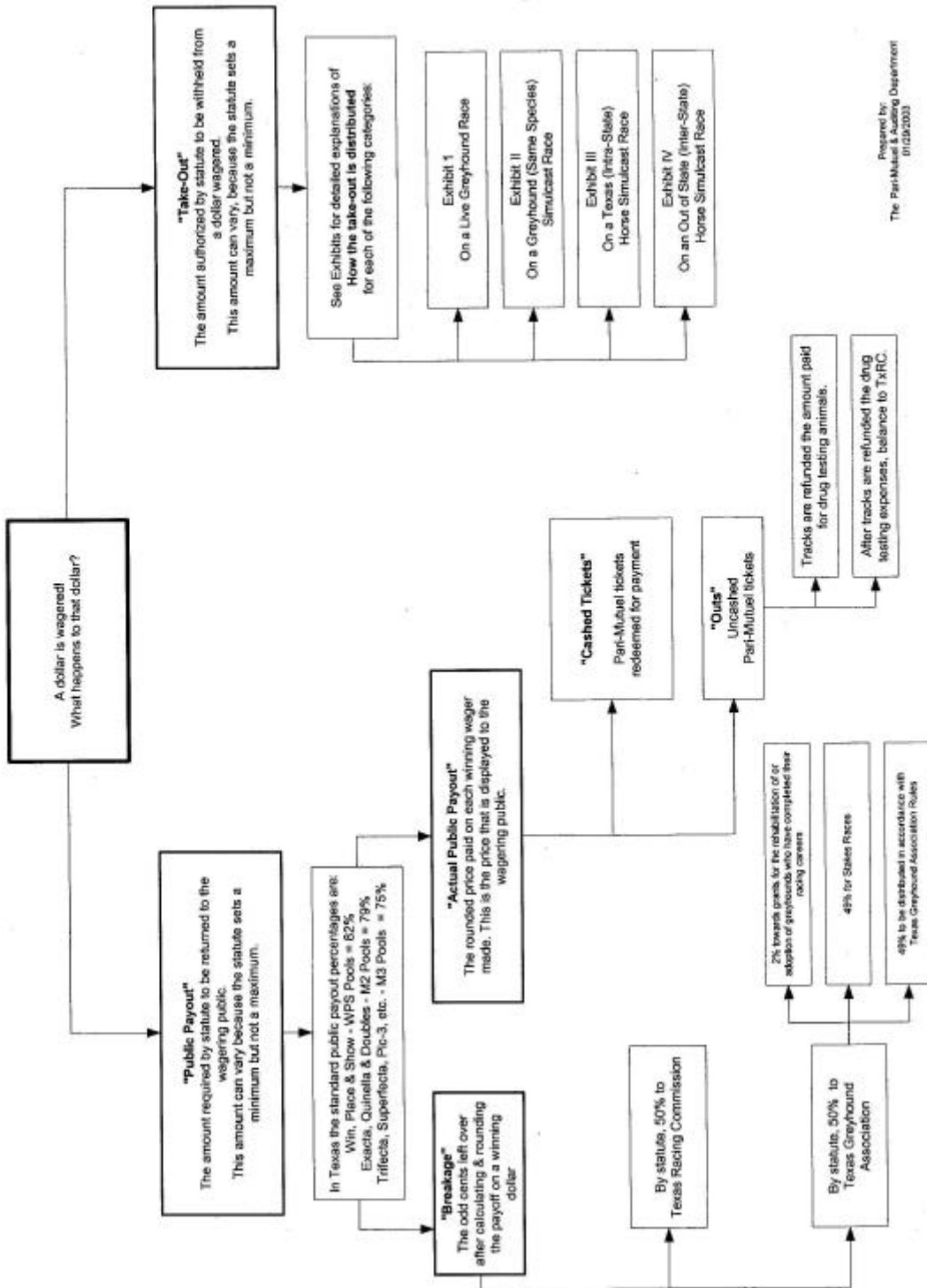
**Totalisator** - a machine or system for registering and computing the wagering and payoffs in pari-mutuel wagering.

**Win** - to finish first in a race.

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

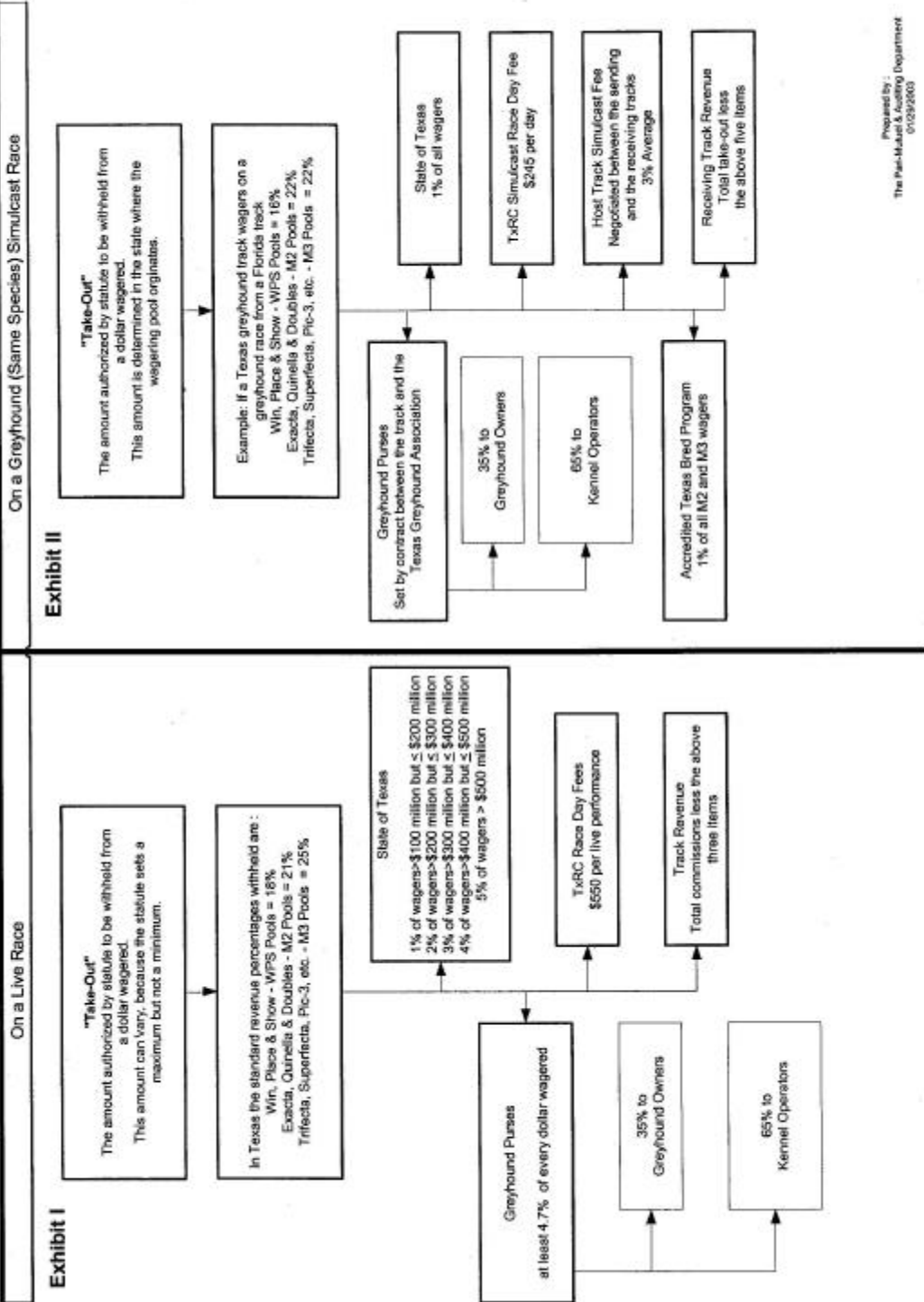
For further definitions, see §1.03 of the Texas Racing Act and §301.1 of the Commission's Rules.

How Money Wagered at a Greyhound Track is Distributed



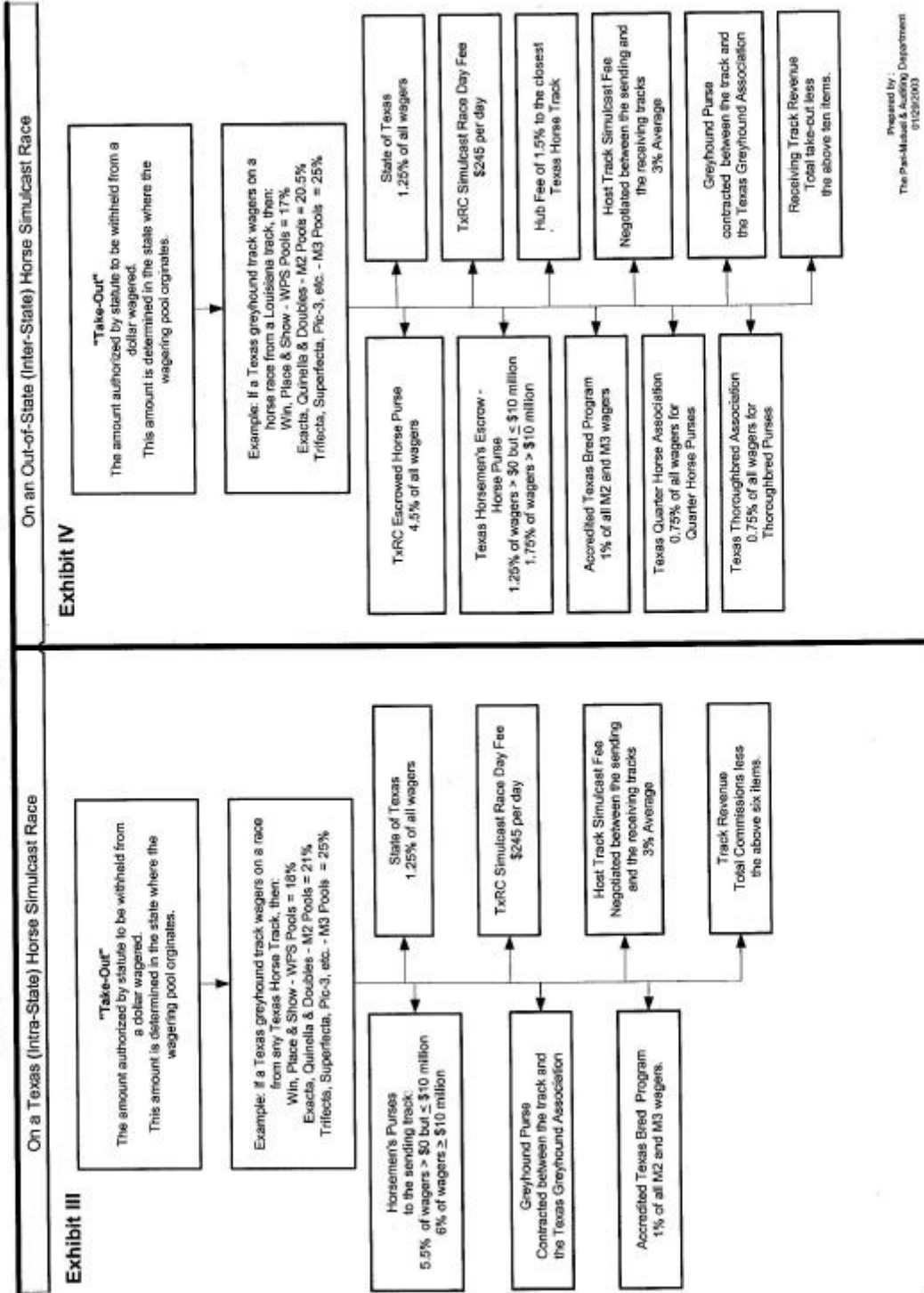
Prepared by:  
The Parimutuel Auditing Department  
01/28/2003

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



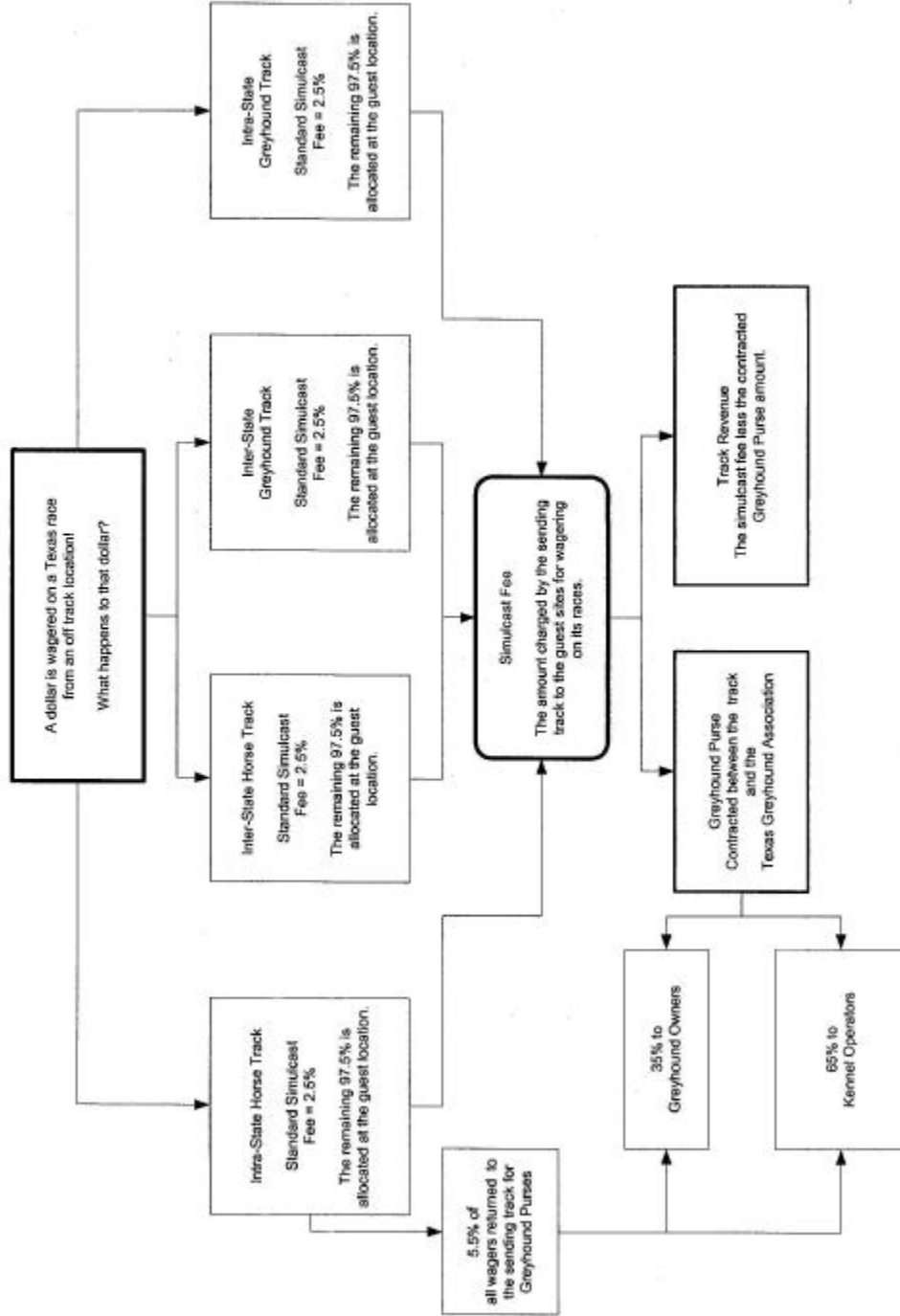
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01/29/2003

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



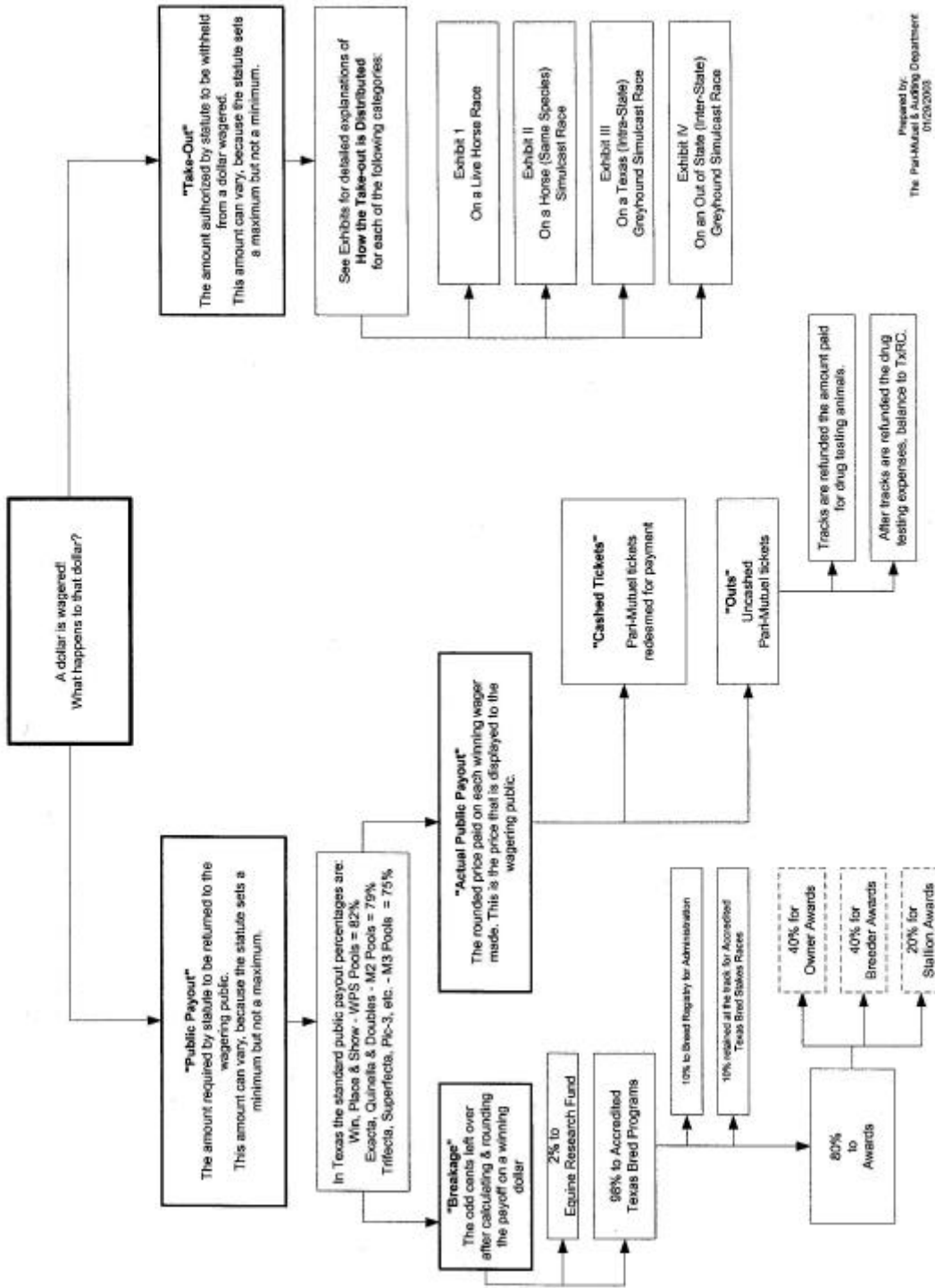


How Money Wagered on a Greyhound Track's Exported Races is Distributed



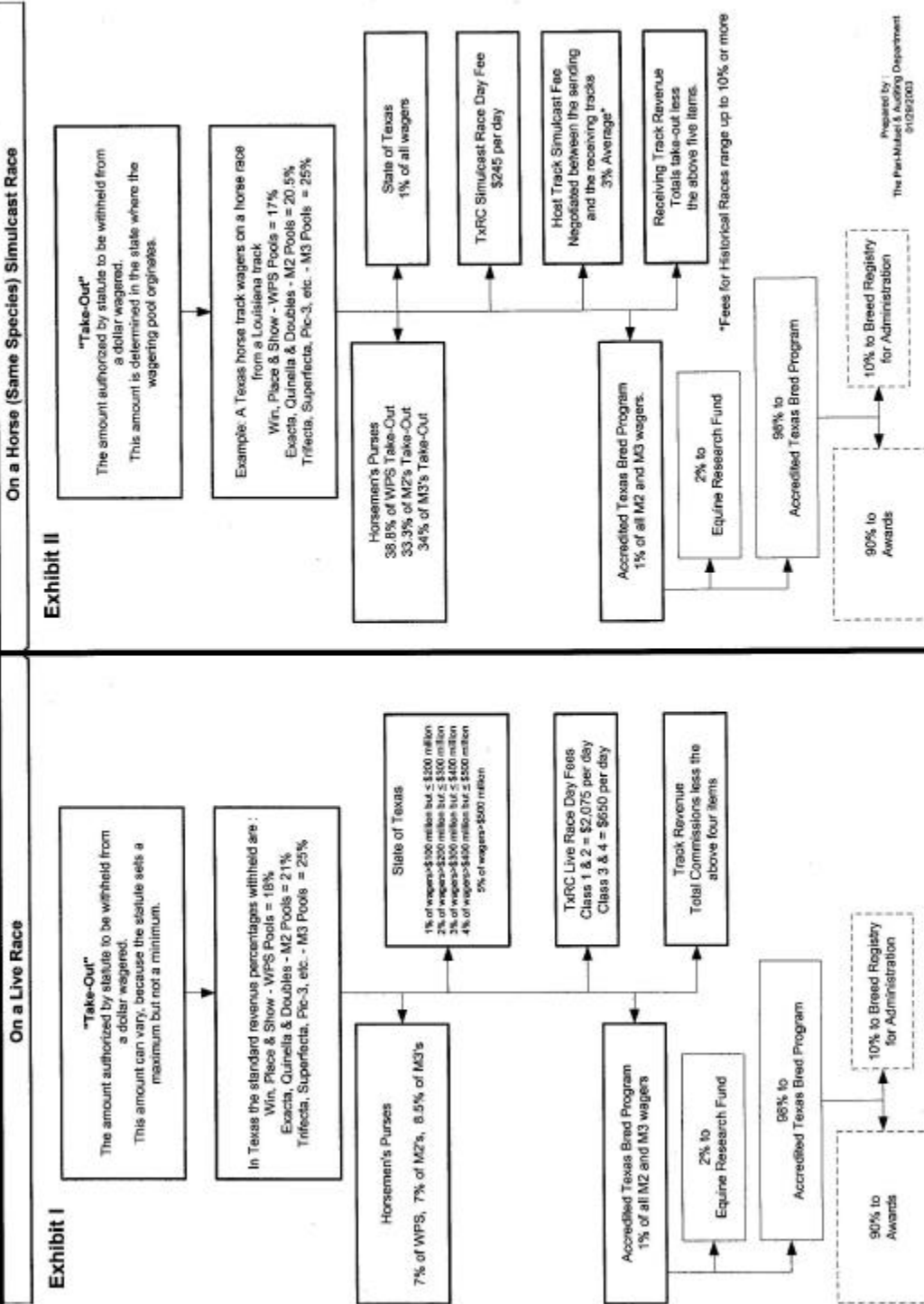
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The Perimeter & Auditing  
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01/24/2003

How Money Wagered at a Horse Track is Distributed



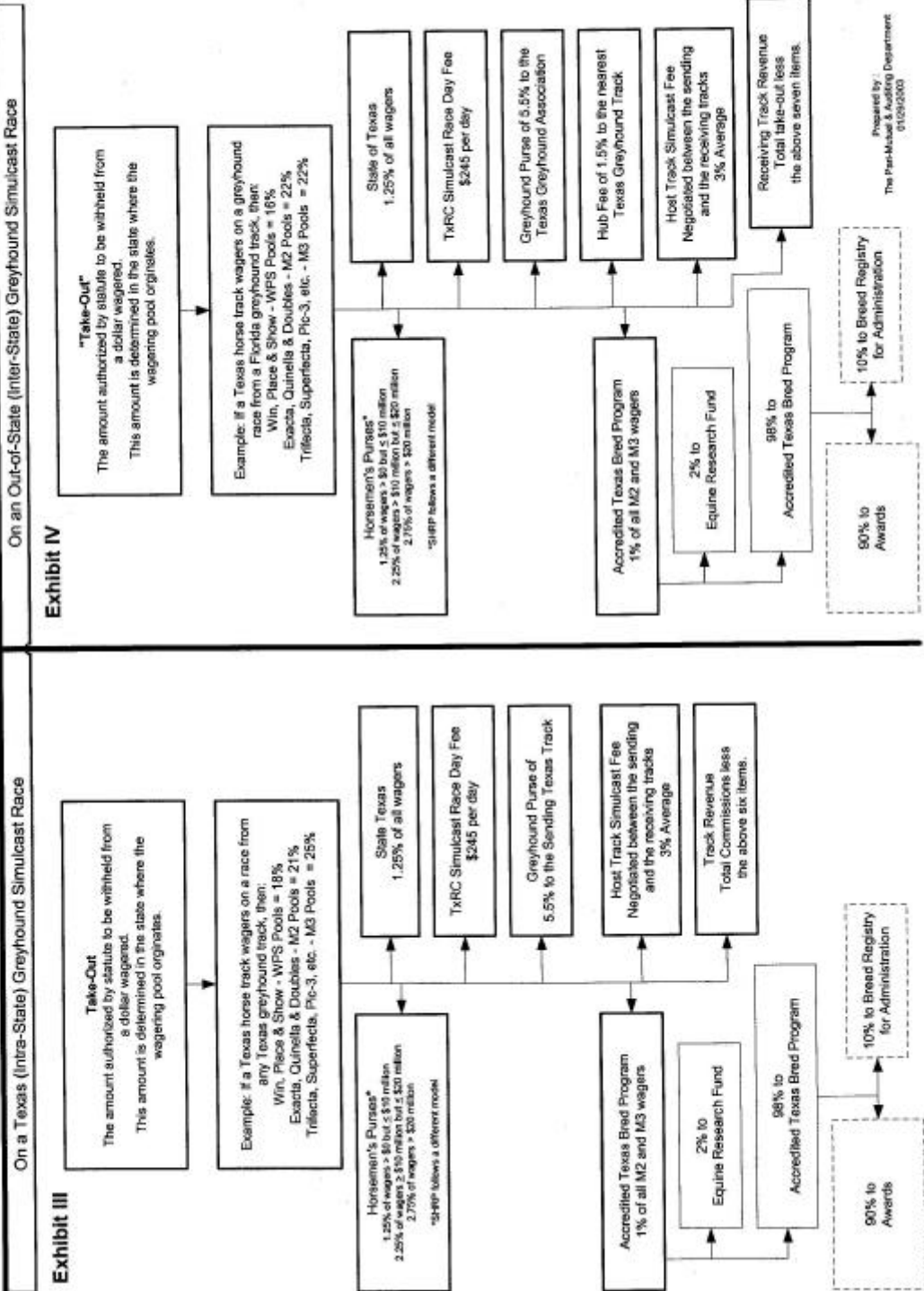
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The Pari-Mutuel & Auditing Department  
01/20/2003

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

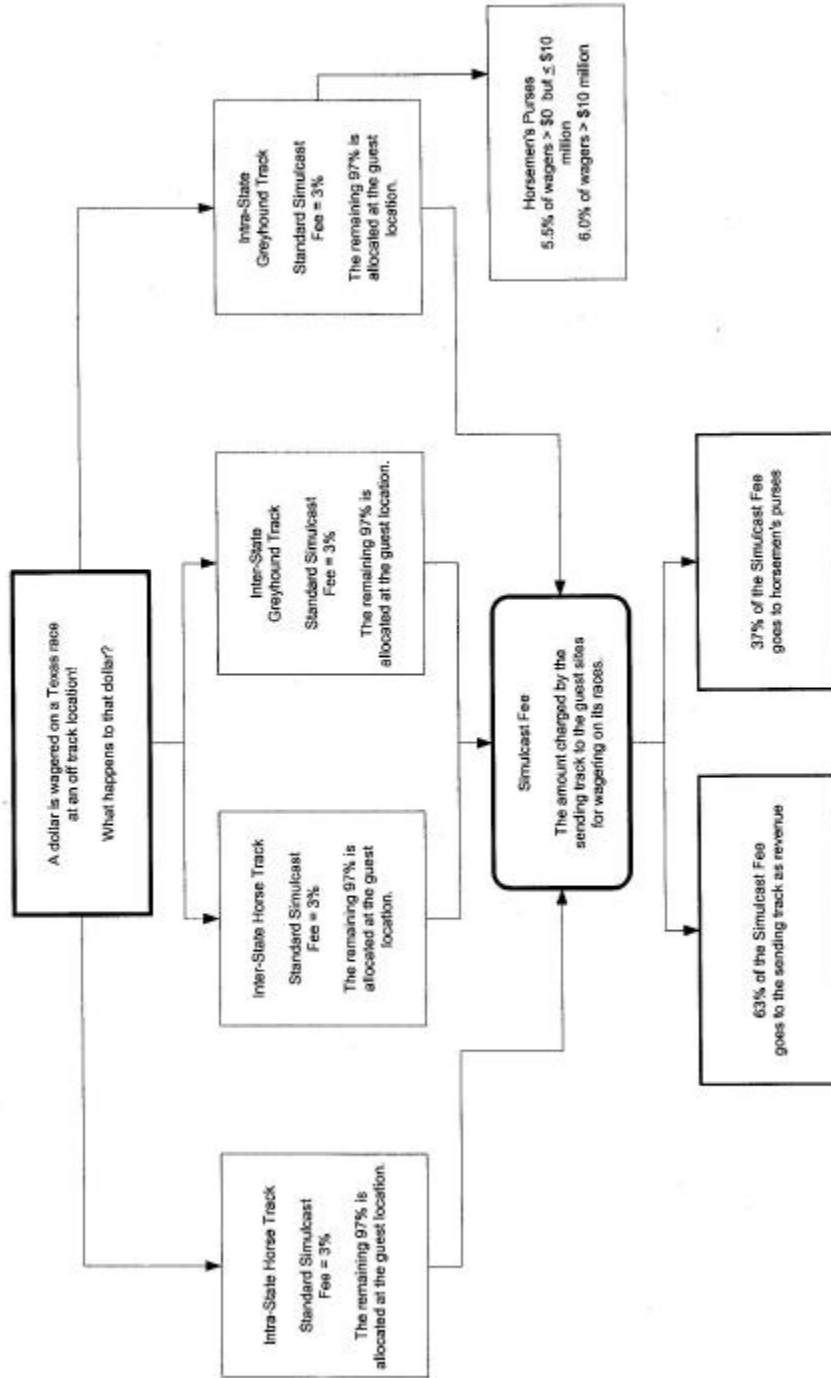


Prepared by  
The Par-Mulat & Aubrey Department  
9/16/2003

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



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



Prepared by :  
The pari-Mutuel & Auditing  
Department  
01/20/2003

## Licensed Racetrack Directory

### Greyhound Racetracks:

#### **Corpus Christi Greyhound Race Track**

5302 Leopard Street, Corpus Christi, TX 78408

Phone 361-289-9333, Fax 361-289-4307

#### **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 Dr., Harlingen, TX 78552

Phone 956-412-7223, Fax 956-428-0163

### Horse Racetracks:

#### **Austin Jockey Club - currently not constructed – Class 2**

c/o Retama Park, 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

#### **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**

101 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**

P. O. Box 50597, Amarillo, TX 79159

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

## **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

### **Equine Research Account Advisory Committee**

Texas Agricultural Experiment Station, College Station, TX 77843-2147  
Phone 979-845-7980, Fax 979-458-4765

### **Jockeys' Guild**

P. O. Box 1284, Metairie, LA 70004  
Phone 504-309-1554, Fax 504-309-1599

### **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 161746, Fort Worth, TX 76161  
Phone 817-834-2742, Fax 817-222-8489

### **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

## Year 2004 Granted Live Race Dates

### GREYHOUND RACETRACKS

#### **CORPUS CHRISTI GREYHOUND RACE TRACK - 418 performances**

Wednesday through Sunday, year-round

#### **GULF GREYHOUND PARK - 466 performances**

Tuesday through Sunday, year-round

#### **VALLEY RACE PARK – 224 performances**

Tuesday through Sunday, January through April 4 & November 19 through December 31

### HORSE RACETRACKS

#### **LONE STAR PARK AT GRAND PRAIRIE, Class 1**

Thoroughbred Meet - 63 days - April 15 (Thursday) through July 11 (Sunday)

Wednesday- Sunday racing

Holiday racing on Monday, May 31, Memorial Day, and Monday, July 5,

Closed on Wednesday & Thursday, June 2 & 3, and Wednesday, July 7

Thoroughbred Meet - 19 days – October 1(Friday) through October 31 (Sunday)

Thursday - Sunday racing,

SPECIAL EVENT – LONE STAR PARK HOSTS BREEDERS' CUP 2004 ON SATURDAY, OCTOBER 30

#### **RETAMA PARK, Class 1**

Thoroughbred Meet - 40 days – July 22 (Thursday) through September 25 (Saturday)

Thursday – Sunday racing July 22 through August 29

Wednesday – Saturday racing September 1 through September 25

#### **SAM HOUSTON RACE PARK, Class 1**

Thoroughbred Meet – 57 days - January 2 (Friday) through April 10 (Saturday)

Thursday - Sunday racing

Closed on Sunday, February 1

Quarter Horse Meet - 95 days – April 23 (Friday) through November 6 (Saturday)

Friday - Sunday racing April 23 through July 25

Thursday – Sunday racing July 29 through September 6

Thursday – Saturday racing September 10 through November 6

Holiday racing on Monday, September 6, Labor Day

Thoroughbred Meet - 21 days – November 17 (Wednesday) through December 23 (Thursday)

Wednesday - Saturday racing,

Closed on Thursday, November 25, Thanksgiving

#### **MANOR DOWNS, Class 2**

Mixed Meet – 18 days – February 28 (Saturday) through April 25 (Sunday)

Saturday & Sunday racing

#### **GILLESPIE COUNTY FAIR & FESTIVALS ASSOCIATION, Class 3**

Mixed Meet - 8 days - July 3 & 4 and 17 & 18, August 14 & 15 and 28 & 29

Saturday & Sunday racing

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



2003 ANNUAL REPORT

**Year 2004 Approved 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%	78.80%	14.81%	19.60%	19.60%
Thoroughbred	29.55%	19.70%	83.94%	78.40%	78.40%

TEXAS BRED  
INCENTIVE  
PROGRAM

Arabian	1.225%	1.225%	1.225%	1.225%	1.225%
Paint	0.275%	0.275%	0.275%	0.275%	0.275%
Quarter Horse	68.950%	68.950%	29.550%	29.550%	29.550%
Thoroughbred	29.550%	29.550%	68.950%	68.950%	68.950%

ESCROWED  
HORSE PURSE  
ACCOUNT

	<b>1.6%</b>	<b>7.8%</b>	<b>18.4%</b>	<b>34.7%</b>	<b>37.5%</b>
Minor Breed	2.0%	2.0%	2.0%	2.0%	2.0%
Quarter Horse	68.6%	29.4%	29.4%	29.4%	29.4%
Thoroughbred	29.4%	68.6%	68.6%	68.6%	68.6%

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