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TEXAS RACING COMMISSION

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TEXAS RACING COMMISSION
P. O. BOX 12080
AUSTIN, TEXAS 78711-2080
(512) 833-6699
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January 31, 2007

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

Dear Governor Perry:

In accordance with Section 3.10 of the Texas Racing Act, Vernon's Texas Civil Statutes, I am pleased to submit the 2006 Annual Report of the Texas Racing Commission on behalf of the Commissioners and staff.

This report covers the activities of the Commission, providing statistics, comparisons, and information relating to all aspects of the Texas greyhound and horse racing programs and breeding programs.

Unfortunately, all aspects of the pari-mutuel racing industry have continued to decline. The growth in the amount of unregulated and frequently illegal gaming, via television/telephone and the Internet, continues to adversely affect the profitability of the racetracks, the racing participants and the State of Texas. Additionally, the continued expansion of wagering opportunities in our neighboring states of Arkansas, Louisiana, Oklahoma and New Mexico places Texas racetracks at a competitive disadvantage for patrons and for high-quality race animals.

As Chair of the Commission, I assure you that the Commissioners and staff continue to focus their energies on diligently regulating the pari-mutuel industry to insure the integrity of racing for all the participants and wagering public. We thank you for the opportunity to serve you and the citizens of our great state.

Respectfully submitted,


R. Dyke Rogers
Chair

RDR:mjc

An Equal Opportunity Employer



TEXAS RACING COMMISSION

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January 31, 2007

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

Dear Governor Perry:

As the chief administrator of the Texas Racing Commission, I respectfully submit the 2006 Annual Report of the Texas Racing Commission in accordance with Section 3.10 of the Texas Racing Act, Vernon's Texas Civil Statutes.

I want to commend the Commission staff as they remain determined and dedicated to providing the most effective and efficient regulation of the pari-mutuel industry. Our employees serve the citizens of Texas with the highest level of honesty and integrity. I thank each one for their contributions to the Commission and to the State of Texas.

With respect and admiration, I want to thank all of the members of the Commission for their valued contributions this past year. From Commission meetings to working group meetings, their collective professional and business expertise continues to provide quality leadership.

The Chair of the Public Safety Commission and the Comptroller of Public Accounts and their staff members continue to provide critical assistance in regulation of the pari-mutuel industry. This successful state agency partnership demonstrates the benefits that accrue with combined efforts and resources.

Sincerely,

A handwritten signature in cursive script that reads "Charla Ann King".

Charla Ann King
Executive Secretary

CAK:mjc

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TEXAS DEPARTMENT OF PUBLIC SAFETY

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THOMAS A. DAVIS, JR.
DIRECTOR

DAVID McEATHRON
ASST. DIRECTOR



COMMISSION
ERNEST ANGELO, JR.
CHAIRMAN

LOUIS STURNS
COMMISSIONER

January 16, 2007

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 2006.

CRIMINAL ACTIVITY AND CRIME TRENDS

During the year of 2006, the pro-active investigation of terrorism again dominated much of the state's law enforcement's resources. Federal, state and local agencies continue to be proactively engaged in this war through intelligence gathering and the investigation of the signature crimes associated with the support of the terrorism network. Violence and smuggling along the Texas/Mexico border increased in 2006 and quickly became headline issues requiring the expenditure of additional law enforcement resources. State, local, and federal law enforcement, aided at times by the military, cooperated in joint operations along the 1200 mile border area to curve these illegal activities.

Identity theft continues to escalate and is a great concern for law enforcement 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. As in previous years, it is anticipated that State government will continue to evaluate this growing criminal trend and address this issue as appropriate in the current legislative session.

The reportable crime index for the first six months of 2006 reflected an index change of -3.4%.

COURTESY • SERVICE • PROTECTION

ILLEGAL GAMBLING

Different gambling issues will undoubtedly appear as agenda items for the upcoming 80th Texas Legislative session in 2007. Pre-filings were seen as early as November 2006 related to casinos, 8-liners, and Indian gaming. Lobbyist on both sides of gaming seems to be preparing for legislature favor with respect to their individual constituent's issues.

Texas Racetracks, faced with dwindling bettors and the loss of race animals due to reduced purses, remain concerned over illegal internet wagering, 8-liners, poker businesses, raffles, and the legalization of casinos at locations other than racetracks. Many of the racing industry officials feel that Texas pari-mutuel racing is at a tipping point without legislative intervention because of the escalation of these illegal forms of wagering.

As reported previously, many jurisdictions continue to investigate the operation of illegal gambling venues within the state but despite law enforcement's continued efforts, these activities continue to thrive due to the lack of aggressive prosecution in many areas.

Sincerely,



Gene Hawkins, Commander
Criminal Intelligence Service
Texas Department of Public Safety

THE COMMISSION

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

MISSION

The 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 the influences on, the racing industry.

THE COMMISSIONERS

The Commission consists of nine members, seven of which are appointed by the Governor with the advice and consent of the Senate, and two are ex officio members, the 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.

Governor Rick Perry named **Dyke Rogers** Chair of the Commission on May 26, 2003. Mr. Rogers, 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. Chair Rogers continues to serve at Governor Perry's pleasure.

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 board of the Texas Association of Property Tax Professionals, the National Association of Home Builders, and the San Antonio Board of Realtors. His term expires in February of 2009.

Treva Boyd was appointed to the Commission on November 17, 1999. She serves as the Commissioner with special knowledge or experience related to greyhound racing. 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 continues to serve at Governor Perry's pleasure.

G. Kent Carter, DVM, was named to the Commission on February 19, 2004. Dr. Carter is a Professor in the Department of Large Animal Clinical Sciences at Texas A & M University. During 2004, Dr. Carter was elected to serve a three-year term on the Board of Directors of the American

Association of Equine Practitioners. His term on the Commission expires in February of 2009.

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. Mr. Rutherford was re-elected by his fellow Commissioners as Vice-Chair on February 21, 2006.

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. Mr. Sowell's term expires in February of 2009.

David G. Cabrales was named to the Commission on January 4, 2007. He replaced **Louis Sturns** who resigned after being named to the Department of Public Safety Commission in September, 2006. Mr. Cabrales, a partner in the Law Firm of Locke Liddell & Sapp LLP, resides in Dallas. He is a member of the State Bar of Texas, the Dallas Bar Association and the Dallas Hispanic Bar Association.

EX OFFICIO MEMBERS

Ernest Angelo, Jr., was named Chair of the Public Safety Commission on October 18, 2005, replacing Colleen McHugh who had served as an ex-officio member of the Racing Commission since October of 1998. Mr. Angelo is an independent petroleum engineer in Midland. He previously served on the Texas Parks & Wildlife Commission.

Susan Combs, sworn into office in January 2007 as the Comptroller of Public Accounts, serves as an ex-officio member of the Racing Commission. Ms. Combs replaced **Carole Keeton Strayhorn** who served on the Commission during her tenure as Comptroller through 2006. Jimmy Archer, the Comptroller's Chief of Criminal Investigations, regularly served as Ms. Strayhorn's designee at Commission meetings.

COMMISSION MEETINGS, ACTIONS & ACTIVITIES

The Texas Racing Commission met six times during calendar year 2006. Commission meetings are open to the public and in addition to the required postings in the Texas Register, the agendas and agenda materials are also posted on the agency's website prior to the meeting. Transcripts of each meeting are also available on the website: www.txrc.state.tx.us.

COMMISSION REJOINS ASSOCIATION OF RACING COMMISSIONERS INTERNATIONAL

In February of 2006, the Texas Racing Commission unanimously voted to rejoin the Association of Racing Commissioners International (RCI), the trade association of racing regulators. With the merger of the North American Pari-mutuel Regulators Association and the Association of Racing Commissioners International, the new organization, represents virtually all racing regulators in the United States, Canada, and Mexico.

Membership in this single, unified association provides an important platform for Texas as regulatory agencies around the country work together to develop a stronger, more unified approach. In addition to active participation in national discussions, membership allows the agency to check the status of licensees across the nation for problems, search rulings in other jurisdictions, and take advantage of the RCI's substantial expertise in a wide variety of racing-related subjects, including wagering security.

MEDICATION AND DRUG TESTING WORKING GROUP

The Commission's Medication and Drug Testing Working Group met three times in 2006. With Vice-Chair Mike Rutherford and Commissioner Kent Carter, DVM, in attendance, subjects covered included modification of rules to adopt the Racing Commissioners International model rules that would allow two additional non-steroidal anti-inflammatory drugs, proposed changes to the Veterinary Practices and Drug Testing chapter of the Texas Rules of Racing, and Total Carbon Dioxide testing. With the exception of Phenylbutazone, the group recommended the Commissioners not adopt, at this time, the Racing Commissioners International model rules regarding non-steroidal anti-inflammatory drugs.

In response to the high number of Phenylbutazone overages and recommendations from the Commission's Medication and Drug Testing Working Group, the Executive Director will institute new penalty

guidelines for Phenylbutazone overages starting in 2007. Phenylbutazone is a non-steroidal, anti-inflammatory drug that is permitted to a concentration of 5 mcg/ml in race horses. Even though Phenylbutazone overages were down by over half in 2006 versus 2005, it still remains the most abused drug on horse tracks, accounting for more than half of all drug violations since 2000. The new penalty guidelines will call for significantly greater penalties, including penalties for owners, when overages equal or exceed 10 mcg/ml, the concentration level that indicates race-day administration.

“MILKSHAKE” TESTING APRIL 2006

In early April, the Texas Racing Commission (TxRC) began testing total carbon dioxide (TCO2) levels of horses racing in Texas for evidence of “milkshaking.” “Milkshaking” is the practice that involves administering substances to a horse to raise the level of total carbon dioxide in the horse a few hours prior to running a race. The Commission adopted this new testing program as recommended by the Medication and Drug Testing Working Group. This group, formed by the Commission in August of 2005, includes Commissioners Mike Rutherford and Kent Carter, DVM, representatives from the racetracks, racetrack veterinarians, and the breed registries, Texas Horsemen’s Partnership, TxRC staff and the Texas Veterinary Medical Diagnostic Laboratory staff.

According to TxRC Vice Chairman Mike Rutherford, “The intent of the new TCO2 testing is to ensure the integrity of racing in Texas so that all competitors and bettors have a level, fair playing field. Milkshaking has become an increasing problem across the country, and we want to make sure it does not become one in Texas.”

NEW RACE DATE WORKING GROUPS FORMED IN 2006

Citing the excellent work products of the Medication and Drug Testing Working Group, Chairman Rogers formed two new working groups at the February 2006 meeting to address the 2007 race date allocations for both horse and greyhound racing. The Horse Race Date 2007 Working Group and the Greyhound Race Date 2007 Working Group were formed to help the Commission and industry produce a viable racing calendar.

Specifically, the two groups were formed to assess the effectiveness of the previous year’s racing calendars; assess handle and purse statistics; assess racing and kenneling opportunities for participants; and assess the length of race meets and issue of overlap among tracks.

The Horse Race Date 2007 working group included Commissioners Jesse Adams and Sonny Sowell, a representative from each horse racetrack, the breed registries, and the Texas Horsemen's Partnership. The Commissioners, staff and horse racing stakeholders spent considerable amount of time and energy, having met four times, from April to August. Their discussions included the health of the industry from each stakeholders' perspective; racetrack profitability and how it has been affected by growing purse levels in other states; the decrease in the competitive nature of Texas' export signals; the effect of illegal internet account wagering on the industry; the Texas Bred Incentive Program; and simulcast breed splits.

This group focused on the most important issues to consider in setting the 2007 horse racing calendar: availability of horses, purse levels, consideration of out-of-state racing dates, field sizes, and making the Texas export signals competitive. Lengthy discussions centered on Texas' competitive position compared to the surrounding states, the possibility of using mixed meet model, alternative funding formulas for purses, the specific availability of horses during the year, ways to provide optimum utilization of stabled horses, and racetracks' challenges with request to managing meets: personnel, facilities and supply of horses.

The resulting calendar for horse racing in 2007 adopted by the Commission was somewhat different from the previous year's racing schedule. Retama Park will only run a Quarter Horse Meet in 2007. In an agreement with Sam Houston Race Park, they will transfer \$500,000 in Thoroughbred purse money and 12 days of Thoroughbred racing so that they may move their Thoroughbred Meet to the first part of the year in 2008. Other notable changes included Lone Star Park reducing its racing schedule from five days a week to four.

The Greyhound Race Date 2007 working group included Commissioners Treva Boyd and Louis Sturns, a representative from each greyhound racetrack and the Texas Greyhound Association. Discussions at its meeting focused on the racetracks' profitability, purse levels, shortage of greyhounds and a request for more flexibility in changing race dates.

The racetracks' bottom line continues to suffer because of declining attendance and handle. The racetracks cited the reasons for the continued decline in wagering to the proliferation of casinos in neighboring states, the expansion of eight liner operations that have opened in close proximity to the greyhound tracks, and the increase in illegal online wagering.

As wagering falls, so does the purse levels and this makes it more difficult for the racetracks to keep kennels or attract new kennels. Quality Texas-bred greyhounds are leaving the state to race at tracks that offer larger purses. The Texas Greyhound Association reported that the registration of Texas-bred greyhounds continues to drop – small breeding operators are getting out of the business and the larger operations are scaling back or sending their animals to race out-of-state.

Although the merits of shortening the racing calendars was discussed, the racetracks did not request any significant changes to their 2007 race dates and at the August meeting the Commission granted their requested dates and performances. Change did occur however, in December, as Gulf Greyhound Park, requested dropping and modifying performances in their 2007 schedule, citing a greyhound shortage due to loss of kennels.

SIGNIFICANT CHANGES TO WAGERING RULES

At the meeting held in April, Bryan Brown of Retama Park petitioned the Commission to amend the Trifecta and Superfecta rules to lower the number of required wagering interests. Brown explained that the declining horse population is resulting in scratches that have an adverse impact on wagering. He proposed changing from six to five wagering interests for a Trifecta wager and from seven to six for a Superfecta wager. The Commission adopted the change at its June 26th meeting. The amended rule gives the Board of Stewards/Judges the authority to order the wager to be cancelled and the pool refunded if it is deemed in the interest of wagering integrity.

The Pari-mutuel Advisory Committee consists of representatives for each racetrack, each totalisator operators, staff from the State Comptroller's office and Commission staff. At their meeting in October, they discussed three areas of regulatory concern: odds manipulation, wager cancellation, and expiration date of mutual tickets.

At its December meeting, the Commission voted to propose changes to address these concerns. With the addition of a new rule, Section 321.2 will make the intentional manipulation of Odds and Will Pays a practice that is inconsistent with the honesty and integrity of racing. This additional rule will clearly make the dissemination of false information to the wagering public a violation. A revision of Section 321.43 will facilitate the cancellation of wagers at self-serve machines by patrons.

Another benefit to the wagering public is a change to Section 321.33 that will require that the expiration date be printed on the face of each pari-mutuel ticket.

RACETRACK APPLICATIONS

In January of 2004, the Commission received two applications for a Class 2 racetrack license in Laredo, Webb County, Texas. The two applicants were Laredo Race Park and LRP Group.

The State Office of Administrative Hearings held a hearing on the matter from March 27, 2006, to April 7, 2006. The parties submitted numerous post-hearing briefs, including closing arguments, supplemental briefs, findings of fact and conclusions of law, and exceptions and replies in the matter.

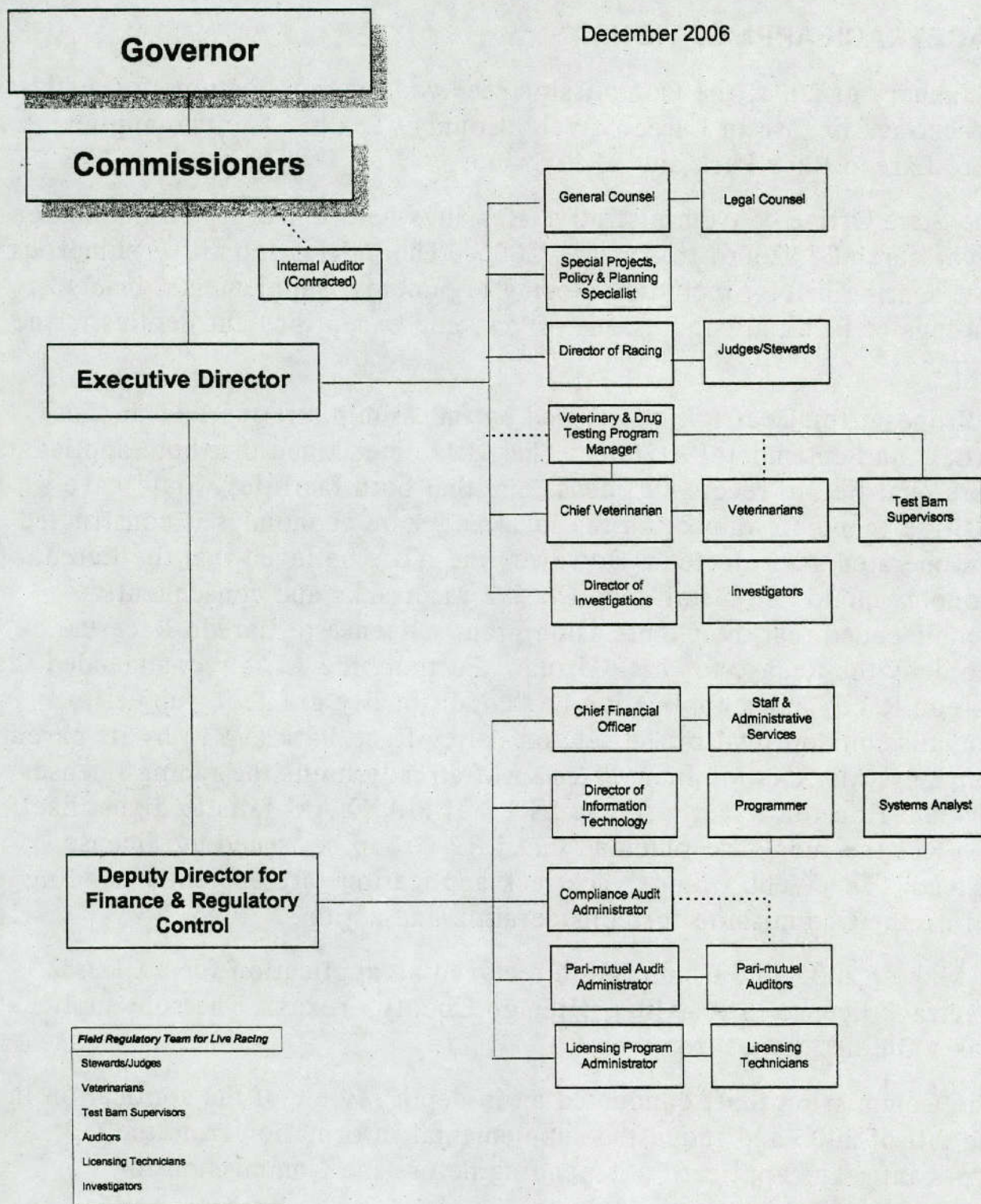
A Proposal for Decision was issued by the Administrative Law Judges (ALJs) on September 19, 2006. The ALJs determined that both applicants were qualified to receive a license and that both facilities would have a positive economic impact on the local and state economies if constructed and operated as projected. However, the ALJs believed that the Laredo economy could not sustain two Class 2 racetracks and consequently recommended that the Commission grant a license to Laredo Race Park and deny the license for LRP Group. Further, the ALJs recommended that Laredo Race Park's application be "conditionally granted" subject to Commission approval of the sale of Valley Race Park (VRP) by its parent company, MAXXAM, Inc. MAXXAM already holds the racing licenses for Sam Houston Race Park and VRP. If MAXXAM fails to divest itself of VRP, the Judges recommend that LRP Group be issued the license instead. The Webb County racetrack applications are currently pending before the Commission for consideration and action.

In May of 2005, the Commission received an application for a Class 2 racetrack license in McAllen, Hidalgo County, Texas. The sole applicant was Valle de los Tesoros.

The Commission Staff conducted an in-depth review of the application in the fall of 2006 and requested supplemental information from the applicant. The application is pending before the Commission for consideration and action.

Texas Racing Commission

December 2006



COMMISSION STAFF – ORGANIZATION

EXECUTIVE

The Executive Division includes the Executive Director, General Counsel, Investigations Division, Racing Division, Veterinary Division, and support staff.

EXECUTIVE DIRECTOR

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

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

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

GENERAL COUNSEL

The General Counsel advises the Commissioners and staff on all legal issues affecting the

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

INVESTIGATIONS

The Director of Investigations reports directly to the Executive Director and oversees the investigators and their activities.

The investigators, who are all licensed peace officers, coordinate the enforcement of the Commission's Rules and the Texas Racing Act.

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

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

RACING

The Director of Racing supervises personnel directly responsible for regulating the conduct of live racing.

The division includes Stewards at horse tracks and Judges at greyhound tracks. The Judges and Stewards monitor the conduct of live races and enforce the Racing Act and the Commission's Rules of Racing.

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

VETERINARY DIVISION

The Chief Veterinarian oversees this division, supervising the veterinarians and test barn supervisors working at the racetracks.

This division is responsible for inspecting all race animals before they race to ensure they are sound to compete, inspecting the stable and kennel areas for animal health and safety issues, and implementing the Commission's race animal drug testing program.

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

FINANCE AND REGULATORY CONTROL

DEPUTY DIRECTOR

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

PARI-MUTUEL AND AUDITING

This division regulates all activities related to wagering.

The division 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 horseracing, this division works closely with the

Investigations Division and the Stewards/Judges.

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

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

To ensure all participants in racing are properly licensed, the Commission has over fifty 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 division is responsible for the budget, accounting, purchasing, personnel, travel coordination, and other administrative functions of the Commission.

The division also assists in preparing the biennial Legislative Appropriation Request, the operating budget, the annual financial report, and reports on performance measures.

INFORMATION TECHNOLOGY

This division procures and supports all hardware and software necessary for the day-to-day activities of the Commission.

The IT division is also responsible for developing and maintaining the agency's network, database, and web site.

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

AGENCY HIGHLIGHTS

ADMINISTRATIVE

During FY 2006, the agency met or exceeded its five key outcome targets: reduce the percentage of animals injured during racing; increase the percentage

The agency met its five key outcome targets.

of compliance audits passed; reduce the rate of rulings by maintaining a high percentage of investigations resulting in disciplinary action and by having a high percentage of licensees with no recent violations; and issuing a new occupational license within a specified

time.

The Executive Division coordinated six regular Commission meetings.

The General Counsel coordinated rule reviews for Chapters 301, 303, and 319 as required by Government Code §2001.039. The amendments for the chapter reviews in 2006 clarified the rule language and allowed the rules to conform to agency practice.

The internal audit plan for FY 2007-2008, as approved by the Commission, will focus on the administration of the Texas Bred Incentive Fund. Monday Rufus, P.C. will be handling the internal audit for the Commission. The plan provides that the top three breed organizations which receive funds from the program be audited on the administration of the funds they receive. The top three breed organizations are the Texas Thoroughbred Association, the Texas Quarter Horse Association, and the Texas Greyhound Association.

The agency rolled out the new rulebook format. The improved format allows for a better flow and ease of reading. The book is now formatted in a standard 8 ½" x 11" page design with slightly larger print. The new format has been well received by the industry, public, and employees.

TECHNOLOGY

In the spring of 2006, the agency installed three servers to host the agency's production and test databases as well as upgrade the agency's application server version. Previous database upgrades strained and overextended the resources of existing servers. These servers improved the throughput and allowed for the continued growth of the agency's core applications.

In August and September, the agency installed new routers and network equipment, replacing end of service routers. In addition to the routers, a Virtual Private Network (VPN) concentrator and a monitoring appliance were

also installed to improve the agency's network infrastructure, increase security, improve monitoring, and expand services.

In August, IT began a five-month project in conjunction with the Pari-mutuel Audit Division to automate the submission and entry of simulcast contracts. The application allows for online entry, review, and upon approval, the automatic data entry of the racetracks' simulcast contracts. These contracts were previously sent via facsimiles and manually entered into the agency database by auditing staff. This project involved many hours of planning, testing and coordination between the IT and Pari-mutuel Auditing Divisions. The project was completed with the assistance of outside contractors. The racetracks' Simulcast Coordinators assisted with the project with their generous time and feedback throughout the project.

In 2006, the IT Division added a second systems analyst to assist in PC, network and use support. With this additional resource, the division is now allocating time and staff to documentation and user guides. The division has been understaffed for several years and having five full-time staff members has increased productivity and improved the overall support level.

REGULATION

In 2006, pari-mutuel auditors reviewed wagering data on 14,248 live races and 765,823 simulcast races to ensure proper collection and distribution of funds. A total of 2,212 import and export simulcast requests were reviewed for compliance with the Act, the Rules, and the Federal Interstate Horse Racing Act.

Electronic Data Processing (EDP) Audits were conducted eight times to test the totalisator systems prior to the opening of a meet or prior to approving a new software version. A new calculation method, Net Pool Pricing, was tested and approved for the first time. Sam Houston Race Park, Valley Race Park, and Lone Star Park use Net Pool Pricing, which is a method of calculating prices that allow for multiple sites in a wagering network to merge pools with the host racetrack using different takeout structures.

A new calculation method, Net Pool Pricing, allows the merging of wagering pools with Canadian tracks.

The pari-mutuel auditing staff completed their work on automating the collection of pari-mutuel wagering data that allows the Commission to load export pari-mutuel wagering data from the detailed transaction files the Commission receives from the licensed totalisator vendors that process the wagers at each of the Texas pari-mutuel facilities. The Commission was previously collecting only pari-mutuel wagering data from live and simulcast races in this manner.

The pari-mutuel auditing staff also completed work on the online approval process for simulcast requests, which allows the Simulcast Director at each of the Texas pari-mutuel facilities to submit their simulcast requests online. The field auditors review the simulcast request online for compliance with the Act, the Rules and the Federal Interstate Horse Racing Act. Once the auditor reviews the simulcast request, the auditor then submits the simulcast review for approval and the program automatically creates the rates table in the Commission database. The Audit Administrator either approves or denies the request and the Simulcast Director that submitted the simulcast request receives an email, informing them that the simulcast request has either been approved or denied.

The Texas Pari-mutuel Advisory Committee, a working group that consists of representatives from the racing associations, totalisator companies, State Comptroller's Office, and TxRC pari-mutuel auditing staff, met to discuss rule revisions. The committee drafted a new rule to define Odds Manipulation as a practice inconsistent with the honesty and integrity of racing. The committee also drafted amendments to current rules that added the expiration date of a wager to the face of a ticket and required associations to submit a plan to the Commission before allowing cancellations on self-serve wagering machines.

On a national level, the pari-mutuel auditing staff attended the Association of Racing Commissioners International (ARCI) model rules subcommittee meeting in July 2006 and was recognized for its work in pari-mutuel regulation and totalisator (tote) standards.

In 2005, the Texas Legislature amended state law to prohibit state agencies from renewing a license if the licensee is in default on a student loan from the Texas Guaranteed Student Loan Corporation (TGSLC). The Racing Commission staff has worked closely with TGSLC in 2006 to implement the restriction.

In late 2006, the licensing division used the DIR web-conference system to hold monthly division meetings with all licensing staff across the state. This has enhanced communication and has brought consistency to the implementation of the division's procedures and policies throughout the state.

During the second full year of the Commission's participation in the TexasOnline program, a web-based program that provides customers with the convenience of applying for a myriad of state services online, over 12% of all individual and business renewals were processed through the program.

There was a 2% increase
in on-line renewals over
the previous year.

Licensing staff issued 11,874 occupational licenses, 4,790 of which were new and 7,084 were renewals. Of those numbers, there were 33 kennel licenses, 77 vendor licenses, 735 owner/trainer licenses, 236 trainer licenses, 170 jockey licenses and 15 apprentice jockey licenses issued during the year. The largest numbers of licenses issued were for track employees, with a total of 3,789 licenses. This was followed closely by owner licenses, which totaled 3,290.

Stewards and Judges issued a total of 645 disciplinary rulings, with 471 resulting in fines and 208 resulting in suspensions. Six appeals were filed during 2006. One of the six appeals was withdrawn before going to a hearing at the State Office of Administrative Hearings. The remaining five appeal cases are still pending.

Thirteen disciplinary reports were issued by the Executive Director during 2006. One of the thirteen was against a tote vendor for password violations while the remaining twelve were against racetracks, all for violations of the Commission's rules regulating simulcasting. The penalties totaled \$3,975.90.

INVESTIGATIONS

During Fiscal Year 2006, investigators opened 947 new case and intelligence reports for violations of the Racing Act or commission rules. Of those cases, 366 were referred to the Boards of Stewards/Judges. There were only nine cases that were dismissed without official action. Investigators conducted 117 random trainer and restricted area compliance inspections, resulting in 102 contraband cases.

In Fiscal Year 2006, the Commission received over 2,000 criminal history reports generated from licensee fingerprint submissions, which affected the individual's eligibility for licensure. Twenty-nine licensees were referred to the stewards or judges for license denial. Another 117 reports were created on licensees with pending criminal charges and 366 cases were opened on former or expired licensees, preventing renewal until the dispositions are confirmed. Additionally, investigators updated 1,136 existing criminal history reports.

Investigators conducted a total of 101 human drug tests in 2006. Of the 59 tests for cause, there were 40 positive results. There were 42 follow-up tests performed of which one returned a positive result. Three tests were reported as diluted or a no-test. In 2006, investigators referred 59 human drug abuse violations to the Board of Stewards/Judges for further action.

ANIMAL EXAMINATIONS / DRUG TESTING

Commission veterinarians are required to examine each animal that is entered in a pari-mutuel race to determine their health and soundness for racing. During 2006, Commission veterinarians performed 89,159 greyhound and 28,218 equine pre-race examinations.

The Commission veterinarians also supervised the collection of 17,368 greyhound urine specimens, 6,432 equine urine specimens and 6,773 equine blood specimens. These specimens were submitted to the Texas Veterinary Medical Diagnostic Laboratory (TVMDL), the Commission's authorized drug testing laboratory. The laboratory tested the specimens for substances that could alter the outcome of a race or would interfere with the detection of illegal drugs.

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

The classification system for greyhounds separates drugs into six classes based on their effect on the greyhounds, with Class 1 being the most potent scheduled stimulants and depressants that have no generally accepted use in the greyhound. Of the 31 prohibited substances detected in greyhounds, none were Class 1 or 2 substances, while 10 were Class 3 substances, 6 were Class 4 substances, 1 was a Class 5 substance, and 14 were Class 6 substances.

The classification system for equine consists of five classes, with Class 1 substances having the highest potential to affect performance and have no generally accepted medical use in racehorses. Of the 31 prohibited substances detected in racehorses, none were Class 1 substances, 6 were Class 2 substances, 5 were Class 3 substances, 13 were Class 4 substances, and 7 were Class 5 substances.

The Commission initiated Total Carbon Dioxide (TCO₂) testing in April 2006, in response to a 2005 survey that indicated bicarbonate administration on race day might be a problem in Texas. The purpose of bicarbonate administration, known as "Milkshaking," is to decrease lactic acid buildup in muscle tissue during exercise to allow the horse to perform better. Testing is accomplished by evaluating total carbon dioxide in serum using pre-race blood specimens. The Commission collected 2,602 blood samples for TCO₂ testing in 2006 and only one exceeded the maximum allowable concentration.

RESULTS OF DRUG TESTING, 2006 COMPARED TO 2005

GREYHOUND			HORSE		
	2005	2006		2005	2006
No. of Starters	87,246	89,159	No. of Starters	29,435	28,218
No. of Samples	17,349	17,368	No. of Samples	6,993	6,773
Drug (Classification)			Drug (Classification)		
Acetylsalicylic Acid (4)	2	0	Albuterol (3)	1	0
Caffeine (4)	1	3	Caffeine (3)	0	1
Dimethylsulfoxide (5)	0	1	Chlorpromazine (2)	0	1
Ephedrine (3)	1	0	Clenbuterol (4)	6	1
Hydroxylidocaine (3)	1	3	Dexamethasone (4)	5	9
Lidocaine (3)	2	3	Dimethylsulfoxide (5)	3	3
Phenylpropanolamine (3)	1	0	Ephedrine (2)	1	0
Polyethyleneglycol (6)	1	3	Flunixin (4)	6	3
Procaine (6)	5	11	Furosemide Overage (n/a)	2	0
Theobromine (4)	0	3	Furosemide not found(n/a)	0	1
Theophylline (3)	1	3	Furosemide Program Horses		
2-(1-hydroxyethyl)-			Hydroxylidocaine (2)	0	4
7-Hydroxypropazine (3)	0	1	Lidocaine (2)	1	0
TOTAL	15	31	Mepivacaine (2)	0	1
			Monoethylglycinexylidide (2)	1	0
			Norpseudoephedrine (3)	0	1
			Phenylbutazone (n/a)	95	43
			Phenylpropanolamine (3)	1	0
			Polyethyleneglycol (5)	0	1
			Sulfadiazine (5)	0	1
			Sulfadimethoxine (5)	3	1
			Total Carbon Dioxide (n/a)	n/a	1
			Theophylline (3)	1	1
			Trimethoprim (5)	3	1
			2-(1-hydroxyethyl)-		1
			Promazine (3)	0	1
			TOTAL	129	76

GREYHOUND DRUG CLASSIFICATION SCHEDULE

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

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

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

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

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

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

HORSE DRUG CLASSIFICATION SCHEDULE

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

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

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

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

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

INSPECTION PROGRAM

Due to the complexity of racing operations, no one person can effectively monitor and assess a racetrack. All divisions share the inspection responsibility to ensure compliance with the Racing Act and the Rules of Racing. Regular inspections ensure compliance before the beginning of each live race meet, as racetracks make renovations and personnel changes. Through this program, areas of non-compliance are identified and staff follows up to ensure appropriate remedial action has occurred. The Executive Director 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 2006, Commission staff conducted 51 new inspections and 21 follow-up inspections at the racetracks. Thirty-two of the new inspections indicated 100% compliance, with no remedial action required. On the remaining 19 inspections, 45 items required remedial attention. As of the end of the year, 37 of these 45 remedial items were corrected and verified by a follow-up inspection. Of the eight outstanding items, one has been resolved in early 2007, three will be resolved with a pending rule change and the remaining four were detected in late 2006, inspections.

YEAR 2006 INSPECTIONS

Type of Inspection	New	Follow-Up
Investigations: Safety & Security	9	6
Executive: Administrative Operations	6	2
Pari-mutuel & Audit: Pari-mutuel & Simulcasting Operations	13	4
Judges & Stewards: Track Conditions & Racing Equipment	11	3
Veterinarians: Conditions for Race Animals	12	6
TOTALS	51	21

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 all Texas-bred greyhounds racing at Texas tracks. Once a month these funds are distributed by dividing the monthly total available for awards by the number of winning Texas-bred greyhounds for that month.

Two percent of the total money 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 was finalized by the TGA and approved by the Commission in 1999. During 2006, \$2,400 was distributed to qualified Texas non-profit adoption groups from this source of funding.

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.

This source of purse money decreased by 2.31%, as compared to 2005, with \$1,408,625 going to purses at Corpus Christi Greyhound Race Track, Gulf Greyhound Park, and Valley Race Park during 2006.

HORSE PROGRAM

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

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

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

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

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

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

In November 1998, the Texas Appaloosa Horse Club requested to be withdrawn from the program due to lack of participation. The Commission forwarded the request to the Legislature for their consideration. No funds were distributed to the Texas Appaloosa Horse Club during 2006.

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

Year 2006 Distributions

	2005	2006	% Change
Texas Thoroughbred Association	\$3,007,942	\$3,037,097	1.0%
Texas Quarter Horse Association	\$1,388,575	\$1,394,099	.4%
Texas Greyhound Association	\$660,801	\$675,173	2.2%
Texas-bred Stakes Race Supplements	\$179,604	\$169,860	(5.4%)
Texas Arabian Breeders Association	\$42,677	\$43,067	0.9%
Texas Paint Horse Breeders Association	\$22,677	\$22,755	0.3%
Texas Appaloosa Horse Club	\$0	\$0	-
TOTAL	\$5,251,107	\$5,342,051	1.7%

EQUINE RESEARCH PROGRAM

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

The Committee meets twice a year at Texas A&M University in College Station.

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

The total amount of funds paid into the Equine Research Account during calendar year 2006 was \$95,099.40. The following equine research instrumentation and equipment were funded through this program.

Equine Research Proposals Funded in 2006

Establishment of Embryonic Stem Cells in the Horse Katrin Hinrichs, Texas A&M University Dept. of Veterinary Physiology & Pharmacology	\$22,100
Whole Genomic cDNA Microarray for Improved Equine Health and Fertility Bhanu Chowdhary, Texas A&M University Dept. of Veterinary Integrative Biosciences	\$26,540
Causes of Hyperendemic West Nile Virus Transmission in the Texas Equine Industry Michael Ward, Texas A&M University Dept. of Veterinary Integrative Biosciences	\$22,100
Bioinformatics Support for Equine Genomics David Adelson, Texas A&M University Dept. of Animal Science	\$19,730
Total amount expended on Equine Research Instrumentation & Equipment in 2006	\$90,470

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 began 2006 on a high note with a Texas Bred Filly winning the Grade I Drinkers of the Desert Stakes, the first leg of the Arabian Triple Crown for 4-year-old fillies, in California. Two Texas Bred colts also placed in Graded Stakes at Delaware Park. Although the number of racing opportunities remained constant in 2006, the total number of starts made by Arabians reflected an increase of 13% over starts in 2005.

The Annual Texas Arabian Breeders Association Race Horse Auction was held at Retama Park in April with a decrease in total number of lots offered from 2005. However, the average price increased from the previous year.

TEXAS GREYHOUND ASSOCIATION

The Texas Greyhound Association (TGA) is the officially designated greyhound breed registry for accredited Texas-bred greyhounds. Texas is noted for producing some of the top greyhounds racing at all three Texas tracks and at top tracks around the country, and 2006 was no exception.

To encourage and promote Texas breeding, over \$590,000 was disbursed in the Texas Bred Incentive Program

and another \$60,000 paid out in Texas Bred Stakes races at the three greyhound racetracks, helping to make Texas one of the most competitive states in the nation.

The TGA continued its emphasis on the safety and welfare of greyhounds. In January, the TGA hosted its 2nd Annual Adoption Summit. The event drew greyhound adoption groups from around the state to coordinate the placement of retired racers into new homes and help educate the public about greyhounds.

In September, the TGA hosted the 5th Annual Safety and Racetrack Surface Seminar in partnership with Gulf Greyhound Park and the American Greyhound Track Operators' Association. The event was held in Waco and was attended by general managers, track maintenance managers, and racing commission personnel from many greyhound tracks. A variety of educational topics on both greyhound health and racetrack safety was discussed.

A new addition to the Safety Seminar was a Judges' Accreditation Seminar, attended by over 20 greyhound judges from across the nation. Texas judges led the way in coordinating the discussion and providing a forum for continuing education.

TEXAS QUARTER HORSE ASSOCIATION

Accredited Texas-bred Quarter Horses remained dominant across the U.S. in 2006, winning graded stakes in every major racing jurisdiction.

Texas-bred Quarter Horses also held their value bringing top prices at yearling sales around the country.

Sam Houston played host to the 9th annual Texas Quarter Horse Association (TQHA) Yearling Sale. There were posted gains in the average sale price as well as the median price. The sale also saw two horses sell for over \$100,000 for the first time ever.

The American Quarter Horse Association (AQHA) Challenge Championships were hosted by Lone Star Park and garnered the largest handle and attendance for the meet.

This Snow Is Cold, the leading race mare and accredited Texas-bred, won the Refrigerator Handicap at Lone Star Park at Grand Prairie and qualified for the Champion of Champions at Los Alamitos in California.

TQHA and AQHA past president Jerry Windham was inducted into the Texas Racing Hall of Fame in October at Retama Park.

The Texas Classic Futurity purse reached \$1 million for the fifth consecutive year.

TQHA continued its support of youth scholarships, Special Olympics, 4-H clubs, and R.O.C.K. (Ride On Center for Kids) in Georgetown, Texas.

Unfortunately, the Texas Quarter Horse industry also saw declines. Texas lost several quality stallion prospects to surrounding states due to more lucrative breeder incentive programs in Louisiana, New Mexico, and Oklahoma. The number of Texas stallions declined by 230 and there were 110 less mares.

TEXAS PAINT HORSE ASSOCIATION

The Texas Paint Horse Breeders Association experienced more interest and growth in 2006 for Texas-bred Paint Horses. Texas Accreditation continued to increase in spite of the strong Oklahoma competition and the future remains bright for paint racing in Texas.

Lone Star Park hosted the largest Paint and Appaloosa stakes race in Texas with the purse exceeding \$65,000.

TEXAS THOROUGHBRED ASSOCIATION

The Texas Thoroughbred Association honored six Texas Champions during its Annual Conference and Awards Banquet, during which retired Hall of Fame rider Pat Day served as keynote speaker. During the conference, over \$10,000 was raised for the Race Track Chaplaincy of America.

Sam Houston Race Park ran its first graded Thoroughbred stakes race, the Grade III John B. Connally Breeder's Cup Turf Handicap on April 8.

Hilmer and Faye Schmidt, Jerry Windham, and the late Bob Johnson were inducted into the Texas Horse Racing Hall of Fame.

The Texas Thoroughbred Educational Fund awarded \$24,500 in college grants to five deserving students.

The Texas Thoroughbred Association donated \$1,628 to the Texas 4H Youth Foundation through Texas A&M University to fund awards and educational programs.

Texas-bred Dattrick became the first Texas-bred horse in 2006 to win a graded stakes race when he won the Grade III Kentucky Breeder's Cup Stakes at Churchill Downs. Texas-bred Dixie Meister later won the Grade II Californian Handicap at Hollywood Park.

TEXAS HORSEMEN'S PARTNERSHIP

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

THP began 2006 with the election of officers by each of its respective partners. Jim Helzer was elected President of the Texas Horsemen's Benevolent and Protective Association for a fifth term and Chairman of the THP Management Committee. In March, Mr. Helzer was chosen to serve a second term to the American Quarter Horse Association's executive committee. Larry Christopher was elected President of the Texas Thoroughbred HBPA, Inc., for a third

term. Mr. Christopher is a former Chair of the Texas Racing Commission.

During 2006, the Texas Horsemen's Assistance Fund, Inc. provided benevolence in the form of medical, vision, dental, disaster, and death benefits to some 350 people at approximately \$92,192 in monetary benefits. An estimated \$105,623 was provided through the Chaplaincy, Educational and Special Programs, for an annual estimated total of \$197,815 in overall benevolence.

The THP continues to provide on-track doctor services, flu shots, welcome back dinners for the owners, and shuttle services to off-track venues. THP maintains participation in the National HBPA, the nationally affiliated The Elite Program (Groom Elite Program), an affiliation with LoneStar Outreach to Place Ex-Racers (LOPE), and a partnership with Sheplers Western Wear and NTRA purchasing that provides discounted services to over 5000 THP members.

As the year came to a close, the THP was once again instrumental in having Lone Star Park open its facilities for winter stabling and training for the north Texas horsemen. The annual effort has provided a much-welcomed option for horsemen located in that part of the state. Lone Star Park has also opened its facilities during this period for any horseman needing an official timed work to satisfy eligibility for entry.

2006 PURSE STATISTICS

Source of Funds	Quarter Horse	Thoroughbred	Arabian	Paint	TOTAL HORSE
Earned Purse	\$6,599,561	\$23,832,807	\$467,800	\$152,000	\$31,052,168
Texas Bred Stakes	\$65,133	\$106,016	\$1,500	\$0	\$172,649
Stakes	\$4,003,170	\$1,117,650	\$38,600	\$99,008	\$5,258,428
Sponsors	\$1,210,425	\$472,898	\$95,900	\$5,000	\$1,784,223
ATB Sponsored Purse	\$30,000	\$279,000	\$0	\$0	\$309,000
TOTAL PURSES PAID	\$11,908,289	\$25,808,371	\$603,800	\$256,008	\$38,576,468
Average Daily Purses Paid at All Meets	\$99,236	\$136,552	\$3,195	\$2,133	\$124,843

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

Source of Funds	TOTAL GREYHOUND	Source of Funds	2005 HORSE & GREYHOUND	2006 HORSE & GREYHOUND	% Change
Earned Purse	\$3,336,634	Earned Purse	\$35,851,164	\$34,388,802	(4.08%)
Texas Bred Stakes	\$13,000	Texas Bred Stakes	\$267,526	\$185,649	(30.61%)
Stakes	\$68,500	Stakes	\$5,252,142	\$5,326,928	1.42%
Sponsors	\$93,738	Sponsors	\$914,124	\$1,877,961	105.44%
TGA's Cross Species Purse Supplements	\$1,410,767	TGA's Cross Species Purse Supplements	\$1,441,908	\$1,410,767	(2.16%)
TOTAL PURSES PAID	\$4,922,639	ATB Sponsored Purse	\$359,000	\$309,000	(13.93%)
Avg. Purses Paid per Performance	\$4,977	TOTAL PURSES PAID	\$44,085,864	\$43,499,107	(1.33%)

Summary of All Texas Greyhound Racetracks

from 1/1/2006 through 12/31/2006

	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
	Live On-Track	Live Export	Simulcast Same-Species	Simulcast Cross-Species	Sum of 1 through 4 Total	Sum of 1 & 2 Live On-Track & Export Total	Sum of 3 & 4 Combined Simulcast Import Total	Sum of 1 & 7 Combined On-Track Total
# of Race Days	657	n/a	1,911	1,646	4,214	657	3,557	4,214
# of Performances	989	n/a	14,230	11,467	25,697	989	25,697	25,697
Attendance	443,904	n/a	64,092	3,682	511,678	443,904	67,774	511,678
Net Handle	\$28,287,697	\$38,997,364	\$32,633,291	\$30,976,050	\$130,894,402	\$67,285,061	\$63,609,341	\$91,897,038
Horse Purse				\$143,949	\$143,949	\$0	\$143,949	\$143,949
Greyhound Purse	1,382,928	155,991	976,837	35,100	2,550,855	1,538,919	1,011,936	2,394,865
TTA Purse				212,663	212,663	0	212,663	212,663
TQHA Purse				212,663	212,663	0	212,663	212,663
TGA Purse				32,410	32,410	0	32,410	32,410
Escrowed Horse Purse				1,259,663	1,259,663	0	1,259,663	1,259,663
TX Horsemen's Partnership				0	0	0	0	0
THP Escrow Horse Purse				319,101	319,101	0	319,101	319,101
Texas Bred			303,581	249,528	553,109	0	553,109	553,109
State Tax			326,308	386,837	713,145	0	713,145	713,145
Hub Fee				425,796	425,796	0	425,796	425,796
Simulcast Fee			913,660	1,151,473	2,065,153	0	2,065,153	2,065,153
Racetracks	<u>4,980,352</u>	<u>1,077,856</u>	<u>4,971,640</u>	<u>2,167,538</u>	<u>13,197,387</u>	<u>6,058,208</u>	<u>7,139,179</u>	<u>12,119,531</u>
Total Commissions	\$6,363,281	\$1,233,846	\$7,492,046	\$6,596,721	\$21,685,895	\$7,597,127	\$14,088,768	\$20,452,048
Breakage	\$86,215	\$0	\$55,676	\$101,861	\$243,752	\$86,215	\$157,537	\$243,752

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

\$22,510,373 Total Export-Interstate Handle - Out of state locations wagering on Texas greyhound racetracks
 57,431,269 Total Import-Interstate Handle - Texas greyhound racetracks wagering on out of state racetracks
 -\$34,920,896 Net LOSS of wagering dollars in Texas as a result of simulcasting at greyhound racetracks

Summary of All Texas Horse Racetracks

from 1/1/2006 through 12/31/2006

	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
	Live On-Track	Live Export	Simulcast Same-Species	Simulcast Cross-Species	Sum of 1 through 4 Total	Sum of 1 & 2 Live On-Track & Export Total	Sum of 3 & 4 Combined Simulcast Import Total	Sum of 1 & 7 Combined On-Track Total
# of Race Days	309	n/a	2,471	2,852	5,632	309	5,323	5,632
# of Performances	309	n/a	26,422	14,999	41,730	309	41,421	41,730
Attendance	1,204,550	n/a	622,723	22,446	1,849,719	1,204,550	645,169	1,849,719
Net Handle	\$54,697,936	\$278,845,106	\$313,755,307	\$43,883,289	\$691,181,638	\$333,543,042	\$357,638,596	\$412,336,532
Horse Purse	\$4,101,823	\$3,167,180	\$22,615,833	\$618,215	\$30,503,051	\$7,269,003	\$23,234,048	\$27,335,871
Greyhound Purse				708,586	708,586	0	708,586	708,586
TTA Purse					0	0	0	0
TQHA Purse					0	0	0	0
TGA Purse				1,704,729	1,704,729	0	1,704,729	1,704,729
Escrowed Horse Purse					0	0	0	0
TX Horsemen's Partnership					0	0	0	0
THP Escrow Horse Purse					0	0	0	0
Texas Bred	319,196		2,310,092	396,600	3,025,887	319,196	2,706,692	3,025,887
State Tax			3,137,484	548,092	3,685,576	0	3,685,576	3,685,576
Hub Fee				464,792	464,792	0	464,792	464,792
Simulcast Fee			10,755,626	1,254,078	12,009,703	0	12,009,703	12,009,703
Racetracks	<u>7,055,764</u>	<u>5,277,635</u>	<u>26,509,274</u>	<u>4,343,196</u>	<u>43,185,869</u>	<u>12,333,399</u>	<u>30,852,470</u>	<u>37,908,233</u>
Total Commissions	\$11,476,782	\$8,444,815	\$65,328,308	\$10,038,286	\$95,288,192	\$19,921,597	\$75,366,594	\$86,843,376
Breakage	\$366,603	\$0	\$1,280,717	\$85,953	\$1,733,273	\$366,603	\$1,366,669	\$1,733,273

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

\$263,915,957	Total Export-Interstate Handle - Out of state locations wagering on Texas horse racetracks
<u>332,400,534</u>	Total Import-Interstate Handle - Texas Horse racetracks wagering on out of state racetracks
-\$68,484,576	Net LOSS of wagering dollars in Texas as a result of simulcasting at horse racetracks

Summary of All Texas Racetracks

from 1/1/2006 through 12/31/2006

	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
	Live On-Track	Live Export	Simulcast Same-Species	Simulcast Cross-Species	Sum of 1 through 4 Total	Sum of 1 & 2 Live On-Track & Export Total	Sum of 3 & 4 Combined Simulcast Import Total	Sum of 1 & 7 Combined On-Track Total
# of Race Days	966	n/a	4,382	4,498	9,846	966	8,880	9,846
# of Performances	1,298	n/a	40,652	26,466	68,416	1,298	67,118	68,416
Attendance	1,648,454	n/a	686,815	26,128	2,361,397	1,648,454	712,943	2,361,397
Net Handle	\$82,985,634	\$317,842,470	\$346,388,597	\$74,859,339	\$822,076,040	\$400,828,104	\$421,247,936	\$504,233,570
	0	0	0	0				
Horse Purse	\$4,101,823	\$3,167,180	\$22,615,833	\$762,164	\$30,647,000	\$7,269,003	\$23,377,997	\$27,479,820
Greyhound Purse	1,382,928	155,991	976,837	743,685	3,259,441	1,538,919	1,720,522	3,103,451
TTA Purse	0	0	0	212,663	212,663	0	212,663	212,663
TQHA Purse	0	0	0	212,663	212,663	0	212,663	212,663
TGA Purse	0	0	0	1,737,138	1,737,138	0	1,737,138	1,737,138
Escrowed Horse Purse	0	0	0	1,259,663	1,259,663	0	1,259,663	1,259,663
TX Horsemen's Partnership	0	0	0	0	0	0	0	0
THP Escrow Horse Purse	0	0	0	319,101	319,101	0	319,101	319,101
Texas Bred	319,196	0	2,613,673	646,128	3,578,996	319,196	3,259,801	3,578,996
State Tax	0	0	3,463,792	934,929	4,398,721	0	4,398,721	4,398,721
Hub Fee	0	0	0	890,588	890,588	0	890,588	890,588
Simulcast Fee	0	0	11,669,306	2,405,550	14,074,856	0	14,074,856	14,074,856
Racetracks	<u>12,036,118</u>	<u>6,355,491</u>	<u>31,480,914</u>	<u>6,510,735</u>	<u>56,383,255</u>	<u>18,391,607</u>	<u>37,991,648</u>	<u>50,027,764</u>
Total Commissions	\$17,840,063	\$9,678,661	\$72,820,354	\$16,635,008	\$116,974,086	\$27,518,724	\$89,455,362	\$107,295,425
Breakage	\$452,818	\$0	\$1,336,393	\$187,813	\$1,977,024	\$452,818	\$1,524,206	\$1,977,024

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

\$286,426,331
389,831,803
 -\$103,405,472

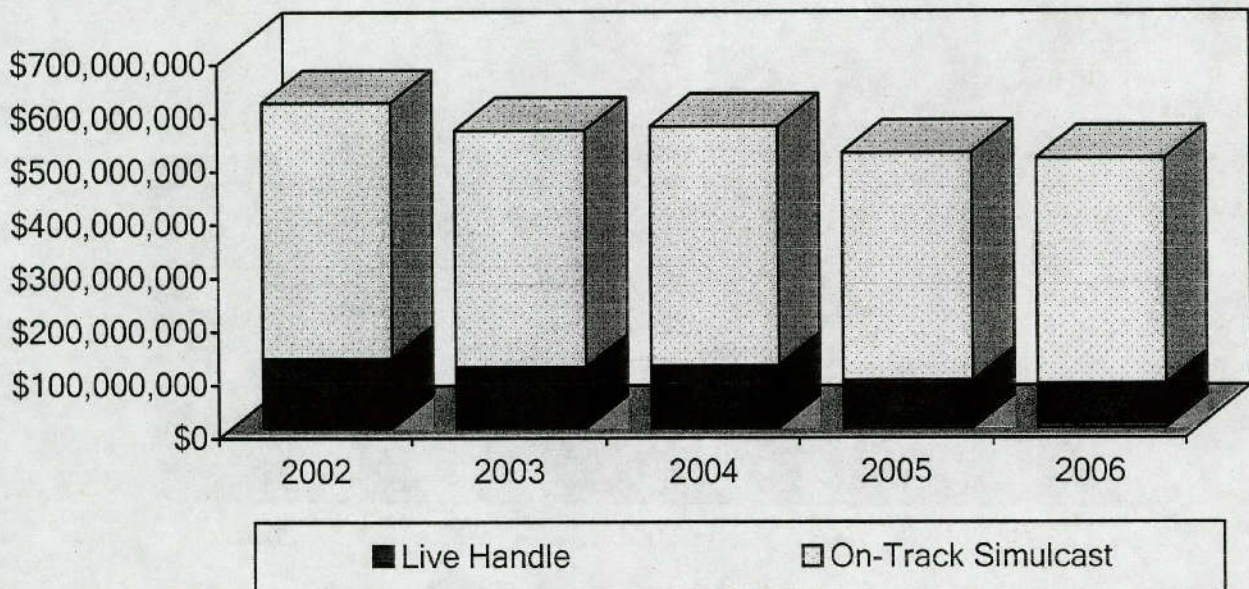
Total Export-Interstate Handle - Out of state locations wagering on Texas racetracks
 Total Import-Interstate Handle - Texas racetracks wagering on out of state racetracks
 Net LOSS of wagering dollars in Texas as a result of simulcasting

FIVE-YEAR OVERVIEW OF PARI-MUTUEL RACING

Greyhound & Horse Tracks Combined

	2002	2003	2004*	2005	2006
# of Tracks	8	8	8	8	8
HANDLE ON-TRACK:					
Live	\$131,282,149	\$114,414,754	\$117,674,166	\$89,095,132	\$82,985,634
Simulcast	<u>\$477,657,907</u>	<u>\$443,112,863</u>	<u>\$446,623,183</u>	<u>\$425,979,354</u>	<u>\$421,247,936</u>
TOTAL	\$608,940,056	\$557,527,617	\$564,297,349	\$515,074,486	\$504,233,570
LIVE DATES	1,365	1,395	1,352	1,228	1,298
# OF SIMULCAST SIGNALS TAKEN	58,800	64,036	66,542	64,022	67,118
PURSES PAID	\$52,307,192	\$47,114,548	\$58,168,384	\$44,085,864	\$43,524,681
STATE TAX	\$4,982,805	\$4,615,249	\$4,650,399	\$4,441,690	\$4,398,721
TX BRED \$	\$6,421,789	\$5,769,835	\$5,798,309	\$5,251,107	\$5,342,051
ATTENDANCE	3,052,598	2,862,501	2,783,720	2,432,071	2,361,397

On-Track Handle Greyhound & Horse Combined*

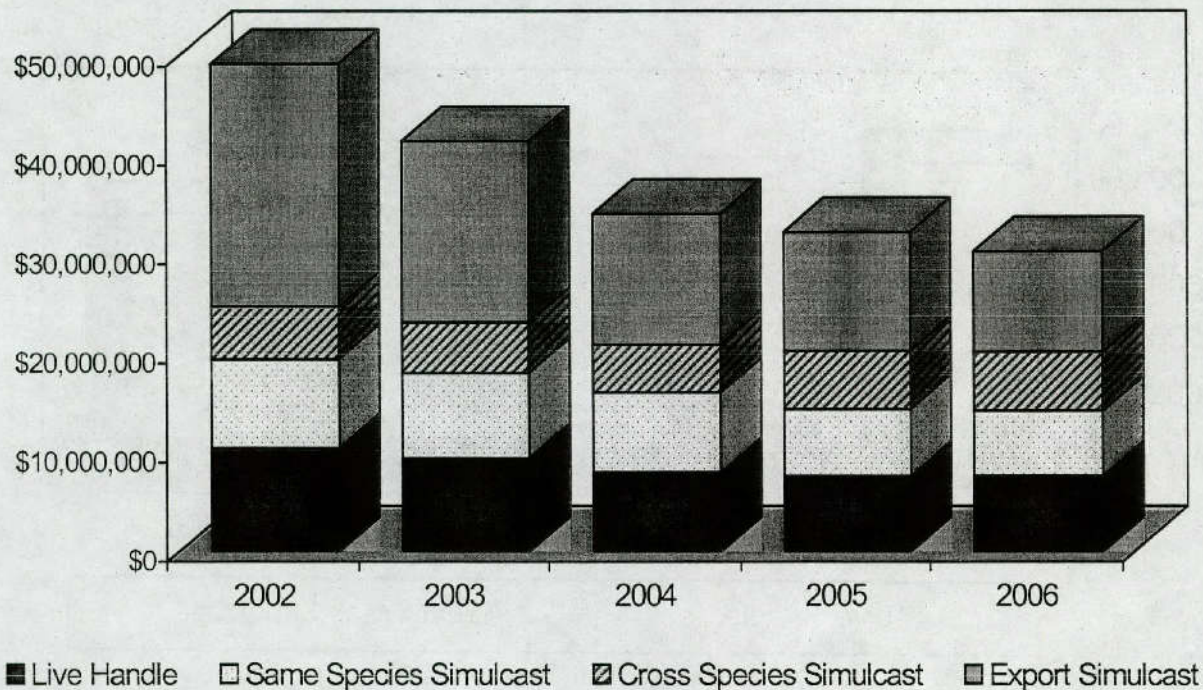


*Note: Lone Star Park's hosting of the 2004 Breeders' Cup races positively impacted the 2004 Live Handle, Export Handle, Purses Paid, and Attendance.

CORPUS CHRISTI GREYHOUND RACE TRACK

	2005	2006	% Change
Live On-Track Handle	\$7,573,232	\$7,604,310	0.41%
Import Same Species Simulcast	\$6,765,023	\$6,549,557	(3.19%)
Import Cross Species Simulcast	\$5,857,059	\$5,925,335	1.17%
Total On-Track Handle	\$20,195,314	\$20,079,202	(0.57%)
Total Export Handle	\$11,988,909	\$10,183,274	(15.06%)
Total Wagered on CCGRT	\$19,562,141	\$17,787,584	(9.07%)
Average Value per Point	\$26.58	\$25.29	(4.85%)
Average Purses Paid/Performance	\$2,868	\$2,616	(8.79%)
Total Purses Paid	\$1,192,923	\$1,093,539	(8.33%)
Total Live Performances	416	418	0.48%
Total # of Simulcast Signals Taken	5,375	5,627	4.69%
Total Attendance	146,012	139,117	(4.72%)






2002-2006
Corpus Christi Greyhound Race Track



**Data on this page provided by Corpus Christi Greyhound Race Track
For Calendar Year 1/1/2006– 12/31/2006 – Unaudited**

Average # of Employees/Positions on Payroll	127
Total Salaries and Wages Paid	\$1,647,410
Total State Pari-mutuel Tax Paid	\$139,559
Total Other State Taxes Paid	\$88,225
Total Property Taxes Paid	\$133,414
Total Purchased Goods and Services	\$3,758,691
Total Charitable Contributions	\$39,629

2006 Highlights

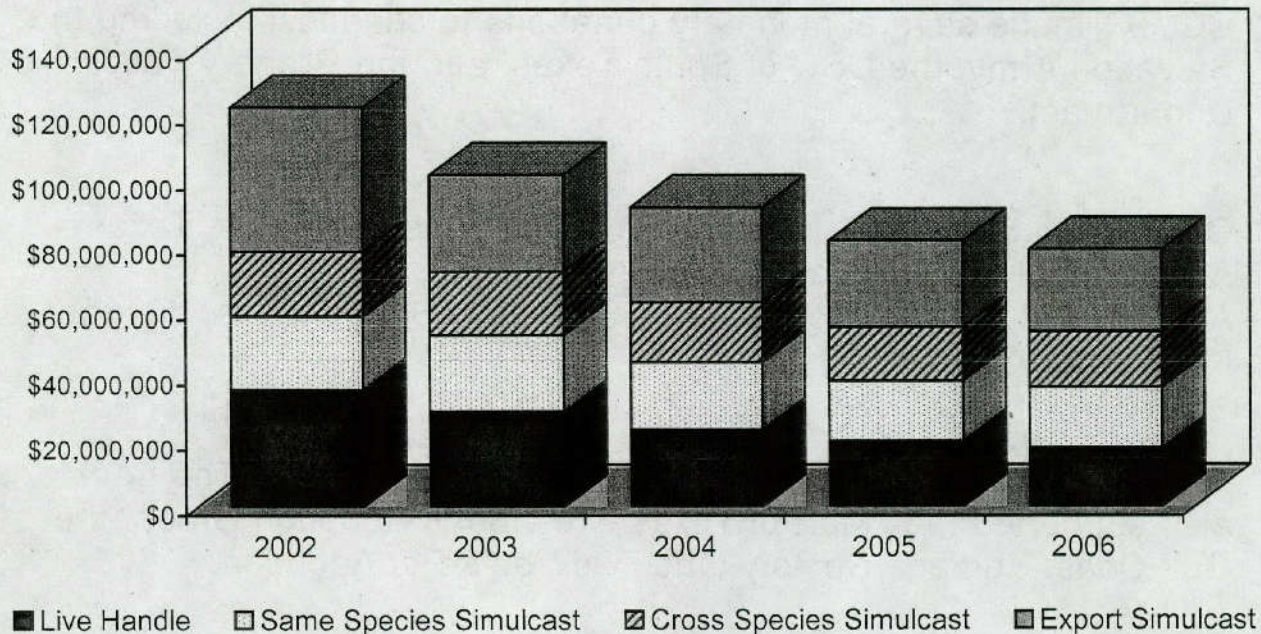
-  Corpus Christi Greyhound Race Track (CCGRT) donated numerous “Night at the Races” packages to numerous charities for their auctions, some of which included: the Corpus Christi Ballet, LULAC Council of Corpus Christi, Muscular Dystrophy Association, the Corpus Christi Bonsai Club, the All Officers’ Spouses’ Club, Goliad Volunteer Fire Department, St. Patrick’s School PTO, Corpus Christi Metro Ministries, and the Boys & Girls Club of Corpus Christi.
-  CCGRT made several monetary donations to charities, including the Salvation Army, the USO of South Texas, and the Gregory Police Department.
-  Charity night donations totaled over \$5,500, benefiting the Texas A&M School of Veterinary Medicine, Special Olympics, ARK Assessment Center, the Women’s Shelter of South Texas, and the Kennel Charity.
-  The CCGRT adoption program is entering its 16th year. The track also supported the Heart of Texas Greyhound Adoption Group, the Gulf Coast Humane Society, and PeeWee’s Pet Adoption.
-  CCGRT also supported the Harbor Lights Festival through community involvement.

GREYHOUND RACETRACK

GULF GREYHOUND PARK

	2005	2006	% Change
Live On-Track Handle	\$20,010,301	\$17,859,594	(10.75%)
Import Same Species Simulcast	\$18,473,744	\$18,609,372	0.73%
Import Cross Species Simulcast	\$16,425,543	\$17,111,158	4.17%
Total On-Track Handle	\$54,909,588	\$53,580,124	(2.42%)
Total Export Handle	\$26,750,154	\$25,407,497	(5.02%)
Total Wagered on Gulf Greyhound	\$46,760,455	\$43,267,091	(7.47%)
Average Value per Point	\$59.45	\$53.89	(9.35%)
Average Purses Paid/Performance	\$7,839	\$7,063	(11.17%)
Total Purses Paid	\$3,198,435	\$3,051,131	(4.61%)
Total Live Performances	408	432	5.88%
Total # of Simulcast Signals Taken	8,825	9,054	2.59%
Total Attendance	290,416	258,382	(11.03%)









2002-2006
Gulf Greyhound Park



**Data on this page provided by Gulf Greyhound Park
For Calendar Year 1/1/2006– 12/31/2006 – Unaudited**

Average # of Employees/Positions on Payroll	339
Total Salaries and Wages Paid	\$4,318,231
Total State Pari-mutuel Tax Paid	\$657,906
Total Other State Taxes Paid	\$126,908
Total Property Taxes Paid	\$354,640
Total Purchased Goods and Services	\$18,504,882
Total Charitable Contributions	\$17,427

2006 Highlights

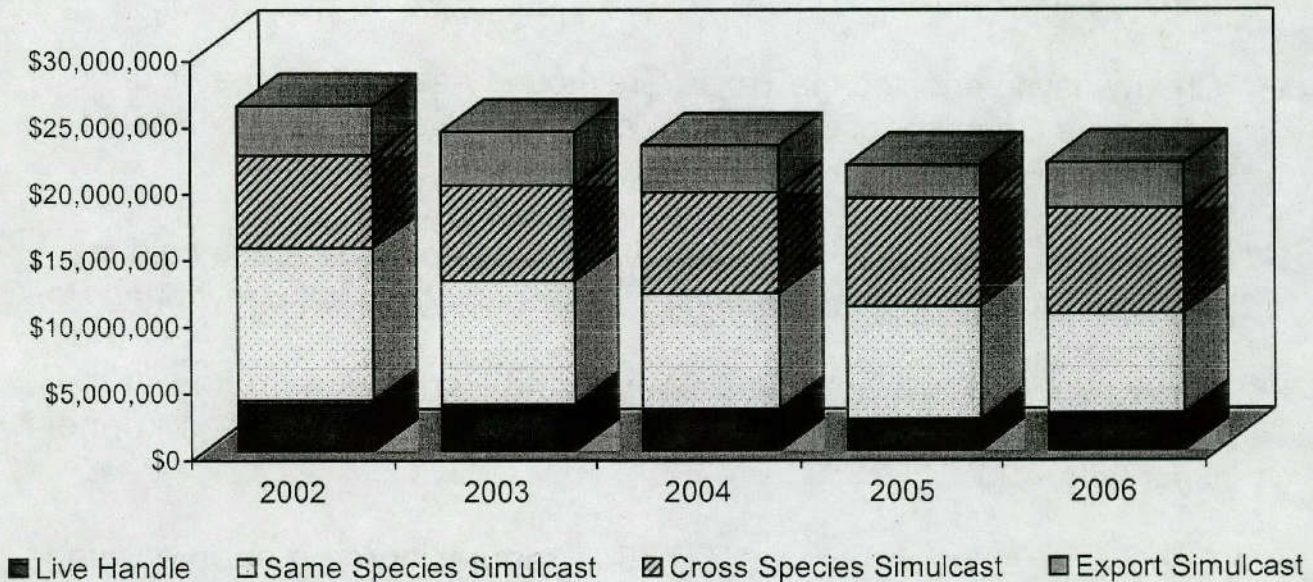
-  The 7th Annual High School Coaches Clinic was hosted by Gulf Greyhound Park in January with over 350 in attendance.
-  The Galveston Propeller Club held its annual Crawfish Boil at the track benefiting scholarships for Texas A&M University at Galveston.
-  Gulf Greyhound Park once again hosted the Galveston County Leukemia & Lymphoma Society's Light the Night Walk with approximately 200 participants.
-  Charity days benefited the Texas Greyhound Association, the Texas City-LaMarque Chamber of Commerce, and the Galveston County Ronald McDonald House.
-  Over 160 retired racers attended the Annual Adoption Parade held in November on the 14th anniversary of the opening of Gulf Greyhound Park.
-  Bob's Skeet is crowned Gulf Greyhound Park's Greyhound of the Year while Gable-Gulf Kennel tops Gulf Greyhound Park's kennel wins with 493.
-  Bob's Laural takes home \$15,755 in regular purse money earning the title of Top Purse Money Leader and Bob's Streak earns the Wins Leader with 23 total victories. Her record is 66-23-11-10-12.
-  Rounding out the year, Bob's Skeet took home the Au Revoir Feature title on the last day of 2006.

GREYHOUND RACETRACK

VALLEY RACE PARK

	2005	2006	% Change
Live On-Track Handle	\$2,375,672	\$2,823,794	18.86%
Import Same Species Simulcast	\$8,440,060	\$7,474,362	(11.44%)
Import Cross Species Simulcast	\$8,165,028	\$7,939,557	(3.15%)
Total On-Track Handle	\$18,980,760	\$18,237,713	(3.91%)
Total Export Handle	\$2,494,875	\$3,406,593	36.54%
Total Wagered on Valley Race Park	\$4,870,547	\$6,230,387	27.92%
Average Value per Point	\$58.88	\$54.18	(7.98%)
Average Purses Paid/Performance	\$7,116	\$5,523	(22.39%)
Total Purses Paid	\$654,701	\$767,745	17.27%
Total Live Performances	92	139	51.09%
Total # of Simulcast Signals Taken	10,141	11,016	8.63%
Total Attendance	105,033	114,179	8.71%






2002-2006
Valley Race Park



**Data on this page provided by Valley Race Park
For Calendar Year 1/1/2006 – 12/31/2006 – Unaudited**

Average # of Employees/Positions on Payroll	129
Total Salaries and Wages Paid	\$1,622,400
Total State Pari-mutuel Tax Paid	\$174,000
Total Other State Taxes Paid	\$99,400
Total Property Taxes Paid	\$53,300
Total Purchased Goods and Services	\$2,626,300
Total Charitable Contributions	\$6,100

2006 Highlights

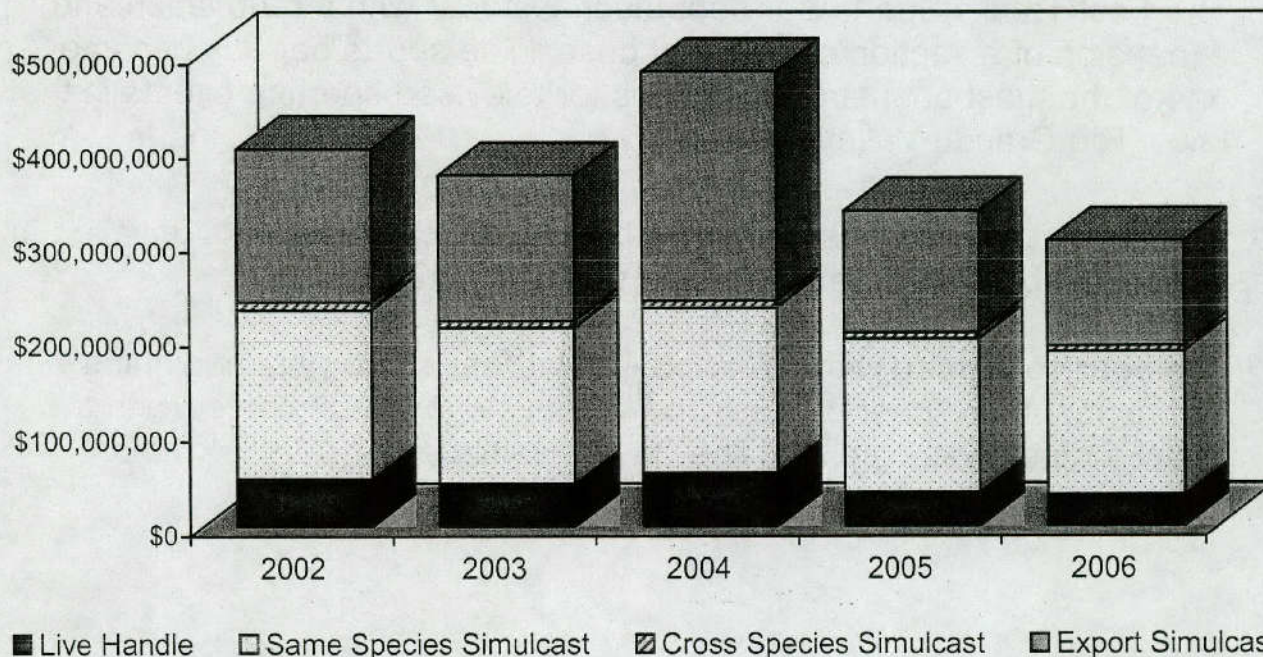
-  The 2nd Annual Winter Texans Appreciated Fiesta presented by the City of Harlingen was held in January as over 3,100 guests visited Valley Race Park.
-  Valley Race Park became a Platinum Sponsor of the Harlingen Area Chamber of Commerce playing host to numerous events, meetings, and seminars in conjunction with the chamber.
-  The Fast Tracks Sports Bar debuted in October with a renovation and expansion of a section of the clubhouse. The sports bar has become one of the most popular destinations for televised sporting events in the lower Rio Grande Valley.
-  In conjunction with the sports bar, the Fast Tracks Grille was unveiled in November offering an exciting new upscale casual menu.
-  The year concluded with the annual New Year's Eve gala beginning with live racing, two dinner parties, and live music, and culminated with a midnight fireworks display. The City of Harlingen and Q95.4 radio sponsored the night's activities.

CLASS 1 HORSE RACETRACK

LONE STAR PARK AT GRAND PRAIRIE

	2005	2006	% Change
Live On-Track Handle	\$35,922,139	\$33,276,506	(7.37%)
Import Same Species Simulcast	\$161,938,041	\$151,489,558	(6.45%)
Import Cross Species Simulcast	\$6,841,436	\$5,898,889	(13.78%)
Total On-Track Handle	\$204,701,616	\$190,664,953	(6.86%)
Total Export Handle	\$129,541,496	\$111,298,748	(14.08%)
Total Wagered on Lone Star	\$165,463,635	\$144,575,254	(12.62%)
Average Purses Paid/Quarter Horse	\$116,163	\$149,153	28.40%
# of Quarter Horse Race Dates	33	32	(3.03%)
Average Purses Paid/Thoroughbred	\$213,820	\$203,445	(4.85%)
# of Thoroughbred Race Dates	67	66	(1.49%)
Total Purses Paid	\$18,450,706	\$18,200,255	(1.36%)
Total Live Performances	100	98	(2.00%)
Total # of Simulcast Signals Taken	7,703	8,433	9.48%
Total Attendance	818,349	803,234	(1.85%)

2002-2006
Lone Star Park at Grand Prairie











*2004 spike and subsequent decline in 2005 is due to Lone Star Park hosting the Breeder's Cup in 2004.

**Data on this page provided by Lone Star Park at Grand Prairie
For Calendar Year 1/1/2006 – 12/31/2006 – Unaudited**

Average # of Employees/Positions on Payroll	400 off-season/1100 live racing
Total Salaries and Wages Paid (includes benefits)	\$14,518,556
Total State Pari-mutuel Tax Paid	\$1,584,222
Total Other State Taxes Paid	\$1,808,865
Total Property Taxes Paid	\$2,433,194
Total Purchased Goods and Services	\$14,868,429
Total Charitable Contributions	\$107,876

2006 Highlights

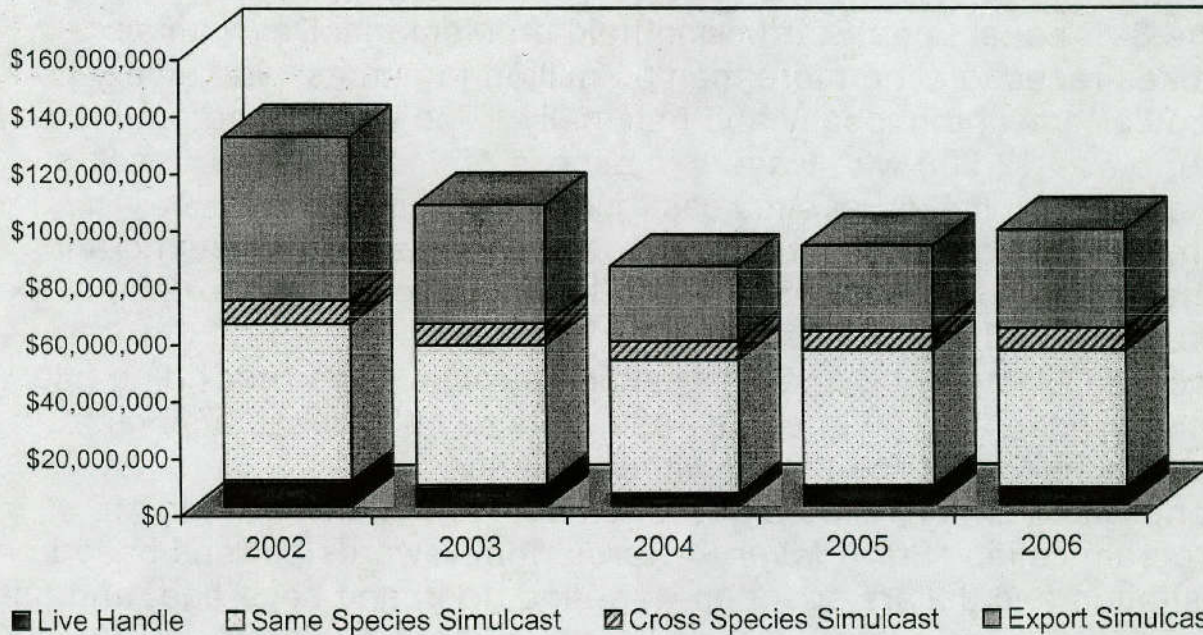
-  A total of 803,000 customers passed through Lone Star Park's turnstiles in 2006, for live and simulcast wagering.
-  The average daily attendance during the Spring Thoroughbred meet was 6,900 with a 17.9% increase in attendance on opening weekend with 46,164 patrons in attendance to enjoy music concerts by Lee Ann Womack and Chris Cagle.
-  The Fall Quarter Horse meet brought an average attendance of 3,600 including a 7.5% increase on Kentucky Derby Day in spite of threatening thunderstorms.
-  The 8th Annual Lone Star Million held on Memorial Day with six stakes races totaling more than \$1 million in purses, was a very popular draw both locally and nationally. The attendance on this day alone was 12,508 with wagers in excess of \$1.6 million on track and another \$2.8 million at simulcast outlets.
-  On the racetrack, Magnum was crowned Horse of the Meeting and Champion Older Male for his 1 ¼ - length victory over Texcess in the Grade III, \$400,000 Lone Star Park Handicap.
-  Jockey Cliff Berry notched his second straight Lone Star riding title and eclipsed Corey Lanerie's 1999 mark of 102 wins in a single season with 103 trips to the winner's circle.
-  Lone Star Park unveiled a new and improved customer rewards program called "*Star Player Rewards*" that rewards patrons based on visitation and dollars spent on wagering, food and beverage, and gift shop purchases.
-  The Lone Star Charitable Foundation for Grand Prairie awarded \$60,000 to 14 Grand Prairie charities.

CLASS 1 HORSE RACETRACK

RETAMA PARK

	2005	2006	% Change
Live On-Track Handle	\$7,072,920	\$6,426,454	(9.14%)
Import Same Species Simulcast	\$47,477,035	\$47,927,841	0.95%
Import Cross Species Simulcast	\$6,721,404	\$7,705,821	14.65%
Total On-Track Handle	\$61,271,359	\$62,060,116	1.29%
Total Export Handle	\$30,153,692	\$34,948,677	15.90%
Total Wagered on Retama	\$37,226,612	\$41,375,131	11.14%
Average Purses Paid/Quarter Horse	\$65,582	\$59,518	(9.25%)
# of Quarter Horse/Mixed Race Dates	24	24	- %
Average Purses Paid/Thoroughbred	\$92,924	\$88,926	(4.30%)
# of Thoroughbred Race Dates	43	51	18.60%
Total Purses Paid	\$5,763,570	\$6,204,770	7.66%
Total Live Performances	67	75	11.94%
Total # of Simulcast Signals Taken	8,756	9,189	4.95%
Total Attendance	381,884	366,436	(4.05%)

2002-2006
Retama Park









*Changes attributed to reduction in race dates in 2004 to accommodate Lone Star Park's hosting the Breeders' Cup.

**Data on this page provided by Retama Park
For Calendar Year 1/1/2006 – 12/31/2006 – Unaudited**

Average # of Employees/Positions on Payroll	300
Total Salaries and Wages Paid	\$4.9 million
Total State Pari-mutuel Tax Paid	\$576,000
Total Other State Taxes Paid	\$338,000
Total Property Taxes Paid	N/A (Tax Exempt)
Total Purchased Goods and Services	\$7.5 million
Total Charitable Contributions	\$16,500 Cash \$100,000 Goods & Services

2006 Highlights

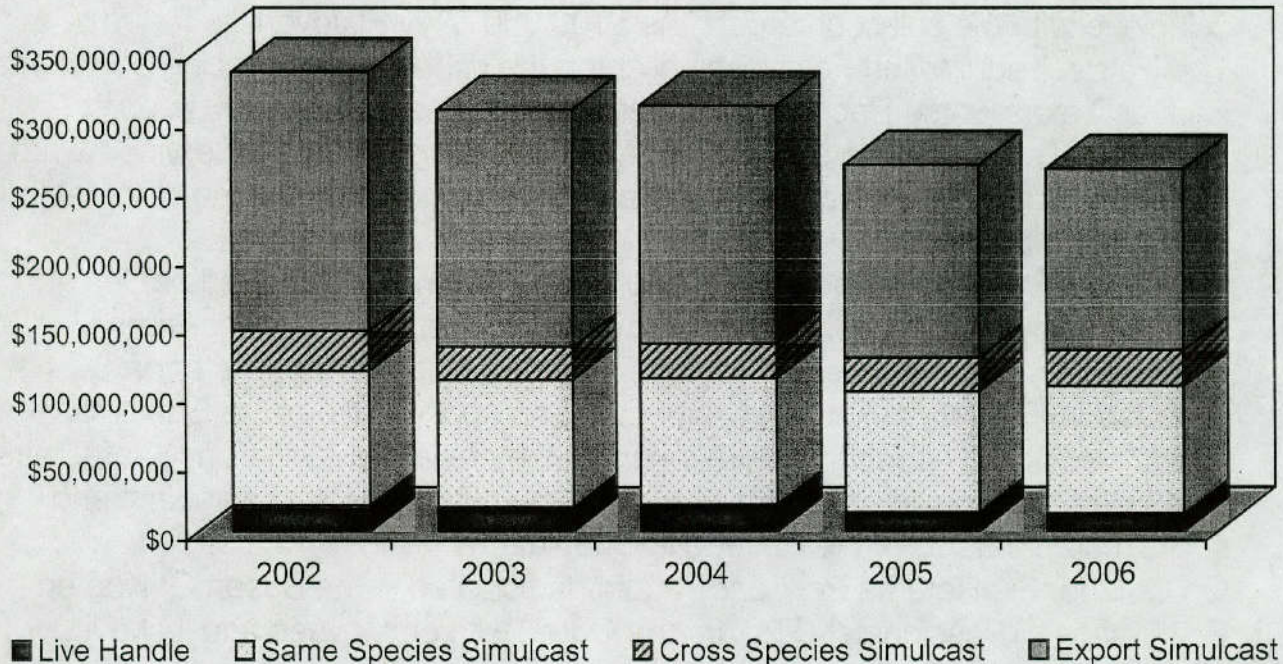
-  On-track simulcast handle was up over \$1,400,000 from the previous year for the second consecutive year.
-  Retama Park's 2006 Live Thoroughbred meet continued to attract strong support from corporate sponsors and fans responded well to the track's signature promotion, Fifty Cent Friday, which drew an average of 5,000 fans for the 16 nights of promotion during 2006.
-  For the 3rd consecutive year, M2 Technology signed on as title sponsor for the \$100,000 La Seniorita. The one-mile turf race ran on Labor Day weekend and coincided with the colt counterpart, the \$100,000 Skyy El Joven.
-  The Patron Tequila Turf Festival highlighted the richest night of racing at Retama Park as Texas Horse Racing Hall of Fame night boasted \$500,000 in purse money for Texas bred horses. The JoAnn Weber Distinguished Service Award from the Texas Horse Racing Hall of Fame was bestowed upon the Honorable Kenneth Armbrister.
-  In conjunction with the Racetrack Chaplaincy, Retama Park hosted parties at Easter, Halloween, and Christmas for nearly 150 Retama Park backside personnel and their families. All children in attendance for the Easter party received an Easter basket and Santa made an appearance at the Christmas party. Each child had their picture taken as they received a gift from Santa. All backside personnel in attendance received the gift of a heavy sweatshirt and socks, complements of the Racetrack Chaplaincy.
-  On October 6th, Retama Park once again participated in the Susan G. Komen Foundation's "Passionately Pink for the Cure", with employees and jockeys donating a total of \$1,336 for the privilege to wear something pink to work on that day.

CLASS 1 HORSE RACETRACK

SAM HOUSTON RACE PARK

	2005	2006	% Change
Live On-Track Handle	\$13,798,339	\$12,531,766	(9.18%)
Import Same Species Simulcast	\$88,117,159	\$93,432,688	6.03%
Import Cross Species Simulcast	\$24,685,233	\$26,046,521	5.51%
Total On-Track Handle	\$126,600,731	\$132,010,975	4.27%
Total Export Handle	\$140,981,313	\$132,597,682	(5.95%)
Total Wagered on Sam Houston	\$154,779,652	\$145,129,448	(6.23%)
Average Purses Paid/Quarter Horse	\$85,653	\$84,595	(1.24%)
# of Quarter Horse Race Dates	38	38	- %
Average Purses Paid/Thoroughbred	\$102,318	\$102,549	0.23%
# of Thoroughbred Race Dates	82	72	(12.20%)
Total Purses Paid	\$12,000,421	\$11,049,754	(7.92%)
Total Live Performances	120	110	(8.33%)
Total # of Simulcast Signals Taken	13,489	14,074	4.34%
Total Attendance	619,484	607,777	(1.89%)








2002-2006
Sam Houston Race Track



**Data on this page provided by Sam Houston Race Park
For Calendar Year 1/1/2006 – 12/31/2006 – Unaudited**

Average # of Employees/Positions on Payroll	538
Total Salaries and Wages Paid	\$10,603,000
Total State Pari-mutuel Tax Paid	\$1,260,000
Total Other State Taxes Paid	\$384,000
Total Property Taxes Paid	\$1,021,000
Total Purchased Goods and Services	\$11,998,000
Total Charitable Contributions	\$49,000

2006 Highlights

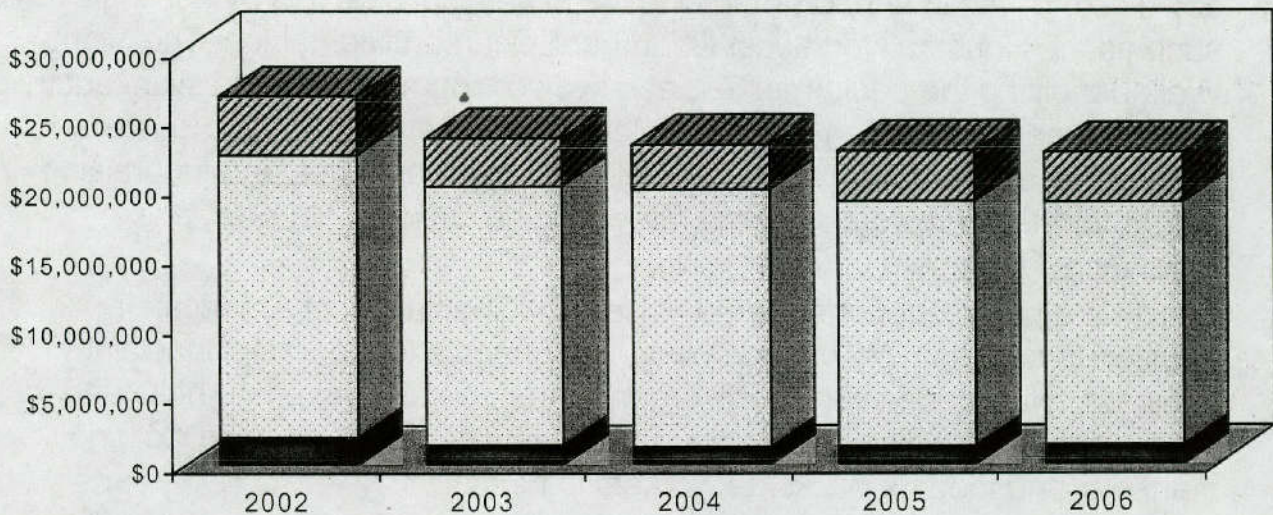
-  The \$200,000 Connally Breeder's Cup Turf, the first Grade III Thoroughbred stakes in the racetrack's history, took place on April 8. A crowd of 8,462 was in attendance to witness Fort Prado, a multiple-graded stakes winner, capture the first place finish.
-  Sam Houston Race Park (SHRP) hosted its annual July 4 fireworks celebration and attracted a crowd of 17,000 fans for the special live racing program followed by a spectacular firework show.
-  The annual TQHA Yearling Sale has hosted in July. The Texas Summer Showdown Weekend featured a two-day event with a Quarter Horse sale and five stakes races. TQHA officials reported a catalog of 320 consignees with total sales from the event reaching \$3,268,500.
-  SHRP teamed with Alex's Lemonade Stand Foundation on Breeder's Cup Day to raise funds from lemonade purchases and donations throughout the day to support pediatric cancer research.
-  SHRP continues to support many local and national charities by hosting events such as the Houston Northwest Chamber Epicurean Night, Light The Night Walk benefiting the Leukemia Society, two golf tournaments and silent auctions to raise funds for the Don MacBeth Memorial Jockey Fund, and Houston Equine Research Organization, as well as support activities and fundraising efforts for the Northwest, Cy-Fair, Greenspoint, Galleria, Humble, and Atascosita Chambers of Commerce,.
-  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, which include counseling services and providing clothing, blankets, and food for backside workers in need.
-  SHRP donated over 700 Box Seat Packages to local charities hosting silent auctions to raise funds for their organizations.

CLASS 2 HORSE RACETRACK

MANOR DOWNS

	2005	2006	% Change
Live On-Track Handle	\$1,304,804	\$1,407,389	7.86%
Import Same Species Simulcast	\$17,745,769	\$17,547,600	(1.12%)
Import Cross Species Simulcast	\$3,650,708	\$3,617,711	(0.90%)
Total On-Track Handle	\$22,701,281	\$22,572,700	(0.57%)
Total Export Handle	N/A	N/A	N/A
Total Wagered on Manor	\$1,304,804	\$1,407,389	7.86%
Average Purses Paid/Quarter Horse	\$123,033	\$114,312	(7.09%)
# of Quarter Horse Race Dates	0	0	- %
Average Purses Paid/Thoroughbred	\$16,925	\$19,522	15.34%
# of Thoroughbred Race Dates	0	0	- %
Average Purses Paid/Mixed	\$142,841	\$136,252	(4.61%)
# of Mixed Race Dates	16	18	12.50%
Total Purses Paid	\$2,285,455	\$2,452,538	7.31%
Total Live Performances	16	18	12.50%
Total # Simulcast Signals Taken	5,837	5,804	(0.57%)
Total Attendance	59,512	61,494	3.33%

2002-2006
Manor Downs






■ Live Handle □ Same Species Simulcast ▨ Cross Species Simulcast □ Export Simulcast

**Data on this page provided by Manor Downs
For Calendar Year 1/1/2006 – 12/31/2006 – Unaudited**

Average # of Employees/Positions on Payroll	38
Total Salaries and Wages Paid	\$969,795
Total State Pari-mutuel Tax Paid	\$220,566
Total Other State Taxes Paid	\$115,546
Total Property Taxes Paid	\$140,031
Total Purchased Goods and Services	\$2,463,012
Total Charitable Contributions	\$8,143

2006 Highlights

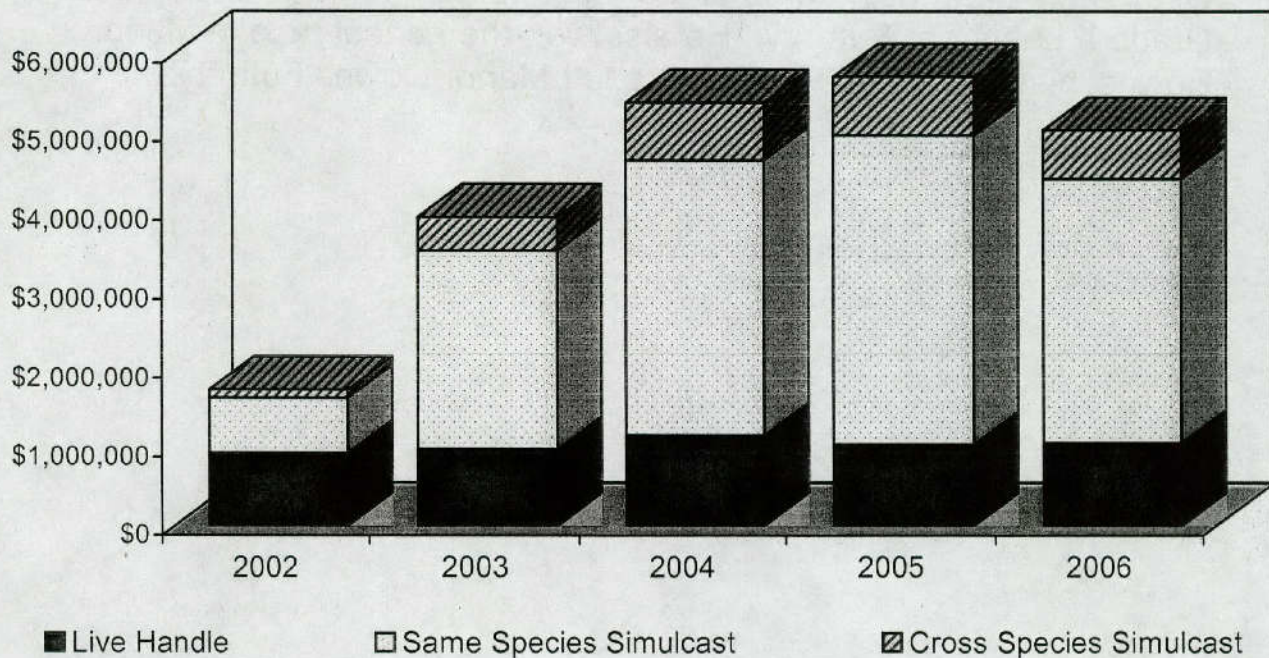
-  Manor Downs' \$400,000 drainage and landscape improvement project on the East and North sides of the racetrack was expanded. Projected costs for the improvements are now approximately \$900,000. The project now stands at 50% completion.
-  A new track record was set for 5 ½ furlongs at 103.56 seconds on March 18, 2006 by the thoroughbred Lovely Secret.
-  Okey Dokey Fantasy, horse of the meet going 4 for 4, won the \$256,680 Grade II Longhorn Futurity. He also won the richest race in Manor Downs' history – the \$336,520 Grade I Manor Downs Futurity.

CLASS 3 HORSE RACETRACK

GILLESPIE COUNTY FAIR & FESTIVALS ASSOCIATION

	2005	2006	% Change
Live On-Track Handle	\$1,037,725	\$1,055,821	1.74%
Import Same Species Simulcast	\$3,926,020	\$3,357,621	(14.48%)
Import Cross Species Simulcast	\$750,091	\$614,348	(18.10%)
Total On-Track Handle	\$5,713,836	\$5,027,790	(12.01%)
Total Export Handle	N/A	N/A	N/A
Total Wagered on Gillespie	\$1,037,725	\$1,055,821	1.74%
Average Purses Paid/Quarter Horse	\$51,688	\$54,344	5.14%
Average Purses Paid/Thoroughbred	\$14,663	\$13,850	(5.55%)
# of Mixed Race Dates	8	8	- %
Total Purses Paid	\$539,600	\$552,550	2.40%
Total Live Performances	8	8	- %
Total # of Simulcast Signals Taken	3,896	3,921	0.64%
Total Attendance	11,381	10,778	(5.30%)

2002-2006
Gillespie County Fair & Festivals Association





**Data on this page provided by Gillespie County Fair & Festivals Association
For Calendar Year 1/1/2006– 12/31/2006 – Unaudited**


Average # of Employees/Positions on Payroll	21
Total Salaries and Wages Paid	\$150,019
Total State Pari-mutuel Tax Paid	\$41,216
Total Other State Taxes Paid	\$15,800
Total Property Taxes Paid	\$0 (exempt)
Total Purchased Goods and Services	\$571,126
Total Charitable Contributions	\$60,000*

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

2006 Highlights

- 

The Gillespie County Fair & Festival Association awarded \$13,750 in scholarships to 25 graduating seniors in Gillespie County, totaling over \$190,000 in scholarships since 1991.
- 

The Fair Association's donated facility use and volunteer labor is estimated at over \$60,000 for 2006. The Fair Association consists of over 50 volunteer directors who, along with their families, provide a variety of events and activities throughout the year for the community.
- 

Gillespie Fair's overall handle and attendance were both up over previous years. There were several track records broken during the 2006 summer season.

OTHER LICENSED RACETRACKS

CLASS 2 HORSE RACETRACK

AUSTIN JOCKEY CLUB

In 1999, Austin Jockey Club, Ltd. (AJC), acquired majority ownership of Longhorn Downs, Inc., which held a horse racetrack license that was originally issued in 1989. On November 29, 2004, the Commission considered AJC's request to change its location to a site east of Pflugerville, in northeast Travis County. Texas Racing Act, §6.14(d), authorizes the Commission to change a racetrack's location if the Commission finds that the conduct of race meetings at the new location will be in the public interest. The site approved in 1999, just off Riverside Drive east of downtown Austin, was the subject of zoning controversies and eventually zoned in a manner inconsistent with a pari-mutuel racetrack. Following a full day of testimony, the Commissioners voted 6-2 to defer consideration of the requested change in location to give AJC time to address local issues, particularly issues of ingress and egress, or to present an alternative site. In December 2005, Bryan Brown, one of the owners of AJC, notified the Commission that AJC had entered into a contract to sell its ownership interests in Longhorn Downs. The proposed new owners of Dallas City Limits submitted their background information to the Department of Public Safety and indicated their intention to also request a change of location. In August of 2006, a representative of the proposed new owners provided an update to the Commission regarding their financing and site location, noting that the details of the transaction and location would be submitted for the Commission's approval in the near future.

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 December 11, 2006, stated there was no new information to report but they hoped to have a more informative report in the near future.

APPENDIX
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Year 2007 Approved Breed Splits..... xvii

COMBINED STATEMENT OF REVENUES & EXPENDITURES FOR FISCAL YEAR 2006 AS COMPARED TO FISCAL YEAR 2005

Source: Racing Commission Annual Financial Reports

	FISCAL 2005	FISCAL 2006	% CHANGE
REVENUES:			
Legislative Appropriations	\$ 0	\$ 0	-
Licenses, Fees & Permits	2,978,366	2,987,608	-
Interest & Other Investment Income	41,117	33,162	<19%>
Other Revenues	<u>7,237,889</u>	<u>7,436,889</u>	3%
TOTAL REVENUES	<u>\$10,257,372</u>	<u>\$10,457,659</u>	2%
EXPENDITURES:			
Salaries & Wages	\$3,258,427	\$3,554,019	9%
Payroll Related Costs	780,766	850,673	9%
Professional Fees & Services	36,251	107,893	198%
Travel	138,498	184,173	33%
Materials & Supplies	87,113	162,309	86%
Communications & Utilities	67,629	73,512	9%
Repairs & Maintenance	39,151	41,707	7%
Rentals & Leases	169,050	140,294	<17%>
Printing & Reproduction	3,253	5,980	84%
Claims & Judgments	0	620	-
Distributions to Others	6,815,566	5,984,798	<12%>
Depreciation Expense	15,859	16,592	5%
Capital Outlay	<u>0</u>	<u>0</u>	-
TOTAL EXPENDITURES	<u>\$11,415,903</u>	<u>\$11,122,570</u>	<3%>
EXCESS REVENUES OVER EXPENDITURES	<u>\$1,158,531>	<u>\$637,082>	<45%>
OTHER FINANCING SOURCES (USES):			
Operating Transfer In:			
Agency 902, Fund 001, Breeders' Cup	1,835,887	0	-
Operating Transfers Out:			
Agency 902, Fund 001, Sweep	0	<479,193>	-
Agency 556, Fund 001, Equine Research	<40,353>	<98,913>	145%
TOTAL OTHER FINANCING SOURCES/(USES)	<u>\$1,795,534</u>	<u>578,106>	<132%>
NET GAIN/LOSS FROM OPERATIONS	<u>\$647,774</u>	<u>1,215,188>	<288%>
BEGINNING FUND BALANCE	\$1,196,278	\$1,890,942	58%
Adjusting entry to fund balance:			
Funds in suspense	46,000	0	-
After AFR deadline	890	0	-
BEGINNING FUND BALANCE – RESTATED	<u>\$1,243,168</u>	<u>\$1,890,942</u>	52%
Net change in Reserve for Inventories	<u>0</u>	<u>0</u>	-
ENDING FUND BALANCE	<u>\$1,890,942</u>	<u>\$675,754</u>	<64%>

**SUMMARY OF KEY FISCAL YEAR 2006
ACTUAL PERFORMANCE MEASURES AS COMPARED TO TARGET**

Fiscal Year 2006 KEY MEASURES	Target	Actual	% of Target
# of Horse Racetracks Regulated	7	7	100%
Average Regulatory Cost per Horse Racetrack	\$23,511	\$28,911	123%
# of Greyhound Racetracks Regulated	3	3	100%
Average Regulatory Cost per Greyhound Racetrack	\$23,511	\$28,911	123%
Number of Racetrack Inspections	65	68	105%
Number of Texas-bred Awards	27,518	25,630	93%
Number of Occupational Licenses Suspended or Revoked	200	201	101%
Number of Investigations Completed	1,300	947	73%
Percentage of Investigations Resulting in Disciplinary Action	99%	99%	100%
Percentage of Licensees with No Recent Violations	98%	97%	99%
Number of Race Animals Inspected Prior to Participating in a Race	136,000	115,641	85%
Percentage of Race Animals Injured or Dismissed from Racetracks	0.30%	0.22%	73%
Number of New Occupational Licenses Issued	6,000	4,796	80%
Number of Occupational Licenses Renewed	8,500	8,087	95%
Average Regulatory Cost per Licensee	\$30.82	\$38.27	124%
Average Time (minutes) Required to Issue a New Occupational License	8.75	5.90	67%
Percentage of Compliance Audits Passed	98%	100%	102%
Total Pari-Mutuel Handle (in millions)	\$548.10	\$502.69	92%
Total take to the State Treasury from Pari-mutuel Wagering (in millions)	\$4,742,073	\$4,368,694	92%

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.

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

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

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

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

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

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

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

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

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

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

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

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

Place - to finish second in a race.

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

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

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

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

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

Show - to finish third in a race.

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

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

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

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

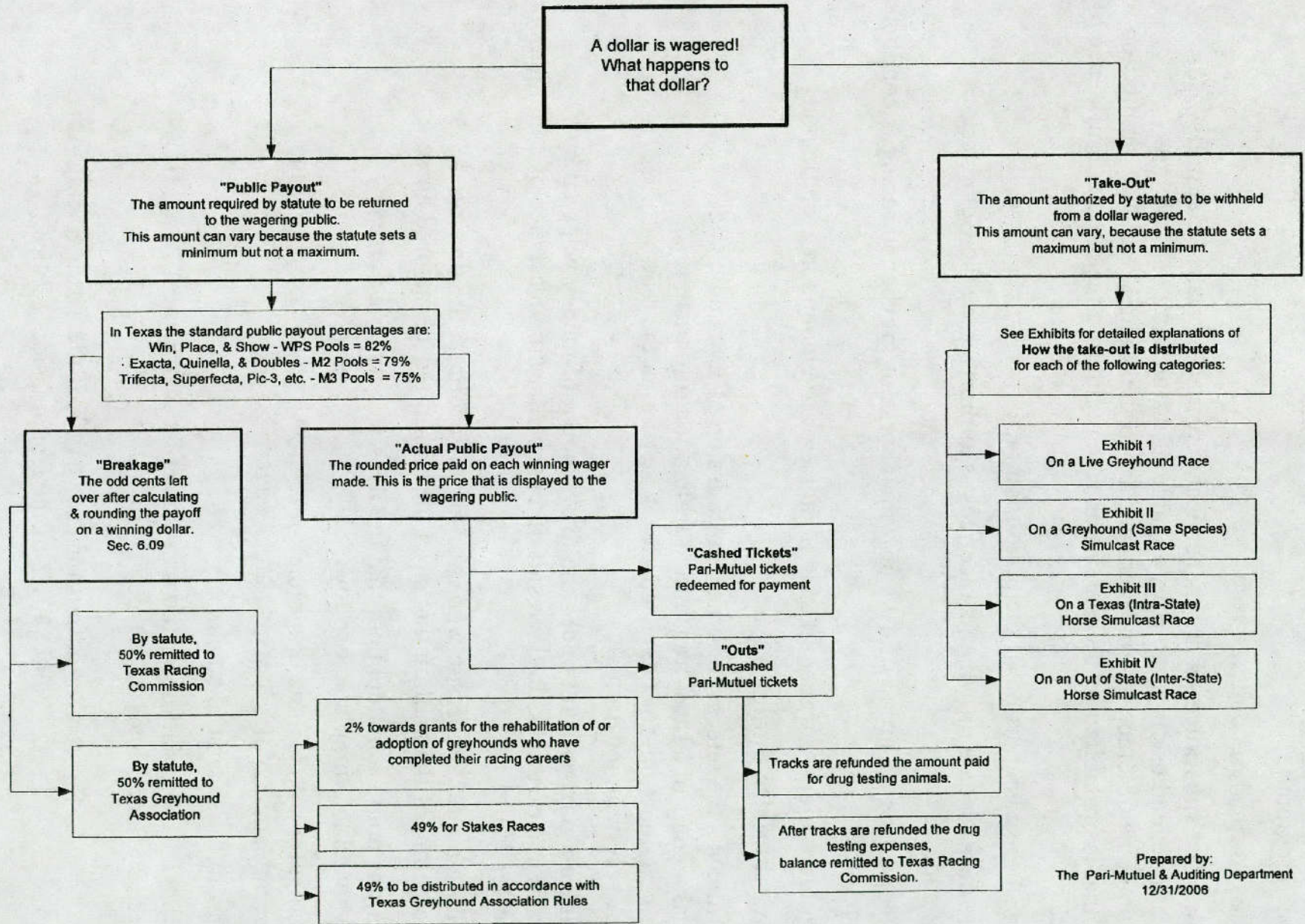
Totalisator - a machine or system for registering and computing the wagering and payoffs in pari-mutuel wagering.

Win - to finish first in a race.

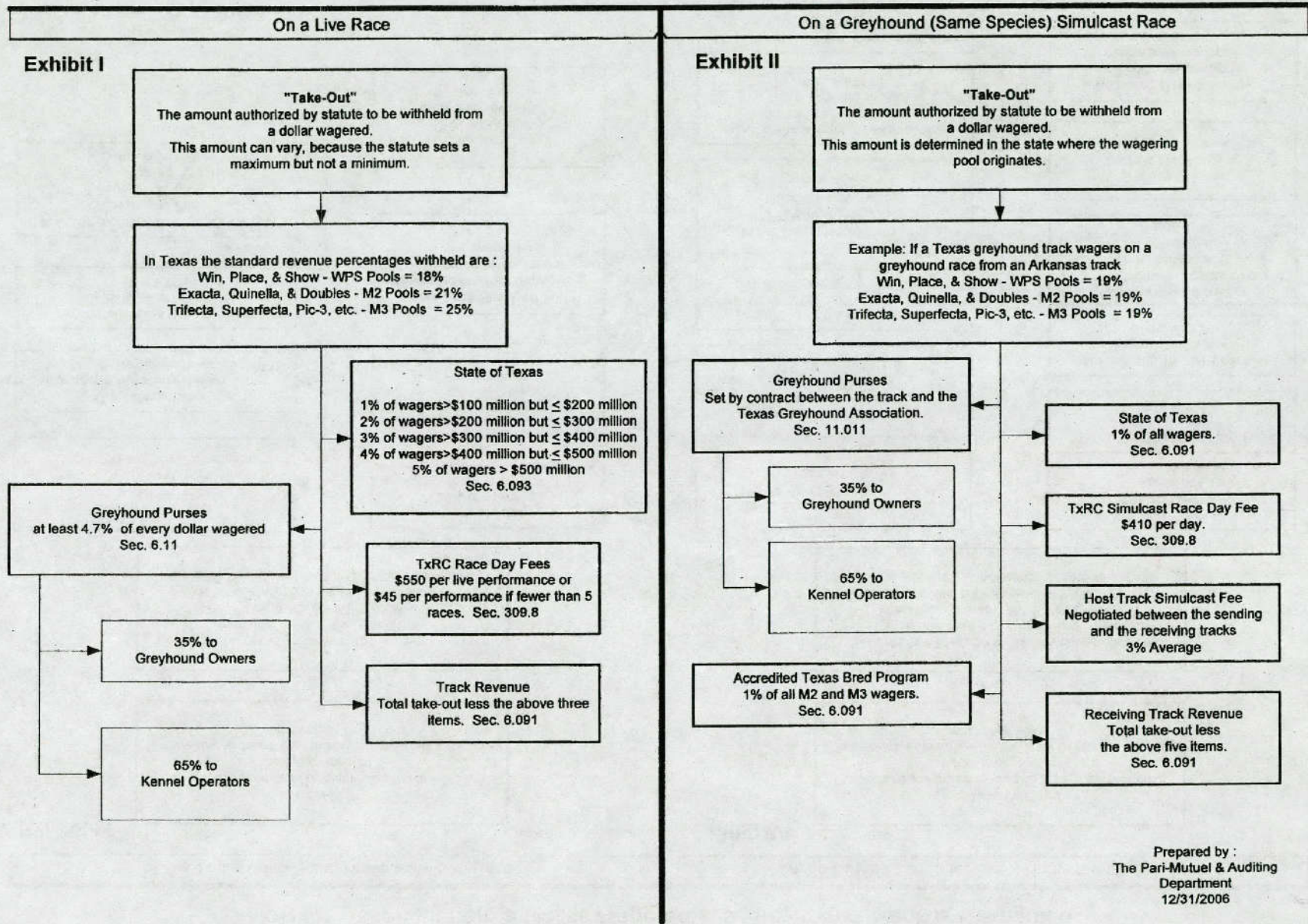
WPS - an abbreviation for the first three places of a race: Win (1st), Place (2nd), and Show (3rd).

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

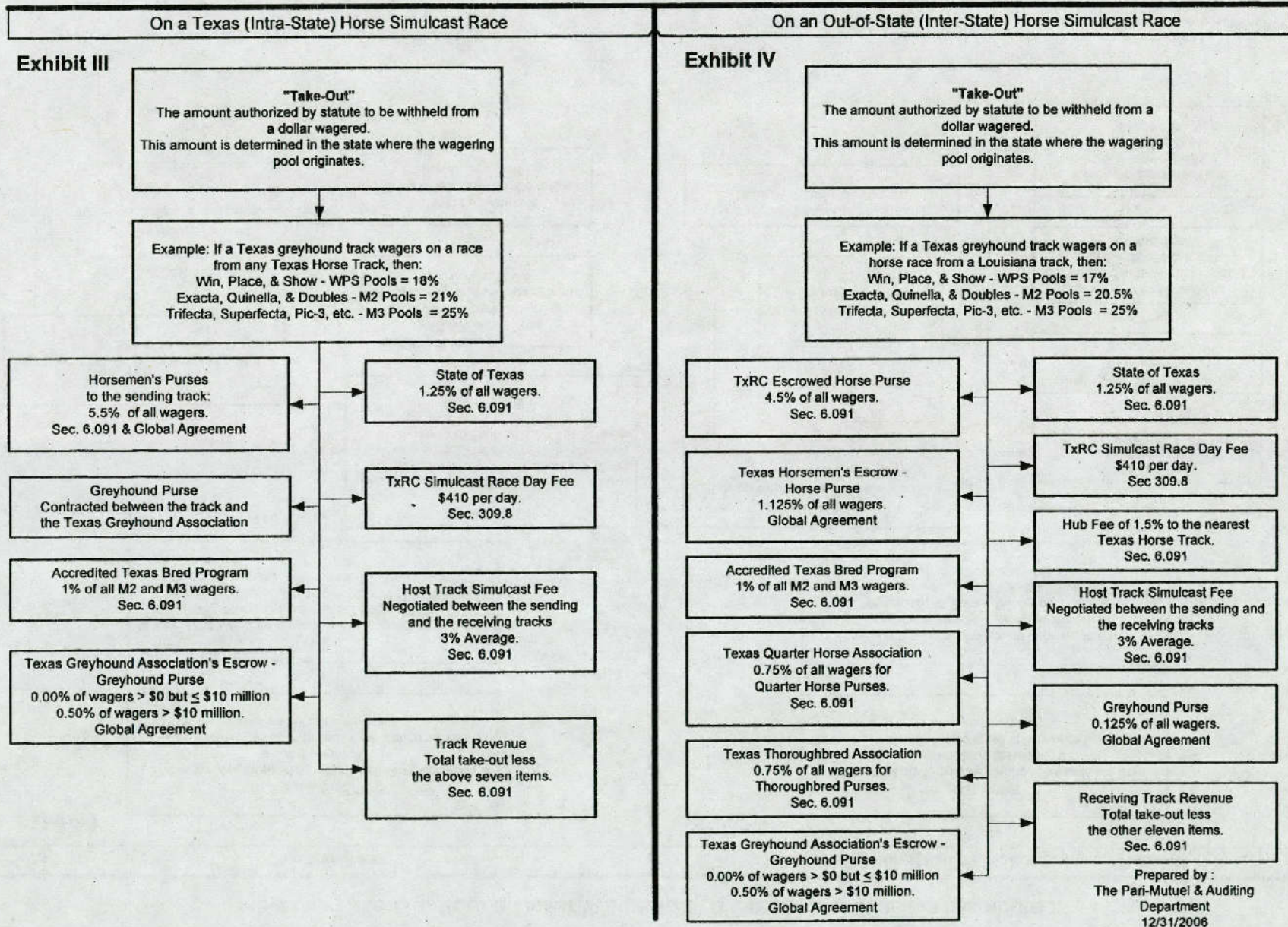


How the Take-Out from a Dollar Wagered at a Greyhound Track is Distributed

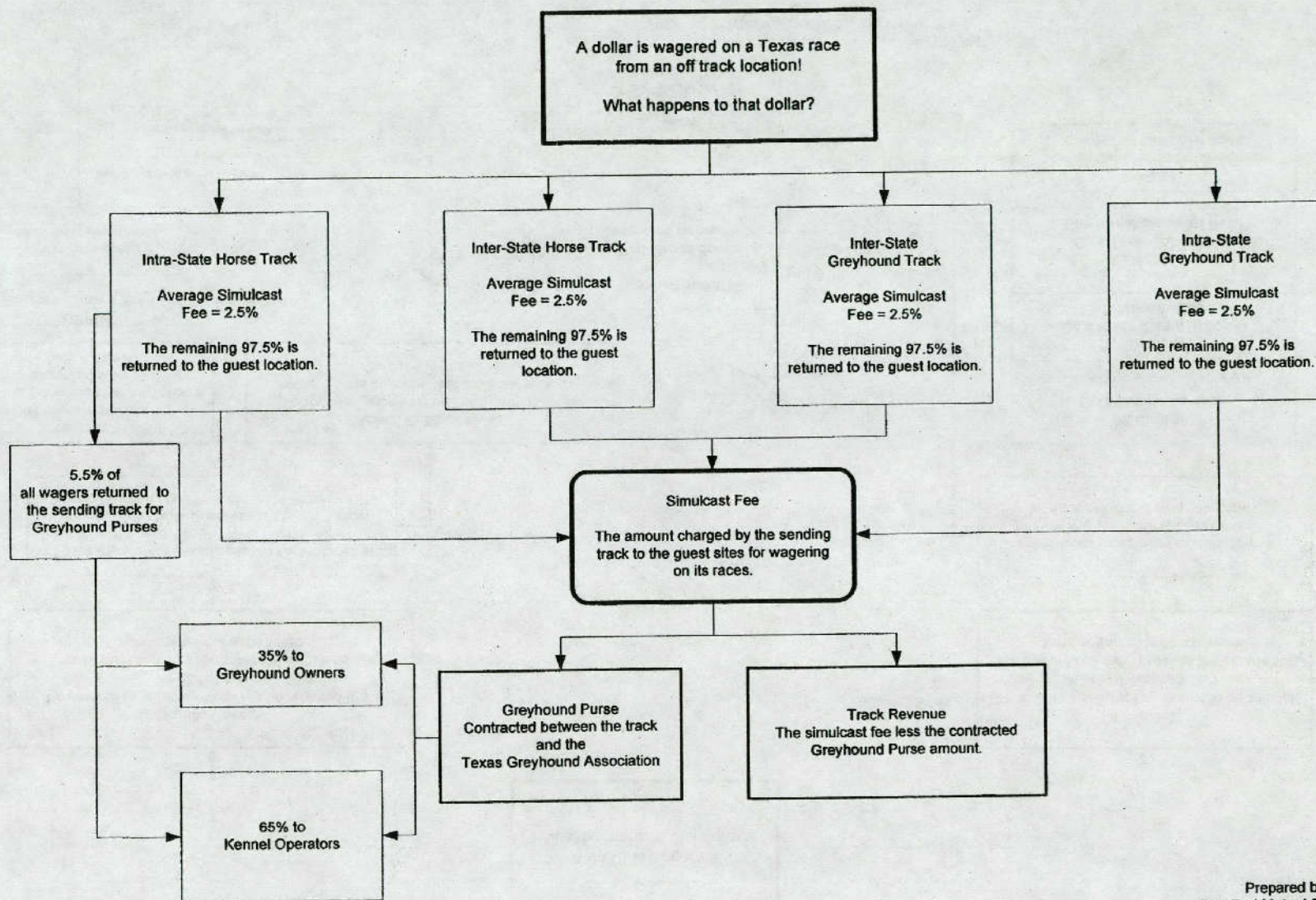


Prepared by :
The Pari-Mutuel & Auditing
Department
12/31/2006

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



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



How Money Wagered at a Horse Track is Distributed

A dollar is wagered!
What happens to that dollar?

"Public Payout"
The amount required by statute to be returned to the wagering public.
This amount can vary, because the statute sets a minimum but not a maximum.

"Take-Out"
The amount authorized by statute to be withheld from a dollar wagered.
This amount can vary, because the statute sets a maximum but not a minimum.

In Texas the standard public payout percentages are:
Win, Place, & Show - WPS Pools = 82%
Exacta, Quinella, & Doubles - M2 Pools = 79%
Trifecta, Superfecta, Pic-3, etc. - M3 Pools = 75%

See Exhibits for detailed explanations of **How the Take-out is Distributed** for each of the following categories:

"Breakage"
The odd cents left over after calculating & rounding the payoff on a winning dollar.
Sec. 6.09

"Actual Public Payout"
The rounded price paid on each winning wager made. This is the price that is displayed to the wagering public.

Exhibit I
On a Live Horse Race

Exhibit II
On a Horse (Same Species) Simulcast Race

Exhibit III
On a Texas (Intra-State) Greyhound Simulcast Race

Exhibit IV
On an Out of State (Inter-State) Greyhound Simulcast Race

2% to Equine Research Fund
98% to Accredited Texas Bred Programs

"Cashed Tickets"
Pari-Mutuel tickets redeemed for payment

"Outs"
Uncashed Pari-Mutuel tickets

10% to Breed Registry for Administration
10% retained at the track for Accredited Texas Bred Stakes Races

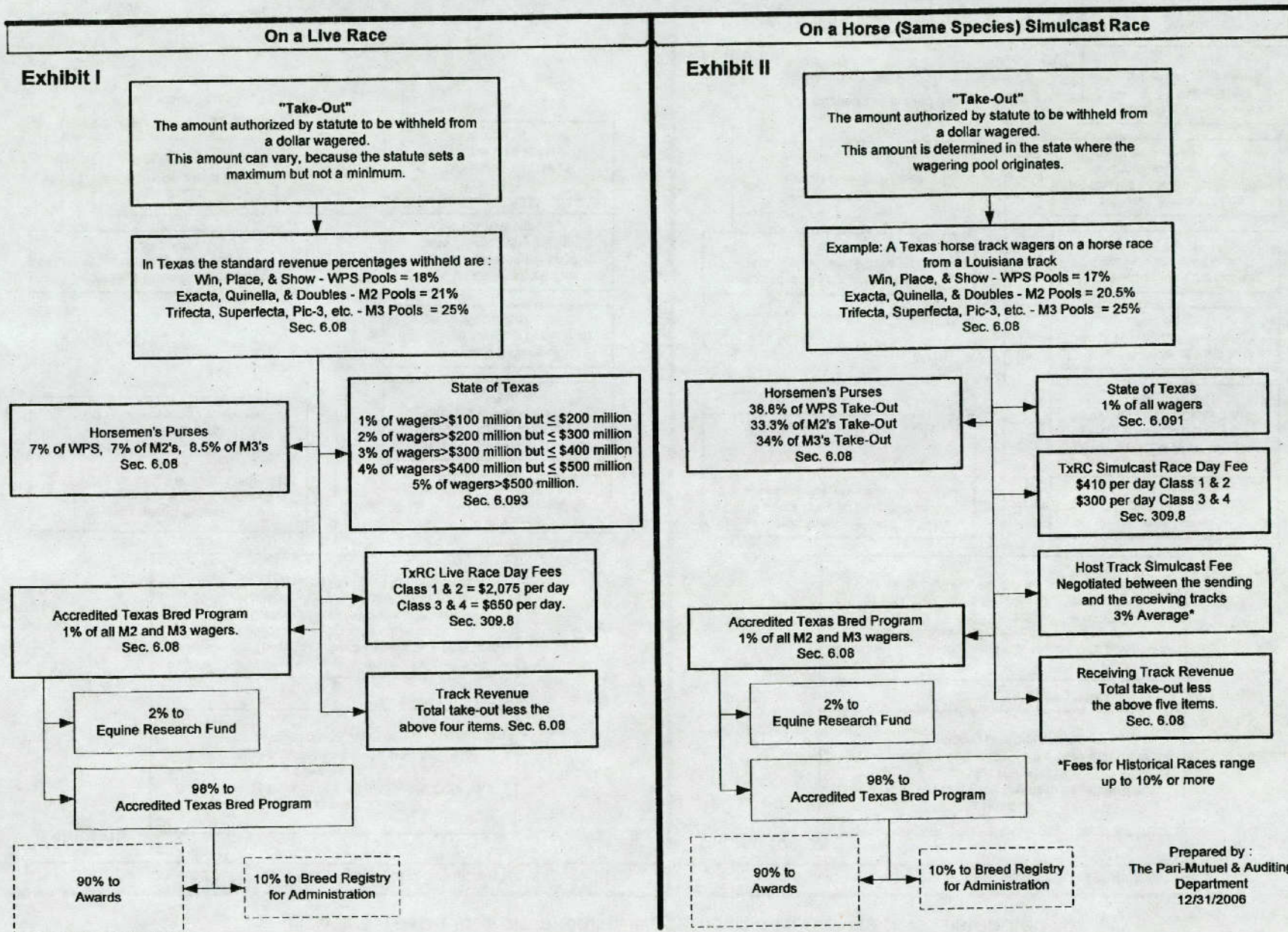
Tracks are refunded the amount paid for drug testing animals.

After tracks are refunded the drug testing expenses, balance remitted to Texas Racing Commission.

80% to Awards
40% for Owner Awards
40% for Breeder Awards
20% for Stallion Awards

Prepared by:
The Pari-Mutuel & Auditing Department
12/31/2006

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



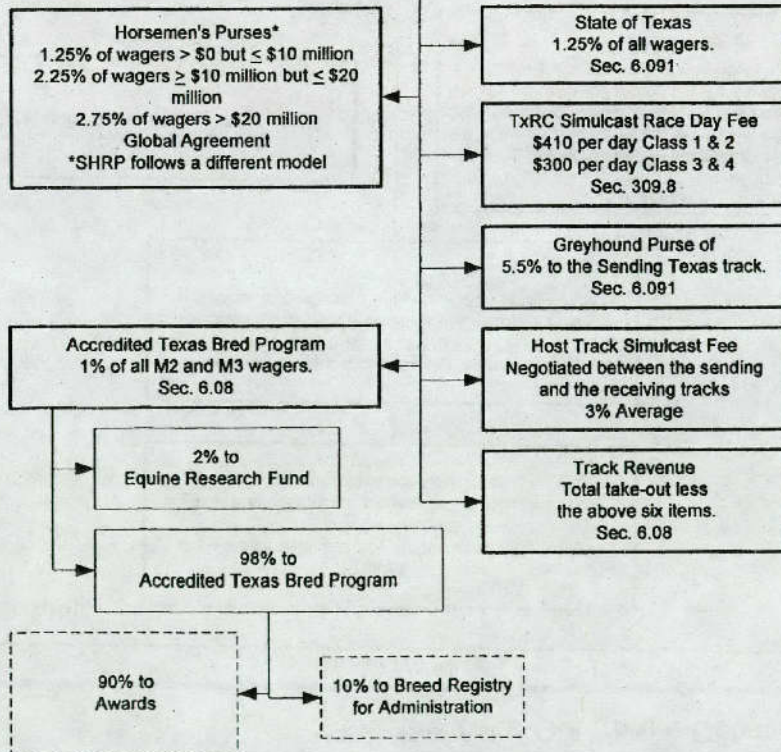
How the Take-Out from a Dollar Wagered at a Horse Track is Distributed

On a Texas (Intra-State) Greyhound Simulcast Race

Exhibit III

"Take-Out"
 The amount authorized by statute to be withheld from a dollar wagered.
 This amount is determined in the state where the wagering pool originates.

Example: If a Texas horse track wagers on a race from any Texas greyhound track, then:
 Win, Place, & Show - WPS Pools = 18%
 Exacta, Quinella, & Doubles - M2 Pools = 21%
 Trifecta, Superfecta, Pic-3, etc. - M3 Pools = 25%

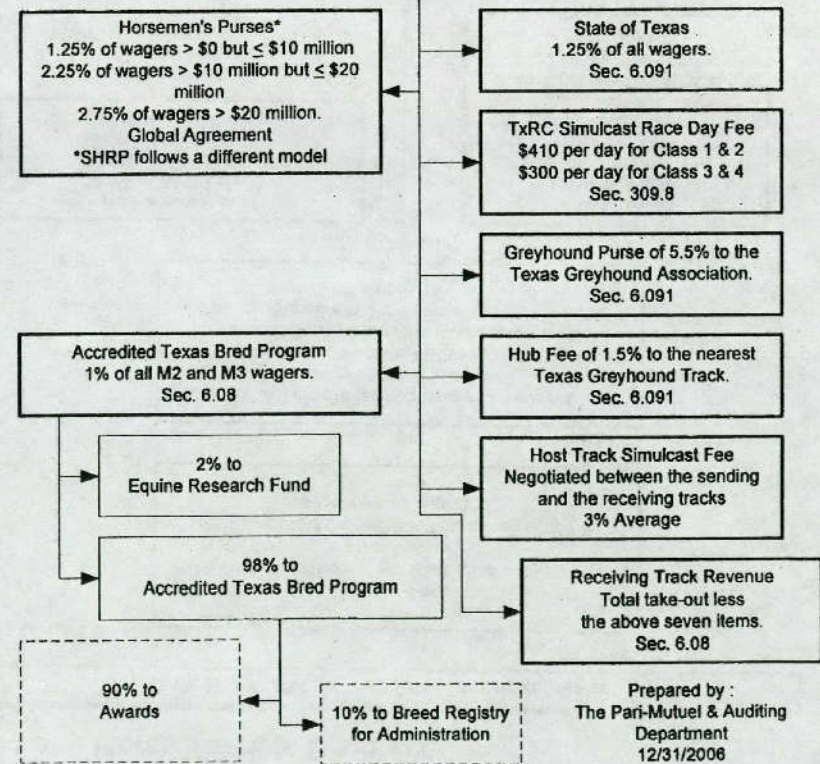


On an Out-of-State (Inter-State) Greyhound Simulcast Race

Exhibit IV

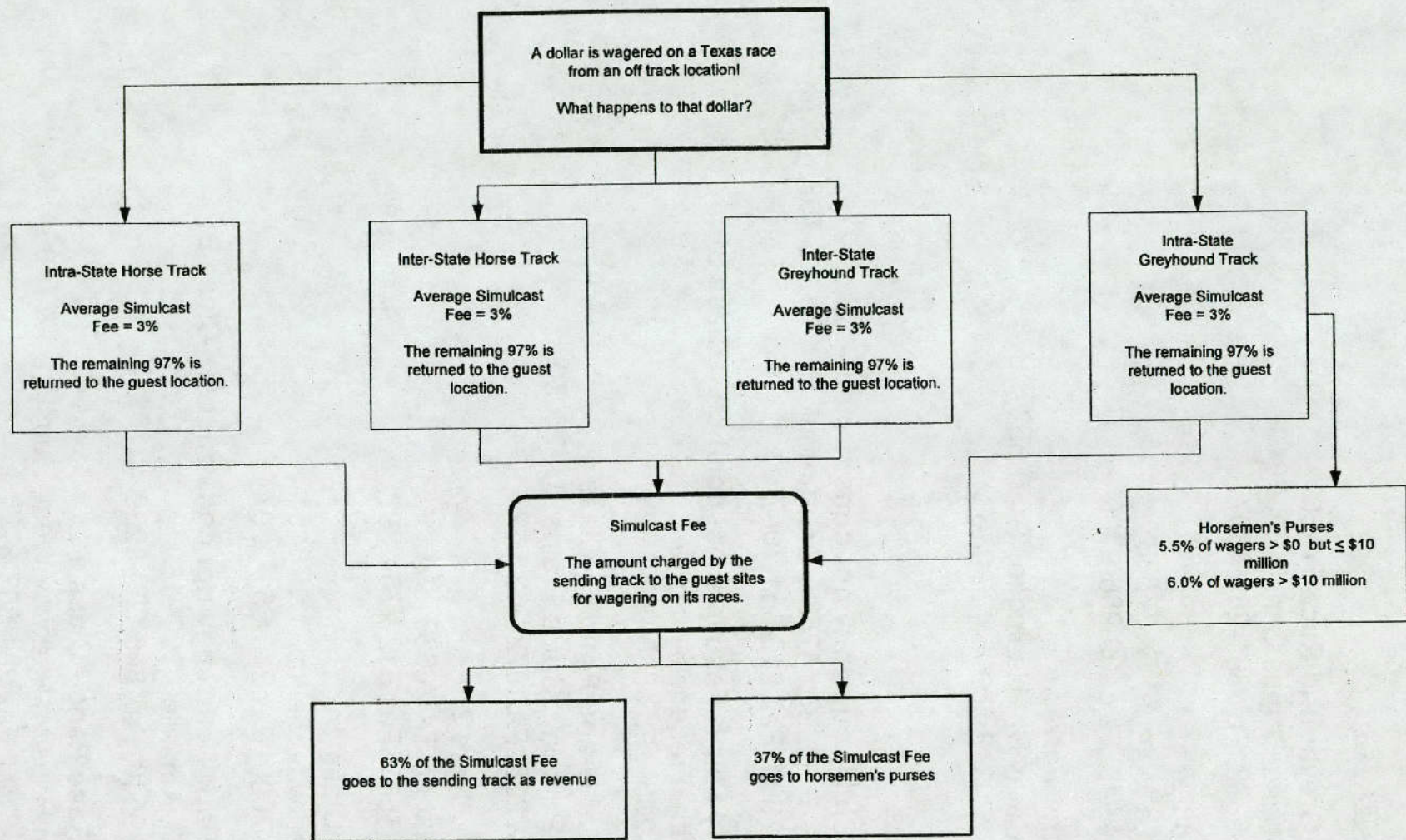
"Take-Out"
 The amount authorized by statute to be withheld from a dollar wagered.
 This amount is determined in the state where the wagering pool originates.

Example: If a Texas horse track wagers on a greyhound race from a Florida greyhound track, then:
 Win, Place, & Show - WPS Pools = 16%
 Exacta, Quinella, & Doubles - M2 Pools = 22%
 Trifecta, Superfecta, Pic-3, etc. - M3 Pools = 22%



Prepared by:
 The Pari-Mutuel & Auditing
 Department
 12/31/2006

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



LICENSED RACETRACK DIRECTORY

GREYHOUND RACETRACKS:

Corpus Christi Greyhound Race Track

5302 Leopard Street, Corpus Christi, TX 78408
Phone 361-289-9333, Fax 361-289-4307

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, 2142 TAMU,
College Station, TX 77843-2142
Phone 979-845-7980, Fax 979-845-9938

Jockeys' Guild

P. O. Box 487, Leander, TX 78646
Phone 512-914-3411, Fax 512-260-6361

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 2007 GRANTED LIVE RACE DATES

GREYHOUND RACETRACKS

CORPUS CHRISTI GREYHOUND RACE TRACK - 415 performances

Wednesday through Sunday, year-round

GULF GREYHOUND PARK - 518 performances

Wednesday through Sunday, year-round

VALLEY RACE PARK – 142 performances

Wednesday through Sunday, January 1 through April 7 and November 23 through December 31

HORSE RACETRACKS

LONE STAR PARK AT GRAND PRAIRIE

Thoroughbred Meet - 67 days - April 12 (Thursday) through July 29 (Sunday)

Thursday - Sunday racing

OPEN – Monday, May 28 (Memorial Day), Tuesday, July 3 & Wednesday, July 4 (Independence Day)

Quarter Horse Meet - 32 days – October 5 (Friday) through December 1 (Saturday)

Wednesday – Saturday racing except opening week

CLOSED – Wednesday, November 21 & Thursday, November 22 (Thanksgiving)

RETAMA PARK

Quarter Horse Meet - 21 days – May 4 (Friday) through June 17 (Sunday)

Friday – Sunday racing

Thoroughbred Meet - 12 days approved and subsequently transferred to Sam Houston Race Park

SAM HOUSTON RACE PARK

Thoroughbred Meet - 46 days - January 5 (Friday) through April 7 (Sunday)

Friday – Sunday racing

CLOSED – Sunday, February 4 (Superbowl)

Quarter Horse Meet - 35 days – June 29 (Friday) through September 8 (Saturday)

Friday - Sunday racing

OPEN – Wednesday, July 4 (Independence Day) & Thursday, July 5, and Monday, September 3 (Labor Day)

Thoroughbred Meet - 12 days (transferred from Retama Park) – October 26 (Friday) through November 18 (Sunday)

Friday - Sunday racing

Thoroughbred Meet – 23 days – November 23 (Friday) through December 30 (Sunday)

Thursday – Sunday racing except opening week

MANOR DOWNS

Mixed Meet -18 days – February 24 (Saturday) through April 22 (Sunday)

Saturday – Sunday racing

GILLESPIE COUNTY FAIR & FESTIVALS

Mixed Meet - 8 days – July & August

Saturday & Sunday, July 7 & 8, Saturday & Sunday, July 21 & 22,

Saturday & Sunday, August 11 & 12 and Saturday & Sunday, August 25 & 26

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

YEAR 2007 APPROVED BREED SPLITS

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

Pursuant to Commission rule, each year the racetracks consult with representatives of the organizations representing horse owners, trainers, and/or breeders. The tracks then recommend for Commission approval a specific allocation among the breeds for the funds generated at their respective tracks. This allocation of purse and ATB funds among the various breeds of horse is commonly referred to as the "breed splits".

PURSES	GILLESPIE COUNTY	MANOR	LONE STAR	RETAMA	SAM HOUSTON
Minor Breed	1.50%	1.50%	1.25%	2.00%	2.00%
Quarter Horse	68.95%	72.89%	14.81%	19.60%	19.60%
Thoroughbred	29.55%	25.61%	83.94%	78.40%	78.40%

TEXAS BRED INCENTIVE PROGRAM

Arabian	0.98%	0.98%	0.98%	0.98%	0.98%
Paint	0.52%	0.52%	0.52%	0.52%	0.52%
Quarter Horse	32.8005%	32.8005%	32.8005%	32.8005%	32.8005%
Thoroughbred	65.6995%	65.6995%	65.6995%	65.6995%	65.6995%

ESCROWED HORSE PURSE ACCOUNT

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

	1.6%	7.8%	27.18%	18.12%	45.3%
Arabian	3.5%	3.5%	3.5%	3.5%	3.5%
Paint Horse	3.5%	3.5%	3.5%	3.5%	3.5%
Quarter Horse	72.075%	72.075%	72.075%	72.075%	72.075%
Thoroughbred	20.925%	20.925%	20.925%	20.925%	20.925%



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