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EXCEPT WHERE INDICATED, INFORMATION IN THIS REPORT IS BASED ON
CALENDAR YEAR 2001 AND IS NOT AUDITED.

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, 2002

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 Racing Commission's Annual Report for the Year 2001.

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.

I thank all the members and the staff of the Commission for their hard work and dedication to the State of Texas. Additionally, the Commission is grateful for the continuing assistance and cooperation of the Office of the Comptroller of Public Accounts and the Department of Public Safety in regulating the pari-mutuel industry.

The Commission remains dedicated to its purpose of providing effective, efficient regulation of the pari-mutuel industry.

Respectfully submitted,

A handwritten signature in cursive script that reads "Terri Lacy".

Terri Lacy
Chair

TL:mjc



TEXAS RACING COMMISSION

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AUSTIN, TEXAS 78711-2080
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FAX (512) 833-6907

January 31, 2002

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

Dear Governor Perry:

As the chief administrative officer for the Texas Racing Commission, I am pleased to submit the Commission's 2001 Annual Report. During this past year, the Commission continued to fulfill its responsibility to regulate the pari-mutuel racing industry with integrity and fairness.

On behalf of the Commission, I thank the Department of Public Safety and the Comptroller of Public Accounts and her staff for their assistance and cooperation in enforcing the Texas Racing Act and the Rules of the Texas Racing Commission.

Very Truly Yours,

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

Paula C. Flowerday
Executive Secretary

TEXAS DEPARTMENT OF PUBLIC SAFETY

5805 N. LAMAR BLVD. - BOX 4087 - AUSTIN, TEXAS 78773-0001
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THOMAS A. DAVIS, JR.
DIRECTOR

DAVID McEATHRON
ASST. DIRECTOR

FRANKIE WALLER
ASST. DIRECTOR



COMMISSION
M. COLLEEN McHUGH
CHAIRMAN

ROBERT B. HOLT
JAMES B. FRANCIS, JR.
COMMISSIONERS

January 25, 2002

Ms Terri Lacy, 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 Ms Lacy,

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 2001.

CRIMINAL ACTIVITY AND CRIME TRENDS

The year 2001 is a year that will forever be remembered in infamy by a single date. September 11, 2001, so appropriately referred to by Americans across the nation as 911, is a date that shook the very foundation and soul of a nation as it redefined criminal activity. Prior to this date, crime predictions by Texas law enforcement were anticipated to mirror past activities and trends. Computer crimes, organized crime, narcotics trafficking, gangs, and sex offenders remain large concerns within the law enforcement communities; however, the horrors represented by the terrorist attacks of September 11th have caused a shift of the public's attention to a focus on terrorism.

Some government resources, normally utilized in combating more typical crimes within the state's borders, have had to be diverted to handle the growing threat of International and Domestic Terrorism. Agencies have been required to retool and rethink old enforcement programs aimed towards identifying, investigating and arresting terrorists, identifying and investigating terrorist organizations and support groups, gathering criminal intelligence on suspected terrorist activities, and providing protection of potential terrorist targets within the state.

ILLEGAL GAMBLING

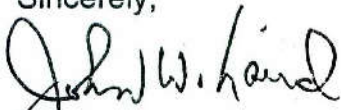
Illegal gambling within Texas continues to increase. With increased access and use of the Internet, it is believed that a growing number of persons are engaging in illegal wagering through "out of state" and "foreign companies" that target Internet users. Jurisdictional issues remain a hindrance to law enforcement's efforts to curb this illegal activity.

Unregulated Indian gaming in Texas continues. The Texas Attorney General is currently addressing this issue in civil court with some success; however, the process is slow due to the lengthy appellate process. In the fall of 2001 an additional Indian casino commenced operation in Livingston, Texas bringing the total number of active casinos in Texas to three.

Illegal eight-liners continue to flourish in Texas. As reported in previous annual reports, law enforcement continues investigation into this type of illegal gambling despite the continued support by pro-gambling lobbying efforts. State agencies lack necessary resources to effectively combat the proliferation of eight-liners in Texas. No new laws were enacted by the 77th Texas Legislature to aid in the ongoing battle against this activity.

The Texas racing industry reports a noticeable decrease in attendance and handle at racetracks. Industry experts believe that this decrease is due largely to the increased availability of unregulated Internet gaming but have also expressed a strong concern of the escalation of illegal casino gaming in Texas. Expansion of legalized gambling in New Mexico and Louisiana are perceived as a threat to Texas racing as it is expected to affect attendance and participation.

Sincerely,



John W. Laird
Commander
Special Crimes Service

The Texas Racing Commission was created by the Texas Legislature in 1986 to be the state agency responsible for overseeing and regulating pari-mutuel horse and greyhound racing in Texas. The Commission functions pursuant to authority 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, safe racing facilities, fair and honest racing activities, and accountable use of economic incentives funded through pari-mutuel racing. The Commission will conduct its regulatory activities courteously and efficiently and will facilitate communication and cooperation among and between the public and the various interests within the racing industry.

PHILOSOPHY

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

THE COMMISSIONERS

The Commission consists of eight members: six 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 six non-salaried commissioners serve overlapping six-year terms.

Of the six appointed Commissioners, four members must be representatives of the general public and have general knowledge

of business or agribusiness, 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 the Chair. The eight members elect the Vice-chair for a term of two years.

Terri Lacy was named Chair of the Commission in 2000, and continues to serve as Chair at the pleasure of the Governor. An attorney and

partner in the law firm of Andrews & Kurth, Mayor, Day, Caldwell & Keeton L.L.P., Ms Lacy resides in Houston. Her term expires in February of 2003.

David C. Garza served as Vice-Chair of the Commission during 2001. He was appointed to the Commission in January, 1998. An attorney and partner in the law firm of Garza & Garza in Brownsville, his term expires on February 1, 2003.

Treva Boyd was appointed to the Commission on November 17, 1999. Prior to joining San Angelo's American RV and Supply Company as a Director, she served as Labor Relations Manager for GTE of the Southwest. Ms Boyd's term expires on February 1, 2005.

Dyke 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. His term on the Commission expires in February of 2005.

Mike Rutherford was named to the Commission on May 3, 2001. Mr. Rutherford owns and serves as

President of Rutherford Oil Corporation, a Houston independent oil and gas producing company. His term expires in February of 2007.

James L. Schulze, D.V.M., has served on the Commission since September of 1995. Although his term expired in February of 2001, Dr. Schulze continues to serve at the Governor's pleasure. Dr. Schulze owns Equine Veterinary Associates, a full service medical and surgical facility for horses in Conroe.

EX OFFICIO MEMBERS

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

Carole Keeton Rylander has served as an ex officio member of the Racing Commission since her election in January of 1999. Jimmy Archer, an attorney over the Comptroller's Enforcement Division, regularly serves as Ms Rylander's designee at Commission meetings.

SIGNIFICANT COMMISSION ACTIONS

The Commission voted unanimously to withdraw from the Association of Racing Commissioners International.

The Commission considered the matter of lost race days at Manor Downs due to delays in completing required construction. The Commission delegated

authority to the Executive Secretary to negotiate with the affected parties, including the racetrack, the Texas Horsemen's Partnership, and other representatives of the quarter horse and thoroughbred industries. The parties entered into an agreed order, approved by the Commission in May, that established deadlines for construction and authorized movement of purse money from Manor Downs for use at other Texas racetracks.

In June, the Commission gave final approval for changes in the bleeders and furosemide (Lasix) program to streamline entry into and administration of the program.

On considering the Staff audit of the Texas Greyhound Association, the Commission voted unanimously to end the TGA's practice of voluntarily contracting away purse money earned from cross-species simulcasting. In so doing, the Commission mandated that at least 5.5% of each greyhound wager at a horse racetrack be paid to the TGA for use as purses. Addressing another issue raised in the audit, the Commission unanimously approved the formula submitted by the TGA to distribute that purse money to the various greyhound racetracks based on each track's horse handle as a percentage of the total horse handle at all the greyhound tracks.

The State's only Class 3 not-for-profit racetrack, Gillespie County Fair & Festivals Association presented a plan, unanimously approved by the Commission, to offer simulcast wagering during times other than during a live race meeting.

The Commission approved a request to open an application period for a Class 2 or Class 3 horse racetrack license for Webb County, in the Laredo area. The Commission voted to receive applications from September 1, 2001 through October 30, 2001. One application was filed during that time, by El Primero Downs, Ltd.

The Commission is required to conduct an annual competitive bidding process to select a laboratory to perform equine and canine drug testing. Commissioners Schulze and Rutherford volunteered to serve on the committee with Paula Flowerday, Executive Secretary, Dr. Stewart Marsh, Chief Veterinarian, and Tim Craig, Chief Financial Officer, to prepare the request for proposal, to evaluate the bids, and to make a report to the Commission. One bid was received, from the Texas Veterinary Medical Diagnostic

Laboratory's Drug Testing Lab in College Station. In December, the Commission voted unanimously to award the bid to TVMDL.

The Commission voted unanimously to approve the transfer of ownership in Lubbock Downs, Inc. from Lone Star Park, Ltd., to Yellow Rose Entertainment d/b/a Saddle Brook Park, as well as the change in location from Lubbock to Amarillo. The Commission also approved Saddle Brook's management contract with Lone Star Park.

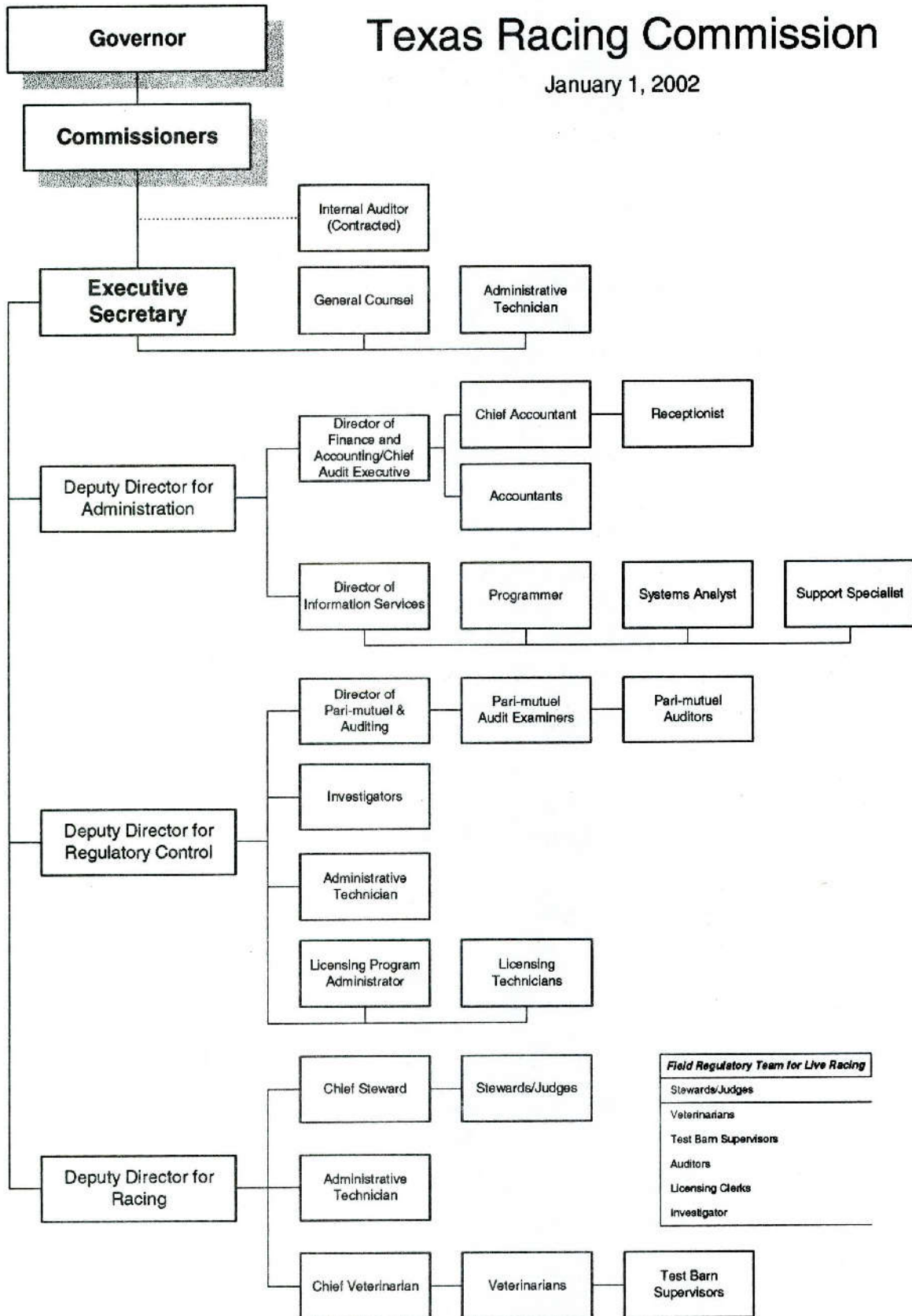
Chair Lacy announced that the law firm of which she is a member, Andrews & Kurth, merged with Mayor, Day, Caldwell & Keeton, a firm that performs legal services for Charles Hurwitz, Maxxam, and Sam Houston Race Park. Effective October 1, 2001, a "Chinese wall" was implemented in the combined firm, pursuant to which Ms. Lacy will not be privy to any work done by the firm for any of those entities and that she will not share in any revenues of the firm derived from those entities.

For 2002, the Commission approved the split among the various breeds of purse money and Texas Bred Incentive Program money derived from simulcasting. The Commission also allocated the escrowed horse purse account derived from cross-species simulcasting at the greyhound tracks and approved a split of that money among the various breeds of horses. These splits were agreed to by all the participating racetracks and breed organizations.

| | Breed Splits for 2002 | | | | |
|-------------------------------------|-----------------------|---------|-----------|---------|-------------|
| | Gillespie | Manor | Lone Star | Retama | Sam Houston |
| Purses | | | | | |
| 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 | 1.295% | 1.295% | 1.295% | 1.295% | 1.295% |
| Paint | 0.205% | 0.205% | 0.205% | 0.205% | 0.205% |
| Quarter Horse | 68.950% | 68.950% | 29.550% | 29.550% | 29.550% |
| Thoroughbred | 29.550% | 29.550% | 68.950% | 68.950% | 68.950% |
| Escrowed Horse Purse Account | | | | | |
| Minor Breed | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Quarter Horse | 29.4% | 29.4% | 29.4% | 29.4% | 29.4% |
| Thoroughbred | 68.6% | 68.6% | 68.6% | 68.6% | 68.6% |

Texas Racing Commission

January 1, 2002



COMMISSION STAFF - ORGANIZATION

EXECUTIVE DIVISION

The Executive Division includes the Executive Secretary, General Counsel, and support staff. As head of the agency, the Executive Secretary supervises the agency's activities as a whole.

This division is also responsible for recommending race date allocations, assessing administrative penalties against racetrack licensees, coordinating Commission meetings, providing legal advice to the Commissioners and staff, prosecuting appeals from decisions made by the Board of Stewards/Judges at the operating racetracks, and coordinating racetrack licensing procedures.

ADMINISTRATION

The Administrative Division is responsible for all support activities for the agency. It includes the Department of Information Services and the Department of Finance and Accounting.

The Deputy Director for Administration oversees these functions as well as serving as the Commission's public information officer.

The Finance and Accounting Department manages the budget, accounting, purchasing, personnel, and other administrative functions of the Commission.

The Information Services Department procures and supports

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

RACING DIVISION

The Racing Division is supervised by the Deputy Director for Racing and includes all personnel directly responsible for regulating the conduct of live racing. It includes the Racing and the Veterinary Departments.

The Racing Department includes a Chief Judge/Steward and Commission Stewards at horse tracks and Commission Judges at greyhound tracks. The Judges and Stewards are responsible for supervising live races and enforcing the Racing Act and Commission Rules of Racing.

The Stewards and Judges serve as the governing body of all live racing activity. They supervise and rule on all live races and oversee backside activities such as the drawing of animals entered into races. They also serve as a judicial arm of the Commission, adjudicating matters involving violations of Commission rules, and imposing penalties for unethical practices or rule violations.

Stewards and Judges have broad discretion 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.

The Veterinary Department includes the Chief Veterinarian, Veterinarians, Chief Test Barn Supervisor, Test Barn Supervisors, and support personnel. This staff is responsible for implementing veterinary policies to safeguard the health and welfare of racing animals. This department administers the Commission's drug testing program conducted by the Texas Veterinary Medical Diagnostic Laboratory (TVMDL) at Texas A & M University.

Commission veterinarians inspect each animal for fitness before racing. Detailed information about each racing animal is stored in the agency's database, which aids in protecting the welfare of the animals.

REGULATORY CONTROL

This division is responsible for all continuous regulatory and enforcement functions that are not limited to live racing. The Enforcement Department, the Pari-mutuel and Auditing Department, and the Occupational Licensing Department report to the Deputy Director for Regulatory Control.

The Enforcement Department's Investigators are commissioned peace officers who play an integral role in investigating and enforcing the Commission's Rules and the Racing Act.

Investigations are conducted on the following matters: animal drug positives; criminal histories returned by the Federal Bureau of

Investigation and the Department of Public Safety; illegal wagering; illegal use, possession and trafficking of narcotics; embezzlement; and other illicit activities that could affect the integrity of pari-mutuel racing.

Drug testing of people licensed by the Commission, who are suspected of using illegal drugs while performing their duties, has become an important aspect of regulating the industry. If a licensee tests positive for any illegal controlled substance, the licensee faces a suspension and is required to seek professional help.

The Pari-mutuel and Auditing Department protects the interest of the wagering public and assures the proper collection and distribution of funds in accordance with the Racing Act. To achieve this, tests of the pari-mutuel totalisator computer programs are performed to assure compliance with the Rules of Racing.

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

The Occupational Licensing Department is responsible for issuing occupational licenses and registrations to all persons involved in pari-mutuel greyhound and horse

racetrack. This division works closely with the Enforcement Department and the Stewards/Judges. Licensing staff at each racetrack helps maintain

the integrity of the industry by ensuring that all participants are licensed and in good standing.

COMMISSION HIGHLIGHTS

ADMINISTRATIVE/STAFFING

For the biennium ending August 31, 2001, the agency managed its business within its financial resources, ending under budget by more than \$194,000.

The Legislative Budget Board certified the Commission met or exceeded 82% of its Key Performance Measures for Fiscal Year 2001. Only agencies that meet or exceed 80% of their key measurement targets are eligible for performance awards.

The agency complied with mandated House Bill 1 caps on Full-time Equivalent Employees, Merit Budget, and Travel Budget for the biennium.

The Executive Division coordinated six regular Commission meetings.

The General Counsel coordinated rule reviews that amended Chapters 323 and repealed and replaced Chapter 307, comprising 95 rules. Various amendments were made to 35 other rules. Four new rules were added and one was repealed.

The agency expanded the alternative work arrangements to include flex-time and compressed workweek for certain employees to lessen traffic congestion and decrease pollution.

The Commission received recognition from the Texas Incentive and Productivity Commission for "Highest Dollars Certified by a Small Agency". The savings achieved were a result of more efficient travel expense management.

The agency streamlined the occupational license renewal process, saving approximately 50% in postage and forms.

The Commission revised assignments and schedules for stewards and veterinarians at the horse tracks to limit their assignments away from their designated headquarters as a cost saving measure for both the Commission and the employee.

The agency's Purchaser completed and passed the Certified Purchasing Management Program as mandated by the Texas Building and Procurement Commission.

During FY 2001 the State Office of Risk Management reviewed the agency's safety procedures and made recommendations that the agency adopted. The agency completed its Disaster Recovery Plan in compliance with SORM guidelines.

The Comptroller of Public Accounts performed a post-payment audit of purchasing and payroll vouchers and made recommendations to accounting procedures that have been implemented by the agency.

The agency contracted with an internal auditor who reviewed procedures for cash receipts, unclaimed winning tickets, and the Texas Bred Incentive Program. Also, in FY 2001 two internal audits were finished that began in FY 2000. The areas reviewed were the investigative process and the animal drug testing process. The agency implemented all recommendations as a result of these audits.

CUSTOMER SERVICE

The agency implemented Visa/Master Card charge card options for payment of all occupational licensing fees. For certain types of occupational licenses, this added service enables applicants to fax their forms and credit card information and be licensed the same day.

The Commission added all Owner Occupational Licensing forms to the Commission's web site, www.txrc.state.tx.us.

The agency continued to expand the use of e-mail to communicate with licensees.

TECHNOLOGY

All agency PCs were upgraded to Windows 2000 with standardized configurations, improving the Information Services staff's ability to support and maintain the PCs while increasing speed and performance.

The agency began the upgrade of telecommunications infrastructure for track communications to frame-relay. By improving the speed of the network, the time to do day-to-day tasks decreases, thereby improving performance. All racetracks will be upgraded by mid-2002.

The agency's development database and applications were upgraded to the current release level of systems software, gaining increased performance and enhancements to the e-mail system and web access.

The agency continued to revise and update the Commission's web site, www.txrc.state.tx.us.

REGULATION

Technical standards for totalisator companies, developed by the Pari-mutuel Advisory Committee, were adopted and implemented during the year.

The Pari-mutuel and Audit Department developed the necessary changes to the Commission database to accommodate the allocation of revenue from cross-species simulcasting per the agreement entered into by all the racetracks and industry organizations.

Due to numerous totalisator software changes, fifteen audits of totalisator systems were completed to ensure all wagers offered are correctly calculated. This was an increase of 66.67% over 2000.

Pari-mutuel auditors reviewed wagering data on 17,528 live races and 638,437 simulcast races to ensure proper collection and distribution of funds. This was an increase of 14.98% and 23.22%, respectively.

Over 2,100 import and export simulcast requests were reviewed for compliance with the Rules and the Interstate Horse Racing Act. This was an increase of 33.35% over 2000.

Licensing staff issued 15,036 occupational licenses, of which 6,099 were new and 8,937 were renewals. There were 4,236 Owners, 915 Owner/Trainers, 289 Trainers, and 206 Jockeys licensed during the year.

Stewards and Judges implemented a new set of guidelines to ensure more uniformity in penalties involving occupational licensees' violations of Commission rules.

Stewards and Judges issued a total of 864 disciplinary rulings, with 555 resulting in fines, and 254 resulting in suspensions. Of the fifteen appeals filed during 2001, ten were withdrawn. Three administrative hearings were conducted and four cases remain pending.

Commission Veterinarians performed 33,377 pre-race horse and 101,475 pre-race greyhound examinations and evaluations. Injured or unsound animals are

not permitted to race and are re-examined before being allowed to return to competition.

Commission Veterinarians supervised the collection of 18,713 greyhound specimens and 7,612 horse specimens, which were submitted to the Texas Veterinary Medical Diagnostic Laboratory. The laboratory conducted tests for substances that could produce an unfair advantage for an animal in a race through stimulation and/or the masking of pain and for substances that interfere with the detection of illegal drugs.

The following tables reflect positively on the industry. Although the number of greyhound starters as well as samples increased in 2001 with Valley Race Park's full season of racing, the number of drug positives decreased by over 22.5%. Of the 41 drug positives, over 50% were Procaine, an antibiotic, not associated with performance enhancement. While there was a slight decrease in the number of horse starters and samples, there was again a substantial decrease of almost 35% in the number of positives. Of the 103 positives, almost 48% were due to the drug Phenylbutazone, an anti-inflammatory treatment, therapeutic in nature.

| GREYHOUND | | | HORSE | | |
|----------------------------|-----------|-----------|--|------------|------------|
| | 2000 | 2001 | | 2000 | 2001 |
| # of Starters | 92,159 | 101,475 | # of Starters | 36,096 | 33,377 |
| # of Samples | 17,511 | 18,713 | # of Samples | 8,177 | 7,612 |
| 3-Hydroxypentobarbital | 0 | 5 | Acetaminophin | 0 | 2 |
| Caffeine | 0 | 3 | Alfentanil | 3 | 0 |
| Gammahydroxyphenylbutazone | 2 | 2 | Apomorphine | 2 | 0 |
| Naproxen | 0 | 1 | Butorphanol | 1 | 1 |
| Phenylpropanolamine | 1 | 0 | Caffeine | 1 | 2 |
| Polyethyleneglycol | 6 | 4 | Clenbuterol | 10 | 4 |
| Procaine | 43 | 22 | Dimethylsulfoxide | 9 | 6 |
| Sulfadimethoxine | 1 | 0 | Ephedrine | 2 | 0 |
| Theobromine | 0 | 3 | Flunixin | 5 | 8 |
| Theophylline | 0 | 1 | Furosemide | 25 | 12 |
| TOTAL | 53 | 41 | Furosemide Not In Certified Bleeder | 0 | 3 |
| | | | Guaifensin | 2 | 0 |
| | | | Guanabenz | 0 | 3 |
| | | | Hydroxylidocaine | 1 | 0 |
| | | | Isoxsuprine | 1 | 0 |
| | | | Ketoprofen | 0 | 1 |
| | | | Lidocaine | 1 | 1 |
| | | | Phenylbutazone | 79 | 49 |
| | | | Phenylpropanolamine | 1 | 0 |
| | | | Polyethyleneglycol | 2 | 2 |
| | | | Procaine | 1 | 0 |
| | | | Sulfadiazine | 2 | 1 |
| | | | Sulfadimethoxine | 1 | 1 |
| | | | Sulfamethoxazole | 2 | 4 |
| | | | Theophylline | 2 | 0 |
| | | | Torseamide | 3 | 0 |
| | | | Trichloromethiazide | 0 | 1 |
| | | | Trimethoprim | 2 | 2 |
| | | | TOTAL | 158 | 103 |

COMMISSION 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 Secretary reports on inspections at each Commission meeting.

The Commission has an established procedure for overseeing the construction or renovation of

racetrack facilities that includes improved documentation and approval before beginning the project, structured progress reports, and periodic inspections.

During 2001, Commission staff conducted a total of 38 new inspections and 13 follow-up inspections at the racetracks.

Twenty-five of the new inspections, or 66%, required no remedial action. There were 38 items requiring remedial attention on the remaining inspections.

All of the areas of non-compliance were remedied during the year with one exception. The renovations at Manor Downs forced the follow-up inspections to be postponed until the start of live racing in February 2002.

YEAR 2001 INSPECTIONS

| TYPE OF INSPECTION | NEW | FOLLOW-UP |
|---|-----------|-----------|
| ENFORCEMENT: SAFETY AND SECURITY | 9 | 1 |
| EXECUTIVE: ADMINISTRATIVE OPERATIONS | 7 | 0 |
| PARI-MUTUEL & AUDIT: PARI-MUTUEL & SIMULCASTING OPERATIONS | 7 | 3 |
| JUDGES & STEWARDS: TRACK CONDITIONS & RACING EQUIPMENT | 7 | 5 |
| VETERINARIANS: CONDITIONS FOR RACE ANIMALS | 8 | 4 |
| TOTALS | 38 | 13 |

EQUINE RESEARCH

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

Research projects that address the needs and priorities of the Texas horse racing industry in the fields of Agricultural Economics, Animal

Science, and Large Animal Medicine are submitted to the Equine Research Committee for grant consideration.

The total amount of funds received by the Equine Research Fund from the Texas Racing Commission in 2001 was \$96,883.14.

At the October 9, 2001 meeting, TERAAC reviewed the progress/status reports for long-term equine research programs. Funds were allocated as follows:

LONG-TERM RESEARCH PROJECTS FUNDED IN 2001

| | |
|---|-----------|
| "Comparative Genomics of the Horse: Mapping Functional Genes in Horse Radiation Hybrids" by Dr. Loren Skow, TAMU Department of Veterinary Anatomy and Public Health | \$15,000 |
| "Nutritional Requirements and Management Systems to Enhance Bone Growth, Mineralization, Modeling and Remodeling in the Juvenile Equine Athlete", by Dr. Gary Potter, TAMU Department of Animal Science | \$15,000 |
| "Rhodococcus equi: Metabolism as a Virulence Factor in Foal Pneumonia", by Dr. Ronald Martens, TAMU Department of Large Animal Medicine and Surgery | \$15,000 |
| "Regulatory Factors Controlling Spermatogenesis in the Stallion" by Dr. Larry Johnson, TAMU Department of Veterinary Anatomy and Public Health | \$15,000 |
| "Does Apoptosis Explain Germ Cell Losses in Stallions with Poor Semen Quality?" by Dr. Terry Blanchard, TAMU Department of Large Animal Medicine & Surgery | 24,000 |
| "Analyzing The Equine Genome To Approach Genes Governing Disease and Performance Traits" by Dr. Bhanu Chowdhary, TAMU Department of Veterinary Anatomy & Public Health | \$20,000 |
| Total amount expended on Long-Term Projects | \$104,000 |

At its May 10, 2001 meeting, TERAAC reviewed progress/status reports for short-term (up to two years in

duration) equine research projects and recommended second year funding for the following projects:

SHORT -TERM RESEARCH PROJECTS FUNDED IN 2001

| | |
|--|----------|
| "Reduced Uterine Muscle Contractility in Mares Susceptible to Persistent, Post-Mating Endometritis - Is there a Structural Component to the Contractile Defect?" by Dr. Sherri Rigby, TAMU Department of Large Animal Medicine and Surgery | \$4,000 |
| "Sequences and Cytokine Induction of Equine Infectious Anemia Virus Strains in Texas" by Dr. Judith Ball, TAMU Department of Veterinary Pathobiology | \$10,640 |
| "The Effects of Ascophyllum nodosum on Transport Stress in Horses" by Dr. Heidi Brady, Texas Tech University Department of Animal Science and Food Technology | \$22,949 |
| Total amount expended on Short-Term Projects | \$37,589 |

ANNUAL CONFERENCE

Texas statutes mandate that the Texas Cooperative Extension shall conduct an annual conference on equine research. The conference must be designed to bring to the attention of the Texas horse racing industry the latest research and technological developments in equine research.

The Annual Conference originally scheduled for October 13, 2001, was not held due to problems with

scheduling of conference facilities. In an attempt to meet the requirements of the statues, a document detailing research progress by projects currently funded by the Equine Research Fund is being created and will be widely distributed.

The Annual Conference for year 2002 will be held on March 9, 2002, at Sam Houston Race Park.

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. That money is dedicated 50% to stakes races and 50% to the owners of Texas-bred greyhounds racing at Texas tracks. Once a month these funds are distributed by dividing the monthly total available for awards by the number of winning Texas-bred greyhounds for that month.

Two percent of the total money received by the Texas Greyhound Association must be set aside for grants for rehabilitating or locating homes for greyhounds. The

procedure and criteria for applying for a grant were finalized by the Texas Greyhound Association and approved by the Commission in 1999.

During 2001, the Texas Greyhound Association distributed \$6,397 to four qualified Texas non-profit adoption groups and \$432 was disbursed from the emergency fund.

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

Simulcasting of inter-state greyhound races at Texas racetracks during 2001 earned over \$1.6 million for greyhound purses at Corpus Christi Greyhound Race Track, Gulf Greyhound Park and Valley Race Park, as compared to \$1.4 million earned during 2000.

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 wagering pools from live, simulcast same-

species, and simulcast cross-species.

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: 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 withdrawal 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 2001.

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

| Year 2001 Distributions | 2000 | 2001 | % Change |
|--|--------------------|--------------------|----------------|
| Texas Thoroughbred Association | \$3,803,099 | \$3,658,244 | (3.96%) |
| Texas Quarter Horse Association | \$1,692,269 | \$1,645,059 | (2.87%) |
| Texas Greyhound Association | \$820,241 | \$851,207 | 3.64% |
| Texas-Bred Stakes Race Supplements | \$244,318 | \$235,179 | (3.89%) |
| Texas Arabian Breeders Association | \$68,115 | \$68,595 | 0.70% |
| Texas Paint Horse Breeders Association | \$12,193 | \$9,341 | (30.05%) |
| Texas Appaloosa Horse Club | \$0 | \$0 | N/A |
| TOTAL | \$6,640,235 | \$6,467,625 | (2.67%) |

INDUSTRY HIGHLIGHTS

The several organizations and racetracks comprising the racing industry in Texas succeeded in two significant initiatives during 2001.

GLOBAL AGREEMENT

To address perceived inequities in the allocation of revenue from cross-species simulcasting, representatives of all greyhound and horse racetracks and organizations entered into a "global agreement". This agreement, which conforms to statutory requirements, changed the contractual percentages by which cross-species simulcasting revenues were divided among the tracks and purses. The agreement ensures the owners and trainers at each track are adequately compensated for any diversion of purse revenue that may occur from cross-species simulcasting at that track.

TRAC

In the second industry accomplishment of 2001, the Texas Racing Agri-industry Council (TRAC) began its work in earnest. The Council organized in late 2000 and is composed of all licensed pari-mutuel racetracks, the breed registries participating in the Texas-Bred Incentive Programs, and the Texas Horsemen's Partnership. This umbrella organization serves as a focal point for moving the racing industry as a whole forward,

through research, public relations, and political involvement.

In 2001, TRAC commissioned a comprehensive economic assessment of the Texas racing industry, which was performed by the Perryman Group, a Waco-based economic analysis company. The assessment examined three key areas:

- the current economic impact of the racing industry (including breeding and training) on overall business activity within the state;
- competitive threats faced by the industry; and
- potential market responses to these threats.

The Perryman report found that Texas racing, including the breeding industries, generates \$6 billion in spending each year and supports 52,000 permanent jobs.

Additionally, the industry raises \$162 million in taxes each year for the State and is responsible for \$2.8 billion in annual gross state product, \$1.7 billion in personal income, and \$778 million in annual retail sales.

In agriculture alone, racing annually accounts for \$1.1 billion in spending, \$314 million in personal income, and nearly 9,000 permanent

jobs, which is almost 7 percent of total employment in that sector. The report also found that gaming in Louisiana has reduced the overall performance of Texas racetracks by more than 30% and Internet gambling costs Texas racing almost \$700 million per year.

In 2002, TRAC plans to develop an education and outreach program focusing on the economic benefits of the pari-mutuel racing industry. TRAC is also examining appropriate methods to enable the racing industry to continue growth while increasing the impact to State through jobs and tax revenue.

TEXAS THOROUGHBRED ASSOCIATION

The Texas-Bred Incentive Program for thoroughbreds will change significantly during 2002, due to legislation enacted during the 2001 session. The legislation, which took effect January 1, 2002, creates a two-tiered system of breeders' awards and eliminates the statutory requirement that a mare be bred-back to a Texas stallion every other year to maintain accredited status. The breed registry hopes the change will encourage more high-quality broodmares to move to Texas. The legislation also authorizes an owner's bonus award for Texas-bred thoroughbreds finishing in the money in non-restricted races.

During 2001 the number of new mares accredited for the Texas-Bred Incentive Program increased by over 50%. This marked increase should result in an increase in accredited foal registration. Currently, Texas ranks fourth behind Kentucky, Florida, and California in thoroughbred foal production.

Two outstanding freshman thoroughbred sires reside in Texas as of the end of 2001. Valid Expectations, the nation's leading freshman sire, has stood at Lane's End/Huisache Farm near Hempstead for the past two years. The farm acquired Open Forum, the nation's second leading freshman sire, in late 2001 to stand in Texas for the 2002 breeding season.

TEXAS QUARTER HORSE ASSOCIATION

The official breed registry for quarter horses hosted the first "TQHA Youth Racing Experience" at Sam Houston Race Park the weekend of July 14, 2001. Thirty young TQHA members spent the weekend at the racetrack, learning more about the racing aspect of quarter horses.

The TQHA Yearling Sale saw an increase in the average sales price and total revenue, for the fourth straight year. Total sales revenue increased by almost 10% over 2000, with an average sales price was \$9,406.90.

Pretty Boy Perry and Doing Magic, graduates of the 2000 sale, won the Grade I Texas Classic Futurity and the Grade I Rainbow Futurity, respectively. The Texas Classic Futurity, held at Lone Star Park at Grand Prairie on December 1, 2001, had a purse of \$1 million.

TEXAS GREYHOUND ASSOCIATION

In addition to administering the Texas Bred Incentive Program for greyhounds, the TGA focused much of its efforts on improving racing conditions for greyhounds in Texas and around the country.

The TGA has developed a database on sand-based soils for racing greyhounds and shares this information with racing facilities throughout the country. In 2001, a representative of TGA traveled to Wheeling, West Virginia to consult on the track's new racing surface, track equipment, and kennel facilities. TGA also sponsored safety seminars at Gulf Greyhound Park and Corpus Christi Greyhound Race Track.

To assist kennel operators racing at Gulf Greyhound Park, the TGA held several meetings to discuss kennel facilities, turnout areas, and sprint paths. TGA also conducted a meeting on "kennel economics", to assist the kennel operators in finding optimum profitability while

ensuring the health and safety of the greyhound athletes.

TEXAS HORSEMEN'S PARTNERSHIP

The THP, the official representative for horse owners and trainers racing in Texas, continued to further its mission during 2001. THP developed the "Groom Elite" program, a 10-week education course aimed to improve horse care skills for stable area workers. This course drew world-wide attention, inspiring similar programs patterned after the Texas in New York, California, Florida, West Virginia, and Australia.

The THP hosted the National HBPA winter convention in January 2001 in San Antonio. At the summer convention later in the year, former chairman of the THP John Roark was elected president of the National HBPA, thereby increasing the visibility of Texas horse owners and trainers in the national racing arena.

The THP's innovative centralized horsemen's bookkeeper system, implemented in Texas several years ago, continued to provide state-of-the-art financial services for horse owners and trainer. In 2001, the system was the model for similar programs in Florida and Louisiana, with THP personnel providing valuable consulting services.

YEAR 2001 PURSE STATISTICS

| Source of Funds | Quarter Horse | Thoroughbred | Arabian | Paint | TOTAL HORSE* |
|--|---------------------|---------------------|------------------|------------------|---------------------|
| Earned Purse | \$8,400,660 | \$28,699,187 | \$379,500 | \$72,500 | \$37,551,847 |
| TxBred Stakes | \$79,000 | \$138,683 | \$4,000 | \$0 | \$221,683 |
| Stakes | \$3,110,105 | \$1,131,934 | \$96,293 | \$58,303 | \$4,396,635 |
| Sponsors | \$298,800 | \$197,579 | \$28,875 | \$51,000 | \$576,254 |
| ATB Sponsored Purse | \$0 | \$163,400 | \$0 | \$0 | \$163,400 |
| TOTAL PURSES PAID | \$11,888,565 | \$30,330,783 | \$508,668 | \$181,803 | \$42,909,819 |
| Average Daily Purses Paid at All Meets | \$90,065 | \$144,432 | \$1,980 | \$1,377 | \$125,467 |

| Source of Funds | TOTAL GREYHOUND | Source of Funds | HORSE & GREYHOUND | HORSE & GREYHOUND | % Change |
|---------------------------------------|--------------------|---------------------------------------|---------------------|---------------------|----------------|
| Earned Purse | \$6,265,771 | Earned Purse | \$43,886,853 | \$43,817,618 | (0.16%) |
| TxBred Stakes | \$236,109 | TxBred Stakes | \$363,860 | \$457,792 | 25.82% |
| Stakes | \$5,600 | Stakes | \$4,515,328 | \$4,402,235 | (2.50%) |
| Sponsors | \$84,000 | Sponsors | \$1,281,018 | \$660,254 | (48.46%) |
| TGA's Cross Species Purse Supplements | \$1,305,526 | TGA's Cross Species Purse Supplements | \$1,216,676 | \$1,305,526 | 7.30% |
| TOTAL PURSES PAID | \$7,897,006 | ATB Sponsored Purse | \$325,000 | \$163,400 | (49.72%) |
| Average Purses Paid per Performance | \$7,842 | TOTAL PURSES PAID | \$51,768,317 | \$50,806,825 | (1.86%) |

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

Summary of All Texas Greyhound Racetracks

from 1/1/2001 through 12/31/2001

| | 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 | 677 | n/a | 1,985 | 1,746 | 4,408 | 677 | 3,731 | 4,408 |
| # of Performances | 1,007 | n/a | 13,613 | 9,006 | 23,626 | 1,007 | 22,619 | 23,626 |
| Attendance | 762,670 | n/a | 63,828 | 15,936 | 842,434 | 762,670 | 79,764 | 842,434 |
| Net Handle | \$60,337,028 | \$71,547,407 | \$46,990,208 | \$29,753,670 | \$208,628,313 | \$131,884,435 | \$76,743,878 | \$137,080,906 |
| Horse Purse | \$0 | \$0 | \$0 | \$211,052 | \$211,052 | \$0 | \$211,052 | \$211,052 |
| Greyhound Purse | 2,970,414 | 284,766 | 2,002,160 | 23,837 | 5,281,177 | 3,255,180 | 2,025,997 | 4,996,412 |
| TTA Purse | 0 | 0 | 0 | 188,524 | 188,524 | 0 | 188,524 | 188,524 |
| TQHA Purse | 0 | 0 | 0 | 188,524 | 188,524 | 0 | 188,524 | 188,524 |
| TGA Purse | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Escrowed Horse Purse | 0 | 0 | 0 | 1,122,171 | 1,122,171 | 0 | 1,122,171 | 1,122,171 |
| TX Horsemen's Partnership | 0 | 0 | 0 | 3,498 | 3,498 | 0 | 3,498 | 3,498 |
| THP Escrow Horse Purse | 0 | 0 | 0 | 20,171 | 20,171 | 0 | 20,171 | 20,171 |
| Texas Bred | 0 | 0 | 430,540 | 230,257 | 660,798 | 0 | 660,798 | 660,798 |
| State Tax | 0 | 0 | 469,909 | 372,026 | 841,935 | 0 | 841,935 | 841,935 |
| Hub Fee | 0 | 0 | 0 | 376,997 | 376,997 | 0 | 376,997 | 376,997 |
| Simulcast Fee | 0 | 0 | 1,327,328 | 1,013,072 | 2,340,399 | 0 | 2,340,399 | 2,340,399 |
| Racetracks | <u>10,685,861</u> | <u>1,762,149</u> | <u>6,460,318</u> | <u>2,562,142</u> | <u>21,470,470</u> | <u>12,448,010</u> | <u>9,022,460</u> | <u>19,708,321</u> |
| Total Commissions | \$13,656,275 | \$2,046,915 | \$10,690,255 | \$6,312,271 | \$32,705,716 | \$15,703,190 | \$17,002,526 | \$30,658,801 |
| Breakage | \$167,984 | \$0 | \$94,315 | \$118,518 | \$380,817 | \$167,984 | \$212,833 | \$380,817 |

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

\$46,115,233 Total Export-Interstate Handle - Out of state locations wagering on Texas greyhound racetracks
64,909,074 Total Import-Interstate Handle - Texas greyhound racetracks wagering on out of state racetracks
 -\$18,793,841 Net LOSS of wagering dollars in Texas as a result of simulcasting at greyhound racetracks

Summary of All Texas Horse Racetracks

from 1/1/2001 through 12/31/2001

| | 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 | 342 | n/a | 2,286 | 2,405 | 5,033 | 342 | 4,691 | 5,033 |
| # of Performances | 342 | n/a | 20,824 | 11,378 | 32,544 | 342 | 32,202 | 32,544 |
| Attendance | 1,571,705 | n/a | 769,880 | 7,401 | 2,348,986 | 1,571,705 | 777,281 | 2,348,986 |
| Net Handle | \$86,190,887 | \$425,109,905 | \$346,004,412 | \$50,737,916 | \$908,043,120 | \$511,300,792 | \$396,742,328 | \$482,933,215 |
| Horse Purse | \$6,259,963 | \$4,461,705 | \$24,046,179 | \$962,236 | \$35,730,083 | \$10,721,667 | \$25,008,416 | \$31,268,378 |
| Greyhound Purse | 0 | 0 | 0 | 876,973 | 876,973 | 0 | 876,973 | 876,973 |
| TTA Purse | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TQHA Purse | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TGA Purse | 0 | 0 | 0 | 1,639,736 | 1,639,736 | 0 | 1,639,736 | 1,639,736 |
| Escrowed Horse Purse | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TX Horsemen's Partnership | 185,695 | 127,150 | 689,216 | 28,087 | 1,030,147 | 312,844 | 717,303 | 902,998 |
| THP Escrow Horse Purse | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Texas Bred | 510,515 | 0 | 2,369,809 | 437,914 | 3,318,238 | 510,515 | 2,807,723 | 3,318,238 |
| State Tax | 0 | 0 | 3,460,044 | 634,374 | 4,094,418 | 0 | 4,094,418 | 4,094,418 |
| Hub Fee | 0 | 0 | 0 | 443,742 | 443,742 | 0 | 443,742 | 443,742 |
| Simulcast Fee | 0 | 0 | 11,317,930 | 1,263,675 | 12,581,605 | 0 | 12,581,605 | 12,581,605 |
| Racetracks | <u>11,122,508</u> | <u>7,823,311</u> | <u>29,076,052</u> | <u>5,185,600</u> | <u>53,207,472</u> | <u>18,945,819</u> | <u>34,261,652</u> | <u>45,384,161</u> |
| Total Commissions | \$18,078,681 | \$12,412,165 | \$70,959,231 | \$11,472,337 | \$112,922,414 | \$30,490,846 | \$82,431,568 | \$100,510,249 |
| Breakage | \$565,541 | \$0 | \$1,698,505 | \$135,743 | \$2,399,789 | \$565,541 | \$1,834,248 | \$2,399,789 |

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

\$394,640,547
352,672,014
 \$41,968,533

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

Summary of All Texas Racetracks

from 1/1/2001 through 12/31/2001

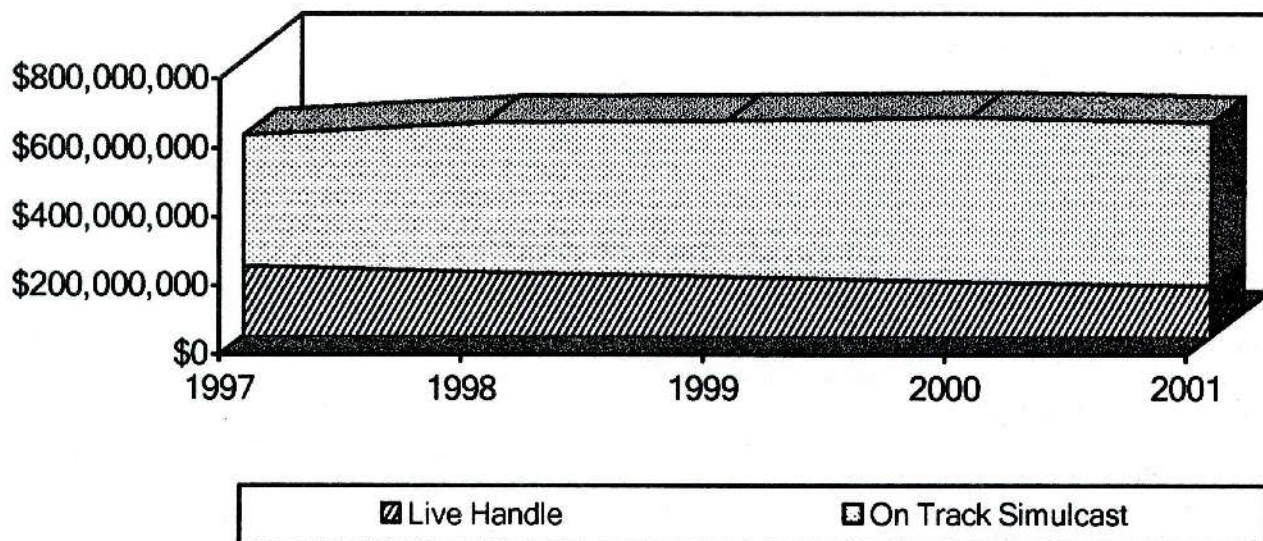
| | Column 1 | Column 2 | Column 3 | Column 4 | Column 5 | Column 6 | Column 7 | Column 8 |
|---------------------------|-------------------|------------------|---------------------------|----------------------------|--------------------------------|--|---|---|
| | Live On-Track | Live Export | Simulcast 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 | 1,019 | n/a | 4,271 | 4,151 | 9,441 | 1,019 | 8,422 | 9,441 |
| # of Performances | 1,349 | n/a | 34,437 | 20,384 | 56,170 | 1,349 | 54,821 | 56,170 |
| Attendance | 2,334,375 | n/a | 833,708 | 23,337 | 3,191,420 | 2,334,375 | 857,045 | 3,191,420 |
| Net Handle | \$146,527,915 | \$496,657,312 | \$392,994,620 | \$80,491,586 | \$1,116,671,433 | \$643,185,227 | \$473,486,206 | \$620,014,121 |
| | 0 | 0 | 0 | 0 | | | | |
| Horse Purse | \$6,259,963 | \$4,461,705 | \$24,046,179 | \$1,173,289 | \$35,941,135 | \$10,721,667 | \$25,219,468 | \$31,479,431 |
| Greyhound Purse | 2,970,414 | 284,766 | 2,002,160 | 900,811 | 6,158,151 | 3,255,180 | 2,902,971 | 5,873,385 |
| TTA Purse | 0 | 0 | 0 | 188,524 | 188,524 | 0 | 188,524 | 188,524 |
| TQHA Purse | 0 | 0 | 0 | 188,524 | 188,524 | 0 | 188,524 | 188,524 |
| TGA Purse | 0 | 0 | 0 | 1,639,736 | 1,639,736 | 0 | 1,639,736 | 1,639,736 |
| Escrowed Horse Purse | 0 | 0 | 0 | 1,122,171 | 1,122,171 | 0 | 1,122,171 | 1,122,171 |
| TX Horsemen's Partnership | 185,695 | 127,150 | 689,216 | 31,585 | 1,033,645 | 312,844 | 720,801 | 906,495 |
| THP Escrow Horse Purse | 0 | 0 | 0 | 20,171 | 20,171 | 0 | 20,171 | 20,171 |
| Texas Bred | 510,515 | 0 | 2,800,350 | 668,171 | 3,979,035 | 510,515 | 3,468,520 | 3,979,035 |
| State Tax | 0 | 0 | 3,929,953 | 1,006,400 | 4,936,353 | 0 | 4,936,353 | 4,936,353 |
| Hub Fee | 0 | 0 | 0 | 820,739 | 820,739 | 0 | 820,739 | 820,739 |
| Simulcast Fee | 0 | 0 | 12,645,257 | 2,276,747 | 14,922,004 | 0 | 14,922,004 | 14,922,004 |
| Racetracks | <u>21,808,369</u> | <u>9,585,460</u> | <u>35,536,370</u> | <u>7,747,742</u> | <u>74,677,941</u> | <u>31,393,829</u> | <u>43,284,112</u> | <u>65,092,481</u> |
| Total Commissions | \$31,734,956 | \$14,459,080 | \$81,649,485 | \$17,784,608 | \$145,628,129 | \$46,194,036 | \$99,434,094 | \$131,169,050 |
| | \$0 | \$0 | \$0 | \$0 | | | | |
| Breakage | \$733,525 | \$0 | \$1,792,820 | \$254,261 | \$2,780,606 | \$733,525 | \$2,047,081 | \$2,780,606 |

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

| | |
|---------------------------|---|
| \$440,755,780 | Total Export-Interstate Handle - Out of state locations wagering on Texas racetracks |
| <u>417,581,088</u> | Total Import-Interstate Handle - Texas racetracks wagering on out of state racetracks |
| \$23,174,692 | Net GAIN of wagering dollars in Texas as a result of simulcasting |

FIVE YEAR OVERVIEW OF PARI-MUTUEL RACING

On Track Handle Greyhound & Horse Combined



GREYHOUND & HORSE TRACKS COMBINED

| | 1997 | 1998 | 1999 | 2000 | 2001 |
|------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| # of Tracks | 7 | 7 | 7 | 8 | 8 |
| HANDLE ON TRACK: | | | | | |
| Live | \$204,470,138 | \$186,298,579 | \$172,397,736 | \$157,839,705 | \$146,527,915 |
| Simulcast | <u>\$377,322,976</u> | <u>\$434,277,050</u> | <u>\$451,928,576</u> | <u>\$475,868,631</u> | <u>\$473,486,206</u> |
| TOTAL | \$581,793,114 | \$620,575,629 | \$624,326,312 | \$633,708,336 | \$620,014,121 |
| LIVE DATES | 1,294 | 1,256 | 1,272 | 1,285 | 1,354 |
| # OF SIMULCAST SIGNALS TAKEN | 19,736 | 28,287 | 35,802 | 44,980 | 54,821 |
| PURSES PAID | \$41,822,609 | \$46,607,818 | \$48,170,585 | \$51,768,317 | \$50,806,825 |
| STATE TAX | \$6,815,182 | \$9,353,898 | \$4,676,860 | \$4,933,323 | \$4,936,353 |
| TX BRED \$ | \$5,990,995 | \$6,373,003 | \$6,567,234 | \$6,640,235 | \$6,467,625 |
| ATTENDANCE | 3,510,281 | 3,508,490 | 3,375,588 | 3,307,714 | 3,191,420 |

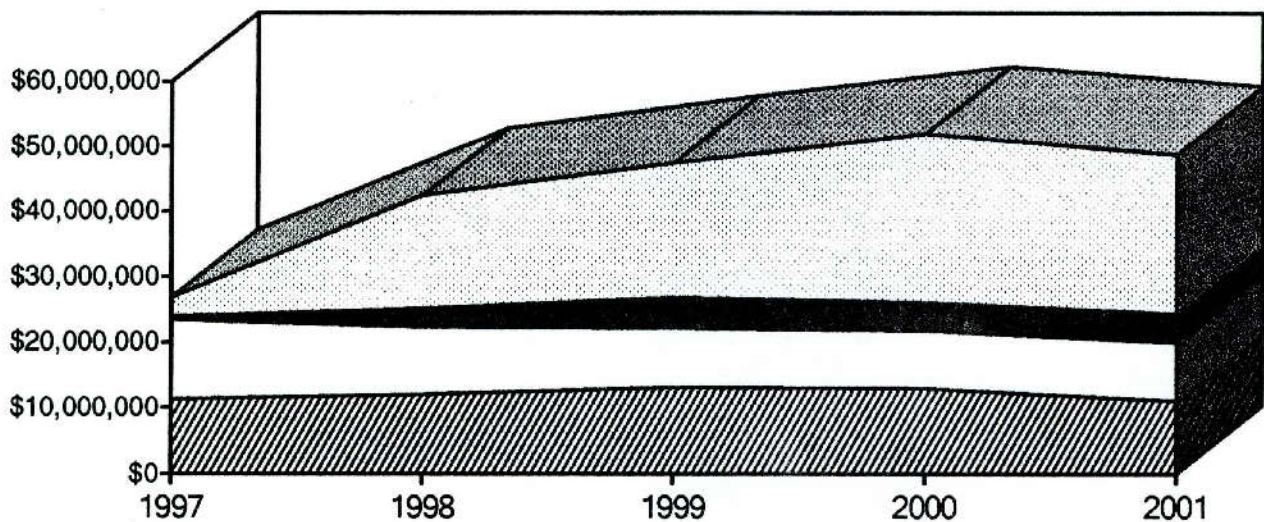
GREYHOUND RACETRACK

CORPUS CHRISTI GREYHOUND RACE TRACK

| | 2000 | 2001 | % Change |
|------------------------------------|--------------|--------------|----------|
| Live On-Track Handle | \$12,988,403 | \$11,067,211 | (14.79%) |
| Import Same Species Simulcast | \$8,871,485 | \$8,950,742 | 0.89% |
| Import Cross Species Simulcast | \$4,188,165 | \$4,434,160 | 5.87% |
| Total On-Track Handle | \$26,048,053 | \$24,452,113 | (6.13%) |
| Total Export Handle | \$25,805,883 | \$24,333,751 | (5.70%) |
| Total Wagered on CCGRT | \$38,794,286 | \$35,400,962 | (8.75%) |
| Average Value per Point | \$35.37 | \$35.22 | 0% |
| Average Purses Paid/Performance | \$4,126 | \$4,114 | (0.29%) |
| Total Purses Paid | \$1,745,437 | \$1,723,785 | (1.24%) |
| Total Live Performances | 423 | 419 | (0.95%) |
| Total # of Simulcast Signals Taken | 4,426 | 5,301 | 19.70% |
| Total Attendance | 208,418 | 182,848 | (12.27%) |

1997-2001
Corpus Christi Greyhound Race Track

- Export Simulcast
- Cross Species Simulcast
- Same Species Simulcast
- ▨ Live Handle



Data on this page provided by Corpus Christi Greyhound Race Track
For Calendar Year 1/1/2001 – 12/31/2001 – Unaudited

| | |
|---|-------------|
| Average # of Employees/Positions on Payroll | 127 |
| Total Salaries and Wages Paid | \$1,528,906 |
| Total State Pari-mutuel Tax Paid | \$148,676 |
| Total Other State Taxes Paid | \$28,484 |
| Total Property Taxes Paid | \$134,502 |
| Total Purchased Goods and Services | \$4,551,026 |
| Total Charitable Contributions | \$4,822 |

2001 Highlights

- ❖ Corpus Christi Greyhound Race Track gave away sweatshirts and hats to patrons as a part of their on-going fan appreciation program.
- ❖ Corpus Christi Greyhound Race Track made donations of free admission passes, and free buffet, admission and program packages to numerous charities, including the Veterans of Foreign Wars, Medina County Fair Association, NW Senior Center, Robstown Cotton Fest, Nazareth Academy, Celanese Bishop, East Cliff PTO, Grace Presbyterian Church, Geronimo Volunteer Fire Department, American Legion, South TX Trail Riders Inc., Big Brothers/Big Sisters, City of Corpus Christi, MDA, KEDT Channel 16, Community Blood Bank, Pleasanton Chamber of Commerce, KLRN TV-9 Auction, and Sun Harvest GO TEXAN Taste Fair.
- ❖ Employees and management of CCGRT participated in the Salvation Army's Operation Bunny Helper Easter campaign, decorating and filling over 50 baskets.
- ❖ During the holiday season, Corpus Christi Greyhound Race Track again participated in the Salvation Army's Project Sox Christmas campaign, donating over 60 stockings filled with gifts.
- ❖ Charity night donations totaled over \$2,100, benefiting the Texas A & M School of Veterinary Medicine, Texas Special Olympics, Women's Shelter of Corpus Christi, the Ronald McDonald House, and the persons working in the kennel area.

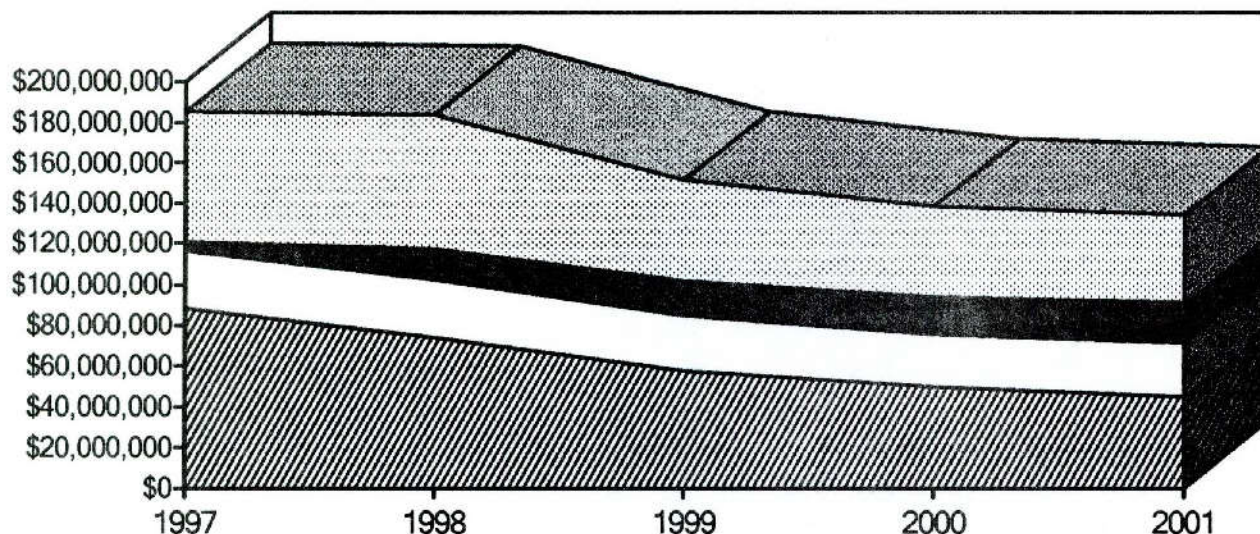
GREYHOUND RACETRACK

GULF GREYHOUND PARK

| | 2000 | 2001 | % Change |
|------------------------------------|--------------|--------------|----------|
| Live On-Track Handle | \$49,578,838 | \$44,851,069 | (9.54%) |
| Import Same Species Simulcast | \$26,185,925 | \$26,405,537 | 0.84% |
| Import Cross Species Simulcast | \$17,992,332 | \$20,126,242 | 11.86% |
| Total On-Track Handle | \$93,737,095 | \$91,382,848 | (2.51%) |
| Total Export Handle | \$44,485,568 | \$42,794,848 | (3.80%) |
| Total Wagered on Gulf Greyhound | \$94,064,406 | \$87,645,917 | (6.82%) |
| Average Value per Point | \$78.50 | \$77.98 | (0.67%) |
| Average Purses Paid/Performance | \$10,645 | \$11,068 | 3.97% |
| Total Purses Paid | \$5,130,717 | \$5,135,465 | 0.09% |
| Total Live Performances | 482 | 464 | (3.73%) |
| Total # of Simulcast Signals Taken | 8,054 | 8,257 | 2.52% |
| Total Attendance | 612,309 | 519,489 | (15.16%) |

1997-2001
Gulf Greyhound Park

Export Simulcast
 Cross Species Simulcast
 Same Species Simulcast
 Live Handle



Data on this page provided by Gulf Greyhound Park
For Calendar Year 1/1/2001 – 12/31/2001 – Unaudited

| | |
|---|--------------|
| Average # of Employees/Positions on Payroll | 475 |
| Total Salaries and Wages Paid | \$6,076,915 |
| Total State Pari-mutuel Tax Paid | \$515,680 |
| Total Other State Taxes Paid | \$389,508 |
| Total Property Taxes Paid | \$558,368 |
| Total Purchased Goods and Services | \$14,364,351 |
| Total Charitable Contributions | \$50,877 |

2001 Highlights

- ❖ Gable Oscar from the Gable Kennel placed 1st in the TGA Roundup; 1st in the TGA Fall Classic; 1st in the Survivor Stakes; 1st in the AGTOA Greyhound Night of Stars Race; 2nd in the Super Dog Stakes; and 3rd in the Peoples' Choice race.
- ❖ Gulf Greyhound Park has adopted out over 1300 greyhounds since 1992.
- ❖ The \$30,000 Tri-Super Cap was introduced and proved very popular with fans.
- ❖ Handle on horse simulcasting increased 12% as a result of the expanded menu featuring major racing from tracks coast to coast.
- ❖ The 9th Annual Weiner Dog races were held. Over 500 entries were received and 64 dogs were drawn at random to compete. Jay Leno mentioned the event on the Tonight Show.
- ❖ The 2nd Annual High School Coaches Clinic with over 250 college and high school coaches in attendance was held in January. Athletic directors and coaches from major colleges across the United States spoke at the 3-day seminar.
- ❖ The Sports Car Club of America continued to hold their meetings at GGP with a record attendance. BMW also set up a test-driving course in the parking lot for dealership employees from around the state to drive the new cars before they are sent to the dealerships.
- ❖ Approximately 700 attended the Galveston Propeller Club annual Crawfish Boil in the 2nd floor party pavilion, to raise scholarship funds for Texas A&M.
- ❖ A "Senior" buffet was added to the Friday matinee menu, which has resulted in an increase in attendance.
- ❖ Santa Claus was at the Park every Saturday in December with his live reindeer. Pictures with the reindeer were taken and given to children attending the races with their parents.

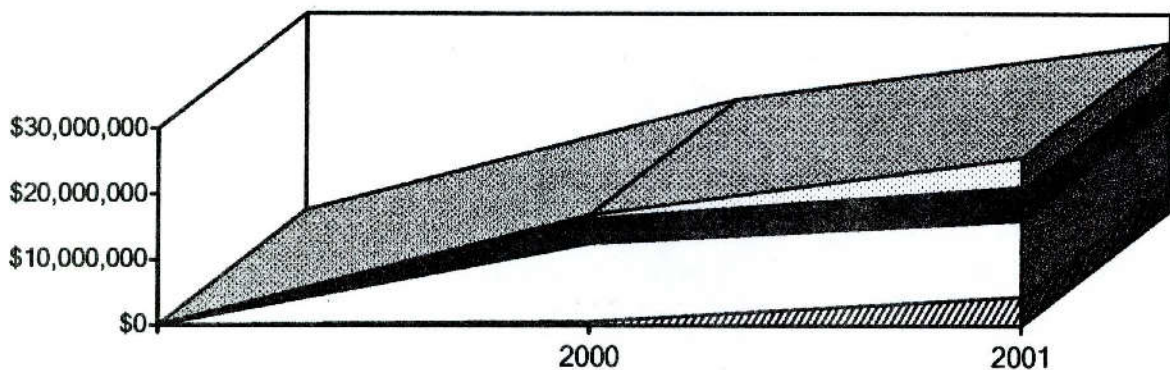
GREYHOUND RACETRACK

VALLEY RACE PARK

| | 2000 | 2001 | % Change |
|------------------------------------|--------------|--------------|----------|
| Live On-Track Handle | \$592,691 | \$4,418,748 | 645.54% |
| Import Same Species Simulcast | \$11,984,144 | \$11,633,929 | (2.92%) |
| Import Cross Species Simulcast | \$3,746,499 | \$5,193,268 | 38.62% |
| Total On-Track Handle | \$16,323,334 | \$21,245,945 | 30.12% |
| Total Export Handle | \$623,597 | \$4,418,808 | 608.60% |
| Total Wagered on Valley Race Park | \$1,216,288 | \$8,837,556 | 626.60% |
| Average Value per Point | \$72.03 | \$59.44 | (17.5%) |
| Average Purses Paid/Performance | \$9,572 | \$8,369 | (12.57%) |
| Total Purses Paid | \$162,723 | \$1,037,756 | 537.74% |
| Total Live Performances | 17 | 124 | 629.41% |
| Total # of Simulcast Signals Taken | 6,019 | 9,061 | 50.54% |
| Total Attendance | 93,550 | 140,097 | 49.76% |

2000-2001
Valley Race Park

- ▣ Export Simulcast
- Cross Species Simulcast
- Same Species Simulcast
- ▨ Live Handle



Data on this page provided by Valley Race Park

For Calendar Year 1/1/2001 – 12/31/2001 – Unaudited

| | |
|---|-------------|
| Average # of Employees/Positions on Payroll | 174 |
| Total Salaries and Wages Paid | \$1,652,139 |
| Total State Pari-mutuel Tax Paid | \$181,432 |
| Total Other State Taxes Paid | \$68,642 |
| Total Property Taxes Paid | \$70,183 |
| Total Purchased Goods and Services | \$1,196,604 |
| Total Charitable Contributions | \$10,927 |

2001 Highlights

- ❖ Valley Race Park hosted the Texas Bred Showdown on March 25, with an added purse of \$9,000.
- ❖ The 2000-2001 live meet generated and paid over a million dollars in purses within a fifteen and a half week period.
- ❖ Six of the twelve kennels earned more than \$100,000 in purses.
- ❖ Valley Race Park ranked 20th of the 47 racetracks in the country in purses paid per performance.
- ❖ Champion Companions Adoption Program assisted in adopting out of retired greyhounds.
- ❖ Valley Race Park personnel volunteered at a charity golf tournament sponsored by the Brownsville Chamber of Commerce.
- ❖ Valley Race Park hosted the International Business Exchange with the Harlingen Hispanic Chamber of Commerce benefiting businesses from both sides of the border.
- ❖ United Blood Service held a blood drive in July.
- ❖ Valley Race Park hosted the SPI Bike Fest in October, attracting over 12,000 people from South Texas and across the border. The proceeds benefited twenty Rio Grande Valley charities.

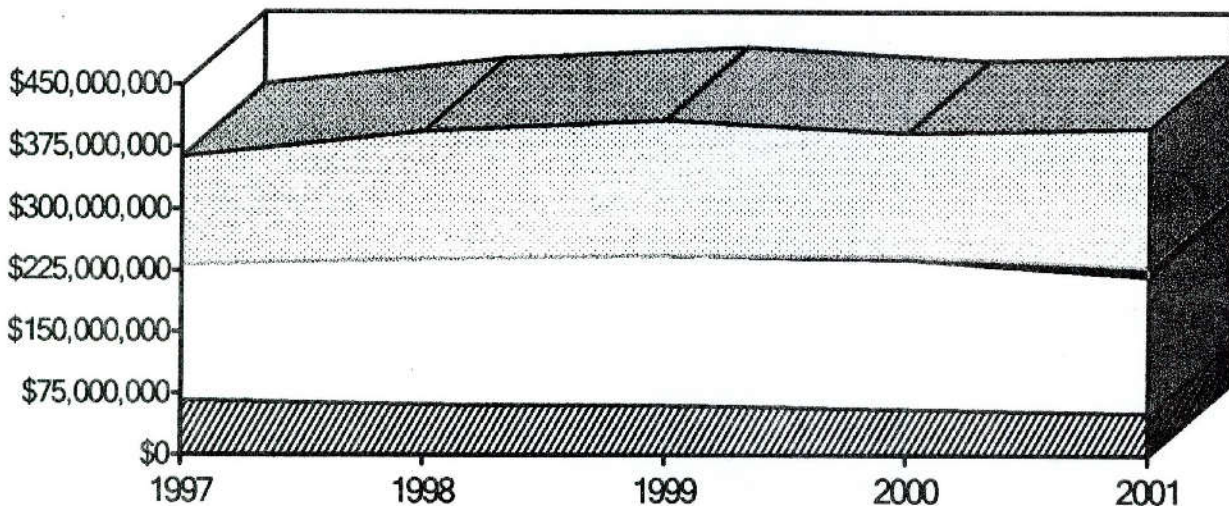
CLASS 1 HORSE RACETRACK

LONE STAR PARK AT GRAND PRAIRIE

| | 2000 | 2001 | % Change |
|------------------------------------|---------------|---------------|----------|
| Live On-Track Handle | \$55,923,873 | \$52,393,818 | (6.74%) |
| Import Same Species Simulcast | \$183,037,647 | \$166,591,928 | (9.87%) |
| Import Cross Species Simulcast | \$3,489,809 | \$10,938,891 | 213.45% |
| Total On-Track Handle | \$242,451,329 | \$229,924,637 | (5.17%) |
| Total Export Handle | \$148,986,197 | \$167,705,736 | 12.56% |
| Total Wagered on Lone Star | \$204,910,070 | \$220,099,554 | 7.41% |
| Average Purses Paid/Quarter Horse | \$163,287 | \$137,359 | (15.88%) |
| # of Quarter Horse Race Dates | 33 | 33 | N/A |
| Average Purses Paid/Thoroughbred | \$233,974 | \$231,400 | (1.10%) |
| # of Thoroughbred Race Dates | 73 | 74 | 1.37% |
| Total Purses Paid | \$22,689,129 | \$21,878,502 | (3.57%) |
| Total Live Performances | 106 | 107 | 0.94% |
| Total # of Simulcast Signals Taken | 4,352 | 5,810 | 33.50% |
| Total Attendance | 1,201,469 | 1,164,313 | (3.09%) |

1997-2001
Lone Star Park

- Export Simulcast
- Cross Species Simulcast
- Same Species Simulcast
- ▨ Live Handle



Data on this page provided by Lone Star Park
For Calendar Year 1/1/2001 – 12/31/2001 – Unaudited

| Average # of Employees/Positions on Payroll | 1,200 Live Meet; 600 Simulcast |
|---|--------------------------------|
| Total Salaries and Wages Paid | \$14,001,291 |
| Total State Pari-mutuel Tax Paid | \$1,802,655 |
| Total Other State Taxes Paid | \$1,915,366 |
| Total Property Taxes Paid | \$401,890 |
| Total Purchased Goods and Services | \$17,327,882 |
| Total Charitable Contributions | \$178,216 |

2001 Highlights

- ❖ The Thoroughbred season showed a 9.2% increase in wagering on the live racing product.
- ❖ Lone Star Park offered a record \$4 million Stakes Program.
- ❖ The Lone Stars & Stripes Festival continued to be a big hit with a meet high 30,462 in attendance at the races on July 3.
- ❖ The Pat Green Country Music Concert after the races on June 15 attracted 21,157.
- ❖ Attendance on Lone Star Million Day grew 3.9% to 19,027. Wagering that day was up 36.3% from the previous year with a record of \$6,076,969.
- ❖ Horse of the Meet "Dixie Dot Com" broke the 1 1/16 mile track record, 1:40.53, while winning the Grade III Lone Star Park Handicap. Other track records broken on the main track were "Nuclear Assembly" - 5F, 0:57.41, "Term Sheet" - 5 ½ F, 1:02.78, "Triple Card" - 6F, 1:08.06, and "Clooney" - 7F, 1:20.98.
- ❖ Sensational filly "Hallowed Dreams" boosted her career record to 23 wins in 24 starts with victories in the Valid Expectations Stakes & Miller Lite Stakes.
- ❖ Trainer Steve Asmussen shattered training records for single season wins (90) and earnings (\$2.2 million).
- ❖ Ken Murphy of Dallas clenched his first owner's title with a record of 17 wins. Doctors K.K. & Vilasini Jayaraman of Ocala, Florida led all owners in money won with more than \$500,000 dollars.

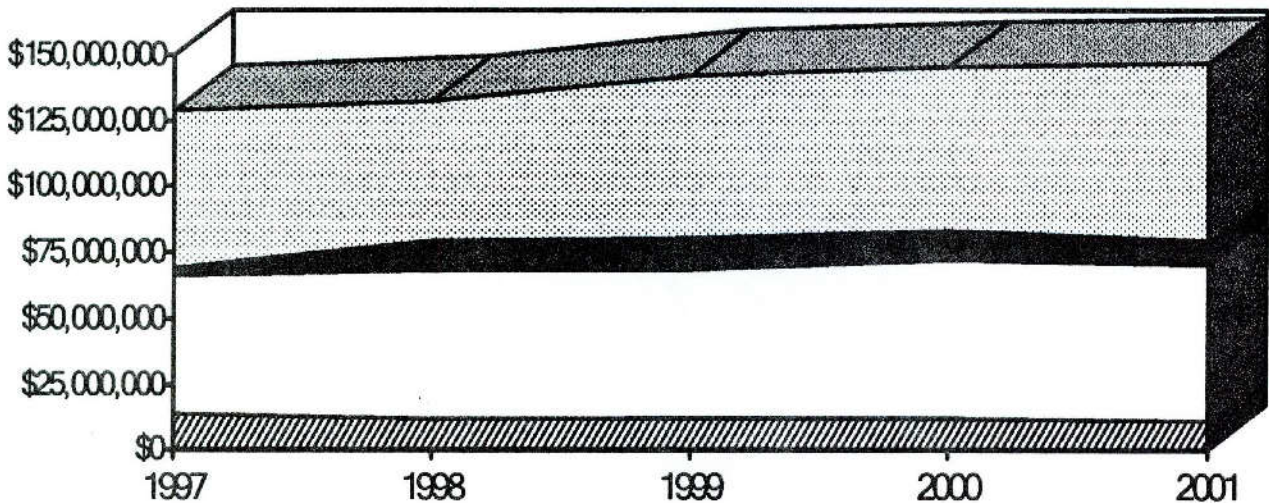
CLASS 1 HORSE RACETRACK

RETAMA PARK

| | 2000 | 2001 | % Change |
|-------------------------------------|--------------|--------------|----------|
| Live On-Track Handle | \$12,271,881 | \$11,160,691 | (10.25%) |
| Import Same Species Simulcast | \$59,941,105 | \$59,404,320 | (0.90%) |
| Import Cross Species Simulcast | \$10,701,077 | \$9,237,958 | (13.67%) |
| Total On-Track Handle | \$82,914,063 | \$79,772,969 | (3.79%) |
| Total Export Handle | \$62,424,916 | \$67,397,161 | 7.97% |
| Total Wagered on Retama Park | \$74,696,797 | \$78,527,852 | 5.13% |
| Average Purses Paid/Quarter Horse | \$66,166 | \$75,493 | 14.09% |
| # of Quarter Horse/Mixed Race Dates | 33 | 33 | N/A |
| Average Purses Paid/Thoroughbred | \$95,000 | \$89,059 | (6.25%) |
| # of Thoroughbred Race Dates | 51 | 55 | 7.84% |
| Total Purses Paid | \$7,483,685 | \$7,609,951 | 1.69% |
| Total Live Performances | 84 | 88 | 4.76% |
| Total # of Simulcast Signals Taken | 7,301 | 7866 | 7.74% |
| Total Attendance | 422,431 | 447,635 | 5.97% |

1997-2001
Retama Park

- Export Simulcast
- Cross Species Simulcast
- Same Species Simulcast
- ▨ Live Handle



Data on this page provided by Retama Park

For Calendar Year 1/1/2001 – 12/31/2001 – Unaudited

| | |
|---|---------------|
| Average # of Employees/Positions on Payroll | 345 |
| Total Salaries and Wages Paid | \$6.2 Million |
| Total State Pari-mutuel Tax Paid | \$710,000 |
| Total Other State Taxes Paid | \$407,000 |
| Total Property Taxes Paid | N/A |
| Total Purchased Goods and Services | \$8.9 Million |
| Total Charitable Contributions | \$22,000 |

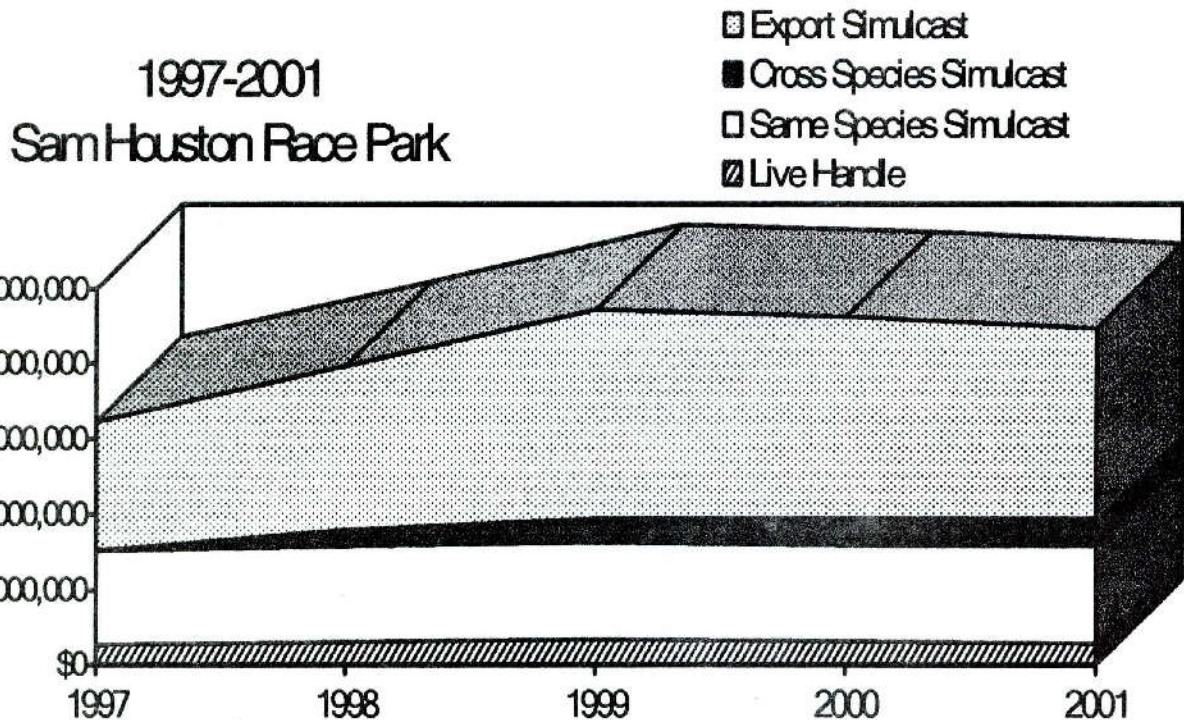
2001 Highlights

- ❖ Set a single day all-sources wagering record on October 27, 2001, of \$2.5 million, smashing the previous record by 14%.
- ❖ Total handle for the 2001 Thoroughbred Meet was up 11% from 2000.
- ❖ Eleven "Fifty Cent Friday" promotions featuring fifty cent parking, admission, program, hot dogs, and drinks were held at Retama Park. Other activities included live music, pony rides, clowns and face painting. Attendance for these events skyrocketed 23% to over 94,500 race fans.
- ❖ Retama Park hosted a rock concert by the popular band B.B. Mack with over 10,000 fans weathering tornado-like conditions to attend the concert and stay for evening races.
- ❖ The San Antonio Hotel and Motel Association honored Retama Park in the Top Recreational Facility category as part of their Hospitality Awards for 2001.
- ❖ Retama Park employees raised \$1,600 for the Susan G. Komen Breast Cancer Awareness Fund.
- ❖ Retama Park hosted two blood drives benefiting the South Texas Blood and Tissue Center.
- ❖ Approximately nine acres were donated to the City of Selma for a public park.
- ❖ A complimentary Thanksgiving dinner was provided to the residents of Selma.

CLASS 1 HORSE RACETRACK

SAM HOUSTON RACE PARK

| | 2000 | 2001 | % Change |
|------------------------------------|---------------|---------------|----------|
| Live On-Track Handle | \$23,140,086 | \$21,077,061 | (8.92%) |
| Import Same Species Simulcast | \$96,298,346 | \$98,503,047 | 2.29% |
| Import Cross Species Simulcast | \$25,929,156 | \$25,952,314 | 0.09% |
| Total On-Track Handle | \$145,367,588 | \$145,532,422 | 1.13% |
| Total Export Handle | \$201,945,465 | \$190,007,008 | (5.91%) |
| Total Wagered on Sam Houston | \$225,085,551 | \$211,084,069 | (6.22%) |
| Average Purses Paid/Quarter Horse | \$78,851 | \$80,992 | 2.72% |
| # of Quarter Horse Race Dates | 45 | 47 | 4.44% |
| Average Purses Paid/Thoroughbred | \$98,385 | \$102,167 | 3.84% |
| # of Thoroughbred Race Dates | 91 | 81 | (12.35%) |
| Total Purses Paid | \$12,534,571 | \$12,302,267 | 1.85% |
| Total Live Performances | 136 | 128 | (5.88%) |
| Total # of Simulcast Signals Taken | 11,541 | 13,260 | 14.89% |
| Total Attendance | 685,094 | 669,122 | (2.33%) |



Data on this page provided by Sam Houston Race Park

For Calendar Year 1/1/2001 – 12/31/2001 – Unaudited

| | |
|---|-------------|
| Average # of Employees/Positions on Payroll | 600 |
| Total Salaries and Wages Paid | \$9,685,410 |
| Total State Pari-mutuel Tax Paid | \$1,288,436 |
| Total Other State Taxes Paid | \$521,771 |
| Total Property Taxes Paid | \$1,008,251 |
| Total Purchased Goods and Services | \$7,253,521 |
| Total Charitable Contributions | \$43,599 |

2001 Highlights

- ❖ Sam Houston Race Park was selected as the host site of the inaugural NTRA Great State Challenge, a unique racing event in which Thoroughbred champions from eight states will compete in six races with purses totaling \$1.5 million. Modeled on the Breeders' Cup World Thoroughbred Championships, the Challenge races will feature eight NTRA member horsemen's associations - California, Florida, Illinois, Kentucky, Maryland, New Jersey, New York, and Texas. The event will be held on Saturday, December 7, 2002.
- ❖ An all-time attendance record was set on July 4 when 23,648 fans attended a special live racing program followed by the Foley's & the Fourth Fireworks Extravaganza. The signature event has grown in popularity each year with families and racing fans enjoying ten American Quarter Horse races and a spectacular fireworks show.
- ❖ To enhance enjoyment of live and simulcast racing, SHRP embarked on a major renovation to the grandstand, introducing a new state-of-the-art bar and entertainment center in June. Surrounded by televisions, conveniently located mutuel tellers and a new food court, the bar and entertainment center has become popular with both live and simulcast race patrons.
- ❖ SHRP was very active in a number of charitable endeavors throughout the year, hosting the Light the Night Walk benefiting the Leukemia Society and the Houston Northwest Chamber Epicurean Night to raise funds for the Barbara Bush Library. In July, SHRP joined racetracks across the country hosting fundraising activities for the Don MacBeth Memorial Jockey Fund.
- ❖ The American Quarter Horse Association honored Sam Houston Race Park in August with a Sprint Award for the Jiffy Lube Summer Concert Series as well as Honorable Mention for the Foley's & the Fourth Fireworks Extravaganza.

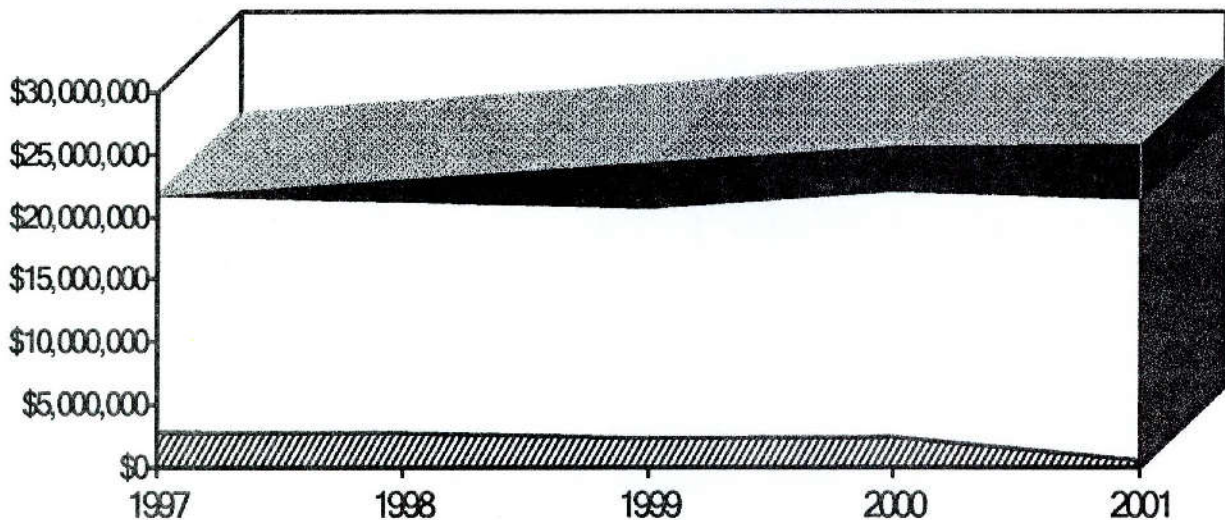
CLASS 2 HORSE RACETRACK

MANOR DOWNS

| | 2000 | 2001 | % Change |
|-----------------------------------|--------------|--------------|----------|
| Live On-Track Handle | \$2,459,711 | \$587,905 | (76.09%) |
| Import Same Species Simulcast | \$19,690,261 | \$20,990,792 | 6.60% |
| Import Cross Species Simulcast | \$3,706,233 | \$4,495,879 | 21.31% |
| Total On-Track Handle | \$25,856,205 | \$26,074,576 | 0.84% |
| Total Export Handle | \$402,383 | \$0 | (100%) |
| Total Wagered on Manor | \$2,862,094 | \$587,905 | (79.46%) |
| Average Purses Paid/Quarter Horse | \$59,346 | \$73,090 | 23.16% |
| # of Quarter Horse Race Dates | 29 | 11 | (62.07%) |
| Total Purses Paid | \$1,721,021 | \$803,990 | (53.28%) |
| Total Live Performances | 29 | 11 | (62.07%) |
| Total # Simulcast Signals Taken | 3,210 | 4,745 | 47.82% |
| Total Attendance | 72,763 | 56,720 | (22.05%) |

1997-2001
Manor Downs

- Export Simulcast
- Cross Species Simulcast
- Same Species Simulcast
- ▨ Live Handle



Data on this page provided by Manor Downs

For Calendar Year 1/1/2001 – 12/31/2001 – Unaudited

| | |
|---|-------------|
| Average # of Employees/Positions on Payroll | 50 |
| Total Salaries and Wages Paid | \$1,182,979 |
| Total State Pari-mutuel Tax Paid | \$258,400 |
| Total Other State Taxes Paid | \$51,912 |
| Total Property Taxes Paid | \$64,564 |
| Total Purchased Goods and Services | \$2,335,181 |
| Total Charitable Contributions | \$1,000 |

2001 Highlights

- ❖ Manor Downs hosted an afternoon and evening musical benefit for the Manor Education Foundation in November.
- ❖ Manor Downs completed construction of its 7 ½ furlong oval with a 6 furlong back chute.
- ❖ Along with the remodeling and refurbishing of the interior and exterior of the officials tower, two new barns were added to the newly expanded licensed premise that increased from 89 acres to 167 acres.
- ❖ Mondays were added to the Wednesday through Sunday simulcast schedule. This additional day contributed to the on track simulcast handle exceeding \$25 million for the first time.

CLASS 3 HORSE RACETRACK

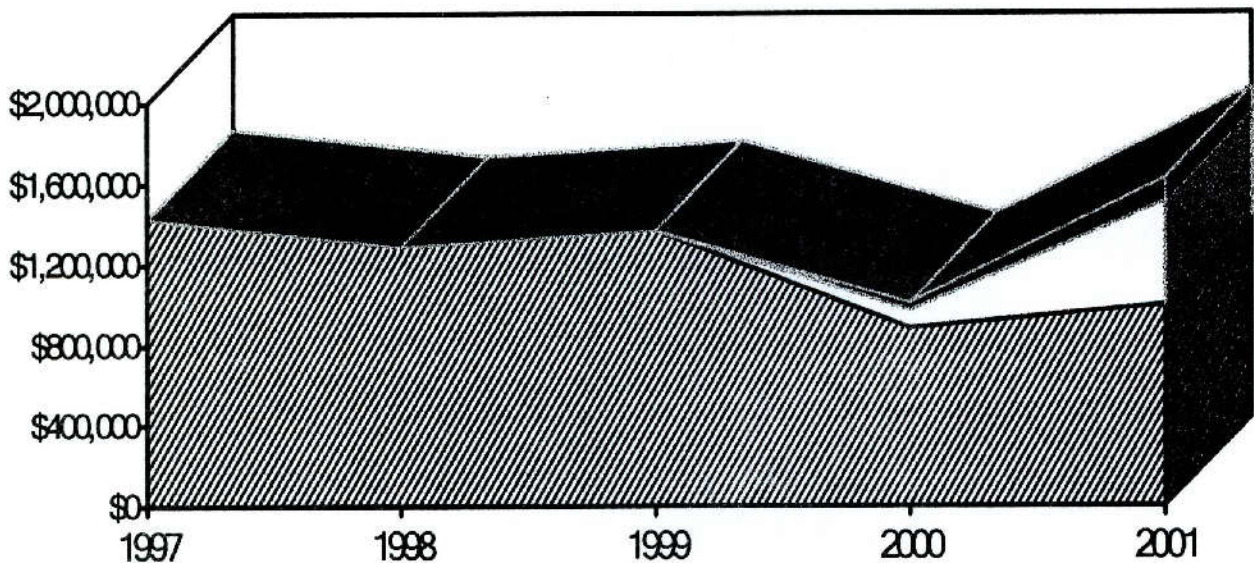
GILLESPIE COUNTY FAIR & FESTIVALS

| | 2000 | 2001 | % Change |
|------------------------------------|-------------|-------------|----------|
| Live On-Track Handle | \$884,222 | \$1,001,412 | 13.25% |
| Import Same Species Simulcast | 91,520 | \$514,325 | 461.98% |
| Import Cross Species Simulcast | 34,927 | \$112,874 | 223.17% |
| Total On-Track Handle | \$1,010,669 | \$1,628,611 | 61.14% |
| Total Export Handle | N/A | N/A | N/A |
| Total Wagered on Gillespie | \$884,222 | \$1,001,412 | 13.25% |
| Average Purses Paid/Quarter Horse | \$32,561 | \$33,560 | 3.07% |
| Average Purses Paid/Thoroughbred | \$5,069 | \$4,175 | (17.64%) |
| # of Mixed Race Dates | 8 | 8 | N/A |
| Total Purses Paid | \$301,035 | \$308,030 | 2.32% |
| Total Live Performances | 8 | 8 | 0% |
| Total # of Simulcast Signals Taken | 77 | 521 | 576.62% |
| Total Attendance | 11,680 | 11,196 | (4.14%) |

1997-2001

Gillespie County Fair & Festivals

- Cross Species Simulcast
- Same Species Simulcast
- ▨ Live Handle



OTHER LICENSED RACETRACKS

CLASS 2 HORSE RACETRACK

AUSTIN JOCKEY CLUB

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

Section 309.103 of the Rules of Racing requires a racetrack to submit detailed construction plans for approval at least 30 days before commencing any site work. As of December 31, 2001, no plans were submitted.

CLASS 2 HORSE RACETRACK

SADDLE BROOK PARK

In 2001, Yellow Rose Entertainment, d/b/a Saddle Brook Park, acquired Lubbock Downs, Inc., a company to which a class 2 horse racetrack license was issued in 1989. The Commission granted Saddle Brook's request to move the track from Lubbock to Randall County.

The new owners indicated their intent to construct the facility and open for live racing and simulcasting in 2002. As of December 31, 2001, no construction plans had been submitted to the Commission.

YEAR 2002 GRANTED RACE DATES

GREYHOUND RACETRACKS

CORPUS CHRISTI GREYHOUND RACE TRACK - 417 performances

Wednesday through Sunday, year-round

GULF GREYHOUND PARK - 465 performances

Tuesday through Sunday, year-round

VALLEY RACE PARK - 129 performances

Tuesday through Sunday,

January through April 7 and November 29 through December 31

HORSE RACETRACKS

LONE STAR PARK AT GRAND PRAIRIE, Class 1

Thoroughbred Meet - 70 days - April 4 (Thursday) through July 14 (Sunday)

Thursday - Sunday racing in April, Wednesday - Sunday racing May through July 14,

Holiday racing on Monday, May 27, Memorial Day, closed on Wednesday & Thursday, May 29 & 30

Quarter Horse Meet - 33 days - October 4 (Friday) through November 30 (Saturday)

Wednesday - Saturday racing, Holiday racing - closed on Thursday, November 28 for Thanksgiving

RETAMA PARK, Class 1

Quarter Horse Meet - 31 days - April 19 (Friday) through June 23 (Sunday)

Friday - Sunday racing, Holiday racing on Monday, May 27, Memorial Day

Thoroughbred Meet - 51 days - August 2 (Friday) through October 26 (Saturday)

Wednesday - Saturday racing

SAM HOUSTON RACE PARK, Class 1

Thoroughbred Meet - 52 days - January 2 (Wednesday) through March 30 (Saturday)

Wednesday - Saturday racing

Quarter Horse Meet - 44 days - June 28 (Friday) through September 8 (Sunday)

Thursday - Sunday racing, Holiday racing on Monday, September 2, Labor Day

Thoroughbred Meet - 32 days - November 1 (Friday) through December 28 (Saturday)

Wednesday - Saturday racing, Closed on Thursday, November 28, Thanksgiving & Wednesday, December 25, Christmas

MANOR DOWNS, Class 2

Quarter Horse Meet - 18 days - February 16 (Saturday) through April 14 (Sunday)

Saturday & Sunday racing

Thoroughbred Meet - 10 days - April 27 (Saturday) through May 26 (Sunday)

Saturday & Sunday racing

GILLESPIE COUNTY FAIR & FESTIVALS, Class 3

Mixed Meet - 8 days - July 6 & 7 and 20 & 21, August 10 & 11 and 24 & 25

Saturday & Sunday racing

(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.)

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COMBINED STATEMENT OF REVENUES & EXPENDITURES FOR FISCAL YEAR 2001 AS COMPARED TO FISCAL YEAR 2000

Source: Annual Financial Reports

| | FISCAL YEAR 2000 | FISCAL YEAR 2001 | % CHANGE |
|---|----------------------------|----------------------------|---------------|
| REVENUES: | | | |
| Legislative Appropriations | \$ 0 | \$ 0 | 0% |
| Licenses, Fees & Permits | 3,461,646 | 3,615,764 | 4.5% |
| Interest & Other Investment Income | 7,107 | 8,688 | 22% |
| Other Revenues | <u>8,864,834</u> | <u>8,829,687</u> | (0.4%) |
| TOTAL REVENUES | <u>\$12,333,587</u> | <u>\$12,454,139</u> | 1% |
| EXPENDITURES: | | | |
| Salaries & Wages | \$3,205,947 | \$3,426,359 | 7% |
| Payroll Related Costs | 723,640 | 777,741 | 7.5% |
| Professional Fees & Services | 86,097 | 81,334 | (5.5%) |
| Travel | 108,905 | 142,465 | 31% |
| Materials & Supplies | 77,110 | 154,598 | 101% |
| Communications & Utilities | 80,213 | 90,753 | 13% |
| Repairs & Maintenance | 44,712 | 44,704 | 0% |
| Rentals & Leases | 108,657 | 147,409 | 36% |
| Printing & Reproduction | 27,251 | 27,944 | 2.5% |
| Claims & Judgments | 19,682 | 40,142 | 104% |
| Distributions to Breed Registries | 7,296,987 | 7,542,750 | 3% |
| Capital Outlay | <u>51,342</u> | <u>51,728</u> | 0.8% |
| TOTAL EXPENDITURES | <u>\$11,830,542</u> | <u>\$12,527,926</u> | 6% |
| EXCESS REVENUES OVER EXPENDITURES | <u>\$503,044</u> | <u>(73,787)</u> | (115%) |
| OTHER FINANCING SOURCES (USES): | | | |
| Sale of Fixed Assets | \$85 | \$0 | (100%) |
| Operating Transfers Out: | | | |
| Agency 556, Fund 001, Equine Research | <u>(118,745)</u> | <u>(116,195)</u> | (2%) |
| TOTAL OTHER FINANCING SOURCES/(USES) | <u>(\$118,745)</u> | <u>(\$116,195)</u> | (2%) |
| EXCESS REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER FINANCING USES | \$384,299 | (\$189,982) | (149%) |
| BEGINNING FUND BALANCE | <u>\$3,876,536</u> | <u>\$4,260,836</u> | 10% |
| Net Change in Reserve for Inventories | <u>0</u> | <u>5,826</u> | 100% |
| ENDING FUND BALANCE | <u>\$4,260,835</u> | <u>\$4,076,680</u> | (4.3%) |

SUMMARY OF KEY FISCAL 2001 ACTUAL PERFORMANCE MEASURES AS COMPARED TO TARGET

| FY 2001 KEY MEASURES | Target | Actual | % of Target |
|--|----------|----------|-------------|
| Number of Racetrack Inspections | 40 | 47 | 117.5% |
| Average Regulatory Cost per Racetrack | \$21,004 | \$21,999 | 104.7% |
| Number of Texas-bred Awards | 22,671 | 24,058 | 106.1% |
| Number of Occupational Licenses Suspended or Revoked | 204 | 235 | 115.2% |
| Number of Investigations Completed | 1,028 | 1,274 | 123.9% |
| Percentage of Investigations Resulting in Disciplinary Action | 93% | 96.5% | 103.8% |
| Percentage of Licensees with No Recent Violations | 98% | 97.3% | 99.3% |
| Number of Race Animals Inspected Prior to Participating in a Race | 122,088 | 134,098 | 109.8% |
| Percentage of Race Animals Injured or Dismissed from Racetracks | 2.5% | 1% | 40% |
| Number of New Occupational Licenses Issued | 6,552 | 6,508 | 99.3% |
| Number of Occupational Licenses Renewed | 14,582 | 8,702 | 59.7% |
| Average Regulatory Cost per Licensee | \$28 | \$27.14 | 96.9% |
| Average Time (minutes) Required to Issue a New Occupational License | 15 | 7 | 46.7% |
| Number of Illegal Wagering Investigations Completed | 18 | 9 | 50% |
| Percentage of Compliance Audits Passed | 85% | 95.5% | 112.4% |
| Average Cost per Illegal Wagering Investigation | \$453 | \$436 | 96.2% |
| Total Pari-mutuel Handle (in millions) | \$645 | \$624.2 | 97% |
| Total take to the State Treasury from Pari-mutuel Wagering (in millions) | \$4.67 | \$4.96 | 106.3% |

GLOSSARY OF RACING TERMS

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

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

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

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

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

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

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

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

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

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

Multiple 2 wager - a wager on two animals in one or more races.

Multiple 3 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 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 an 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 lives audio and visual signals of a race, transmitted from a sending track to a receiving location, for the purpose of wagering conducted 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.

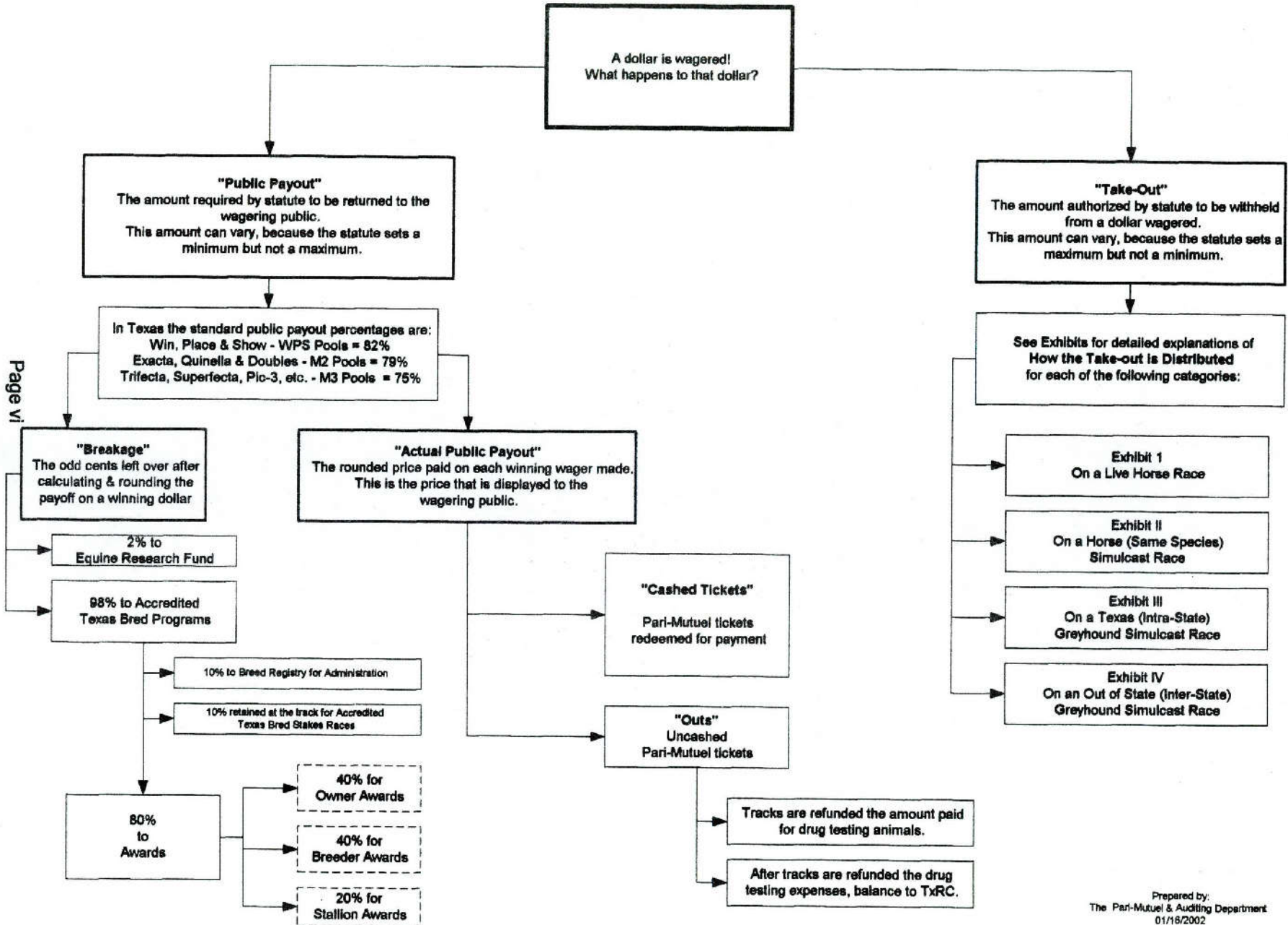
Totalisator - a machine or system for registering and computing the wagering and payoffs in pari-mutuel wagering.

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).

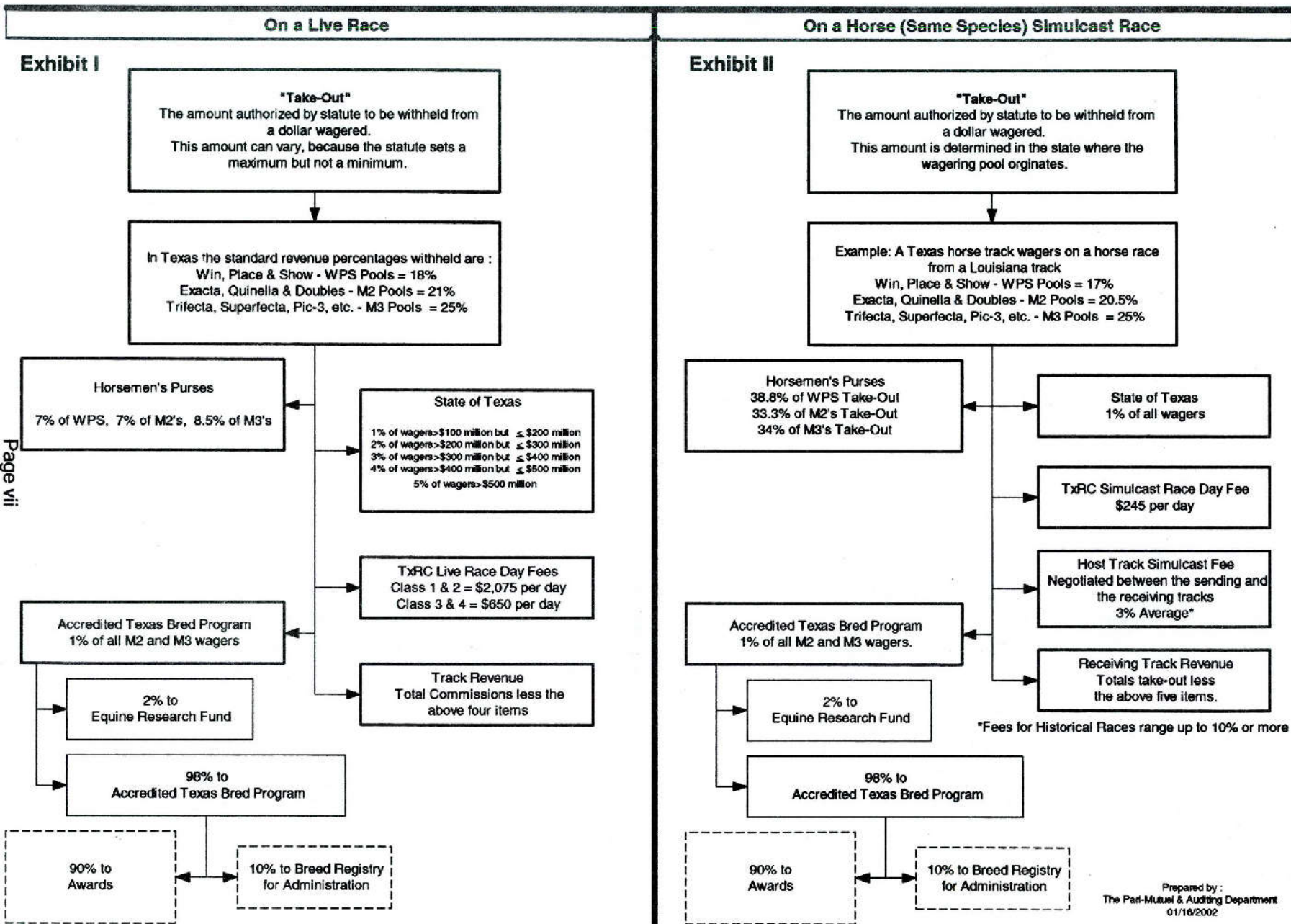
For further definitions see Section 1.03 of the Texas Racing Act and Section 301.1 of the Rules of Racing.

How Money Wagered at a Horse Track is Distributed

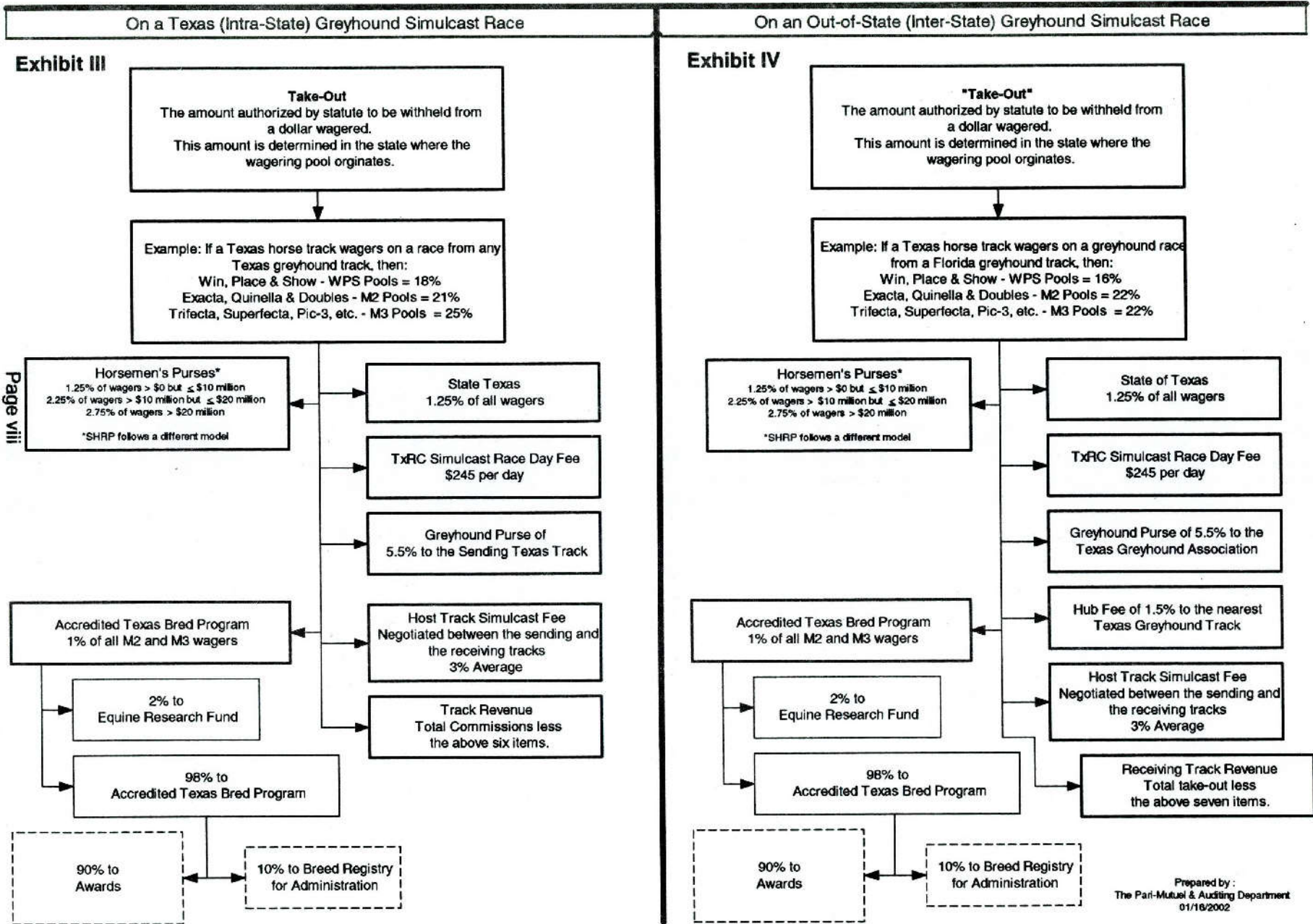


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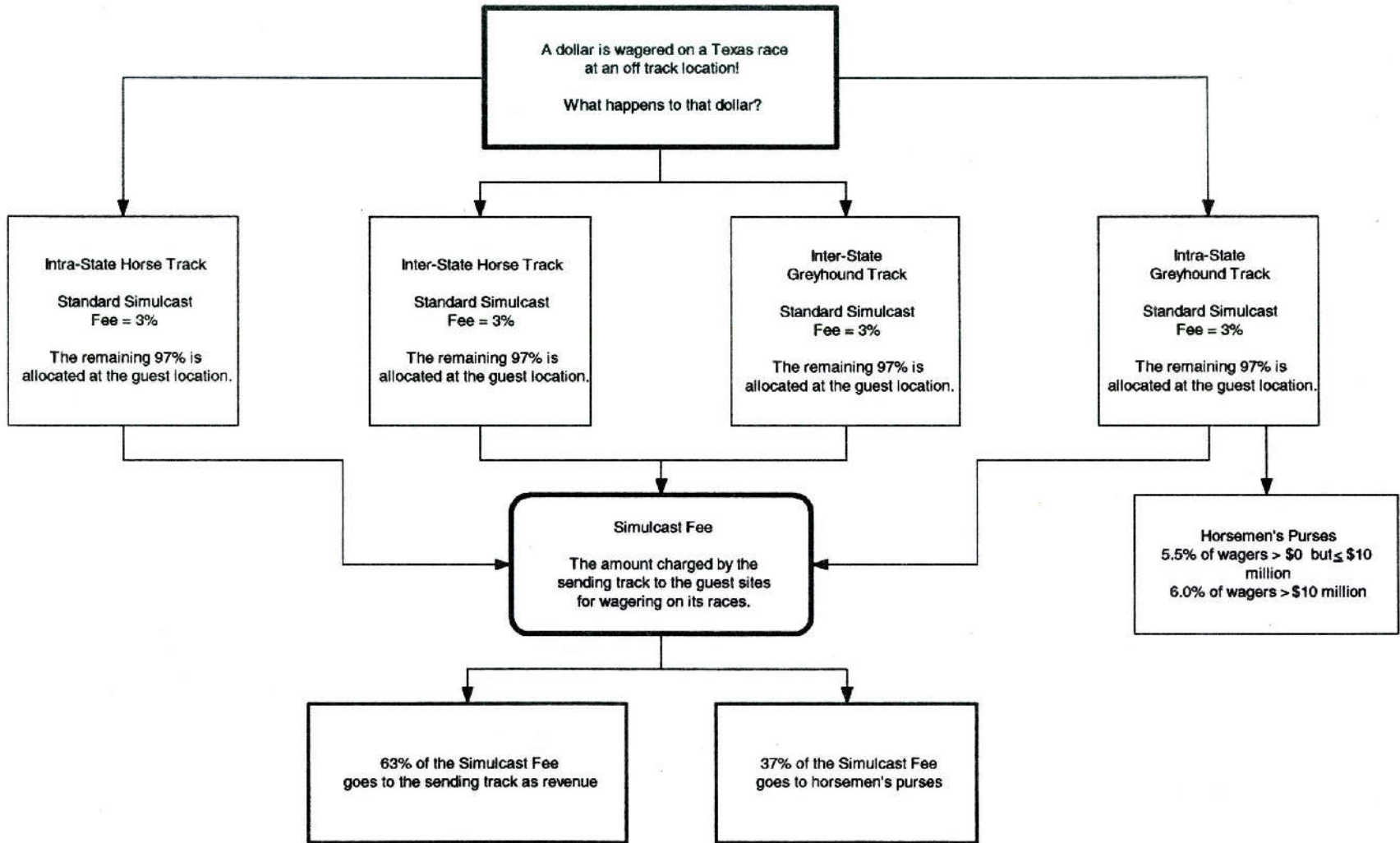
How the Take-Out from a Dollar Wagered at a Horse Track is Distributed



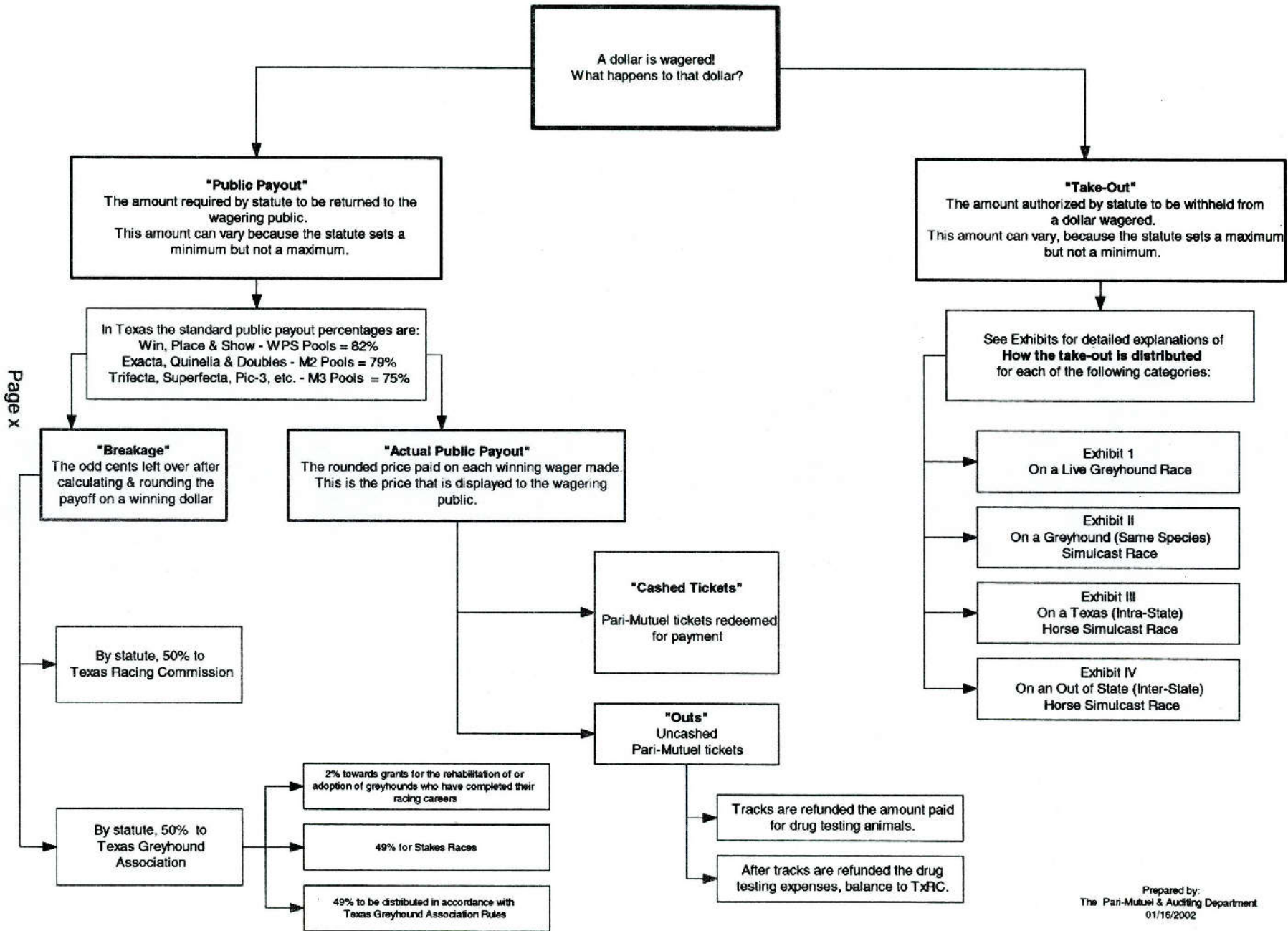
How the Take-Out from a Dollar Wagered at a Horse Track is Distributed



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

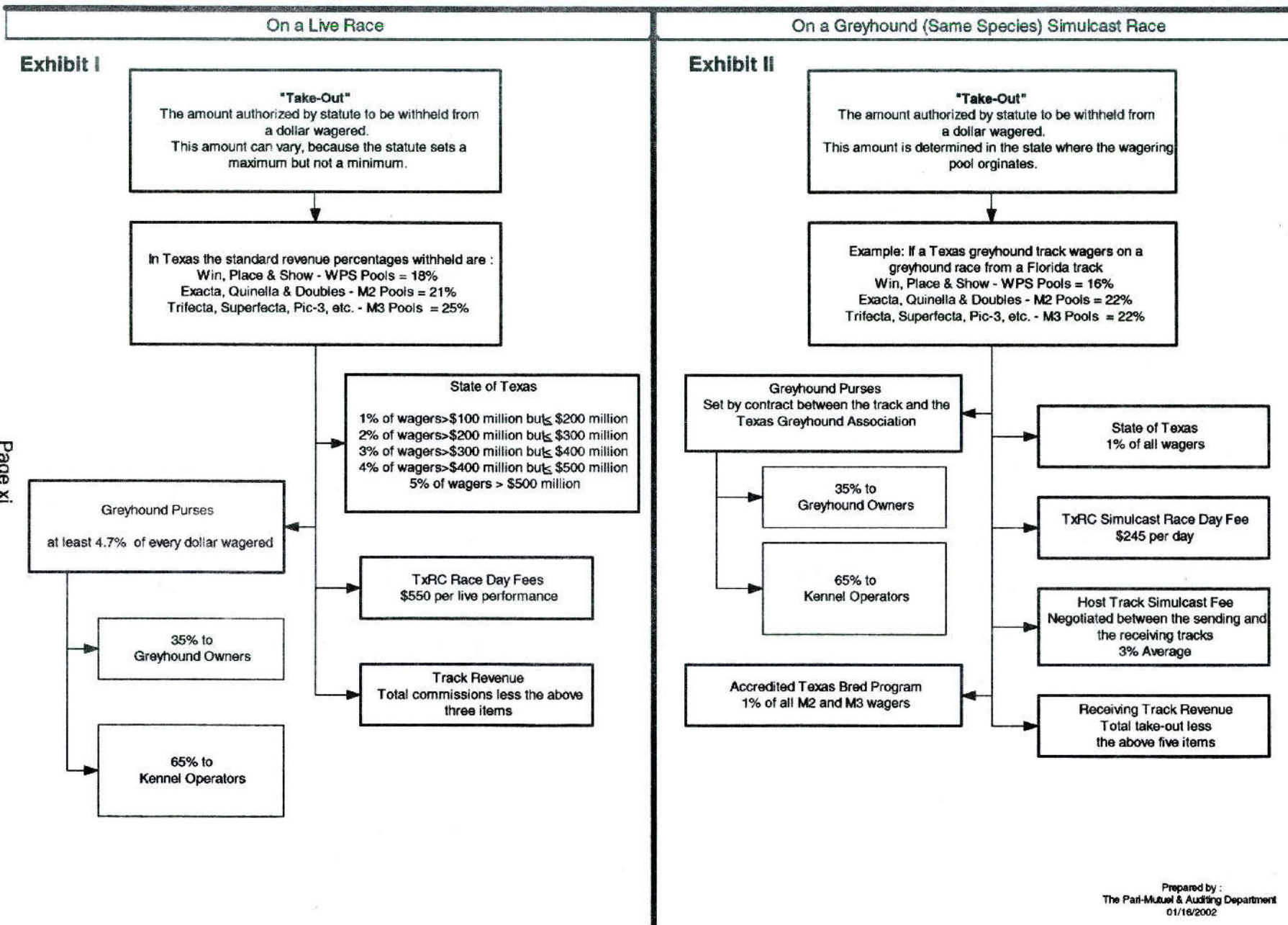


How Money Wagered at a Greyhound Track is Distributed

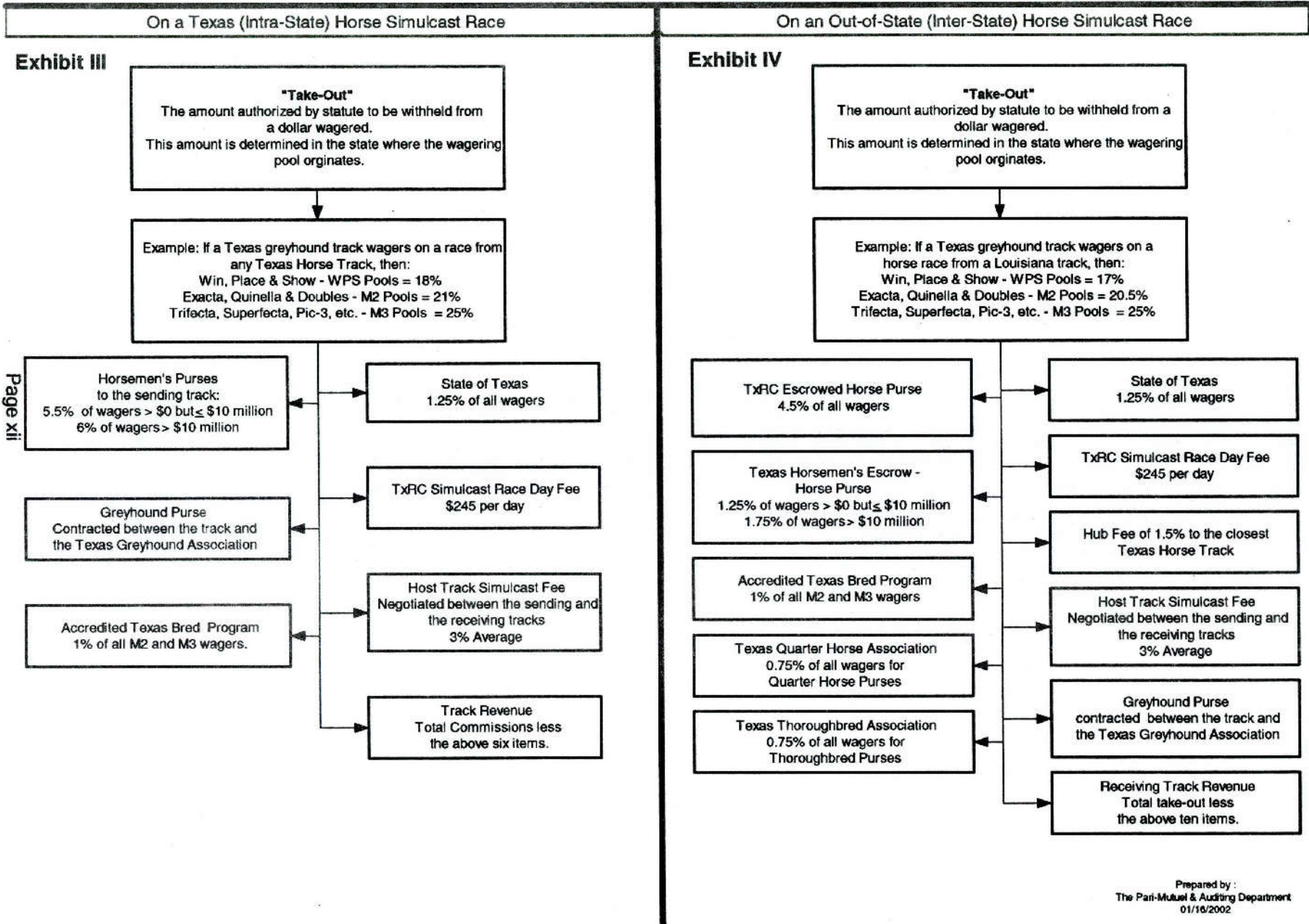


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How the Take-Out from a Dollar Wagered at a Greyhound Track is Distributed



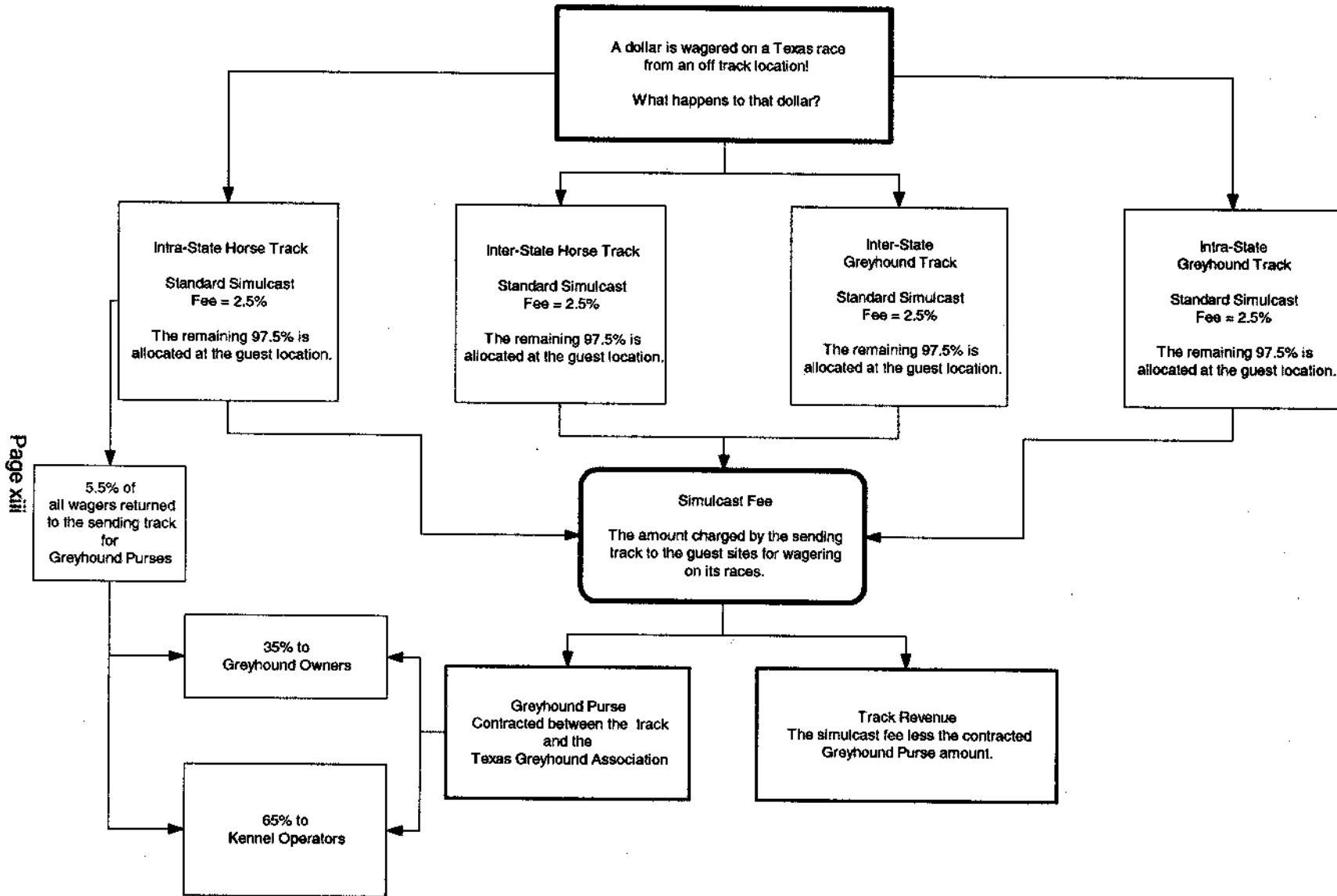
How the Take-Out from a Dollar Wagered at a Greyhound Track is Distributed



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TEXAS RACING COMMISSION

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



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LICENSED RACETRACK DIRECTORY

Greyhound Racetracks:

Corpus Christi Greyhound Race Track

P. O. Box 9087, Corpus Christi, TX 78469
Phone 800-580-7223, Fax 361-289-4307

Gulf Greyhound Park

P. O. Box 488, La Marque, TX 77568-0488
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

P. O. Box 526, 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

P. O. Box 141309, Austin, TX 78714,
Phone 512-272-5581, Fax 512-278-1892

Retama Park - Class 1

P. O. Box 47535, San Antonio, TX 78265-7535
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

P. O. Box 2323, One Sam Houston Place, Houston, TX 77252-2323
Phone 281-807-8700, Fax 281-807-8777

RACING INDUSTRY ORGANIZATIONS & RELATED ASSOCIATIONS

American Quarter Horse Association

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

Equine Research Account Advisory Committee

Texas Agricultural Experiment Station, College Station, TX 77843-2147
Phone 409-845-7980, Fax 409-845-9938

Jockey's Guild

1300 CR 180, Leander, TX 78641
Phone 512-259-1957, Fax 512-259-8600

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 16229, Austin, TX 78761-6229
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

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