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TEXAS RACING COMMISSION

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TEXAS RACING COMMISSION
P. O. Box 12080
Austin, TX 78711-2080
(512) 833-6699

January 29, 2008

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 2007 Annual Report of the Texas Racing Commission on behalf of the Commissioners and staff.

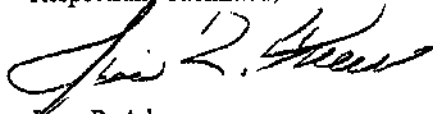
This report covers the activities of the Commission, providing statistics, comparisons, and information relating to all aspects of the Texas greyhound and horse racing programs and breeding programs.

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

The agency is now under Sunset review and Commissioners and staff have been working closely with the Sunset staff as they study our agency and its related issues. We look forward to their recommendations that will improve and update the Texas Racing Act for the 81st Legislature's consideration.

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

Respectfully submitted,


Jesse R. Adams
Chair

An Equal Opportunity Employer



TEXAS RACING COMMISSION
P. O. Box 12080
Austin, TX 78711-2080
(512) 833-6699

January 29, 2008

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

Dear Governor Perry:

As the chief administrator of the Texas Racing Commission, I am pleased to present the Commission's 2007 Annual Report.

Through its established regulatory practices, this Commission ensures the integrity of the pari-mutuel industry. The Commissioners and staff remain committed to providing effective and efficient regulation of the pari-mutuel industry in a manner that keeps the trust and respect of the citizens of Texas.

The Commission regulates an industry that operates seven days a week, 364 days a year. This, coupled with the complexities of the pari-mutuel industry and the geographical separation of the tracks and headquarters, results in daily challenges for all of us. The staff's work ethic and dedication are exemplary in state government. I am proud of and truly appreciate their efforts to protect the health, safety, and welfare of the public, the participants, and the race animals.

I want to thank all of the members of the Commission for their valued contributions to the agency and for being so generous with their time and energy. Your appointees' collective professional and business expertise continue to provide excellent leadership to the agency.

On behalf of the Commissioners and the staff, we are grateful for the Chair of the Public Safety Commission and the Comptroller of Public Accounts and their staff members as they continue to provide critical assistance in our regulation of the pari-mutuel industry. These state agency partnerships truly demonstrate the benefits that accrue with combined efforts and resources.

Sincerely,

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

Charla Ann King
Executive Director

An Equal Opportunity Employer

TEXAS DEPARTMENT OF PUBLIC SAFETY

5805 N. LAMAR BLVD • BOX 4087 • AUSTIN, TEXAS 78773-0001
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COMMISSION
ERNEST ANGELO JR.
CHAIRMAN

ALLAN B. POLUNSKY
ELIZABETH ANDERSON
COMMISSIONERS

January 28, 2008

Mr. Jesse R. Adams, Commission Chair
Texas Racing Commission
8505 Cross Park Drive, Suite 110
Austin, Texas 78754-4594

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

Dear Mr. Adams:

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 2007.

CRIMINAL ACTIVITY AND CRIME TRENDS

During the year of 2007, homeland security issues continued to dominate much of the state's law enforcement attention. Many of the state's law enforcement resources were targeted toward preventing domestic and international terrorism within Texas. At a level rarely experienced, governmental agencies are coordinating investigative efforts to effectively identify and investigate those individuals and groups who are engaging in acts of terrorism. Due to monetary profits, many traditional organized crime groups have become increasingly involved in activities which tend to facilitate terrorism through funding and support mechanisms such as human smuggling, identity theft, narcotics trafficking, and intelligence gathering. Federal, state, and local agencies continue to cooperate and share information and resources in combating all crimes.

Identity theft continues to escalate and is a great concern for law enforcement across the nation. Enhanced by computer assisted crimes, identity theft is resulting in the loss of millions of dollars to citizens as well as providing a cloaking mechanism and financing tool for criminal organizations. As in previous years, it is anticipated that State government will continue to evaluate this growing criminal trend and address the issue as appropriate.

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COURTESY • SERVICE • PROTECTION

The reportable crime index is unavailable at this time and should be available in May 2008.

ILLEGAL GAMBLING

During 2007, information from local law enforcement and the public continued to be received which identified suspected illegal gambling operations being conducted within Texas. These calls further confirmed law enforcement's continued concerns regarding illegal 8-liner businesses, internet wagering, casino operations, unregulated horse racing, and raffles. Many of the racing industry officials feel that Texas pari-mutuel racing remains at a tipping point without legislative intervention because of the escalation of these illegal forms of wagering. Local jurisdictions continue to investigate the operation of illegal gambling venues within the state on a case by case basis, but despite law enforcement's continued efforts, these activities continue to thrive due to the lack of a coordinated statewide campaign.

Sincerely,



Gene Hawkins, Commander
Criminal Intelligence Service

WGH:lw

THE COMMISSION

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

MISSION

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

PHILOSOPHY

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

THE COMMISSIONERS

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

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

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

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

G. Kent Carter, DVM, was named to the Commission on February 19, 2004. At the Commission meeting on August 8, 2007, Dr. Carter was elected by his fellow commissioners to the position of Vice-Chair. Dr. Carter is a Professor in the Department of Large Animal Clinical Sciences at Texas A&M University. During 2004, Dr. Carter was elected to serve a three-year term on the Board of Directors of the American Association of Equine Practitioners. Dr. Carter's term on the Commission expires on February 1, 2009.

Charles L. "Sonny" Sowell was named to the Commission on August 26, 2003. He is a licensed attorney and serves as Vice President of the McNair Group. He is also Vice-Chair of the Harris County Sports and Convention Corporation, President of the Houston Athletic Committee and Director of the Houston Chapter of the National Football Foundation and College Hall of Fame. His term expires on February 1, 2009.

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

Rolando Pablos was appointed to the Commission on October 3, 2007, replacing **Treva Boyd** as the commissioner with knowledge or experience related to greyhound racing. Mr. Pablos resides in San Antonio and is an attorney at R.B. Pablos P.C., specializing in business development and international trade promotion. He is vice chair of international relations for the Texas Association of Mexican American Chambers of Commerce and board member of the Free Trade Alliance. His term expires February 1, 2011.

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

member of the South Texas Institute of the Arts Board of Governors. Commissioner Hicks serves as a board member of the South Texas Botanical Gardens, Citizens for Education Excellence, Texas Society of Certified Public Accountants, and American Institute of Public Accountancy. Her term expires on February 1, 2013.

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

EX OFFICIO MEMBERS

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

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

COMMISSION MEETINGS, ACTIONS, & ACTIVITIES

The Texas Racing Commission met six times during calendar year 2007. Commission meetings are open to the public and, in addition to the required postings in the Texas Register, the agendas and agenda materials are posted on the agency's website prior to the meeting. Transcripts of each meeting are available on the Texas Racing Commission website, which is located at www.txrc.state.tx.us.

LEGISLATIVE CHANGES

BACKGROUND AND PURPOSE

In 2003, the 78th Legislature increased the number of general business appointees to the Commission from four to five, selected the Texas Veterinary Medical Diagnostic Laboratory as the official drug-testing laboratory, and required the Commission to participate in the TexasOnLine project. The Texas Racing Act, enacted in 1987, has had no other significant review or update since the 1997 amendments that were a result of the Sunset Review.

In December of 2006, staff proposed a number of legislative recommendations that would improve agency regulation and oversight. The Executive Director characterized the changes in two categories. The first category included minor modifications that provided clarifications, updates, and technical corrections to the statute. The second category included more substantive changes affecting budget and administrative matters. This second category of changes arose as the agency assessed its financial structure while developing its Legislative Appropriations Request. The Commission authorized staff to incorporate the proposed changes into a legislative package for consideration by the 80th Legislature.

80TH LEGISLATURE - HOUSE BILL 2701

House Bill 2701 was enacted into law by the 80th Legislature. Following are descriptions of each of the agency's proposed changes that were made to the Racing Act, effective September 1, 2007.

Section 1.03(36) modifies the definition of a trainer to recognize that both horses and greyhounds have trainers.

Section 1.03(53) modifies the definition of a judge to make it consistent with the current definition of a steward. This change clarifies that a judge is a racing official and not an executive official of a greyhound racetrack.

Section 1.03(79) and Sec. 2.12(a-1) authorizes the Executive Secretary, the chief executive officer of the agency, to also use the title of Executive Director.

Section 3.16(b) gives the agency the flexibility to use either pre-race or post-race drug testing to determine whether a

prohibited substance has been used in either a greyhound or a horse. This change allows the agency to design its drug testing protocols according to the varying requirements for effective testing of horse and greyhounds.

Section 5.01(d) changes the agency's method of finance by clarifying its fee collection authority.

Section 5.03(b) extends the time the Commission has to submit fingerprints to the Department of Public Safety from one to no more than ten business days.

Section 6.09(c) changes the agency's method of finance by deleting the provision that 50% of the greyhound breakage goes to the Commission.

Section 6.091(a)(1)(A) and (2) eliminates expired provisions relating to the initial funding provided for the Commission in Section 6.091.

Section 6.13(b) gives the agency the authority to establish and collect a fee to cover the costs of doing criminal background checks on individuals requesting approval for a transfer of ownership in a racetrack license.

Section 6.16(a) changes the statutory restriction that prohibits a racetrack from employing Commission members and some agency employees for two years after separation from state employment. The change to a one-year restriction mirrors other state agency employment prohibitions.

Section 6.19 repeals an outdated section that only applied to a particular licensee and its need to complete requirements by a deadline of January 1, 1992.

Section 11.07(a) and (a-1) gives the public a longer and standard period of time to cash a winning ticket or pari-mutuel voucher by establishing an expiration date of 365 days from the date of purchase or issuance.

Section 11.08 repeals the definition of the expiration date of a pari-mutuel ticket from not later than the 61st day after the closing of a race meeting.

The following changes, added as amendments to HB2701 in the Senate, were also approved and became effective September 1, 2007:

Section 6.06 (h) raises the limitation from two to three on the maximum number of racetracks in which a person may own more than a five percent interest.

Section 6.06(j) permits a person who owns an interest in two or more licensed racetracks and who also owns an interest in a license issued under Subtitle B, Title 3, Alcoholic Beverage Code, to also own an interest in the premises of another holder of a license or permit under Title 3, Alcoholic Beverage Code, if the premises of that other license or permit holder are part of the premises of a racetrack licensed under this Act.

Section 6.06(k) directs the Commission to review the ownership and management of a license every five years beginning on the fifth anniversary of the issuance of the license, gives the Commission the authority to require any information that would be required in connection with an original license application and mandates the Commission to charge fees sufficient to cover the review.

In addition to these three amendments, another Senate-added amendment eliminated the Commission's suggested change to the method of finance that would have allowed the racetracks to keep all moneys from outstanding tickets and pari-mutuel vouchers to cover the costs for medication and drug testing.

SUNSET REVIEW

Sunset is the regular assessment of the need for a state agency to continue. The Sunset process is guided by a 12-member body appointed by the Lieutenant Governor and the Speaker of the House of Representatives. Assisting the Sunset Commission is a staff whose reports provide an assessment of an agency's programs, giving the Legislature the information needed to draw conclusions about the necessity and workability of the programs. The Sunset process works by setting a date on which an agency will be abolished unless legislation is passed to continue its function. This creates a unique opportunity for the Legislature to look closely at each agency and make fundamental changes to an agency's mission or operations if needed.

The Sunset Commission will report to the 81st Legislative Session on the Racing Commission. The Commission is one of 27 state agencies, including the Texas Department of Public Safety and the Texas Equine Research Account Advisory Committee, that are undergoing Sunset review.

The review process started during the summer of 2007 as the agency developed its Self-Evaluation Report (SER) for submission to the Sunset Commission on August 24. The Commission approved the comprehensive

document that covers the key functions in performance, the history of the agency, and descriptive information about the Commission itself, about the funding, and a guide to the agency programs.

A key component of the SER is agency identified policy issues. These issues do not represent the position of the Commission, but instead reflect a broader perspective of issues faced by the industry.

The following issues were included in the agency's SER.

Issue # 1: Should the agency's method of finance be further modified?

Issue # 2: Should the Texas Bred Incentive Funds be paid directly to the Breed Registries and not collected and administered by the Texas Racing Commission?

Issue # 3: Should the allocation of revenue from a Cross-Species Signal be realigned to make it more equitable to the racetrack and to the species of animal that participates in racing where the wager is made?

Issue #4: Should the racetrack license process be modified to better address change of location/ownership/revocation and transferability?

Issue #5: Should the Racing Act be amended to expressly prohibit illegal wagering on horse and greyhound racing?

Since the submission of the SER, Sunset staff has been working extensively with agency staff to evaluate the agency and develop its recommendations. The Sunset's Staff Report on the Racing Commission is set for publication mid-March of 2008. The Sunset Commission is tentatively set to meet on April 22, 2008, to receive the Sunset staff's recommendations, the Racing Commission's responses, and public testimony. In June of 2008, the Sunset Commission will decide on the specific recommendations it will make to the 81st Legislature regarding the Racing Commission.

To access more information regarding the Sunset process for the Racing Commission, go to the Sunset Commissions website at www.sunset.state.tx.us.

MEDICATION AND DRUG TESTING WORKING GROUP

The Commission's Medication and Drug Testing Working Group continued its work in 2007. This group is made up of two Commissioners and representatives of the breed associations, the backside veterinarians, the Texas Veterinary Medical Diagnostic Laboratory (TVMDL) staff, and Commission staff. Subjects covered included making medication-related information more readily available to horsemen, the use and impact of anabolic steroids on racehorses, the use of the Cornell Collar on racehorses, limiting the length of toe grabs on horseshoes, and a review of TCO2 testing threshold levels.

As a result of working group discussions, a committee was formed and work has begun on developing a publication for horsemen that provides medication-related information and other pertinent information.

Commission staff and TVMDL, working with the horsemen, began laying the groundwork for a study of anabolic steroid use. Retama Park offered to assist by using their training facility to gather drug testing data on horses performing under real track conditions.

The working group determined there was little demand for the Cornell Collar, a device used to assist horses that suffer from displacement of the soft palate while racing, and decided not to recommend its approval.

The discussion of toe grab length was prompted by a recent study that concluded there was a correlation between toe grab length and equine leg injuries. The working group has yet to make a recommendation to the Commission on toe grabs pending further study.

RACE DATE WORKING GROUPS

HORSE RACE DATE WORKING GROUP

The Horse 2008 Race Date Working Group benefited from its previous year's efforts as the race date calendar for 2008 was developed with industry consensus. The group turned its attention to developing objective guidelines and criteria to use on the division of simulcast purse money, cross-species escrowed purse money, and accredited Texas-bred incentive funds. At the January 31, 2007, meeting, then Chair Dyke Rogers directed staff to develop guidelines for these divisions of money to assist the Commission in making its decisions in the event the industry does not have an agreement.

With the assistance of Vice-Chair Carter and Commissioner Ederer, the Deputy Director led the group through an intensive review to develop meaningful guidelines that would assist both the Commission in their decisions and the industry in their negotiations to come to an equitable, agreeable division of these monies for purses and Accredited Texas-Bred (ATB) funds. The group's efforts resulted in the Commission adopting amendments for Rule 321.505, Allocation of Purses and Funds for Texas

Bred Incentive Programs, and Rule 321.509, Escrowed Purse Account, at its October 4 meeting.

At the November 27 meeting, the Commission approved the industry's three-year agreement that defines the percentages by track by breed that the simulcast purse money and cross-species purse money will be distributed. Additionally, the Commission approved the distribution of ATB funds when the breed registries reported they too had reached a three-year agreement.

GREYHOUND RACE DATE WORKING GROUP

The Greyhound Race Date Working Group met three times to work on developing an industry-supported race date calendar for 2008 and to discuss the allocation of the Texas Greyhound Association's cross-species purse money. The working group members also held separate meetings and telephone conferences to work on the problems identified by the working group. Many of the problems identified, such as the growing inability to attract and book kennels, the shrinking supply of greyhounds, and the falling point values are not unique to Texas. These issues are being faced across the majority of greyhound racing jurisdictions.

The working group spent a great deal of time and energy discussing issues related to Corpus Christi Greyhound Race Track's request to change from a year-round live racing facility to a seasonal live racing facility. Despite the efforts of all of the participants, including Commissioners Treva Boyd and David Cabrales, a consensus was not reached and at the November 27 Commission meeting, Scott Savin, spokesperson for Corpus Christi Greyhound Racetrack (CCGRT), announced that the track would close on December 31, 2007, and not request any live racing for the 2008 calendar year. Savin stated however, that CCGRT plans to request live racing in 2009. CCGRT ran its final day of live racing on December 30 and conducted its last day of simulcasting on December 31, 2007.

COMMISSION BECOMES ACTIVE MEMBER OF ASSOCIATION OF RACING COMMISSIONERS INTERNATIONAL

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

During the first full year of membership, the Commission's Executive Director was elected to RCI's Board of Directors. RCI accepted Texas'

invitation to come to Austin for its 2008 annual conference. The meeting, scheduled for March 24-28 in Austin, will provide the Commissioners and staff an excellent opportunity for full participation in a program that will feature topics on wagering integrity, racing medication issues, horse and greyhound research forums, racing news, greyhound judging, and racing from a player's perspective. Chair Jesse Adams will welcome the group and introduce Comptroller Susan Combs who is headlining the opening session as keynote speaker.

RACETRACK APPLICATIONS

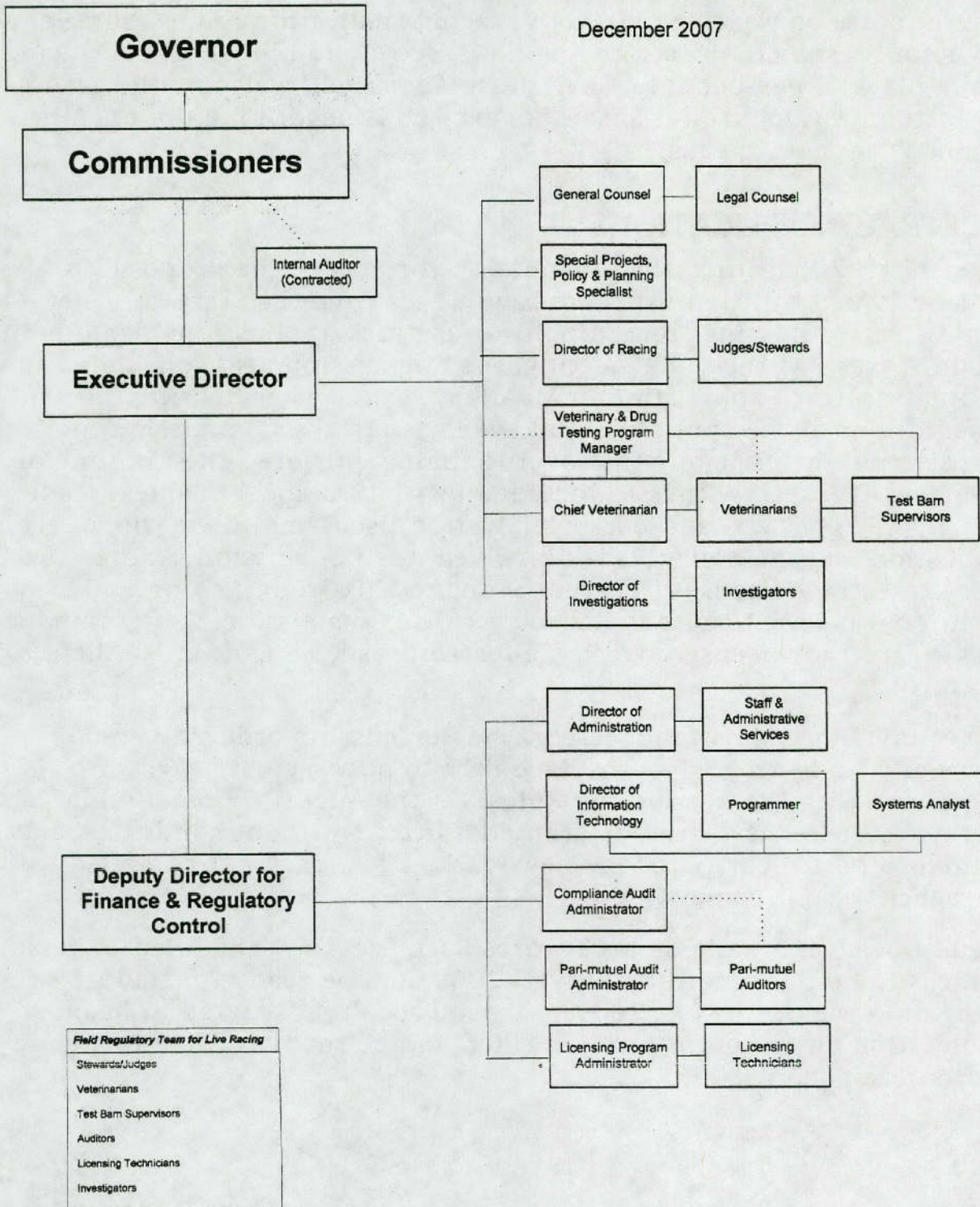
At its March 20 meeting, the Commission considered the Proposal for Decision issued by Administrative Law Judges from the State Office of Administrative Hearings regarding two racetrack applications pending in Laredo, Texas. At the same meeting, the Commission also considered the pending racetrack application in McAllen, Texas. After hearing the presentations of the applicants and agency staff, the Commission took extensive public testimony that overwhelmingly favored the granting of these new licenses. Witnesses included legislators, local business leaders, local elected officials, and horsemen. After discussing the merits of each application and the policy issues involved, the Commission granted two Class 2 racetrack licenses in Laredo - one to LRP Group and one conditional license to Laredo Race Park. The Commission also granted a Class 2 racetrack license to Valle de los Tesoros Race Park in McAllen, Texas.

At the May 14 Commission meeting, the Commission ordered Laredo Downs and Valle de los Tesoros Race Park to post security to ensure compliance with the Act and the Rules. At the August 8 Commission meeting, Laredo Race Park was granted a license without conditions and ordered to post security for the new track. Each track has complied with the security requirements.

Laredo Downs and Valle de los Tesoros Race Park are scheduled to begin simulcasting on or before January 1, 2009, and be ready to conduct live racing on or before July 1, 2009. Laredo Race Park is slated to begin simulcasting on or before July 15, 2009, and be ready for live racing on or before December 1, 2009.

Texas Racing Commission

December 2007



COMMISSION STAFF – ORGANIZATION

EXECUTIVE

EXECUTIVE DIRECTOR

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

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

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

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

GENERAL COUNSEL

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

INVESTIGATIONS

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

licensed peace officers, coordinate the enforcement of the Commission's Rules and the Texas Racing Act.

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

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

RACING

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

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

VETERINARY DIVISION

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

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

Commission's race animal drug testing program.

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

FINANCE AND REGULATORY CONTROL

DEPUTY DIRECTOR

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

PARI-MUTUEL AND AUDITING

This division regulates all activities related to wagering. The division protects the interest of the wagering public and assures the proper collection and distribution of funds in accordance with the Racing Act. To achieve this, tests of the pari-mutuel totalisator systems are performed to assure compliance with the Rules of Racing.

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

OCCUPATIONAL LICENSING

The licensing division is responsible for issuing occupational licenses and registrations to all persons involved in pari-mutuel greyhound and horseracing. This division works closely with the

Investigations Division and the Stewards/Judges.

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

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

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

FINANCE AND ACCOUNTING

This division is responsible for the budget, accounting, purchasing, personnel, travel coordination, and other administrative functions of the Commission. The division also assists in preparing the biennial Legislative Appropriation Request, the operating budget, the annual financial report, and reports on performance measures.

INFORMATION TECHNOLOGY

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

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

AGENCY HIGHLIGHTS

ADMINISTRATIVE

During FY 2007, the agency met or exceeded its five key outcome targets:

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

The agency met
its five key
outcome targets.

The Executive Division coordinated six regular Commission meetings. The General Counsel coordinated and completed rule reviews for Chapters 301 and 319 as required by Government Code §2001.039 and initiated the review of Chapters 309 and 311. During the year, the Commission considered and adopted amendments to nineteen rules.

The Commission approved the internal audit plan for FY 2008-2009 as submitted by Monday Rufus, P.C. The audits will focus on selected Performance Measures, the Business Continuity and Disaster Recovery Plans, and follow-ups on prior internal audit recommendations.

TECHNOLOGY

Working closely with the department managers, the Information Technology (IT) department developed a new application to aid in the overview of racetrack operations.

Additionally, staff focused on completing a comprehensive software audit and on writing documentation, procedures, and training guides for new equipment and applications. Enhancements were also made to several of the regulatory applications, including the online simulcast approval process.

REGULATORY

In 2007, pari-mutuel auditors reviewed wagering data on 12,534 live races and 768,609 simulcast races to ensure proper collection and distribution of funds. A total of 1,991 import and export simulcast requests were reviewed for compliance with the Act, the Rules, and the Federal Interstate Horse Racing Act.

Electronic Data Processing (EDP) Audits were conducted ten times during 2007 to test the totalisator systems (computer systems that register and compute the wagering and payoffs) prior to the operating of a meet or prior to approving a new software version. In May of 2007, the Commission passed a rule revision to the Select 3/Pick 3 rule. The revision altered the methodology for calculating dead heats in a Pick 3 pool. In the past, all winners received an equal pay-out known as a Win Pool calculation. The

rule was changed to allow a weighted pay-out to winners called a Place Pool calculation.

In August, a new rule requiring that the expiration date of a mutuel ticket or voucher be printed on the face of each ticket or voucher went into effect.

Expiration dates are now printed on each ticket and voucher.

This change was in response to patron complaints about racetracks' refusal to pay out on expired tickets. Many patrons were unaware of the statutory expiration dates. This beneficial change coincides with the newly mandated 365-day expiration date for both a mutuel ticket and a voucher.

The Totalisator industry saw significant changes in 2007. Two of the vendors, United Tote and Scientific Games (SGI), consolidated their server operations into hubs located outside the state of Texas. The SGI hub located at Sam Houston Race Park was relocated to the Quantum Data Center in Mt. Laurel, NJ. United Tote moved their Texas Hub, located at Gulf Greyhound Park, to the Eastern Service Center in Louisville, KY. For the first time in the history of pari-mutuel racing in Texas, there are no totalisator servers operating within Texas. These changes bring new challenges to the Commission in the inspection and regulation of totalisator systems.

The pari-mutuel and auditing staff, with IT staff's assistance, enhanced the online approval process for simulcast requests by adding additional input and editing features. Launched in late 2006, this online approval process allows the Simulcast Director at each of the Texas pari-mutuel facilities to submit their simulcast requests online. Due to its successful implementation, staff has proposed amending the requirement that a request be filed three days before the first race covered by the request to just one day.

The Commission completed its third full year of participation in the TexasOnline program, a web-based program that provides the public with the convenience of applying for a myriad of state services online. During 2007, over 14.5% of all individual and business renewals were processed through the online program. This represents a 2.5% increase over the 2006 usage. New license applications via the TexasOnline program accounted for 2.95% of all new applications received.

Online renewals in 2007 increased 2.5% over 2006.

During 2007, licensing staff issued a total of 11,519 occupational licenses and 105 business licenses. Of the occupational licenses issued, new licenses accounted for 4,735, while renewals accounted for 6,784. The 105 business licenses consisted of 26 kennel licenses and 79 vendor licenses. There were 1,015 trainer type licenses, 851 multiple owner licenses, 175 jockey licenses, and 15 apprentice jockey licenses issued during the year. The largest number of licenses issued was for track employees, which totaled 3,874 licenses. Individual owner licenses followed with a total of 3,031

being issued. The remaining 2,558 licenses were issued among the many other various license categories.

Stewards and Judges issued a total of 579 disciplinary rulings, with 379 resulting in fines and 216 resulting in suspensions. Four appeals were filed during 2007. Two of the four appeals were withdrawn before going to a hearing at the State Office of Administrative Hearings. The remaining two appeal cases are still pending.

Nine disciplinary reports were issued by the Executive Director during 2007 for violations of the Commission's rules regulating simulcasting. The penalties totaled \$3,677.35.

INVESTIGATIONS

Investigators opened 293 cases for rule violations during FY 2007. This compares to 366 cases during FY 2006. The considerable decrease in cases

Marked decrease
in number of

Phenylbutazone positives.

was partly attributable to a sharp decline in animal positives directly related to a change in the penalty guideline for horses that showed a high level of phenylbutazone. A substantial increase in the penalty resulted in 53 fewer cases.

As was projected in the 2006 Annual Report, there was an increase in the number of licensees that had a criminal history reported based on fingerprint submissions to the FBI and DPS. In FY 2007, the number of criminal history reports totaled 1,866, a 64% increase over FY 2006. Of those reported, 1,067 could have an effect on eligibility for a licensee, i.e. the license may be expired or the case may still be pending. There were 57 histories serious enough that the licensees were deemed ineligible to hold a Texas Racing Commission license. Thirty-two licensees voluntarily surrendered the license and 25 licenses were either suspended or denied by the Board of Stewards/Judges. A majority of the criminal histories involved were either theft or illegal drug violations.

The division tested 90 individuals for illegal substances during FY 2007. Forty-six of those tests were first-time tests, resulting in 37 positives. The remaining 44 were follow-up tests resulting in only one positive result. The majority of the positive tests were for marijuana, followed by cocaine and methamphetamine.

The investigators participated in 125 compliance inspections at the racetracks resulting in 31 contraband cases being referred to the Board of Stewards/Judges.

ANIMAL EXAMINATIONS / DRUG TESTING

Commission veterinarians are required to examine each animal that is entered in a pari-mutuel race to determine their health and soundness for racing. During 2007, Commission veterinarians performed 77,014 greyhound and 26,652 equine pre-race examinations.

Commission veterinarians also supervised the collection of 15,428 greyhound urine specimens, 6,032 equine urine specimens, and 6,344 equine blood specimens. These specimens were submitted to the Texas Veterinary Medical Diagnostic Laboratory (TVMDL), the Commission's authorized drug testing laboratory. The laboratory tested the specimens for substances that could alter the outcome of a race or would interfere with the detection of illegal drugs.

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

The classification system for greyhounds separates drugs into six classes based on their effect on the greyhounds, with Class 1 being the most potent scheduled stimulants and depressants that have no generally accepted use in the greyhound. Of the 21 prohibited substances detected in greyhounds during 2007, none were Class 1 substances, one was a Class 2 substance, one was a Class 3 substance, one was a Class 4 substance, two were Class 5 substances, and 16 were Class 6 substances.

No Class 1 drug positives
found in horse or
greyhound samples.

The classification system for equines consists of five classes, with Class 1 substances having the highest potential to affect performance and that have no generally accepted medical use in racehorses. Of the 18 prohibited substances detected in racehorses during 2007, none were Class 1 substances, two were Class 2 substances, six were Class 3 substances, eight were Class 4 substances, and two were Class 5 substances.

The Commission continued its Total Carbon Dioxide (TCO₂) testing, which it began in April 2006. The purpose of bicarbonate administration, known as "milk-shaking," is to decrease lactic acid buildup in muscle tissue during exercise to allow the horse to perform better. Testing is accomplished by evaluating total carbon dioxide in serum using pre-race blood specimens. After more than a year of evaluating the program the Commission has proposed reducing the level at which a violation occurs from 39 millimoles per liter to 37 millimoles per liter. This change would bring the Texas limitations in line with most racing jurisdictions. The Commission collected 2,599 blood samples for TCO₂ testing in 2007 and none exceeded the maximum allowable concentration.

RESULTS OF DRUG TESTING, 2007 COMPARED TO 2006

GREYHOUND	2006	2007	HORSE	2006	2007
No. of Starters	89,159	77,014	No. of Starters	28,218	26,652
No. of Samples	17,368	15,428	No. of Samples	6,773	6,346

Drug (Classification)	2006	2007	Drug (Classification)	2006	2007
Acetylsalicylic Acid (4)	0	0	Albuterol (3)	0	0
Caffeine (4)	3	1	Caffeine (3)	1	0
Diazepam (2)	0	1	Camphor (4)	0	1
Dimethylsulfoxide (5)	1	0	Chlorpromazine (2)	1	0
Ephedrine (3)	0	0	Clenbuterol (4)	1	3
Gammahydroxyphenylbutazone	0	1	Dexamethasone (4)	9	0
Hydroxylidocaine (3)	3	0	Dimethylsulfoxide (5)	3	0
Lidocaine (3)	3	0	Ephedrine (2)	0	0
Phenylpropanolamine (3)	0	0	Flunixin (4)	3	4
Polyethyleneglycol (6)	3	1	Furosemide Overage (n/a)	0	0
Procaine (6)	11	15	Furosemide not found(n/a)	1	0
Sulfadimethoxine (5)	0	1	Furosemide Program Horses		
Theobromine (4)	3	0	Hydroxylidocaine (2)	4	1
Theophylline (3)	3	1	Lidocaine (2)	0	1
2-(1-hydroxyethyl)- 7-Hydroxypromazine (3)	1	0	Mepivacaine (2)	1	0
TOTAL	31	21	Monoethylglycinexylidide (2)	0	0
			Norpseudoephedrine (3)	1	0
			Phenylbutazone (n/a)	43	21
			Phenylpropanolamine (3)	0	1
			Polyethyleneglycol (5)	1	2
			Procaine (3)	0	2
			Sulfadiazine (5)	1	0
			Sulfadimethoxine (5)	1	0
			Total Carbon Dioxide (n/a)	1	0
			Theophylline (3)	1	0
			Trimethoprim (5)	1	0
			2-(1-hydroxyethyl)- Promazine (3)	1	3
			TOTAL	76	39

GREYHOUND DRUG CLASSIFICATION SCHEDULE

- Class 1 substances have the highest pharmacologic potential to affect performance and have no generally accepted medical use in racing greyhounds.
- Class 2 substances are prominent central nervous system stimulants in the lesser DEA schedules.
- Class 3 substances include non-scheduled drugs that have no generally accepted therapeutic use in racing greyhounds, drugs that could alter performance in a normal, healthy greyhound, drugs that have a high potential for abuse as local anesthetics and potent diuretics with potential for diluting urine.
- Class 4 substances are non-scheduled drugs with cardiac or respiratory effects, mild sedatives and steroidal anti-inflammatory drugs with short withdrawal times indicating race day administration.
- Class 5 substances are therapeutic medications routinely used to restore the healing of an ailing greyhound.
- Class 6 substances are local anesthetics likely to produce urinary levels due to factors other than use as a nerve-blocking agent and substances likely to interfere with testing procedures.

HORSE DRUG CLASSIFICATION SCHEDULE

- Class 1 substances are stimulants and depressants that have the highest potential to affect performance and have no generally accepted medical use in racehorses.
- Class 2 substances have a high potential for affecting the outcome of a race and are not generally accepted as therapeutic agents in racehorses or they have therapeutic agents that have a high potential for abuse.
- Class 3 substances may or may not have a generally accepted therapeutic use in racehorses and have less potential for affecting the performance of a racehorse than Class 2 substances.
- Class 4 substances are therapeutic medications with a limited ability to influence performance that are routinely used in racehorses.
- Class 5 substances are therapeutic medications for which concentration limits have been established.

INSPECTION PROGRAM

Due to the complexity of racing operations, no one person can effectively monitor and assess a racetrack. All divisions share the inspection responsibility to ensure compliance with the Racing Act and the Rules of Racing. Regular inspections ensure compliance before the beginning of each live race meet, as racetracks make renovations, and as personnel changes. Through this program, areas of non-compliance are identified and staff follows up to ensure appropriate remedial action has occurred. The Director of Investigations reports on the status of inspections at each Commission meeting.

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

During 2007, Commission staff conducted 62 new inspections and 33 follow-up inspections at the racetracks. Thirty-four of the new inspections indicated 100% compliance, with no remedial action required. On the remaining 28 inspections, 63 items required remedial attention. As of the end of the year, 52 of the remedial items were corrected and verified by follow-up inspections. The 11 outstanding items are being addressed through the 2008 inspections.

YEAR 2007 INSPECTIONS

Type of Inspection	New	Follow-Up
Investigations: Safety & Security	12	12
Executive: Administrative Operations	10	3
Pari-mutuel & Audit: Pari-mutuel & Simulcasting Operations	13	3
Judges & Stewards: Track Conditions & Racing Equipment	13	7
Veterinarians: Conditions for Race Animals	14	8
TOTALS	62	33

TEXAS-BRED INCENTIVE PROGRAM

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

GREYHOUND PROGRAM

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

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

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

Two percent of the total money from breakage received by the TGA must be set aside for grants for rehabilitating or locating homes for greyhounds. The procedures and criteria for applying for a grant were finalized by the TGA and approved by the Commission in 1999. During 2007, \$2,000 was

distributed to eight qualified Texas non-profit rehabilitation and adoption groups from this source of funding, with each receiving \$250.

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

This source of purse money resulted in \$1,461,522 going to purses at Corpus Christi Greyhound Race Track, Gulf Greyhound Park, and Valley Race Park during 2007. This represented an increase of 3.76% over 2006.

HORSE PROGRAM

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

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

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

according to the payout conditions of the race.

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

The Texas Racing Act names the official breed registries that are responsible for determining the qualifications for Texas-bred accreditation, maintaining the eligibility lists, and distributing the monetary awards: the Texas Thoroughbred Association, the Texas Quarter Horse Association,

the Texas Appaloosa Horse Club, the Texas Arabian Breeders Association, and the Texas Paint Horse Breeders Association.

In November 1998, the Texas Appaloosa Horse Club requested to be withdrawn from the program due to lack of participation. The Commission forwarded the request to the Legislature for their consideration. No funds were distributed to the Texas Appaloosa Horse Club during 2007.

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

**Comparative Distributions
Year 2007 vs. Year 2006**

	2006	2007	% Change
Texas Thoroughbred Association	\$3,037,097	\$2,964,612	(2.4%)
Texas Quarter Horse Association	\$1,394,099	\$1,388,118	(.4%)
Texas Greyhound Association	\$675,173	\$634,675	(6.0%)
Texas-bred Stakes Race Supplements	\$169,860	\$162,687	(4.4%)
Texas Arabian Breeders Association	\$43,067	\$41,444	(3.8%)
Texas Paint Horse Breeders Association	\$22,755	\$22,613	0%
Texas Appaloosa Horse Club	\$0	\$0	0%
TOTAL	\$5,342,051	\$5,214,149	(2.4%)

EQUINE RESEARCH PROGRAM

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

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

The total amount of funds paid into the Equine Research Account during fiscal year 2007 was \$95,099.40. There were no new proposals funded in 2007 due to the lack of appropriation by the Texas Legislature. However, there were several funding proposals carried over from 2006 with funds already appropriated.

Several news articles that described results of recent research supported by the Equine Research fund through the Texas Equine Research Account Advisory Committee were released. The articles were printed in publications that serve the equine industry. Research to develop a DNA chip to provide information about genetic predisposition to disease by Dr. Loren Skow was described in an article by Edith Chenault for AgNews entitled "Human Gene Technology May Show Horse Traders Where to Place Their Chips." In a separate article for AgNews, entitled "Research Aims to Reduce Injury, Illness in Horses," Chenault described results of research by Dr. Noah Cohen to identify risk factors that predict increased risk of injury to racehorses.

INDUSTRY HIGHLIGHTS

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

TEXAS ARABIAN BREEDERS ASSOCIATION

Orgia Fata (Chndaka ex HF Olympia) was bred in Texas by Rick and Susan Flammer of Brenham, Texas and was the first US bred to win the Polish Triple Crown. The Flammers, have both, at different times, served on the Texas Arabian Breeders Association (TABA) Board of Directors. Chndaka, owned by Shadwell Estates, stands stud at Mandolyn Hill Farm in Aubrey, Texas. Mandolyn Hill Farm is owned and operated by Dr. Mickey and Michelle Morgan and currently stands eleven Texas-bred stallions at stud.

Lone Star Park, having run only Arabian stakes races since their opening, for the first time in 2007 offered overnight races as well. Track management, owners, and trainers were all pleased with the results.

The Annual TABA Race Horse Auction held at Retama Park in April, once again showed an average price increase over the previous year.

TEXAS GREYHOUND ASSOCIATION

The Texas Greyhound Association (TGA) is the officially designated greyhound breed registry for accredited Texas-bred greyhounds. In 2007, Texas greyhound owners and breeders registered a total of 2,464 greyhound puppies as Texas-bred, representing a continued commitment to greyhound racing in Texas.

To encourage and promote Texas breeding, over \$550,000 was disbursed in the form of Owner

Awards through the Texas Bred Incentive Program during 2007. The TGA also paid out another \$55,000 for Texas Bred Stakes races at the three greyhound racetracks.

Texas-bred greyhounds made an impact across the nation throughout 2007. Bob's Skeet, an outstanding Texas racer, was named Captain of the All American Team for 2007 by the American Greyhound Track Operators Association.

In addition to racing, Gable Dodge, another outstanding Texas greyhound, was the second leading national sire, as determined by number of winning progeny.

TEXAS QUARTER HORSE ASSOCIATION

Sam Houston Race Park once again hosted the Texas Quarter Horse Association (TQHA) Yearling Sale. The sale, which celebrated its tenth anniversary, set a record for the largest average sale price for a Texas Quarter Horse sale. The TQHA Sale Futurity, which accompanies the sale, was won by Dirt Track Date. The \$372,662 futurity was the richest in its nine year history.

Also at Sam Houston Race Park, the eighth annual Texas Summer Showdown paid a record \$165,000 in purses. The showdown is a series of Texas-bred Quarter Horse races.

Don't Let Down, an accredited Texas-bred, won the All American Derby at Ruidoso Downs, the most prestigious race for 3 year-olds.

For the seventh consecutive year, the Grade I Texas Classic Futurity held at Lone Star Park in Grand Prairie reached the million dollar mark.

TQHA provided youth scholarships through their Scholarship Foundation program and continued their support of Special Olympics and 4-H clubs. TQHA also helped R.O.C.K. (Ride On Center for Kids) achieve their goal of opening a new covered arena for their therapeutic riding facility in Georgetown, Texas.

Unfortunately, the Texas Quarter Horse industry also saw declines. A decline in Quarter Horse races and overall race days was accompanied by a decrease in purse funds distributed. With more lucrative breeder incentive programs in Louisiana, New Mexico, and Oklahoma, the number of applications for accreditation continues to decline as well.

TEXAS PAINT HORSE ASSOCIATION

The Texas Paint Horse Breeders Association remained consistent in 2007 with accreditations and number of races offered in Texas comparable to 2006.

Retama Park played host to its first ever Paint Horse futurity, The Colors of the Alamo, with Jets Jet taking home top honors in the \$20,000 race. Lone Star Park hosted its second annual Lone Star Paint & Appaloosa Futurity, which remains the largest Paint and Appaloosa stakes race in Texas. The \$54,900 futurity, held in November, saw Check This Treat garner first place.

A new world record for consecutive wins was set during the Olympia Joe Handicap at Lone Star Park in Grand Prairie on November 24. G. R. Carter,

Jr. guided Got Country Grip to his 15th straight victory surpassing the Quarter Horse world record of fourteen consecutive wins. The 4 year-old gelding's owner, Jimmy Maddux, along with his trainer, Brandon Parum, and a large following of fans waited anxiously for what was to be a historic moment.

TEXAS THOROUGHBRED ASSOCIATION

The Texas Thoroughbred Association (TTA) hosted its Annual Conference and Awards Banquet, with Jack Knowlton of Sackatoga Stables and Funny Cide fame serving as keynote speaker.

A total of \$29,500 in Texas Thoroughbred Educational Fund scholarships were awarded to seven students whose parents are TTA members.

The TTA launched the Texas Horse Source, an online and printed equine service directory for all breeds and all disciplines.

During 2007, Texas played a notable role in state, national, and international racing circles. Texas-bred Mystery Classic, bred and owned by John L. Pierce II, won five consecutive stakes races in 2007, establishing himself as the state's top sprinter. Texas resident Steve Asmussen won the Preakness Stakes (G1) and Breeders' Cup Classic (G1) with Curlin. Texas-born trainer Carl Nafzger won the Kentucky Derby (G1) with Street Sense while Texas-born trainer Todd Pletcher won the Belmont Stakes (G1) with Rags to Riches. Texas-bred Dixie Meister won the Grade 2 San Pasqual Handicap at Santa Anita Park and finished fourth

in the \$1 million Godolphin Mile (Group 1) in Dubai.

The Texas Horse Racing Hall of Fame inductees for 2007 included Carl Nafzger, Preston Carter, and the historic tracks of yesteryear.

A Pleasant Tap sired colt sold for a record \$330,000 at the Fasig-Tipton Texas Summer Yearling Sale. New buyers and consignors were treated to The Horse Sale Seminar prior to the start of the sale to inform them about horse auctions.

The Texas Thoroughbred magazine garnered three awards at the American Horse Publications Conference.

TEXAS HORSEMEN'S PARTNERSHIP

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

THP began 2007 with the election of officers by each of its respective partners. Jim Helzer was elected President of the Texas Horsemen's Benevolent and Protective Association (HBPA) Quarter Horse, Paint, and Appaloosa Board for a sixth term. In March, Mr. Helzer was chosen to serve a third term to the American Quarter Horse Association's executive committee. Larry Christopher was elected President of the Texas Thoroughbred HBPA, Inc., for a fourth term and Chairman of the THP Management Committee. Mr. Christopher is a former Chair of the Texas Racing Commission.

Terry Blanton and Tooter Jordan, Directors of Race, frequently attend industry related meetings and are at the current race meets to speak to and take constructive criticism from the

membership. Through this visionary approach, the THP has not only increased the strength of the partnership boards, but brought the membership up to date on the ever quickly changing and emerging legislative efforts.

For the year 2007, the Texas Horsemen's Assistance Fund, Inc. provided benevolence to approximately 380 members in the form of medical, vision, dental, and death benefits which totaled approximately \$96,967 in monetary benefits. Approximately \$115,614 was provided through the Chaplaincy, Educational and Special Horsemen's Programs, for an annual estimated total of \$212,581 in overall benevolence.

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

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

2007 PURSE STATISTICS

Source of Funds	Quarter Horse	Thoroughbred	Arabian	Paint	TOTAL HORSE
Earned Purse	\$6,261,366	\$23,817,690	\$369,620	\$132,825	\$30,581,501
Texas Bred Stakes	\$39,403	\$73,756	\$0	\$0	\$113,159
Stakes	\$4,112,735	\$893,282	\$79,850	\$49,553	\$5,135,420
Sponsors	\$491,500	\$543,911	\$61,800	\$23,790	\$1,121,001
ATB Sponsored Purse	\$16,000	\$293,000	\$4,000	\$0	\$313,000
TOTAL PURSES PAID	\$10,921,004	\$25,621,639	\$515,270	\$206,168	\$37,264,081
Average Purses Paid per performance	\$95,798	\$132,755	\$11,256	\$22,630	\$102,939

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

Source of Funds	TOTAL GREYHOUND	Source of Funds		
		2006 HORSE & GREYHOUND	2007 HORSE & GREYHOUND	% Change
Earned Purse	\$2,877,155	\$34,388,802	\$33,458,656	(2.70%)
Texas Bred Stakes	\$21,500	\$185,649	\$134,659	(27.47%)
Stakes	\$59,500	\$5,326,928	\$5,194,920	(2.48%)
Sponsors	\$82,387	\$1,877,961	\$1,203,388	(35.92%)
TGA's Cross Species Purse Supplements	\$1,359,919	\$1,410,767	\$1,359,919	(3.60%)
TOTAL PURSES PAID	\$4,400,461	\$309,000	\$313,000	1.29%
Avg. Purses Paid per Performance	\$4,532	\$43,499,107	\$41,664,542	(4.22%)

Summary of All Texas Greyhound Racetracks

from 1/1/2007 through 12/31/2007

	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	626	n/a	1,868	1,646	4,140	626	3,514	4,140
# of Performances	972	n/a	14,775	11,477	27,224	972	26,252	27,224
Attendance	365,667	n/a	102,285	93	468,045	365,667	102,378	468,045
Net Handle	\$23,041,054	\$28,761,754	\$30,852,538	\$30,548,630	\$113,203,977	\$61,802,809	\$61,401,169	\$84,442,223
Horse Purse				\$122,314	\$122,314	\$0	\$122,314	\$122,314
Greyhound Purse	\$1,126,630	\$115,049	\$893,486	\$33,797	\$2,168,962	\$1,241,678	\$927,283	\$2,053,913
TTA Purse				\$204,860	\$204,860	\$0	\$204,860	\$204,860
TQHA Purse				\$204,860	\$204,860	\$0	\$204,860	\$204,860
TGA Purse				\$29,942	\$29,942	\$0	\$29,942	\$29,942
Escrowed Horse Purse				\$1,212,952	\$1,212,952	\$0	\$1,212,952	\$1,212,952
TX Horsemen's Partnership				\$0	\$0	\$0	\$0	\$0
THP Escrow Horse Purse				\$307,399	\$307,399	\$0	\$307,399	\$307,399
Texas Bred			\$287,274	\$237,141	\$524,414	\$0	\$524,414	\$524,414
State Tax			\$308,504	\$368,994	\$677,499	\$0	\$677,499	\$677,499
Hub Fee				\$410,191	\$410,191	\$0	\$410,191	\$410,191
Simulcast Fee			\$844,242	\$1,106,508	\$1,950,748	\$0	\$1,950,748	\$1,950,748
Racetracks	<u>\$4,037,861</u>	<u>\$828,536</u>	<u>\$4,800,577</u>	<u>\$2,058,994</u>	<u>\$11,725,968</u>	<u>\$4,866,397</u>	<u>\$6,859,571</u>	<u>\$10,897,432</u>
Total Commissions	\$5,164,490	\$943,585	\$7,134,083	\$8,297,960	\$19,540,109	\$6,108,076	\$13,432,033	\$18,596,524
Breakage	\$72,139	\$0	\$51,397	\$96,748	\$220,284	\$72,139	\$148,145	\$220,284

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

\$15,583,924 Total Export-Interstate Handle - Out of state locations wagering on Texas greyhound racetracks
\$55,501,437 Total Import-Interstate Handle - Texas greyhound racetracks wagering on out of state racetracks
 -\$39,917,513 Net LOSS of wagering dollars in Texas as a result of simulcasting at greyhound racetracks

Summary of All Texas Horse Racetracks

from 1/1/2007 through 12/31/2007

	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	283	n/a	2,407	2,705	5,395	283	5,112	5,395
# of Performances	283	n/a	26,404	15,071	41,758	283	41,475	41,758
Attendance	1,150,701	n/a	655,894	2,107	1,808,702	1,150,701	658,001	1,808,702
Net Handle	\$51,948,448	\$246,321,191	\$314,086,750	\$42,722,570	\$655,078,958	\$298,269,638	\$356,809,320	\$408,757,767
Horse Purse	\$3,894,544	\$2,823,304	\$22,645,928	\$601,277	\$29,965,052	\$6,717,847	\$23,247,205	\$27,141,749
Greyhound Purse				\$575,094	\$575,094	\$0	\$575,094	\$575,094
TTA Purse					\$0	\$0	\$0	\$0
TQHA Purse					\$0	\$0	\$0	\$0
TGA Purse				\$1,774,387	\$1,774,387	\$0	\$1,774,387	\$1,774,387
Escrowed Horse Purse					\$0	\$0	\$0	\$0
TX Horsemen's Partnership					\$0	\$0	\$0	\$0
THP Escrow Horse Purse					\$0	\$0	\$0	\$0
Texas Bred	\$298,774		\$2,310,038	\$386,190	\$2,995,003	\$298,774	\$2,696,228	\$2,995,003
State Tax			\$3,140,777	\$533,589	\$3,674,366	\$0	\$3,674,366	\$3,674,366
Hub Fee				\$483,788	\$483,788	\$0	\$483,788	\$483,788
Simulcast Fee			\$10,911,028	\$1,200,427	\$12,111,455	\$0	\$12,111,455	\$12,111,455
Racetracks	<u>\$6,690,993</u>	<u>\$4,746,899</u>	<u>\$26,452,001</u>	<u>\$4,244,432</u>	<u>\$42,134,325</u>	<u>\$11,437,892</u>	<u>\$30,696,433</u>	<u>\$37,387,427</u>
Total Commissions	\$10,884,311	\$7,570,203	\$65,459,772	\$9,799,184	\$93,713,470	\$18,454,514	\$75,258,956	\$86,143,267
Breakage	\$355,000	\$0	\$1,222,079	\$83,618	\$1,660,697	\$355,000	\$1,305,687	\$1,660,697

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

\$233,071,455
\$335,276,319
 -\$102,204,864

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

Summary of All Texas Racetracks

from 1/1/2007 through 12/31/2007

	Column 1 Live On-Track	Column 2 Live Export	Column 3 Simulcast Same-Species	Column 4 Simulcast Cross-Species	Column 5 Sum of 1 through 4 Total	Column 6 Sum of 1 & 2 Live On-Track & Export Total	Column 7 Sum of 3 & 4 Combined Simulcast Import Total	Column 8 Sum of 1 & 7 Combined On-Track Total
# of Race Days	909	n/a	4,275	4,351	9,535	909	8,628	9,535
# of Performances	1,255	n/a	41,179	26,548	68,982	1,255	67,727	68,982
Attendance	1,516,368	n/a	758,179	2,200	2,276,747	1,516,368	760,379	2,276,747
Net Handle	\$74,989,502	\$275,082,945	\$344,939,288	\$72,271,200	\$767,282,935	\$350,072,447	\$417,210,488	\$492,199,990
Horse Purse	\$3,894,544	\$2,823,304	\$22,645,928	\$723,592	\$30,087,367	\$6,717,847	\$23,369,519	\$27,264,063
Greyhound Purse	\$1,126,630	\$115,049	\$893,486	\$608,891	\$2,744,055	\$1,241,678	\$1,502,377	\$2,629,007
TTA Purse	\$0	\$0	\$0	\$204,860	\$204,860	\$0	\$204,860	\$204,860
TQHA Purse	\$0	\$0	\$0	\$204,860	\$204,860	\$0	\$204,860	\$204,860
TGA Purse	\$0	\$0	\$0	\$1,804,329	\$1,804,329	\$0	\$1,804,329	\$1,804,329
Escrowed Horse Purse	\$0	\$0	\$0	\$1,212,952	\$1,212,952	\$0	\$1,212,952	\$1,212,952
TX Horsemen's Partnership	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
THP Escrow Horse Purse	\$0	\$0	\$0	\$307,399	\$307,399	\$0	\$307,399	\$307,399
Texas Bred	\$298,774	\$0	\$2,597,312	\$623,331	\$3,519,417	\$298,774	\$3,220,642	\$3,519,417
State Tax	\$0	\$0	\$3,449,281	\$902,583	\$4,351,865	\$0	\$4,351,865	\$4,351,865
Hub Fee	\$0	\$0	\$0	\$893,979	\$893,979	\$0	\$893,979	\$893,979
Simulcast Fee	\$0	\$0	\$11,755,270	\$2,306,933	\$14,062,204	\$0	\$14,062,204	\$14,062,204
Racetracks	\$10,728,854	\$5,575,435	\$31,252,579	\$6,303,426	\$53,860,294	\$16,304,289	\$37,556,004	\$48,284,859
Total Commissions	\$16,048,802	\$8,513,788	\$72,593,855	\$16,097,134	\$113,253,579	\$24,562,590	\$88,690,989	\$104,739,791
Breakage	\$427,139	\$0	\$1,273,476	\$180,366	\$1,880,981	\$427,139	\$1,453,843	\$1,880,981

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

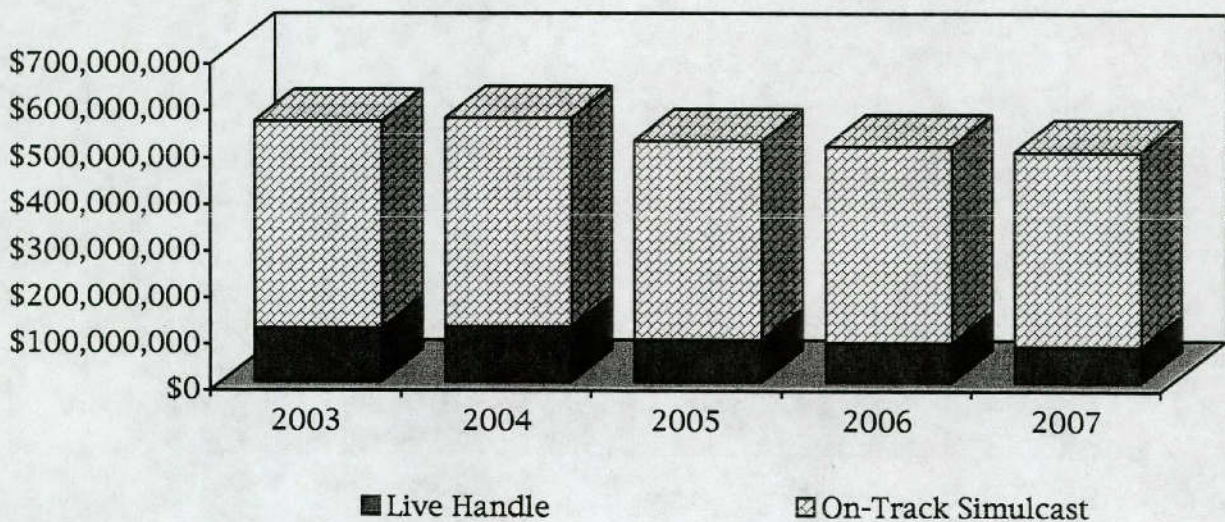
\$248,655,379	Total Export-Interstate Handle - Out of state locations wagering on Texas racetracks
<u>\$390,777,756</u>	Total Import-Interstate Handle - Texas racetracks wagering on out of state racetracks
-\$142,122,377	Net LOSS of wagering dollars in Texas as a result of simulcasting

FIVE-YEAR OVERVIEW OF PARI-MUTUEL RACING

Greyhound & Horse Tracks Combined

	2003	2004*	2005	2006	2007
# of Tracks	8	8	8	8	8
HANDLE ON-TRACK:					
Live	\$114,414,754	\$117,674,166	\$89,095,132	\$82,985,634	\$74,989,502
Simulcast	<u>\$443,112,863</u>	<u>\$446,623,183</u>	<u>\$425,979,354</u>	<u>\$421,247,936</u>	<u>\$417,210,488</u>
TOTAL	\$557,527,617	\$564,297,349	\$515,074,486	\$504,233,570	\$492,199,990
LIVE DATES	1,395	1,352	1,228	1,298	1,255
# OF SIMULCAST SIGNALS TAKEN	64,036	66,542	64,022	67,118	67,727
PURSES PAID	\$47,114,548	\$58,168,384	\$44,085,864	\$43,524,681	\$41,664,542
STATE TAX	\$4,615,249	\$4,650,399	\$4,441,690	\$4,398,721	\$4,351,865
TX BRED \$	\$5,769,835	\$5,798,309	\$5,251,107	\$5,342,051	\$5,214,149
ATTENDANCE	2,862,501	2,783,720	2,432,071	2,361,397	2,276,747

On-Track Handle Greyhound & Horse Combined*



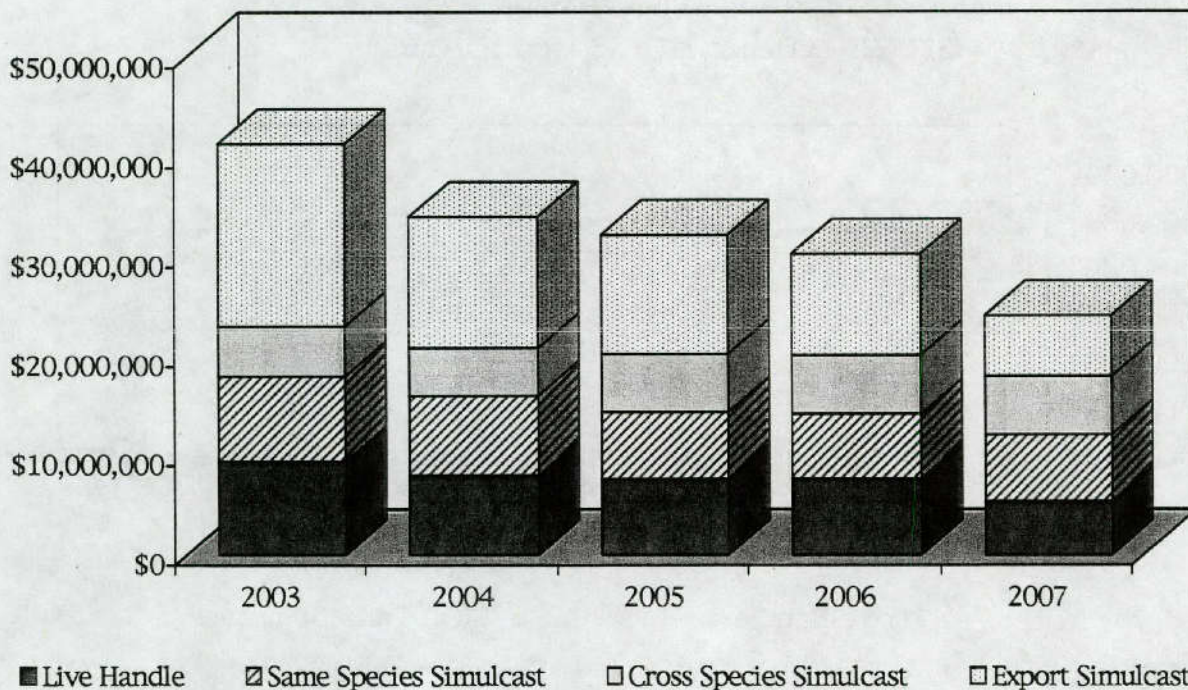
*Note: Lone Star Park's hosting of the 2004 Breeders' Cup races positively impacted the 2004 Live Handle, Export Handle, Purses Paid, and Attendance.

GREYHOUND RACETRACK

CORPUS CHRISTI GREYHOUND RACE TRACK

	2006	2007	% Change
Live On-Track Handle	\$7,604,310	\$5,357,371	(29.55%)
Import Same Species Simulcast	\$6,549,557	\$6,676,725	1.94%
Import Cross Species Simulcast	\$5,925,335	\$5,878,802	(.79%)
Total On-Track Handle	\$20,079,202	\$17,912,898	(10.79%)
Total Export Handle	\$10,183,274	\$6,130,295	(39.80%)
Total Wagered on CCGRT	\$17,787,584	\$11,487,666	(35.42%)
Average Value per Point	\$25.29	\$28.36	12.14%
Average Purses Paid/Performance	\$2,616	\$2,585	(1.19%)
Total Purses Paid	\$1,093,539	\$930,476	(14.91%)
Total Live Performances	418	360	(13.87%)
Total # of Simulcast Signals Taken	5,627	6331	12.51%
Total Attendance	139,117	122,803	(11.73%)


2003-2007
Corpus Christi Greyhound Race Track





**Data on this page provided by Corpus Christi Greyhound Race Track
For Calendar Year 1/1/2007- 12/31/2007 - Unaudited**

Average # of Employees/Positions on Payroll	127
Total Salaries and Wages Paid	\$1,554,512
Total State Pari-mutuel Tax Paid	\$140,252
Total Other State Taxes Paid	\$70,313
Total Property Taxes Paid	\$108,569
Total Purchased Goods and Services	\$3,464,486
Total Charitable Contributions	\$6,779

2007 Highlights

- 
 Corpus Christi Greyhound Race Track (CCGRT) donated “Night at the Races” packages to numerous charities, including the Muscular Dystrophy Association, the Corpus Christi Hispanic Chamber of Commerce, the All Officers’ Spouses’ Club, the Corpus Christi Black Chamber of Commerce, the Driscoll Children’s Hospital, the South Texas Lighthouse for the Blind, and the Teen Challenge of South Texas.

- 
 CCGRT made monetary donations to several charities, including the Salvation Army, the National Drug & Safety League, and the Heart of Texas Greyhound Adoption.

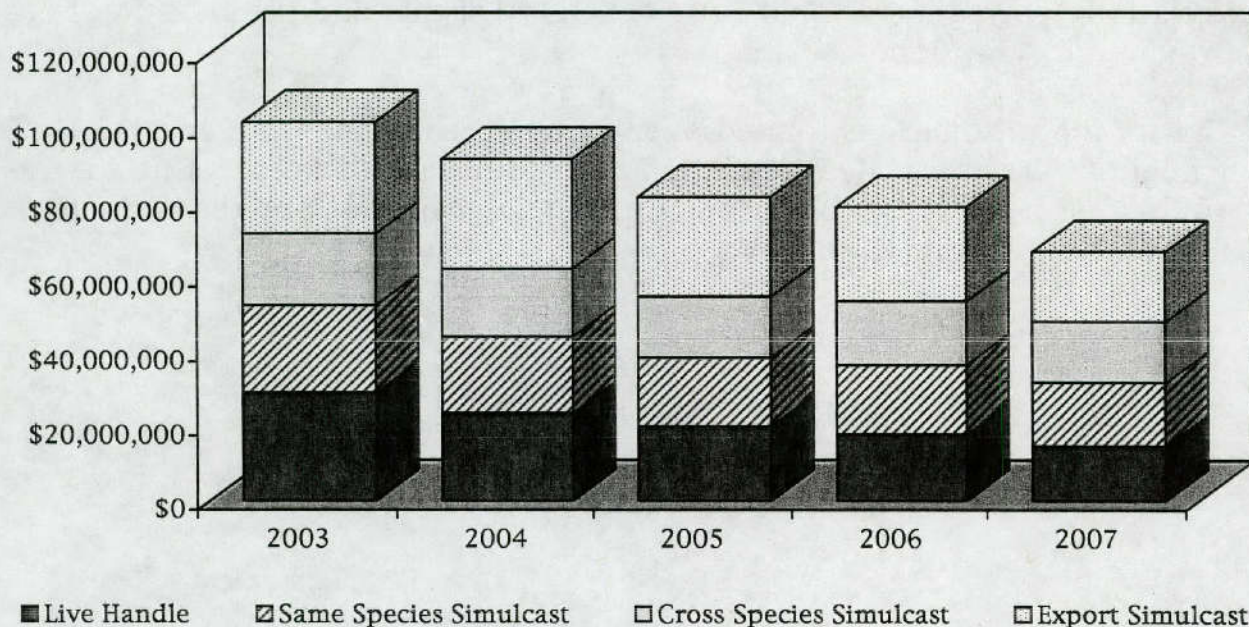
- 
 Charity night donations totaled over \$4,391, benefiting the Texas A&M School of Veterinary Medicine, the Family Outreach of Corpus Christi, the ARK Assessment Center of Corpus Christi, the Women’s Shelter of South Texas, and the Kennel Charity.

GREYHOUND RACETRACK

GULF GREYHOUND PARK

	2006	2007	% Change
Live On-Track Handle	\$17,859,594	\$14,615,786	(18.16%)
Import Same Species Simulcast	\$18,609,372	\$17,079,235	(8.22%)
Import Cross Species Simulcast	\$17,111,158	\$16,418,634	(4.05%)
Total On-Track Handle	\$53,580,124	\$48,113,655	(10.20%)
Total Export Handle	\$25,407,497	\$18,778,888	(26.09%)
Total Wagered on Gulf Greyhound	\$43,267,091	\$33,394,674	(22.82%)
Average Value per Point	\$53.89	\$52.79	(2.04%)
Average Purses Paid/Performance	\$7,063	\$6,038	(14.51%)
Total Purses Paid	\$3,051,131	\$2,747,284	(9.96%)
Total Live Performances	432	455	5.32%
Total # of Simulcast Signals Taken	9,054	9321	2.95%
Total Attendance	258,382	224,778	(13.01%)








2003-2007
Gulf Greyhound Park



**Data on this page provided by Gulf Greyhound Park
For Calendar Year 1/1/2007- 12/31/2007 - Unaudited**

Average # of Employees/Positions on Payroll	264
Total Salaries and Wages Paid	\$3,675,887
Total State Pari-mutuel Tax Paid	\$376,025
Total Other State Taxes Paid	\$146,284
Total Property Taxes Paid	\$340,767
Total Purchased Goods and Services	\$6,545,538
Total Charitable Contributions	\$36,151

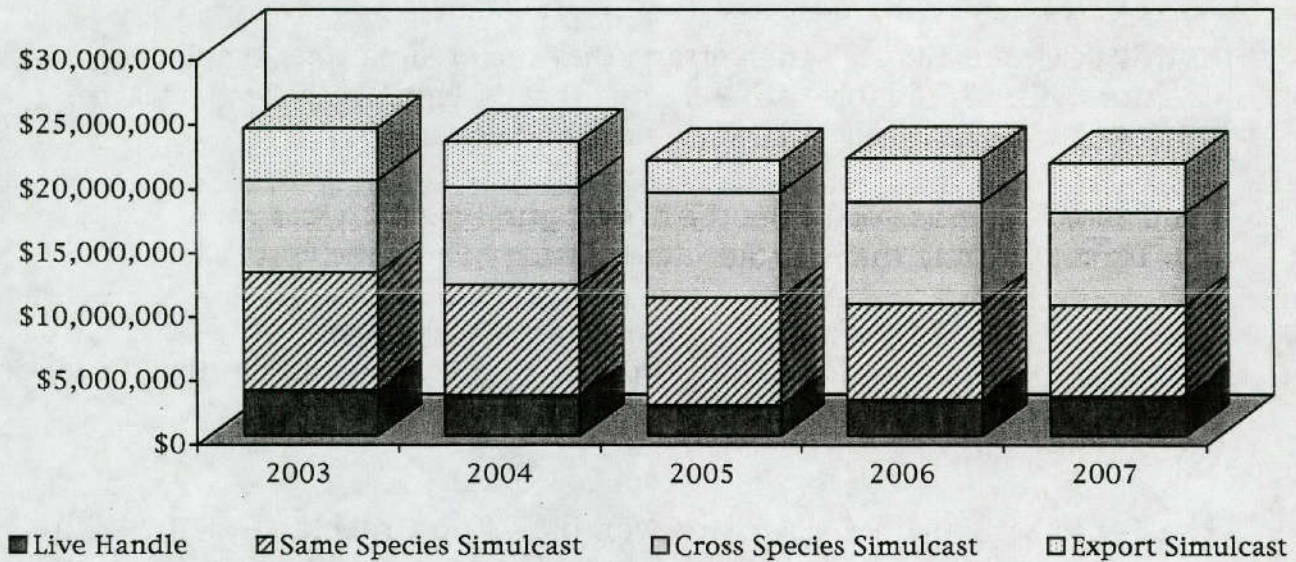
2007 Highlights

-  Gulf Greyhound Park (GGP) once again hosted the Gulf Coast Softball Coaches Clinic and the Houston Area Football Coaches Clinic with 200+ and 185 in attendance respectively.
-  In April, the Galveston Propeller Club held its annual Crawfish Boil at the track benefiting student scholarships for Texas A&M University at Galveston.
-  August saw GGP playing host to the La Marque Christmas in August Benefit, which supports underprivileged children in La Marque, and the Connie Andrews Benefit, which benefited Ms. Andrews, a cancer patient.
-  As GGP celebrated its 15th Anniversary, they honored patrons, employees, and investors with a reception. GGP reported that 58 employees, 2 veterinarians, and 4 kennels have been there since their opening in 1992.
-  The \$20,000 Texas Round Up, the richest purse in 2007, was run on May 5 with CL Texas Star from the High Star Kennel taking home the first place finish.
-  In what was to be the fastest time of the 2007 season, Gable Cuidado repeated as stake victor of the Gordon Wood Memorial Feature. Cuidado ran an impressive 29.87 and won by eleven-lengths blowing away the rest of the field.
-  The Texas Fall Sprint Classic was won by U Too Graceland of the White Oak Kennel. The win for kennel owner, Denise Corey was an emotional one. Ms. Corey lost her father, longtime GGP kennel owner, Don Corey, just a month prior. U Too Graceland won by an astonishing seven-lengths to take home the title and \$5,000 in purse money.

GREYHOUND RACETRACK
VALLEY RACE PARK

	2006	2007	% Change
Live On-Track Handle	\$2,823,794	\$3,067,898	8.64%
Import Same Species Simulcast	\$7,474,362	\$7,096,578	(5.05%)
Import Cross Species Simulcast	\$7,939,557	\$7,251,194	(8.67%)
Total On-Track Handle	\$18,237,713	\$17,415,670	(4.51%)
Total Export Handle	\$3,406,593	\$3,852,572	13.09%
Total Wagered on Valley Race Park	\$6,230,387	\$6,920,561	11.08%
Average Value per Point	\$54.18	\$48.44	(10.59%)
Average Purses Paid/Performance	\$5,523	\$4,603	(16.66%)
Total Purses Paid	\$767,745	\$722,700	(5.87%)
Total Live Performances	139	157	12.95%
Total # of Simulcast Signals Taken	11,016	10,600	(3.78%)
Total Attendance	114,179	120,464	5.50%






2003-2007
 Valley Race Park



**Data on this page provided by Valley Race Park
For Calendar Year 1/1/2007 - 12/31/2007 - Unaudited**

Average # of Employees/Positions on Payroll	150
Total Salaries and Wages Paid	\$1,206,533
Total State Pari-mutuel Tax Paid	\$161,604
Total Other State Taxes Paid	\$100,116
Total Property Taxes Paid	\$45,441
Total Purchased Goods and Services	\$3,754,966
Total Charitable Contributions	\$7,017

2007 Highlights

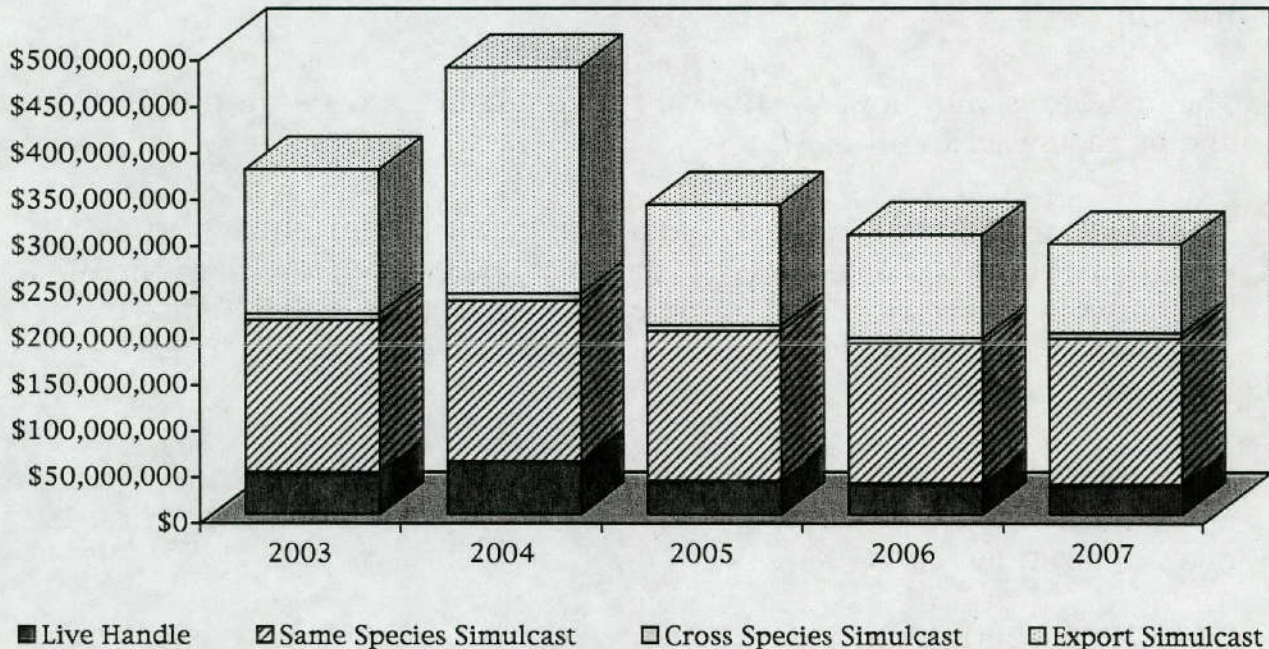
-  Valley Race Park (VRP) recorded increases in attendance and on track live handle during their 2006-2007 meet. Following an early season kennel flu that resulted in short fields and a restructuring of the marketing and advertising, VRP saw business jump 14%. Four new attendance records were set for racing days outside of opening and closing days. The largest single day attendance of the new era was set in January when over 4,100 attended the first Winter in the Park day. The crowd was nearly 1,100 more than the previous record and only 500 off the all time record of the opening day of the track in 1990.
-  The first Texas Showdown Festival in March added festivities to the track's annual racing series.
-  The Fast Track Sports Bar was added with over 60 TVs including a 10 foot SuperScreen and multiple large flat screens. Special events such as the WWE, UFC, Cowboys games, and pro boxing attracted as many as 2,000 fans to the track. Valley native Robert Garza of the Super Bowl Chicago Bears was honored in February.
-  The Burk Kennel's Sylvia captured the Texas Showdown Championship as part of her amazing 13 race winning streak at VRP. Sylvia won 17 of her first 19 races to begin her career.
-  VRP's 2006 - 2007 charity days benefited the Texas Greyhound Association, the Texas A&M Veterinarian School, the Literacy Center, the RGV Livestock Show, and the Valley AIDS Council.

CLASS 1 HORSE RACETRACK

LONE STAR PARK AT GRAND PRAIRIE

	2006	2007	% Change
Live On-Track Handle	\$33,276,506	\$32,060,069	(3.66%)
Import Same Species Simulcast	\$151,489,558	\$157,670,948	4.08%
Import Cross Species Simulcast	\$5,898,889	\$6,068,529	2.88%
Total On-Track Handle	\$190,664,953	\$195,799,546	2.69%
Total Export Handle	\$111,298,748	\$95,818,220	(13.91%)
Total Wagered on Lone Star	\$144,575,254	\$127,878,289	(11.55%)
Average Purses Paid/Quarter Horse	\$149,153	\$119,959	(19.57%)
# of Quarter Horse Race Dates	32	32	0%
Average Purses Paid/Thoroughbred	\$203,445	\$194,832	(4.23%)
# of Thoroughbred Race Dates	66	67	1.52%
Total Purses Paid	\$18,200,255	\$17,147,014	(5.79%)
Total Live Performances	98	99	1.02%
Total # of Simulcast Signals Taken	8,433	8,523	1.07%
Total Attendance	803,234	837,834	4.31%

2003-2007
Lone Star Park at Grand Prairie









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

**Data on this page provided by Lone Star Park at Grand Prairie
For Calendar Year 1/1/2007 - 12/31/2007 - Unaudited**

Average # of Employees/Positions on Payroll	400 off-season/1100 live racing
Total Salaries and Wages Paid(includes benefits)	\$14,569,120
Total State Pari-mutuel Tax Paid	\$1,737,628
Total Other State Taxes Paid	\$1,752,442
Total Property Taxes Paid	\$2,146,739
Total Purchased Goods and Services	\$28,772,340
Total Charitable Contributions	\$98,190

2007 Highlights

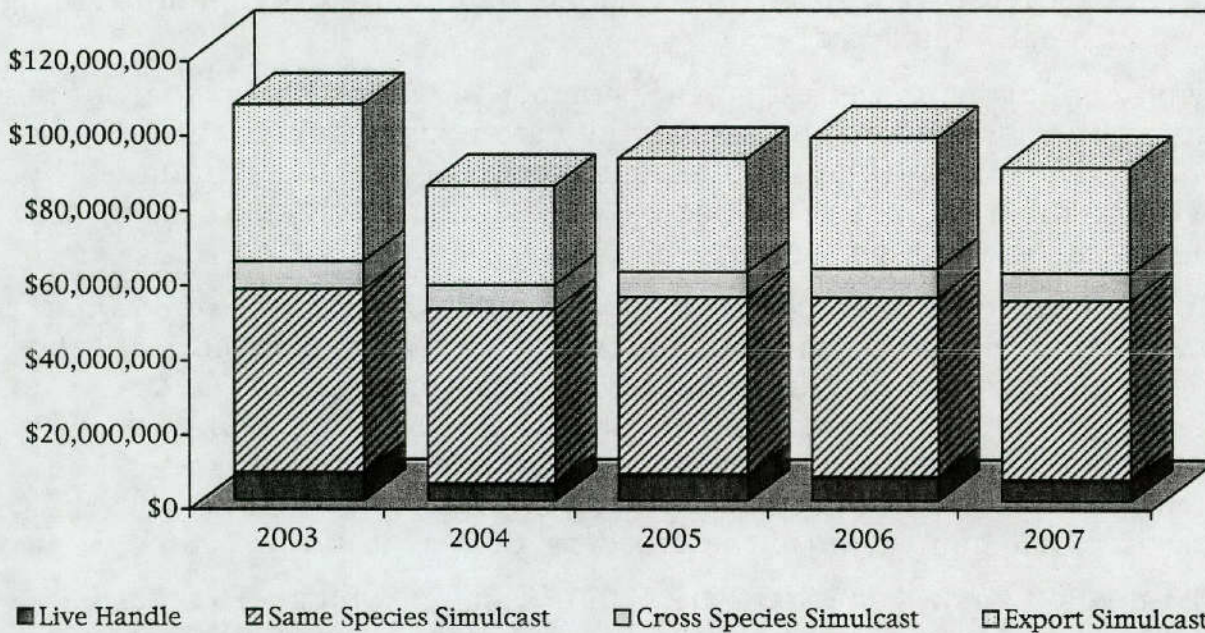
-  A spike of over \$5 million in total on-track wagers highlighted the 2007 calendar year for Lone Star Park (LSP) as over 800,000 customers passed through the turnstiles during its 10th Anniversary Year and wagered nearly \$196 million - an increase of more than 2% over 2006.
-  Record rainfall hampered LSP's Spring Thoroughbred Meet. A total of 27.68 inches of rain fell in the area, an astonishing 21 inches more than the previous year. May and June combined to be the wettest two months in Dallas-Fort Worth history. Attendance, handle, field size, and training were all greatly impacted.
-  Despite enduring its wettest spring/summer in track history, some of the figures were positive. The average daily attendance during the meet was 7,100, a 4.0% increase over 2006. Although on-track live handle fell by 3.0% and off-track handle dipped by 14.9%, total on-track wagering grew 5.1% from 2006 season figures.
-  The Fall Quarter Horse meet brought an average attendance of 3,100, a 10.2% slip from 2006. On-track betting on live racing slipped 8.5% and off-track export business dipped 11.3%. However, total on-track wagering climbed 10.2% thanks to continued growth in betting on imported simulcast races. Part of the decline in live handle was attributable to LSP not hosting the Bank of America Challenge, the Quarter Horse equivalent to the Breeders' Cup, as it did in 2006.
-  LSP unveiled a new Lone Star Park Hall of Fame in which a foundation class of 14 inductees were honored with permanent enshrinement in the Saddling Paddock on April 21.
-  During 2007, the Lone Star Park Charitable Foundation for Grand Prairie awarded \$90,000 to 16 Grand Prairie charities.

CLASS 1 HORSE RACETRACK

RETAMA PARK

	2006	2007	% Change
Live On-Track Handle	\$6,426,454	\$5,626,912	(12.44%)
Import Same Species Simulcast	\$47,927,841	\$47,858,873	(.14%)
Import Cross Species Simulcast	\$7,705,821	\$7,352,738	(4.58%)
Total On-Track Handle	\$62,060,116	\$60,838,523	(1.97%)
Total Export Handle	\$34,948,677	\$28,142,325	(19.48%)
Total Wagered on Retama	\$41,375,131	\$33,769,237	(18.38%)
Average Purses Paid/Quarter Horse	\$59,518	\$67,513	13.43%
# of Quarter Horse/Mixed Race Dates	24	21	(12.50%)
Average Purses Paid/Thoroughbred	\$88,926	\$121,203	36.30%
# of Thoroughbred Race Dates	51	32	(37.25%)
Total Purses Paid	\$6,204,770	\$5,374,045	(13.39%)
Total Live Performances	75	53	(29.33%)
Total # of Simulcast Signals Taken	9,189	9,843	7.18%
Total Attendance	366,436	305,420	(16.65%)

2003-2007
Retama Park








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

**Data on this page provided by Retama Park
For Calendar Year 1/1/2007 - 12/31/2007 - Unaudited**

Average # of Employees/Positions on Payroll	228
Total Salaries and Wages Paid	\$4.4 million
Total State Pari-mutuel Tax Paid	\$571,000
Total Other State Taxes Paid	\$302,000
Total Property Taxes Paid	N/A (Tax Exempt)
Total Purchased Goods and Services	\$7 million
Total Charitable Contributions	\$98,000 cash & in kind donations

2007 Highlights

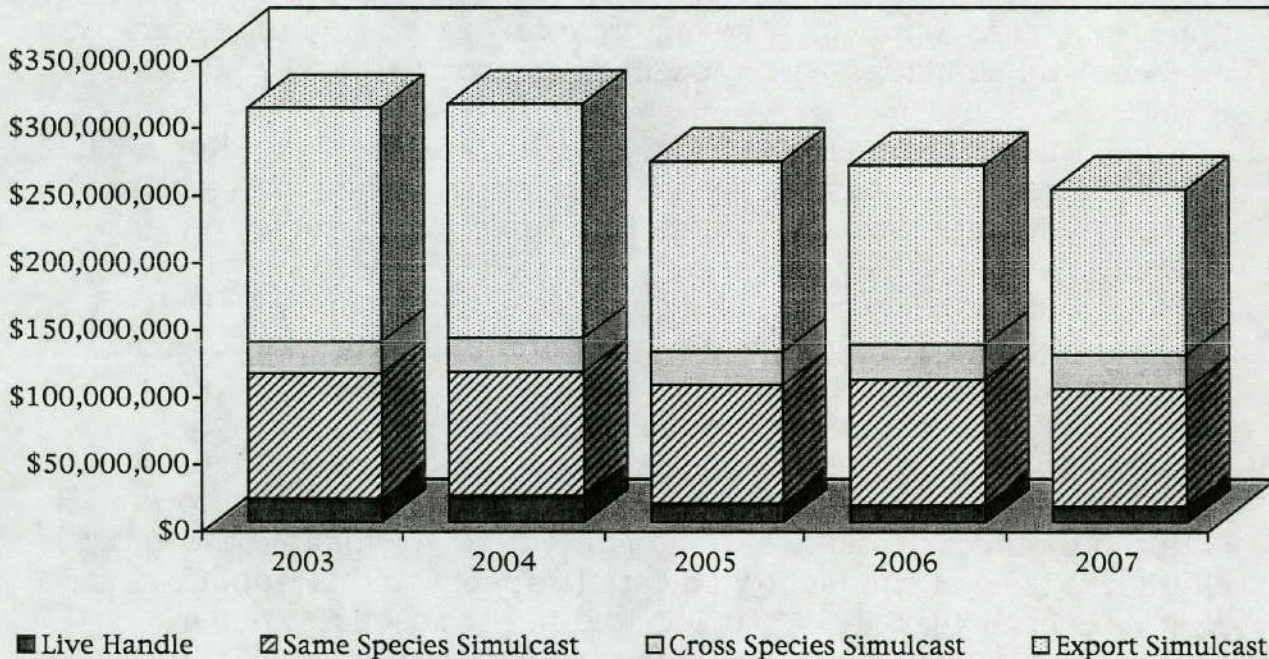
-  Retama Park (RETA) wrapped up the 2007 racing year with double digit increases over 2006 for its Thoroughbred Meet. The meet concluded with a 38% increase in average live handle, 24% increase in average export handle, and an 11% increase in average live attendance. This very successful Thoroughbred meet allowed RETA to increase average daily purses to over \$100,000 per day. The Quarter Horse Meet also posed increases in average live handle of 2% and average export handle of 28% over the previous year.
-  For the fourth consecutive year, M2 Technology was the title sponsor for the \$100,000 La Seniorita. The one-mile turf race ran on Breeders' Cup weekend and coincided with the colt counterpart, the \$100,000 Skyy El Joven.
-  The richest night of racing at RETA for 2007 was the Texas Horse Racing Hall of Fame night, boasting \$500,000 in purse money for Texas bred horses. Inductees into the 2007 Hall of Fame were treated to a gala celebration held at Retama Park.
-  RETA had the honor of partnering with Operation Hope for two very special projects during the year. Operation Hope is a local organization that provides assistance to military families with parents serving overseas. Volunteers from throughout the community gathered at Retama Park to help prepare and assemble backpacks in August and for Christmas stockings in December that were then distributed to the children of military families who qualified. RETA donated the entire clubhouse level of the facility and staff support to this wonderful cause.
-  As it does each year, RETA participated in the Susan G. Komen Foundation's "Passionately Pink for the Cure" campaign, with employees and jockeys donating a total of \$2,033 for the privilege of wearing something pink to work on October 19.

CLASS 1 HORSE RACETRACK

SAM HOUSTON RACE PARK

	2006	2007	% Change
Live On-Track Handle	\$12,531,766	\$11,675,861	(6.83%)
Import Same Species Simulcast	\$93,432,688	\$87,313,581	(6.55%)
Import Cross Species Simulcast	\$26,046,521	\$25,241,040	(3.09%)
Total On-Track Handle	\$132,010,975	\$124,230,482	(5.89%)
Total Export Handle	\$132,597,682	\$122,577,920	(7.56%)
Total Wagered on Sam Houston	\$145,129,448	\$134,253,781	(7.49%)
Average Purses Paid/Quarter Horse	\$84,595	\$95,552	12.95%
# of Quarter Horse Race Dates	38	35	(7.89%)
Average Purses Paid/Thoroughbred	\$102,549	\$115,507	12.64%
# of Thoroughbred Race Dates	72	70	(2.78%)
Total Purses Paid	\$11,049,754	\$11,760,536	6.43%
Total Live Performances	110	105	(4.55%)
Total # of Simulcast Signals Taken	14,074	13,753	(2.28%)
Total Attendance	607,777	593,777	(2.30%)

**2003-2007
Sam Houston Race Track**










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

**Data on this page provided by Sam Houston Race Park
For Calendar Year 1/1/2007 - 12/31/2007 - Unaudited**

Average # of Employees/Positions on Payroll	479
Total Salaries and Wages Paid	\$12,081,000
Total State Pari-mutuel Tax Paid	\$1,190,000
Total Other State Taxes Paid	\$490,000
Total Property Taxes Paid	\$881,000
Total Purchased Goods and Services	\$15,567,000
Total Charitable Contributions	\$37,000

2007 Highlights

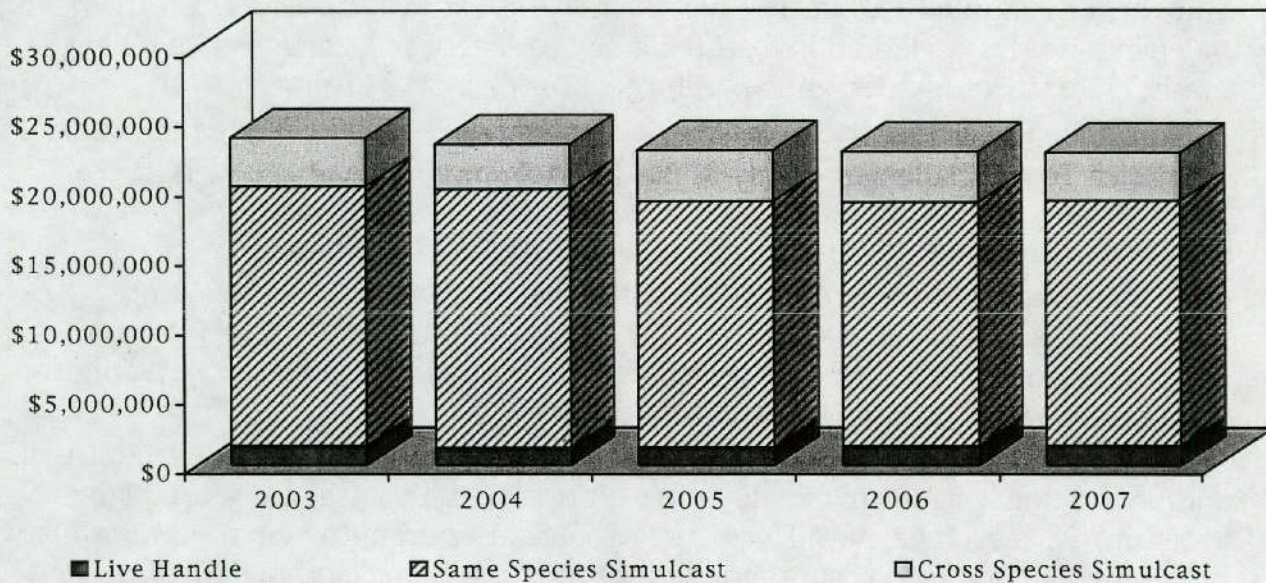
-  Sam Houston Race Park (SHRP) unveiled the new concert area, The Infield, and beginning on June 29, hosted a record 20 concerts on Friday and Saturday evenings. The Verizon Wireless Concert Series at Sam Houston Race Park featured a variety of artists of the Country, Classic Rock, and Alternative music world, which included such acts as Merle Haggard, Poison, Cross Canadian Ragweed, Clay Walker, Vince Neil & Friends, Blue October, Charlie Daniels, Finger 11, and Roger Creager. The opening weekend of the Thoroughbred meet featured a concert by Miranda Lambert and Kevin Fowler.
-  The 13th Annual Grade III \$200,000 Connally Breeders' Cup Turf Festival was held on April 7 with Mending Fences capturing the first graded stakes win of his career and the richest race of SHRP's Spring Thoroughbred Meet.
-  SHRP held the annual TXU Energy July 4 Fireworks Extravaganza. The all-American Independence Day celebration featured a day of American Quarter Horse racing, music, children's activities, and an unforgettable fireworks display.
-  The 2007 Quarter Horse live race meet, a 35-day racing event, included the Bank of America Texas Challenge on July 8, the TQHA Summer Showdown and TQHA Yearling Sale on July 27 and 28, and the Sam Houston Futurity and Derby on closing weekend with a total attendance during the meet of 175,746 patrons.
-  SHRP maintained a strong relationship with several community organizations throughout 2007. SHRP chaired the 2007 Houston Northwest Chamber Annual Gala in January and hosted their Epicurean Evening in August. SHRP contributed more than \$50,000 in charitable donations for 2007.
-  SHRP continues to be a proud supporter of the Racetrack Chaplaincy of America. In addition to donating 2% of one day's live on-track handle to the track Chaplaincy program, twice each year SHRP organizes a fundraiser event to help fund their many programs, which include counseling services and providing clothing, blankets, and food for backside workers in need.
-  SHRP celebrated a 68-day Thoroughbred meeting offering in excess of \$110,000 in purses each day and featuring 27 stakes races with more than \$1.6 million in purses for the season.

CLASS 2 HORSE RACETRACK

MANOR DOWNS

	2006	2007	% Change
Live On-Track Handle	\$1,407,389	\$1,451,110	3.11%
Import Same Species Simulcast	\$17,547,600	\$17,613,645	.37%
Import Cross Species Simulcast	\$3,617,711	\$3,458,964	(4.39%)
Total On-Track Handle	\$22,572,700	\$22,523,719	(.22%)
Total Export Handle	N/A	N/A	N/A
Total Wagered on Manor	\$1,407,389	\$1,451,110	3.11%
Average Purses Paid/Quarter Horse	\$114,312	\$104,611	(8.49%)
Average Purses Paid/Thoroughbred	\$19,522	\$25,040	28.27%
Average Purses Paid/Minor Breed	\$2,418	\$3,240	34.00%
# of Mixed Race Dates	18	18	0%
Total Purses Paid	\$2,452,538	\$2,392,038	(2.47%)
Total Live Performances	18	18	0%
Total # Simulcast Signals Taken	5,804	5,363	(7.60%)
Total Attendance	61,494	59,539	(3.18%)





2003-2007
Manor Downs



**Data on this page provided by Manor Downs
For Calendar Year 1/1/2007 - 12/31/2007 - Unaudited**

Average # of Employees/Positions on Payroll	43
Total Salaries and Wages Paid	\$1,034,155
Total State Pari-mutuel Tax Paid	\$222,849
Total Other State Taxes Paid	\$112,089
Total Property Taxes Paid	\$136,147
Total Purchased Goods and Services	\$2,146,721
Total Charitable Contributions	\$6,493

2007 Highlights

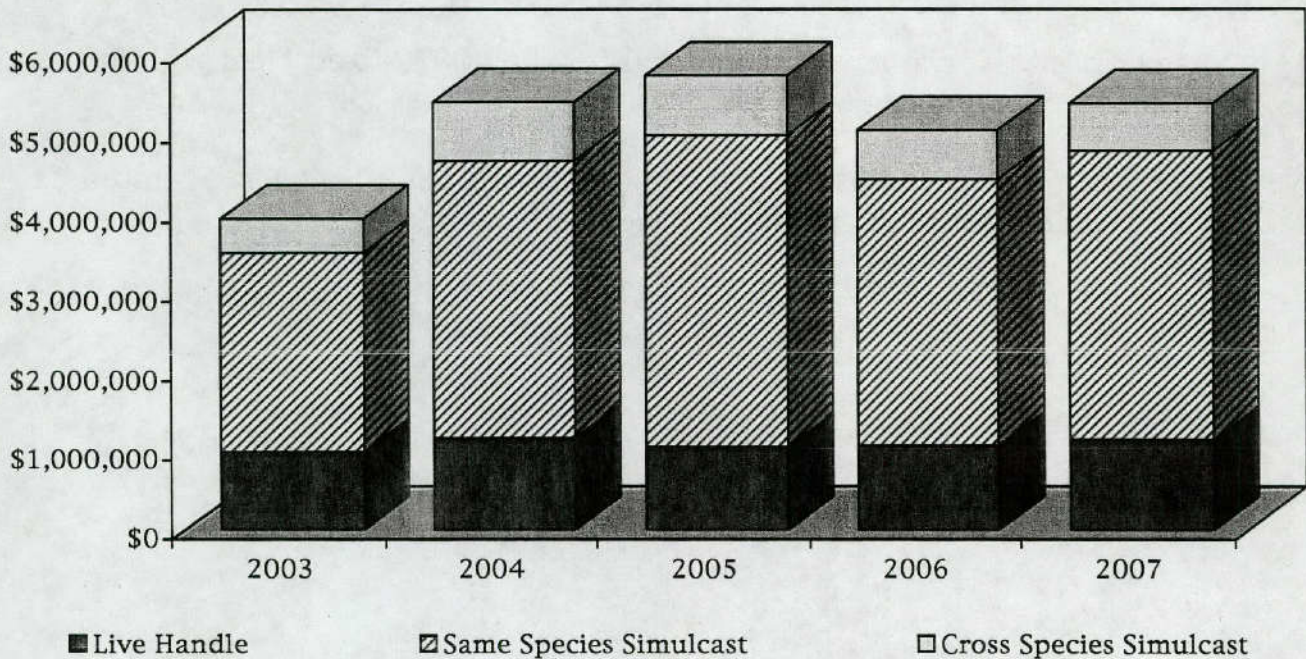
-  Manor Downs continued its effort to improve its facilities by making improvements to the official's tower. The tower, located above the main grandstand, was upgraded with a new interior and modifications made to the exterior.
-  The 2007 Mixed Meet ended with jockey Santos Carrizales on top of the win standings with a total of 153 mounts, a win percentage of 22.2%, and total purse earnings of \$321,078.
-  Shae Cox led the trainer win standings for the 2007 Mixed Meet with 58 starts and a win percentage of 15.5%.
-  The owner win standings was led by Jose Rasalio Espinosa. Mr. Espinosa had a total of 33 starts and a win percentage of 21.2%.

CLASS 3 HORSE RACETRACK

GILLESPIE COUNTY FAIR & FESTIVALS ASSOCIATION

	2006	2007	% Change
Live On-Track Handle	\$1,055,821	\$1,134,495	7.45%
Import Same Species Simulcast	\$3,357,621	\$3,629,703	8.10%
Import Cross Species Simulcast	\$614,348	\$601,300	(2.12%)
Total On-Track Handle	\$5,027,790	\$5,365,498	6.72%
Total Export Handle	N/A	N/A	N/A
Total Wagered on Gillespie	\$1,055,821	\$1,134,495	7.45%
Average Purses Paid/Quarter Horse	\$54,344	\$54,656	.57%
Average Purses Paid/Thoroughbred	\$13,850	\$19,150	38.27%
# of Mixed Race Dates	8	8	0%
Total Purses Paid	\$552,550	\$590,450	6.86%
Total Live Performances	8	8	0%
Total # of Simulcast Signals Taken	3,921	3979	1.48%
Total Attendance	10,778	12,132	12.56%

2003-2007
Gillespie County Fair & Festivals Association




**Data on this page provided by Gillespie County Fair & Festivals Association
For Calendar Year 1/1/2007- 12/31/2007 - Unaudited**


Average # of Employees/Positions on Payroll	70
Total Salaries and Wages Paid	\$180,000
Total State Pari-mutuel Tax Paid	\$43,773
Total Other State Taxes Paid	\$17,113
Total Property Taxes Paid	\$0 (exempt)
Total Purchased Goods and Services	\$556,862
Total Charitable Contributions	\$60,000*

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


2007 Highlights

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The Gillespie County Fair & Festival Association awarded \$16,200 in scholarships to 27 graduating seniors in Gillespie County. This represents an increase of approximately 18% over last year's awards. To date, \$210,000 in scholarships have been awarded since 1991.

- 

The Fair Association's donated facility use and volunteer labor is estimated at over \$60,000 for 2007. The Fair Association consists of over 50 volunteer directors who, along with their families, provide a variety of events and activities throughout the year for the community.

- 

Gillespie Fair's overall handle and attendance were both up over previous years. There were several track records broken during the 2007 summer season.

OTHER LICENSED CLASS 2 RACETRACKS

AUSTIN JOCKEY CLUB

In 1999, Austin Jockey Club, Ltd. (AJC); acquired majority ownership of Longhorn Downs, Inc., which held a horse racetrack license that was originally issued in 1989. In December 2005, Bryan Brown, one of the owners of AJC, notified the Commission that AJC had entered into a contract to sell its ownership interests in Longhorn Downs. In August of 2006, a representative of the proposed new owners provided an update to the Commission regarding their financing and proposed new site location, noting that the details of the transaction and location would be submitted for the Commission's approval in the near future. As of the end of 2007, the transaction had not been finalized and presented to the Commission for approval.

LAREDO DOWNS

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

LAREDO RACE PARK

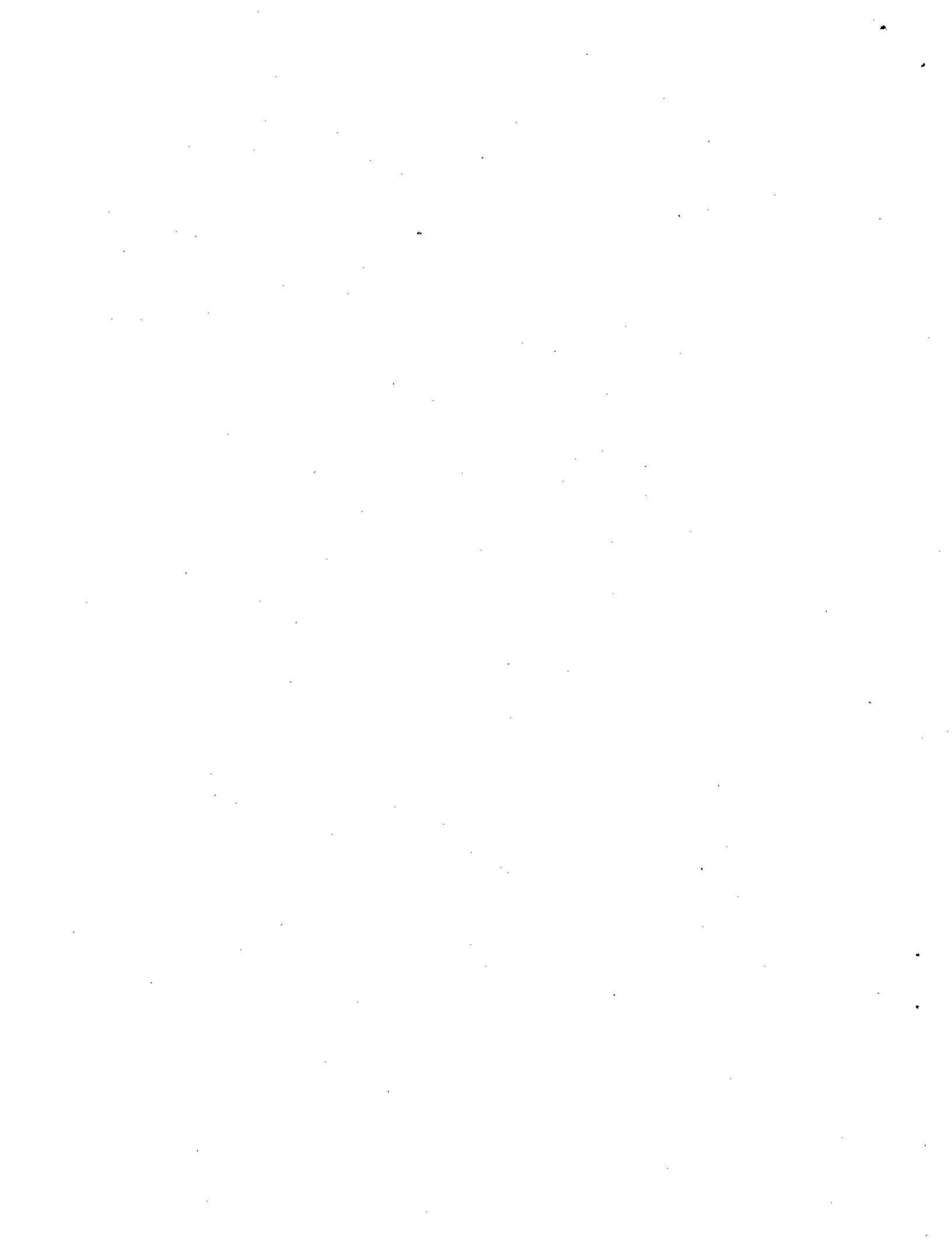
On March 20, 2007, the Commission conditionally granted a Class 2 horse racetrack license to Laredo Race Park for a Class 2 racetrack in Laredo, Texas. At its August 8 meeting, the Commission removed the condition and ordered security be posted to ensure compliance with the Act and the Rules. Laredo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

SADDLE BROOK PARK

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

VALLE DE LOS TESOROS RACE PARK

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



APPENDIX
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COMBINED STATEMENT OF REVENUES & EXPENDITURES FOR FISCAL YEAR 2007 AS COMPARED TO FISCAL YEAR 2006

Source: Annual Financial Reports

	Fiscal Year 2006	Fiscal Year 2007	Change +/- %
REVENUES:			
Legislative Appropriations	\$0.00	\$0.00	0%
Licenses, Fees & Permits	\$2,987,607.91	\$3,298,205.59	10.40%
Interest & Other Investment Income	\$33,162.33	\$28,314.93	-14.62%
Other Revenues	<u>\$7,436,889.10</u>	<u>\$7,079,051.48</u>	-4.81%
TOTAL REVENUES	\$10,457,659.34	\$10,405,572.00	-0.50%
EXPENDITURES:			
Salaries & Wages	\$3,554,019.12	\$3,737,260.95	5.16%
Payroll Related Costs	\$850,672.83	\$910,162.31	6.99%
Professional Fees & Services	\$107,892.81	\$106,824.79	-0.99%
Travel	\$184,172.82	\$229,197.04	24.45%
Materials & Supplies	\$162,309.16	\$140,323.28	-13.55%
Communications & Utilities	\$73,511.72	\$71,403.70	-2.87%
Repairs & Maintenance	\$41,707.24	\$51,178.58	22.71%
Rentals & Leases	\$140,294.48	\$121,013.17	-13.74%
Printing & Reproduction	\$5,980.03	\$7,198.30	20.37%
Claims & Judgments	\$620.00	\$0.00	-100.00%
Distributions to Others	\$5,984,798.16	\$5,106,389.67	-14.68%
Depreciation Expense	\$16,591.77	\$16,590.35	-0.01%
Capital Outlay	\$0.00	\$0.00	0%
TOTAL EXPENDITURES	\$11,122,570.14	\$10,497,542.14	-5.62%
EXCESS REVENUES OVER EXPENDITURES	<u>(\$664,910.80)</u>	<u>(\$91,970.14)</u>	-86.17%
OTHER FINANCING SOURCES (USES):			
Operating Transfer In:			
Loss on Sale of Capital Assets	(\$940.10)	(\$24.45)	-97.40%
Operating Transfers Out:			
Agency 902, Fund 001, Sweep	(\$479,193.35)	\$0.00	100.00%
Agency 556, Fund 001, Equine Research	<u>(\$98,913.28)</u>	<u>(\$95,099.40)</u>	-3.86%
TOTAL OTHER FINANCING SOURCES/(USES)	<u>(\$579,046.73)</u>	<u>(\$95,123.85)</u>	-83.57%
NET GAIN/LOSS FROM OPERATIONS	<u>(\$1,243,957.53)</u>	<u>(\$187,093.99)</u>	-84.96%
BEGINNING FUND BALANCE	\$1,890,942.60	\$675,753.75	-64.26%
Adjusting entry to fund balance:			
Funds in Suspense			0%
After AFR deadline			0%
BEGINNING FUND BALANCE - RESTATED	<u>\$1,890,942.60</u>	<u>\$675,753.75</u>	-64.26%
Capital Assets & Long Term Liability Adjustment:	<u>\$28,768.68</u>	<u>\$2,533.88</u>	-91.19%
ENDING FUND BALANCE	<u>\$675,753.75</u>	<u>\$491,193.64</u>	-27.31%

SUMMARY OF KEY FISCAL YEAR 2007 ACTUAL PERFORMANCE MEASURES AS COMPARED TO TARGET

Fiscal Year 2007 KEY MEASURES	Target	Actual	% of Target
# of Horse Racetracks Regulated	7	10	143%
Average Regulatory Cost per Horse Racetrack	\$23,462	\$24,259	103%
# of Greyhound Racetracks Regulated	3	3	100%
Average Regulatory Cost per Greyhound Racetrack	\$23,462	\$24,259	103%
Number of Racetrack Inspections	65	79	122%
Number of Texas-bred Awards	27,984	22,144	79%
Number of Occupational Licenses Suspended or Revoked	200	220	110%
Number of Investigations Completed	1,300	3,286	253%
Percentage of Investigations Resulting in Disciplinary Action	99%	97%	98%
Percentage of Licensees with No Recent Violations	98%	97%	99%
Number of Race Animals Inspected Prior to Participating in a Race	136,000	110,239	81%
Percentage of Race Animals Injured or Dismissed from Racetracks	0.30%	0.28%	93%
Number of New Occupational Licenses Issued	6,000	4,919	82%
Number of Occupational Licenses Renewed	8,500	7,741	91%
Average Regulatory Cost per Licensee	\$31.08	\$42.13	136%
Average Time (minutes) Required to Issue a New Occupational License	8.75	6.01	69%
Percentage of Compliance Audits Passed	98%	98%	100%
Total Pari-Mutuel Handle (in millions)	\$539.10	\$497.76	92%
Total take to the State Treasury from Pari-mutuel Wagering (in millions)	\$4,729,245	\$4,491,304	95%

GLOSSARY OF RACING TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Place - to finish second in a race.

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

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

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

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

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

Show - to finish third in a race.

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

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

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

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

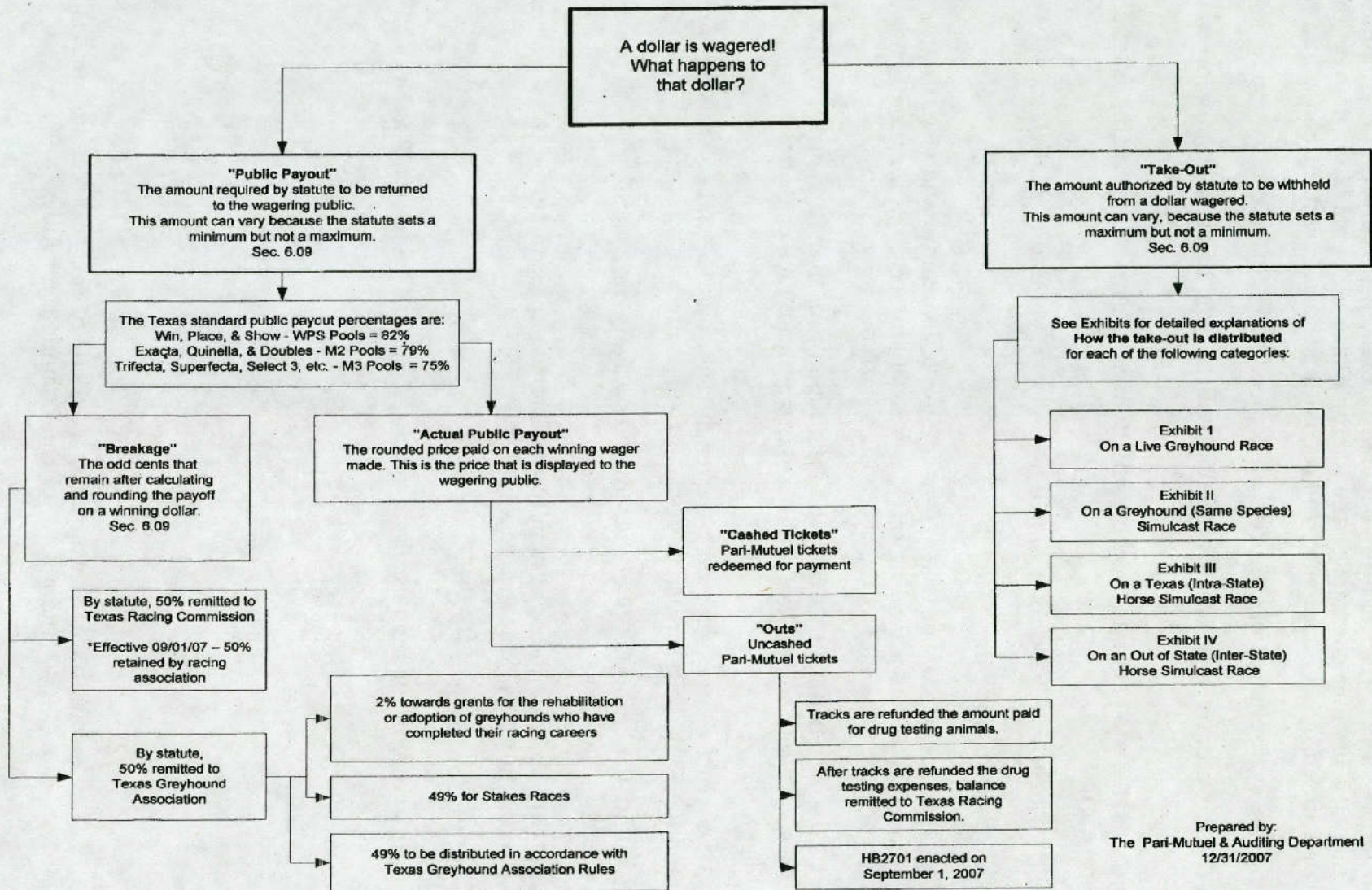
Totalisator - a machine or system for registering and computing the wagering and payoffs in pari-mutuel wagering.

Win - to finish first in a race.

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

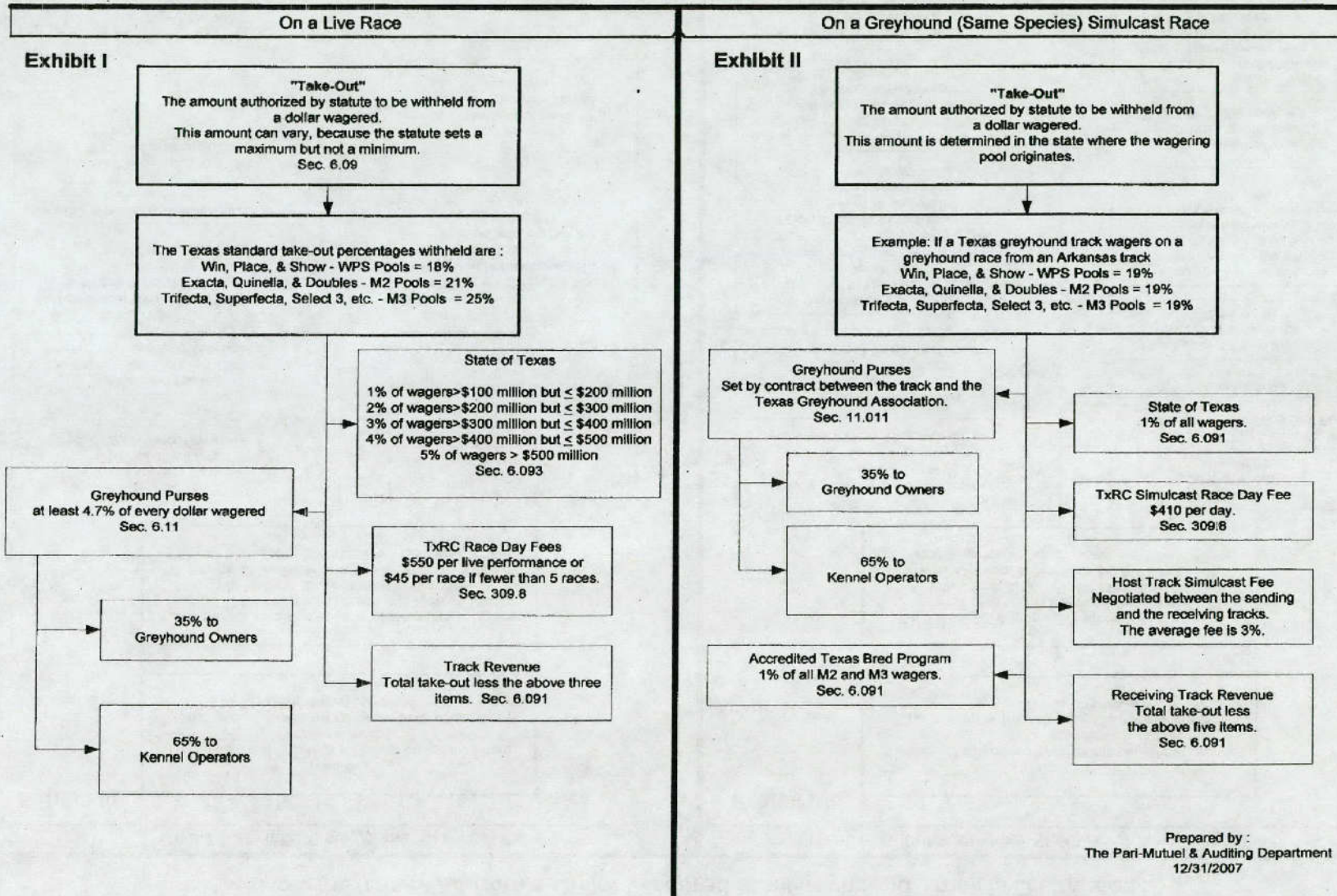
For additional definitions, see §1.03 of the Texas Racing Act and §301.1 of the Commission's Rules.

How Money Wagered at a Greyhound Track is Distributed

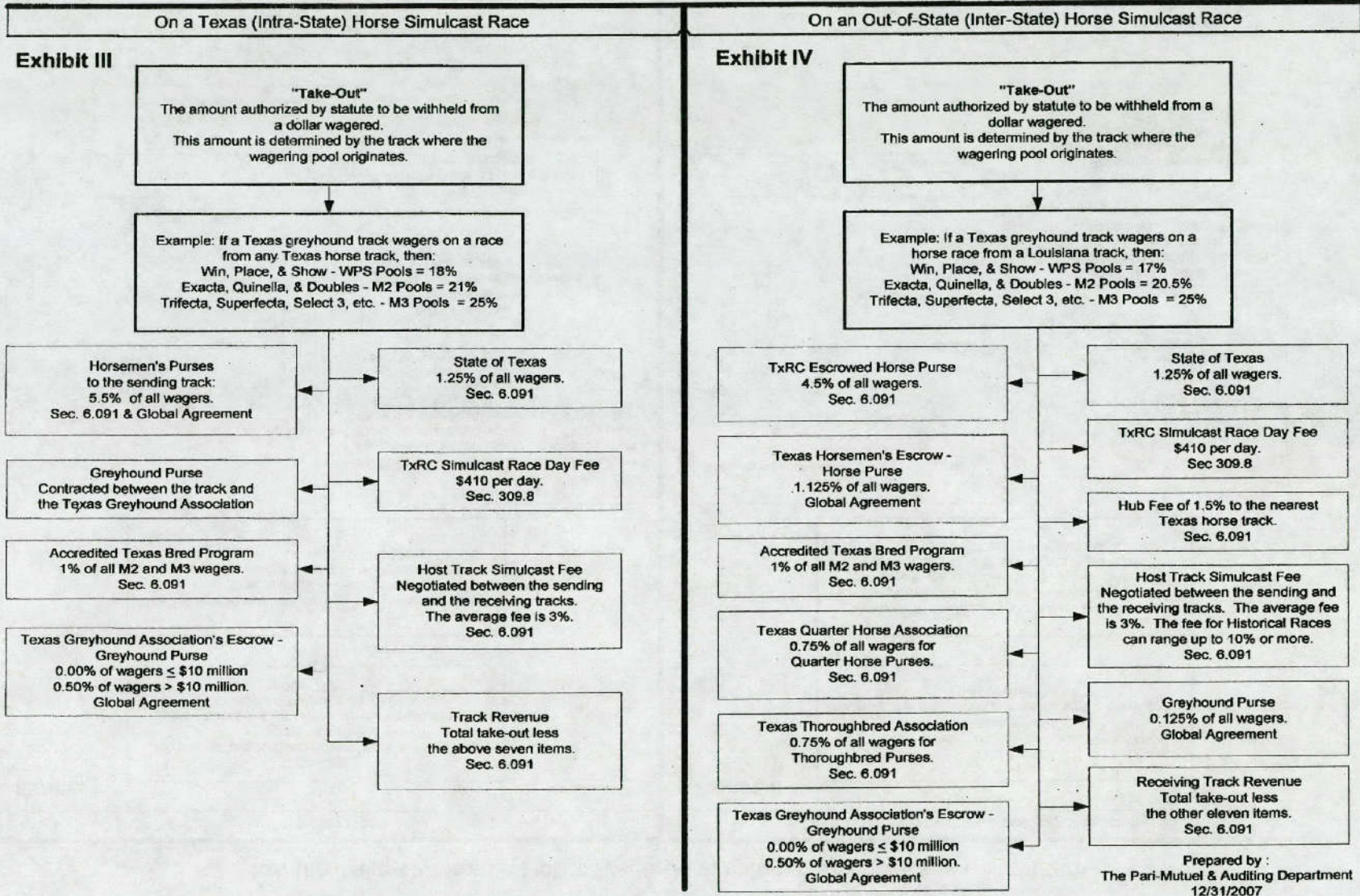


Prepared by:
The Pari-Mutuel & Auditing Department
12/31/2007

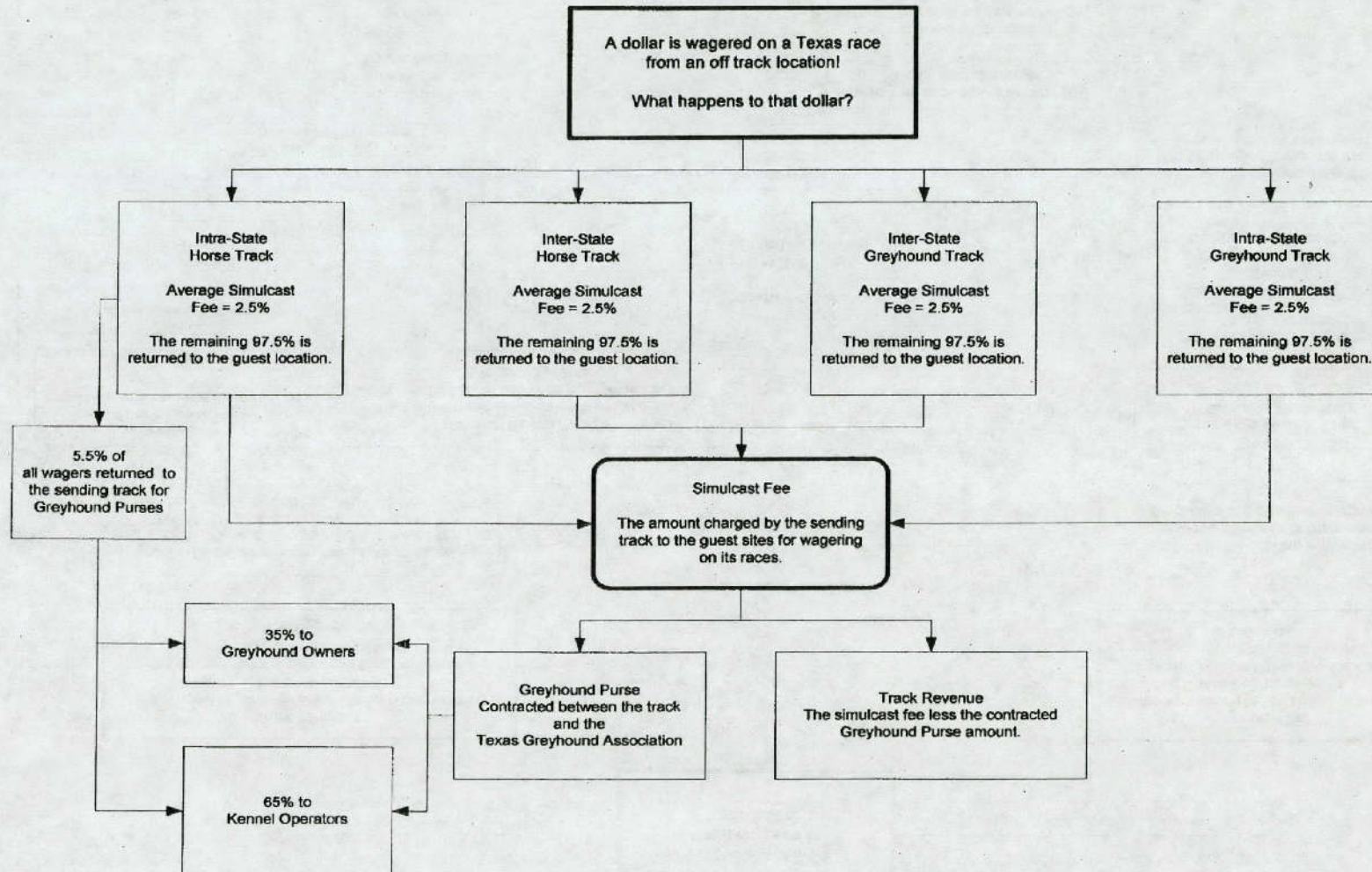
How the Take-Out from a Dollar Wagered at a Greyhound Track is Distributed



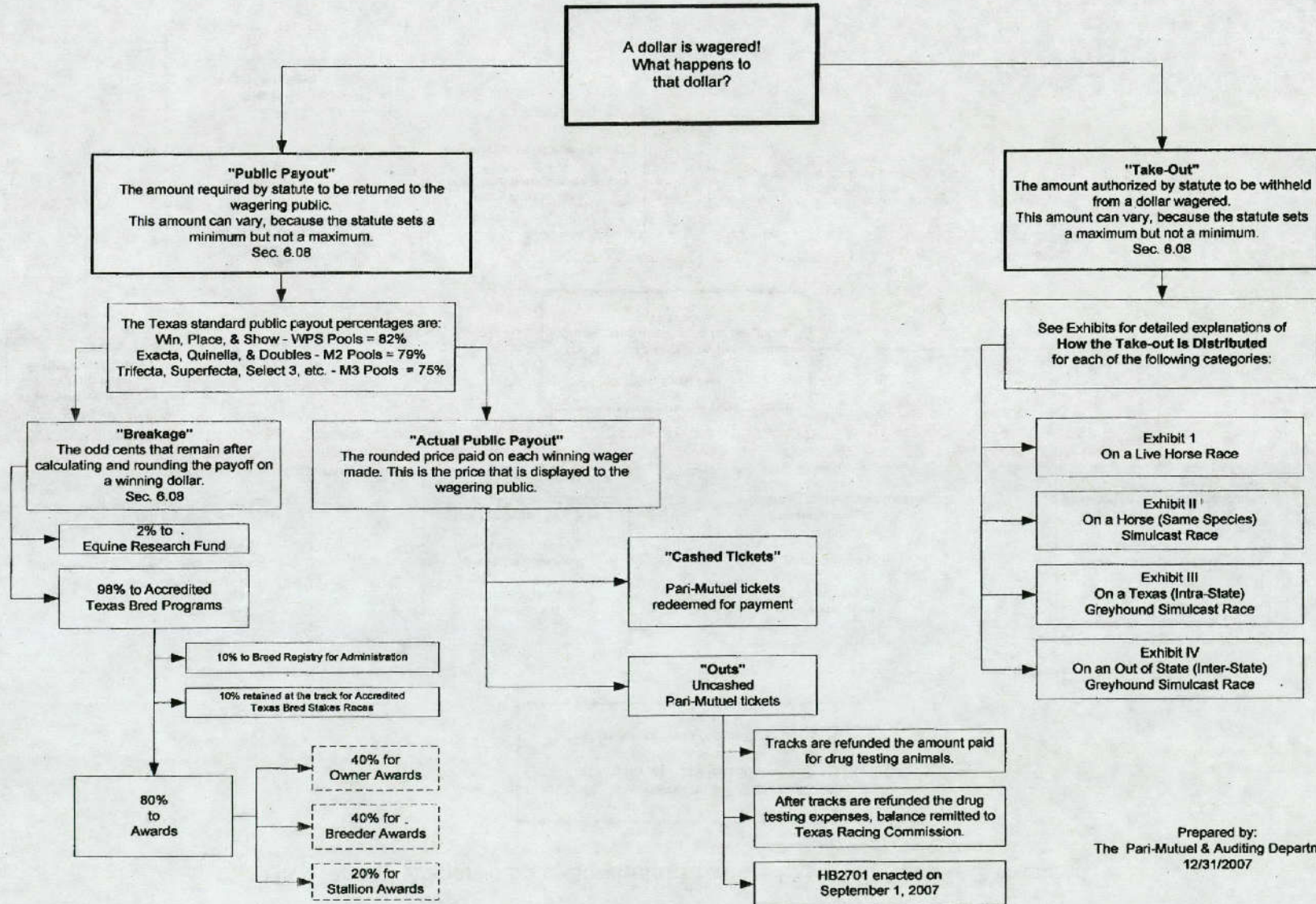
How the Take-Out from a Dollar Wagered at a Greyhound Track is Distributed



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

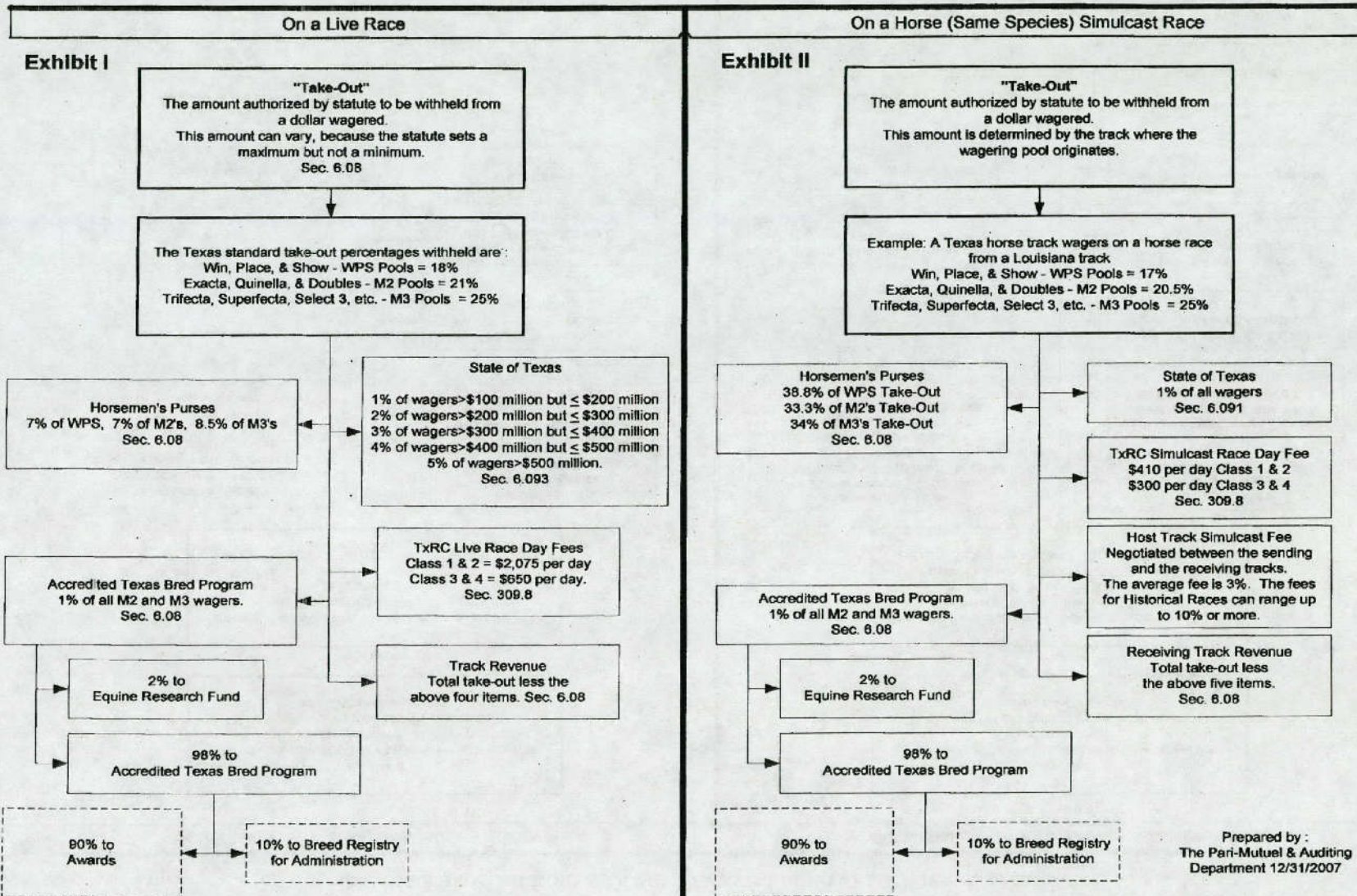


How Money Wagered at a Horse Track is Distributed

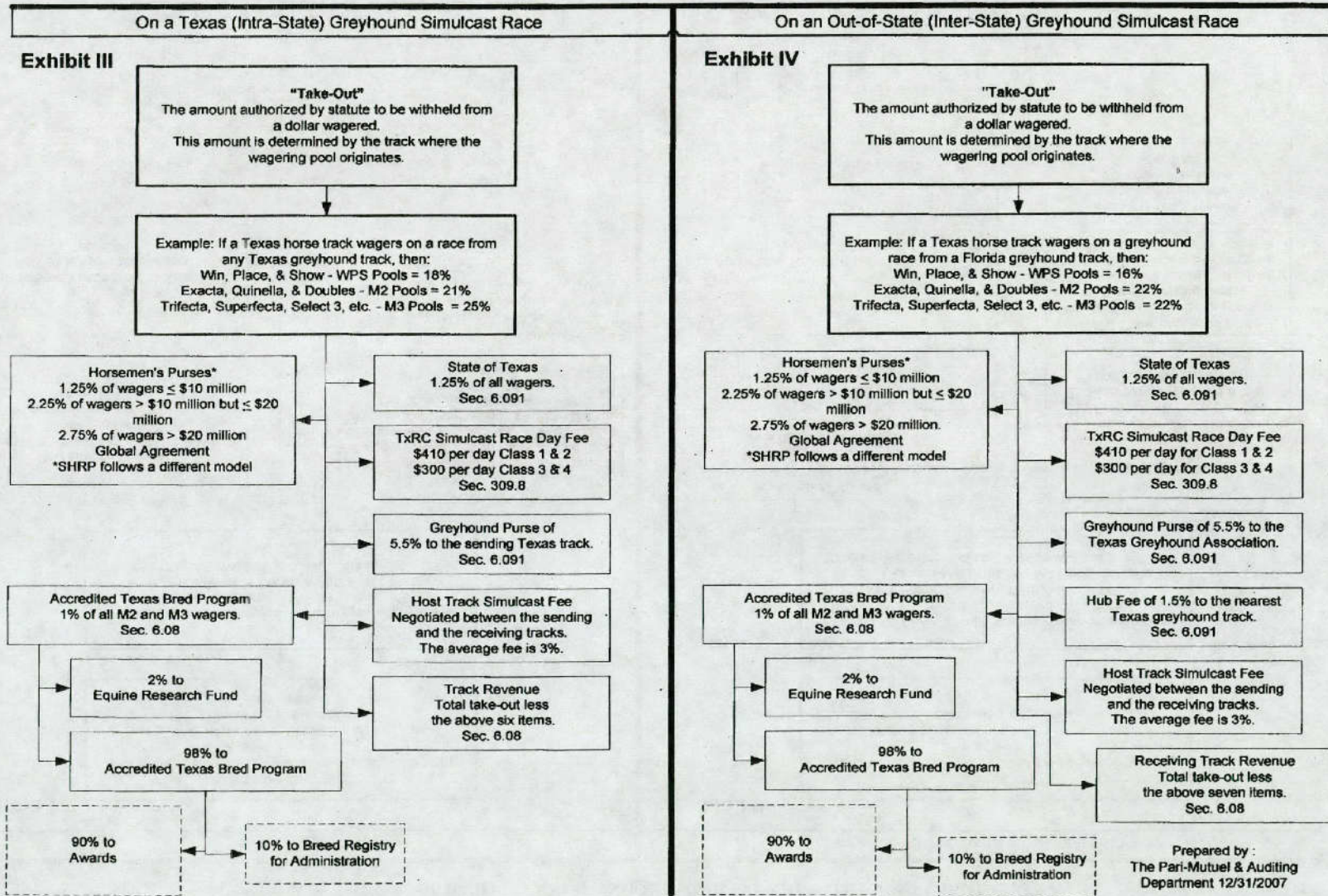


Prepared by:
The Pari-Mutuel & Auditing Department
12/31/2007

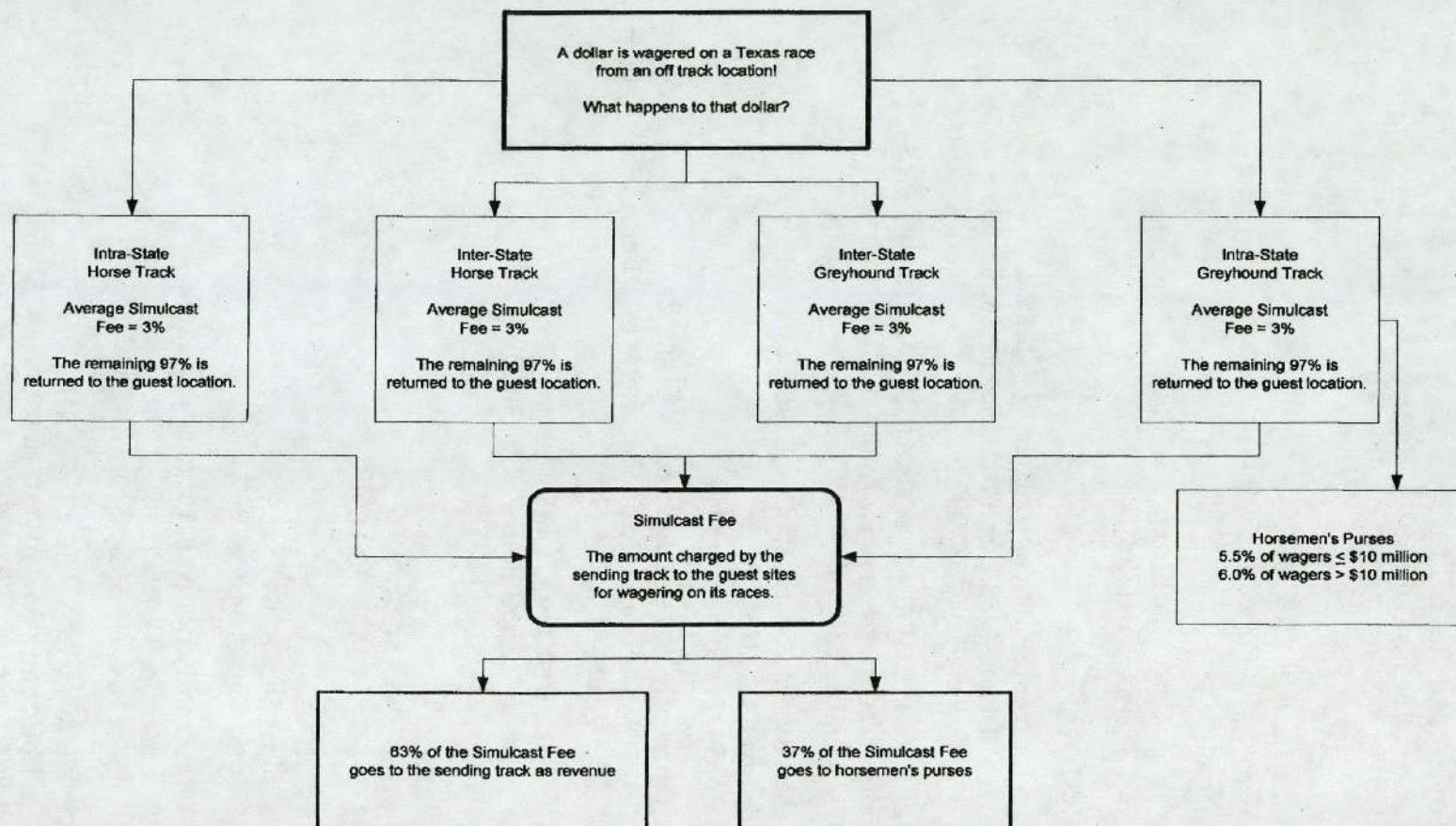
How the Take-Out from a Dollar Wagered at a Horse Track is Distributed



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



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



LICENSED RACETRACK DIRECTORY

GREYHOUND RACETRACKS:

Corpus Christi Greyhound Race Track

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

Gulf Greyhound Park

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

Valley Greyhound Park

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

HORSE RACETRACKS:

Austin Jockey Club (currently not constructed) - Class 2

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

Gillespie County Fair & Festivals Association - Class 3

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

Laredo Downs (currently not constructed) - Class 2

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

Laredo Race Park (currently not constructed) - Class 2

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

Lone Star Park at Grand Prairie - Class 1

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

Manor Downs - Class 2

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

Retama Park - Class 1

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

Saddle Brook Park (currently not constructed) - Class 2

P. O. Box 50597, Amarillo, TX 79159
Phone 806-359-9546, Fax 806-359-5239

Sam Houston Race Park - Class 1

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

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

3900 North McColl Road, McAllen, TX 78501
Phone 956-687-7751, Fax 956-687-8569

RACING INDUSTRY ORGANIZATIONS & RELATED ASSOCIATIONS DIRECTORY

American Quarter Horse Association

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

Association of Racing Commissioners, International (RCI)

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

Department of Public Safety

P.O. Box 4087, Austin, TX 78773
Phone 512-424-2000, Fax 512-424-5715

Equine Research Account Advisory Committee

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

Jockeys' Guild

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

Texas Appaloosa Horse Club

(Requested withdrawal from Texas-Bred Incentive Program on 11/13/98)
P. O. Box 557, Cedar Hill, TX 75104
Phone 972-723-3708, Fax 972-723-0526

Texas Arabian Breeders' Association

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

Texas Greyhound Association

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

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

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

Texas Paint Horse Breeders Association

P. O. Box 161746, Fort Worth, TX 76161
Phone 817-834-2742, Fax 817-222-8489

Texas Quarter Horse Association

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

Texas Thoroughbred Association

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

Texas Veterinary Medical Diagnostic Laboratory

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

YEAR 2008 GRANTED LIVE RACE DATES

GREYHOUND RACETRACKS

Corpus Christi Greyhound Race Track - no performances

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

Gulf Greyhound Park - 314 performances

Wednesday through Sunday, year-round

Valley Race Park - 167 performances

Wednesday through Sunday, January 1 through April 6

Wednesday through Sunday, November 28 through December 31

HORSE RACETRACKS

Lone Star Park at Grand Prairie

Thoroughbred Meet - 65 days - April 10 (Thursday) through July 27 (Sunday)

Thursday - Sunday racing

OPEN - Monday, May 26 (Memorial Day)

Quarter Horse Meet - 31 days - September 26 (Friday) through November 29 (Saturday)

Wednesday - Saturday racing through October (except opening week)

Wednesday - Sunday racing for the month of November

CLOSED - Wednesday, November 26 & Thursday, November 27 (Thanksgiving)

Retama Park

Quarter Horse Meet - 21 days - April 25 (Friday) through June 22 (Sunday)

Friday - Saturday racing through May

Friday - Sunday racing for the month of June

Thoroughbred Meet - 35 days - September 5 (Friday) through November 22 (Saturday)

Thursday - Saturday racing (except opening week)

Sam Houston Race Park

Thoroughbred Meet - 44 days - January 4 (Friday) through April 5 (Saturday)

Friday - Sunday racing through February

Thursday - Sunday racing for the month of March

CLOSED - Sunday, February 3 (Superbowl) and Sunday, March 23 (Easter)

Quarter Horse Meet - 34 days - June 26 (Thursday) through September 6 (Saturday)

Thursday - Saturday racing

OPEN - Sunday, August 31 and Monday, September 1 (Labor Day)

Thoroughbred Meet - 18 days - November 28 (Friday) through December 28 (Sunday)

Thursday - Sunday racing except opening and closing week

Manor Downs

Mixed Meet - 18 days - February 23 (Saturday) through April 20 (Sunday)

Saturday - Sunday racing

Gillespie County Fair & Festivals

Mixed Meet - 8 days - July & August

Saturday & Sunday, July 5 & 6, Saturday & Sunday, July 19 & 20,

Saturday & Sunday, August 9 & 10 and Saturday & Sunday, August 23 & 24

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

YEAR 2008 APPROVED BREED SPLITS

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

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

PURSES	GILLESPIE COUNTY	MANOR	LONE STAR	RETAMA	SAM HOUSTON
Minor Breed	1.50%	1.50%	1.25%	2.00%	2.00%
Quarter Horse	68.95%	72.89%	16.7875%	20.58%	20.58%
Thoroughbred	29.55%	25.61%	81.9625%	77.42%	77.42%

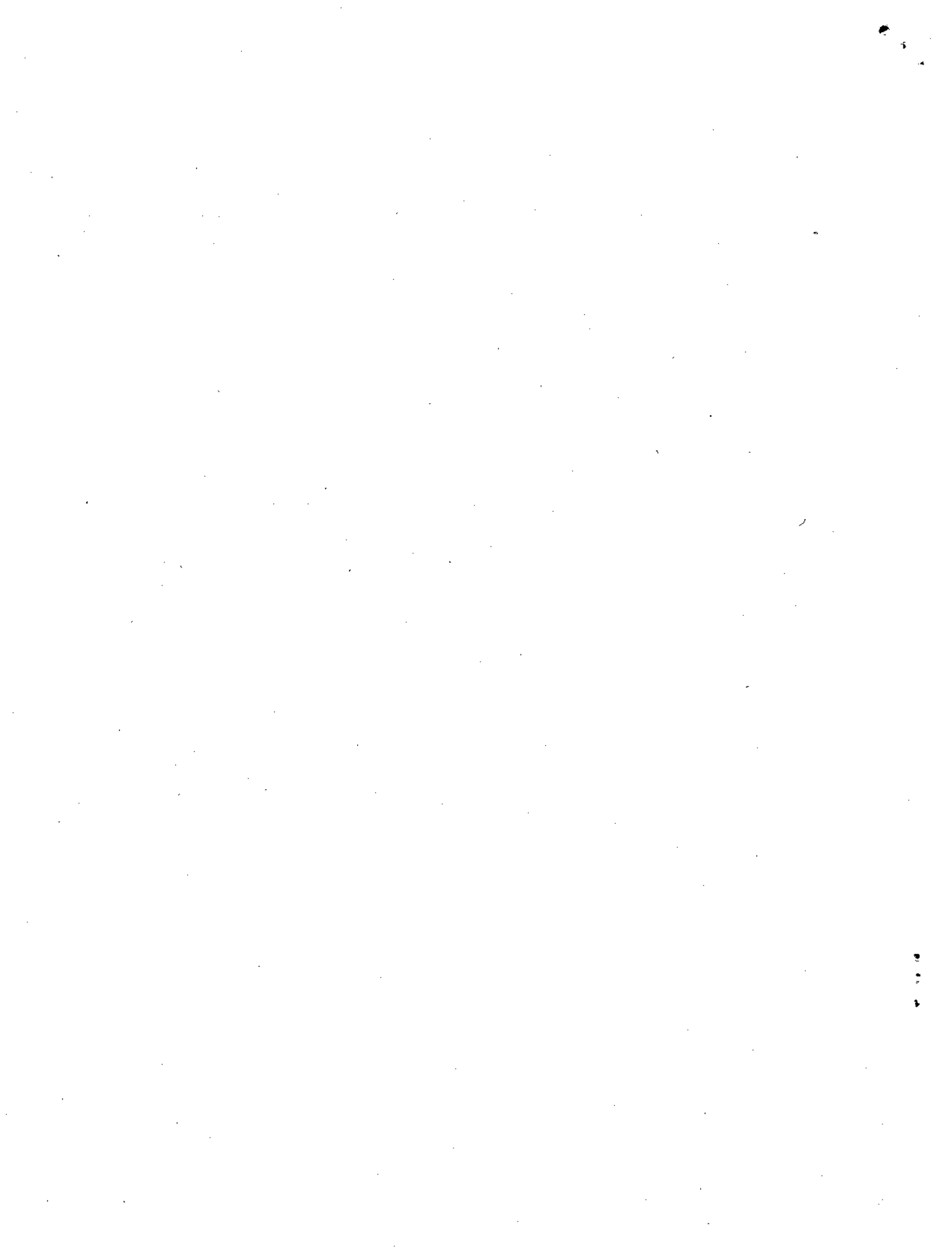
TEXAS BRED INCENTIVE PROGRAM

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

ESCROWED HORSE PURSE ACCOUNT

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

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



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

