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TEXAS RACING COMMISSION
P. O. BOX 12080
AUSTIN, TEXAS 78711-2080
(512) 833-6699
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January 31, 2006

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

Dear Governor Perry:

On behalf of the Commissioners and staff, I am pleased to submit the 2005 Annual Report of the Texas Racing Commission in accordance with Section 3.10 of the Texas Racing Act, Vernon's Texas Civil Statutes.

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, the statistics are not promising. Although Texas' racing was showcased to the world in 2004 when Lone Star Park at Grand Prairie was host to the prestigious Breeders' Cup races and the state reaped true economic benefits estimated at over \$50 million, the momentum was not enough to overcome the stark reality facing the industry.

The proliferation of illegal telephone and internet gaming continues to affect the potential and profitability of the industry and the State of Texas by operating outside the bounds of Texas' law. Additionally, the fact that the state is now totally surrounded by expanded wagering opportunities in Louisiana, New Mexico, Oklahoma, Arkansas and Mexico continues to thwart the growth of this industry that provides thousands of jobs to Texans.

The Commissioners and staff remain determined and dedicated to providing effective, efficient regulation of this industry. We thank you for the opportunity to serve you and the citizens of our great state.

Respectfully submitted,



R. Dyke Rogers
Chair

RDR:mjc

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January 31, 2006

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

Dear Governor Perry:

As the new chief administrator of the Texas Racing Commission I am pleased to submit the 2005 Annual Report of the Texas Racing Commission in accordance with Section 3.10 of the Texas Racing Act, Vernon's Texas Civil Statutes.

Through its established regulatory practices, this Commission ensures the integrity of the pari-mutuel industry. Safeguarding and protecting all the interests of all participants is not easy. Keeping an open mind while examining all options helps ensure that the Commission's regulation is fair, consistent, and effective. Building on this agency's strengths, I am confident that we will continue to examine and develop appropriate and responsible policies in all aspects of our regulatory control.

Although on the job for less than six months, it was readily apparent that I joined a dedicated, experienced staff. The horse and greyhound tracks operate seven days a week, 364 days a year. That, coupled with changing complexities of the pari-mutuel industry and the geographical separation of the tracks and headquarters, results in daily challenges for all. I applaud staff's work ethic and dedication.

The industry has been most supportive and I am encouraged by their continued willingness to come together, formally and informally, to deal with issues affecting the Texas pari-mutuel industry. I hope to build on this foundation to develop and cultivate consensus on issues that will be in the best interest of Texas racing.

Yours truly,

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

Charla Ann King
Executive Secretary

CAK:mjc

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THOMAS A. DAVIS, JR.
DIRECTOR

DAVID MGEATHRON
ASST. DIRECTOR



COMMISSION
ERNEST ANGELO, JR.
CHAIRMAN

CARLOS H. CASCOS
COMMISSIONER

January 18, 2006

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

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

Dear Mr. Rogers,

Pursuant to the requirements outlined in Article 179e, Section 3.10 of Vernon's Texas Civil Statutes, the Texas Department of Public Safety provides the following information relating to organized crime and illegal gambling in Texas for the year 2005.

CRIMINAL ACTIVITY AND CRIME TRENDS

As homeland security issues dominated the nation's attention in 2005, this also remained a serious concern for Texas law enforcement as well. Many of the state's law enforcement resources were targeted toward preventing both domestic and international terrorism within Texas. The activities of organized crime groups remain a concern to law enforcement beyond the primary effects of domestic crime, as these types of illegal activities are recognized as potential terrorism funding mechanisms. 2005 is a year in which drug trafficking cartels caused an escalation in violence along many parts of the Texas/Mexico border due to rivalry and territorial disputes. The traditional organized smuggling crime groups along our borders have escalated homeland security concerns and have highlighted border vulnerability with the increased smuggling of special interest aliens. Federal, state, and local agencies continue to cooperate and share information and resources in combating all crimes. The reportable crime index for the first six months of 2005 reflected an index change of -3.0%.

COURTESY • SERVICE • PROTECTION

ILLEGAL GAMBLING

When the 79th Texas Legislature convened in 2005, it was faced with many major issues that needed to be resolved. One substantial issue facing the legislature was the development of a new school funding system for Texas. Several potential funding remedies were examined during the legislative session, some of which were based upon expanding gambling within Texas. Pro-gambling solutions offered to increase state funds would have provided additional legalized gaming opportunities through video lottery terminals and casino-style gambling.

During 2005, information from local law enforcement and the public continued to be received that 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. Of these illegal activities, Internet wagering has exhibited alarming growth since 2004 through the continued unregulated operation of off-shore casinos. The growing participation of American investors underscores the issues between law enforcement's position on this type of illegal activity and the realities behind what continues to emerge as a booming business. Documented sports wagering in the United States is estimated in excess of \$2 billion per year. This figure does not account for illegal wagering that occurs throughout the United States in virtually every state jurisdiction.

In many parts of the state, local law enforcement agencies have increased their efforts to curtail unregulated gambling. However, these efforts tend to be somewhat sporadic and too limited to have much of an impact on the overall problem. Without an aggressive statewide coordinated campaign, illegal gambling will continue to flourish.

Sincerely,



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

The Commission

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

Mission

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

Philosophy

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

The Commissioners

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

Of the seven appointed Racing Commissioners, five members must be representatives of the general public and have general knowledge

of business or agribusiness. Of these five general business appointees, one appointee may be a veterinarian.

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

Governor Rick Perry named **Dyke Rogers** Chair of the Commission on May 26, 2003. Mr. Rogers, President of Frontier Fuel Company, has served on the Commission since November of 1999. In addition to Frontier Fuel, Mr. Rogers is engaged in numerous business ventures, including real estate and investments. Chair Rogers continues to serve at Governor Perry's pleasure.

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

Treva Boyd was appointed to the Commission on November 17, 1999. She serves as the Commissioner with special knowledge or experience related to greyhound racing. Ms. Boyd owns and operates American RV and Supply Company in San Angelo. She previously served as Labor Relations Manager for GTE of the Southwest. Ms. Boyd continues to serve at Governor Perry's pleasure.

G. Kent Carter, DVM, was named to the Commission on February 19, 2004. Dr. Carter is a Professor in the Department of Large Animal Clinical Sciences at Texas A & M

University. During 2004, Dr. Carter was elected to serve a three-year term on the Board of Directors of the American Association of Equine Practitioners. His term on the Commission expires in February of 2009.

Mike Rutherford was named to the Commission on May 3, 2001. Mr. Rutherford owns and serves as President of Rutherford Oil Corporation, an independent oil and gas producing company based in Houston. His term expires in February of 2007. Mr. Rutherford was re-elected by his fellow Commissioners as Vice-Chair on February 4, 2004.

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

Louis Sturns was named to the Commission on February 10, 2005, replacing Comer Cottrell who resigned. Mr. Sturns, an attorney with Mallory & Sturns, resides in Ft. Worth. He is a former State District Judge and previously served on the Texas Ethics Commission. Mr. Sturns' term expires in February of 2007.

Ex Officio Members

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

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

Significant Commission Actions

In January of 2004, the Commission received two applications for a Class 2 racetrack license in Webb County (Laredo). At its February 10, 2005 meeting, the Commissioners considered a Partial Summary Disposition in SOAH No. 476-04-5361, *In the Matter of the Application for a Class 2 Horse Racetrack License in Webb County*. The parties to the proceeding presented a joint motion for partial summary judgment on a jurisdictional issue relating to the certification of the local option referendum results from Webb County. The Administrative Law Judge issued an order granting the joint motion and the Commission voted unanimously to adopt the Administrative Law Judge's Partial Summary Disposition. The decision concluded that the Webb County officials, in the election held in Webb County, Texas on November 7, 2000 on Proposition Nos. 1 and 2, complied with the timing and certification requirements of §16.12(a) of the Texas Racing Act; and the results of the election were certified to the Secretary of State in accordance with §16.01(a) of the Texas Racing Act prior to the filing of the applications with the Commission on January 29, 2004. The matter is on-going before the State Office of Administrative Hearings and a hearing on the merits is set for March 27, 2006.

The Commission voted unanimously to continue through 2005 the allocation of the Escrowed Horse Purse Account at the same percentages in place for 2004. The allocation of cross-species purse money as proposed by the Texas Greyhound Association was also unanimously approved.

At the April meeting, the Commissioners voted to table consideration of James Donnan's appeal from *Stewards' Ruling Sam Houston Race Park 2667, 2754, and 2756* because a related case remains pending before the Tyler Court of Appeals. The Commission will reconsider the matter after the Tyler Court of Appeals has issued a decision.

A Commission approved 60-day application period for a Class 2 Racetrack License in Hidalgo County began April 1, 2005. One applicant, Valle de los Tesoros Racetrack, filed within the 60-day application period. On August 17, 2005, the application was reviewed, deficiencies addressed, and the application was considered complete. However, this initial review was only to determine if all the required information was included. The Staff continues to perform a more thorough review of the application.

In order to ensure that the public has had notice and can express support or opposition to the application, an ad was placed in the Public Notices Section on November 1, 6, 13, 20 and 27 in the local area newspaper, in order to give the public notice that an application had been filed with the Commission. A brief synopsis of the application was included, along with a notice that the application was available for review, and contained a request for written comments by November 30, 2005. Because the Commission has received both positive and negative comments, staff will refer the application to the State Office of Administrative Hearings for a hearing on the merits.

At the June meeting, the Commissioners unanimously moved to select Charla Ann King as Executive Secretary. Ms. King replaced Paula C. Flowerday, who resigned after 17 years of service with the Texas Racing Commission to relocate to the North Texas area due to family commitments.

At the August meeting, John Ferrara, Director of Racing, presented a modified 2006 horse race date calendar that addressed limited overlaps and holiday racing. The Commission unanimously approved the 2006 greyhound and horse race dates following no objections.

The Commission approved the Memorandum of Understanding with the Texas Veterinary Medical Diagnostic Laboratory for fiscal year 2006. Costs for sample testing remained the same, \$71 per horse sample and \$32 per greyhound

sample. A new provision was added to cover carbon dioxide testing at \$9.50 per sample.

Also at the August meeting, at the suggestion of the new Executive Secretary, Charla Ann King, a working group committee, including Commissioners Mike Rutherford and G. Kent Carter, D.V.M., was formed to further investigate and formulate a comprehensive rule and policy with regard to "milk-shaking". "Milk-shaking" is the practice of administering a bicarbonate containing or other alkalinizing substance to a racehorse in an attempt to affect the outcome of the race.

At the October meeting Sammy Jackson, Deputy Director for Finance and Regulatory Control, presented the agency's Operating Budget for FY2006. The Commission unanimously voted to approve the budget as presented.

Executive Secretary Charla Ann King reported on the actions and recommendations of the Medication and Drug Testing Group that was formed at the August meeting to investigate and formulate a comprehensive rule and policy for of "milk-shaking". The Commission voted to publish their recommended new rule, Testing for Total Carbon Dioxide, in the Texas Register.

Following a lengthy discussion, the Commission unanimously voted to maintain the same allocation among various breeds of horses of purse revenue generated by simulcasting in 2006 as was in place in 2005. (See Appendix, page xvii.)

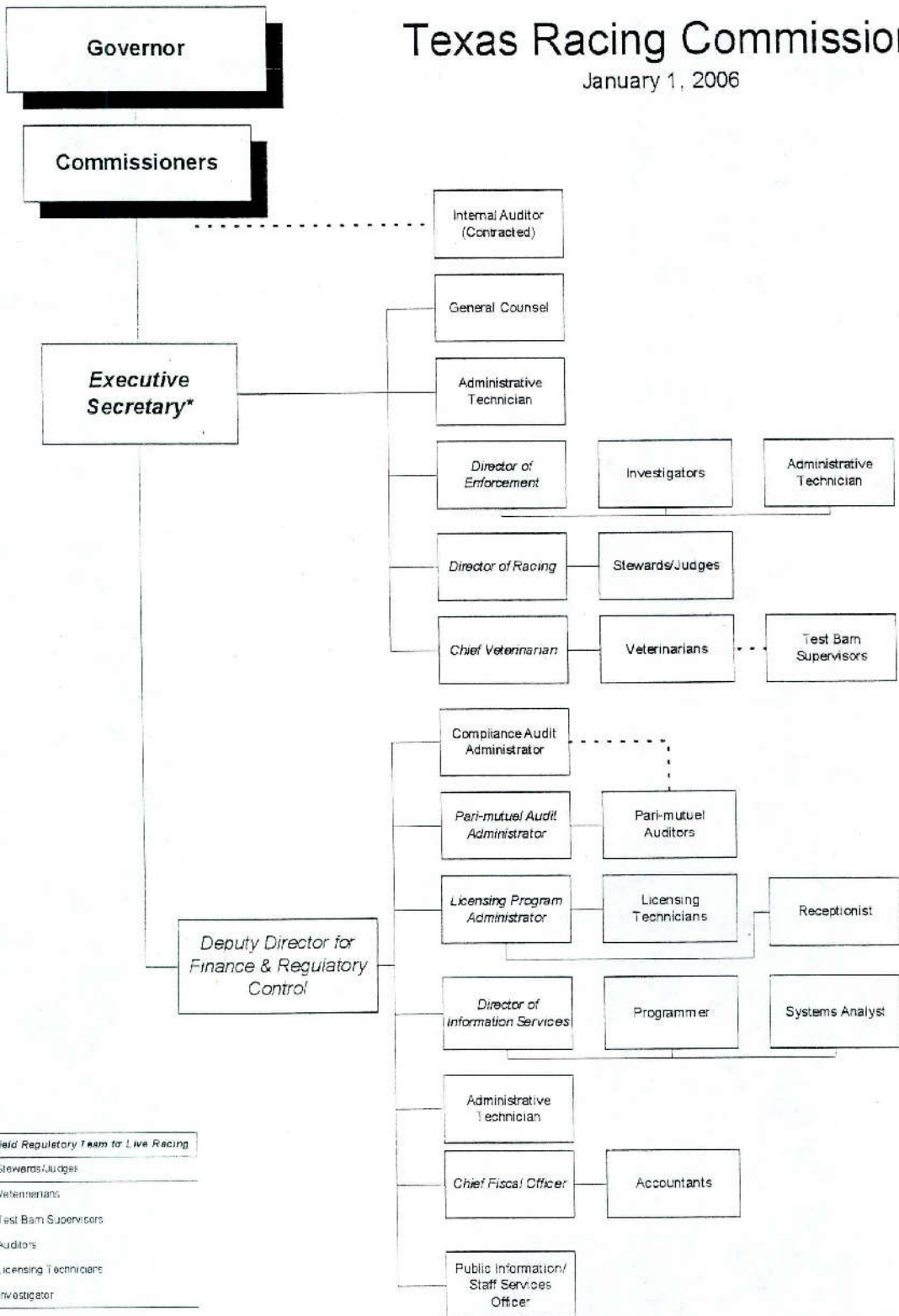
At the December meeting, the Austin Jockey Club provided an update to the Commissioners regarding the status of their license. The Austin Jockey Club informed the Commissioners that they had entered into a contract to sell Longhorn Downs, Inc., the holder of the racetrack license. The purchaser has submitted Department of Public Safety forms and is undergoing the required background check process and will approach the Commission once that process is complete with a request for a change in ownership and, in all likelihood, a change in location.

The Commission voted unanimously to continue through 2006 the allocation of the Escrowed Horse Purse Account at the same percentages in place for 2005. (See Appendix, page xvii.)

The Commission unanimously adopted the new rule on Testing for Total Carbon Dioxide.

Texas Racing Commission

January 1, 2006



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

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

Commission Staff – Organization

EXECUTIVE

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

Executive Secretary

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

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

General Counsel

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

Coordinating all aspects of Commission meetings and rulemaking proceedings, the General Counsel also represents the agency before the State Office of Administrative Hearings when

prosecuting appeals from decisions made by the Board of Stewards/Judges and disciplinary cases initiated by the Executive Secretary.

Enforcement

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

The investigators, who are all licensed peace officers, coordinate the enforcement of the Commission's Rules and the Texas Racing Act. Investigations are conducted on animal drug positives, criminal histories returned on license applicants, illegal wagering, use and possession of contraband, drug abuse and narcotics trafficking, and other illicit activities that could affect the integrity of pari-mutuel racing.

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

Racing

The Director of Racing supervises personnel directly responsible for regulating the conduct of live racing. The department includes Stewards at horse tracks and Judges at greyhound tracks. The Judges and Stewards

monitor the conduct of live races and enforce the Racing Act and the Commission's Rules of Racing.

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

Veterinary Department

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

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

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

FINANCE AND REGULATORY CONTROL

Deputy Director

The Deputy Director assists the Executive Secretary and oversees this Division, which is responsible for all of the Commission's regulatory functions that are not restricted to live

racing and the agency's support functions.

Pari-Mutuel and Auditing

This department regulates all activities related to wagering.

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

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

Occupational Licensing

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

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

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

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

Finance and Accounting

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

Information Technology

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

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

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

Agency Highlights

Administrative

During FY 2005, the agency met or exceeded its five key outcome targets:

The agency met its five key outcome targets.

time.

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

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

The Executive Division coordinated six regular Commission meetings.

The General Counsel coordinated rule reviews for Chapters 313, 315, and 321, as required by Government Code §2001.039. The amendments for the

chapter reviews in 2005 clarified the rule language and conformed the rules to agency practice.

A new subchapter addressing the proliferation of ticketless wagering or “e-wagering” was added to Chapter 321, Pari-mutuel Wagering. E-wagering is defined as a form of pari-mutuel wagering in which wagers are placed and cashed through an electronic ticketless account system. Through this system, wagers are automatically debited and credited to the account holder. The new Subchapter E address all matters relating to the conduct of e-wagering, including the use of an approved e-wagering system, complaints regarding discrepancies in accounts, and restrictions on wagering location and age to ensure compliance with the Texas Racing Act.

Other rule changes adopted during the year included a new §303.17, Vendor Protests. This rule was adopted because every agency is required to have a procedure by which an unsuccessful bidder on a government contract may protest.

Amendments to §303.83, Audits, Financial Statements, and Performance Measures, was intended to provide the breed registries more flexibility when acquiring audited financial statements.

The amendments to §309.8, Racetrack License Fees, and §313.501, Training Facility License, provided for the increase of racetrack fees, specifically the daily simulcast fees for all racetracks, the annual fee for inactive racetrack licenses, and the annual license fee for training facilities due to declining revenue from uncashed wagering tickets.

The amendments to §309.120, Parking for Licensees, and §311.211, Weapons Prohibited, provided consistency with the Penal Code by more accurately defining locations on a racetrack’s grounds where deadly weapons are prohibited and provided a parking area for licensees outside the stable or kennel area, instead of outside the enclosure.

The amendment to §309.124, Public Address System, codified what had been the long-term practice of not having a public address system in the kennel area in order to avoid disrupting the greyhounds.

The amendment to §309.164, Accounting Practices, was adopted to ensure that the Commission has adequate regulatory authority consistent with the requirements of the Texas Racing Act, while ensuring sufficient flexibility for the racetracks to perform necessary accounting functions by eliminating specific accounting elements.

The amendment to §315.106, Liability for Fees in Stakes Races, corrected an error that was made when Chapter 315 was last reviewed.

The new §319.363, Testing for Total Carbon Dioxide, was adopted to prohibit the administration of any bicarbonate-containing or other alkalizing substance which causes an excess level of total carbon dioxide at or above 39 millimoles per liter in a race horse serum specimen in order to protect the horse and the integrity of racing.

Technology

A major conversion of the agency's database to a web-based version of the software was accomplished with minimal downtime and inconvenience to the users. The four month project involved converting over 250 forms and 300 reports to web applications. The new database software and programs went in production in March. Benefits of running web-based applications include a reduction in the amount of IT support time, elimination of travel time to trouble shoot installations across the state, and new users are quickly and easily granted access to the applications.

Conversion to web-based applications save time and money.

In June 2005, the Commission changed Internet providers from the University of Texas to the Department of Information Resources, as mandated. This necessitated a very tedious modification to over 150 PCs, servers, and network devices and over 250 files and software configurations located in eight different cities. The agency had budgeted approximately \$6,000 to outsource this conversion that was estimated to be a seven-day project. However, the conversion was accomplished in just under two days by IT personnel utilizing the assistance of non-IT staff.

In May 2005, working with the Pari-mutuel auditing staff, IT commenced work on the process of automating the entry of export signals from the totalisator files. This project, when completed, will enable daily processing of 10,000 to 80,000 files in approximately five minutes.

Converting the agency's email server proved to be more difficult. System and vendor software problems plagued the conversion. Finally, with the release of a new version of the application software, the email services were successfully converted and moved into production in October. In addition to enhanced email capabilities, the system offers electronic calendars and web-based conferencing. Utilization of the electronic calendar has been a major time-management benefit.

Being able to easily view any staff member's schedule from any location has been invaluable.

In addition to these major projects, the IT staff responded to over 400 hardware, software, and application support requests.

Regulation

In 2005, pari-mutuel auditors reviewed wagering data on 14,130 live races and 732,266 simulcast races to ensure proper collection and distribution of funds. A record 2,260 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 14 times to test the totalisator systems prior to the opening of a meet or prior to the approval of a new software version being granted for use. Three of these EDP Audits were conducted to facilitate Net Pool Pricing, which is a method of calculating prices that allow for multiple sites in a wagering network to merge pools with the host racetrack using different takeout structures.

The pari-mutuel auditing staff continued their work on automating the collection of pari-mutuel wagering data by initiating a project that would allow the Commission to load export pari-mutuel wagering data from the detailed transaction files the Commission receives from the licensed totalisator vendors processing wagers at each of the Texas pari-mutuel facilities. The Commission already collects pari-mutuel wagering data from live and simulcast races in this manner.

The Texas Pari-Mutuel Advisory Committee, a working group that consists of representatives from the racing associations, totalisator companies, State Comptroller's Office, and TxRC pari-mutuel auditing staff, reviewed Chapter 321 of the Commission's rules in conjunction with the Commission's rule review process. Recommendations from this body led to the proposal and adoption of a new subchapter within Chapter 321 that regulates ticketless electronic wagering at the Texas pari-mutuel facilities.

During 2005, the pari-mutuel auditing staff facilitated the implementation of fractional wagering in Texas. This allowed the wagering public to wager in base units lower than \$1 for the first time in the state. The offering of \$0.10 superfectas and \$0.50 pick four wagers by the Texas racetracks was well received by the wagering public.

New fractional
wagering is
popular with fans.

On a national level, the pari-mutuel auditing staff attended the Racing Commission International's model rules subcommittee meeting in July of 2005 and was praised for its work in pari-mutuel regulation and specifically for its efforts in establishing minimum totalisator standards.

Licensing staff issued 12,147 occupational licenses, 4,538 of which were new and 7,069 were renewals. There were 3,465 owners, 818 owner/trainers, 270 trainers, 168 jockeys, 15 apprentice jockeys, and 40 kennels licensed during the year.

During the first full year of the Commission's participation in the TexasOnline program, a web-based program that provides customers the convenience of applying for a myriad of state services, over 10% of individual and business renewals were processed through the program.

Customers can now apply for new licenses as well as renew licenses using the TexasOnline portal.

Beginning in March of 2005, individuals and businesses applying for a new license could also utilize the on-line program. Over 3% of the applications processed during this timeframe opted for this convenient, time-saving method.

Stewards and Judges issued a total of 702 disciplinary rulings, with 499 resulting in fines and 234 resulting in suspensions.

Ten appeals were filed during 2005. Six of the ten appeals were withdrawn before going to a hearing at the State Office of Administrative Hearings. Four of the cases were dismissed.

Six preliminary reports were issued against racetracks by the Executive Secretary, all for violations of the Commission's rules regulating simulcasting. The penalties totaled \$4,471.78.

Natural Disasters - Hurricanes & Fires

Texas dodged the destruction of Hurricane Katrina in late August but came to the aid of thousands that fled the hard hit areas of New Orleans and southern Louisiana. Many Texas cities, including Dallas, Houston, and San Antonio became homes to many of the evacuees. The whole community of racing stepped up to help those in need. Sam Houston Race Park assisted the Fair Grounds Race Track in New Orleans by setting up a hotline for their displaced employees. Additionally, SHRP hired several experienced racetrack employees from Louisiana, as well as other evacuees with no racing experience. Other tracks, including Lone Star Park and Retama Park also hired evacuees.

Several evacuees showed up looking for work but had no identification, having lost it all. The Commission devised a procedure to facilitate the licensing process for those, while not compromising the integrity of the system.

Lone Star Park provided support and services to the Louisiana racetracks and area horsemen affected by the hurricanes.

Emergency management and disaster preparedness plans were put into motion during September when Hurricane Rita headed for the Gulf Coast. Commission staff worked closely with track and industry personnel to assist in making everyone – people and animals – as safe as possible. Corpus Christi Greyhound Race Track, Gulf Greyhound Park, and Sam Houston Race Park all ceased operations to some degree during the onset of the storm's formation. As the storm's path became more defined, Gulf Greyhound Park in LaMarque was the most vulnerable.

Emergency security measures included fortification efforts, testing of generators, stockpiling supplies including medicines, water, and food, and clarification of all relevant procedures.

Mandatory evacuations ordered for some areas affected Commission staff. Managers monitored those who moved to safer locales. Several staff members opened their homes to friends and families forced to leave their own homes.

Most animals and staff remained at Gulf Greyhound Park, as the facilities, constructed to withstand a Category 4 hurricane, are about 20 feet above sea level. Gulf opened its vacant kennels to nearby greyhound breeding farms, housing a significant number of puppies and moms. Approximately 1,100 greyhounds were housed on-site with kennel owners and/or helpers staying in each kennel. Gulf prepared meals three times a day for the 40 people that stayed through the storm.

As the storm intensified, the need to find shelter for animals from farms and ranches in both Texas and Louisiana rose. In response to request for assistance

Thousands of animals were evacuated to Texas during Hurricane Rita.

from the Texas Animal Health Commission (TAHC), Commission staff immediately made calls to the racetracks and industry organizations looking for stall and barn space for evacuating livestock. Tracks, ranches, and farms responding

that they had space to take these fleeing animals were quickly loaded into TAHC's statewide database. Frantic callers were then directed to these sites. Gillespie County Fair & Festivals, Lone Star Park, Manor Downs, and Sam Houston Race Park opened their barns in response. (Retama Park's barns were full as they were conducting live racing.)

Gulf sustained very minor damages and continued to operate around the clock for three weeks, as it also served as a central coordinating point for emergency management in that area. During that time, Gulf fed approximately 300 emergency personnel a hot breakfast and dinner and prepared box lunches every day to be taken out to where they were working repairing electrical lines.

Help continued after the fury of the storm passed. While our racetracks were left intact by the storm, those in Louisiana were not. As the enormity of the situation became known, assistance throughout the community began.

Countless other acts, both large and small, continue even today. From Lone Star's Executive Chef Jake Duplantis, a New Orleans native, preparing a special "home-cooked" Jambalaya dinner for 500 evacuees at a shelter close to LSP, to many of the racetracks' employees directly assisting with relocating evacuees from shelters to more permanent housing and providing transportation, meals, and gift cards to evacuees, to racetrack and breed registries sponsored fundraising events, to TxRC staff working at Red Cross distribution centers, everyone has been touched with the losses of so many.

In December, Governor Perry ordered the deployment of state firefighting assets and issued a statewide disaster declaration. High winds, low humidity, and dry

Risk of fire is high in the barn areas.

conditions continue to fuel wildfires across the state. In response, the Commission activated the staff investigators to serve as coordinators of information and actions for fire prevention on-site at the racetracks. As the risk of fire in the barn areas of the horse racetracks is high, particular

vigilance is required to ensure smoke detectors, fire alarms, fire extinguishers, and sprinkler systems are in working order.

Animal Examinations / Drug Testing

Commission veterinarians are responsible to examine each animal that is entered in a race to determine the good health and soundness of the animals. During 2005, Commission veterinarians performed 87,246 greyhound and 29,435 horse pre-race examinations and evaluations.

The Commission veterinarians also supervised the collection of 17,349 greyhound specimens and 6,993 horse specimens, which were submitted to the drug testing laboratory at TVMDL. The laboratory conducted tests for substances that could alter the outcome of a race or would interfere with the detection of illegal drugs.

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

A non-binding survey was instituted at the horse tracks in 2005 to determine if the use of bicarbonate administration prior to racing is a problem in Texas. Bicarbonate administration is done in an effort to decrease the lactic acid buildup in muscle tissue during exercise to allow the horse to perform better. The test for bicarbonate administration is the evaluation of total carbon dioxide in serum using pre-race blood samples. The survey revealed that a number of trainers are using bicarbonate on race day. A rule was passed by the Commission to allow for total carbon dioxide testing to be performed and appropriate penalties to be enforced. The official testing will begin in early 2006 in an effort to end the bicarbonate administration on race day.

**The Commission
will begin testing
for "milk-shaking"
in early 2006.**

The numbers of horse starters showed a small decrease in 2005, while the number of samples showed a slight increase. The decreased starters versus increased samples indicates that fewer horses were entered in the same number or slightly more races. The number of 2005 positive samples increased to 129 positive samples in 6,993 submitted samples or 1.84%. In 2004, 94 positive samples were reported from 6,927 submitted samples or 1.36%. The increase can

be attributed to an increase of the violation of phenylbutazone, a drug that is permitted to a level of 5ug/ml of plasma. The phenylbutazone positives in 2005 were 95 (74% of positives) as compared to 65 (69% of positives) in 2004. This trend would indicate the need for increased penalties for the abuse of phenylbutazone in the horses.

In 2005, the total number of greyhound starters and the number of samples tested showed a decrease from 2004. The decrease in the number of active racing greyhounds caused a number of reduced races during performances at all greyhound tracks. The decrease of active performers was caused by a number of kennels leaving Texas.

The number of positive samples in greyhounds decreased in 2005. The decrease can be attributed to a decrease in the number of procaine positives. Procaine is a contaminant of the feeding practices at the greyhound tracks and is a Class 6 drug. The number of positive samples in 2005 was 15 out of 17,349 submitted samples or 0.08%. A comparison to 2004 is 21 positive samples* in 18,440 submitted samples or 0.11%. No Class 1 or Class 2 drugs were detected in 2005.

GREYHOUND	2004	2005	HORSE	2004	2005
# of Starters	93,093	87,246	# of Starters	30,076	29,435
# of Samples	18,440	17,349	# of Samples	6,927	6,993
Acetylsalicylic Acid	0	2	Albuterol	1	1
Caffeine	0	1	Caffeine	1	0
Ephedrine	0	1	Clenbuterol	5	6
Hydroxylidocaine	0	1	Desmethylpyrilamine	2	0
Lidocaine	0	2	Dexamethasone	3	5
Norpsuedoephedrine	3	0	Dimethylsulfoxide	1	3
Phenylpropanolamine	0	1	Ephedrine	0	1
Polyethyleneglycol	1	1	Flunixin	4	6
Procaine	17	5	Furosemide overage	0	2
Psuedoephedrine	3	0	Furosemide not found	1	0
Theophylline	0	1	Furosemide Program Horses		
	24*	15	Haloperidol	1	0
			Hydroxylidocaine	1	0
			Lidocaine	0	1
			Monoethylglycinexyli	0	1
			Phenylbutazone	65	95
			Phenylpropanolamin	0	1
			Polyethyleneglycol	2	0
			Sulfadiazine	2	3
			Theophylline	0	1
			Trimethoprim	2	3
			TOTAL	94	129

*1 sample contained 3 drugs

Inspection Program

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

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

During 2005, Commission staff conducted 53 new inspections and 15 follow-up inspections at the racetracks. Thirty-eight of the new inspections indicated 100% compliance, with no remedial action required. Twenty-eight items required remedial attention on the remaining 15 inspections. As of the end of the year, 24 of these 28 remedial items were corrected and verified by a follow-up inspection. Of the four outstanding items, one has been resolved in early 2006 and the remaining three were only detected in an inspection done on December 28, 2005.

Of note regarding the inspection process was the Manor Downs inspection conducted in early February, prior to the opening of their live race meet. That inspection revealed an unkept track, unfit for racing. Both the Commission and the Texas Horsemen's Partnership engaged track surface specialists who confirmed the track condition was unsafe for racing. The Commission delayed the opening by one week to give ample time to repair the damage to the racing surface. Staff monitored the work and the surface was deemed safe for racing and training resumed on February 23. Races were added over the meet to minimize the two lost days of racing.

Year 2005 Inspections

Type of Inspection	New	Follow-Up
Enforcement: Safety & Security	10	4
Executive: Administrative Operations	8	0
Pari-mutuel & Audit: Pari-mutuel & Simulcasting Operations	11	2
Judges & Stewards: Track Conditions & Racing Equipment	12	5
Veterinarians: Conditions for Race Animals	12	4
TOTALS	53	15

Texas-bred Incentive Program

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

Greyhound Program

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

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

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

Two percent of the total money received by the TGA must be set aside for grants for rehabilitating or locating homes for greyhounds. The procedure and criteria for

applying for a grant was finalized by the TGA and approved by the Commission in 1999.

During 2005, \$2,000 was distributed to five qualified Texas non-profit adoption groups from this source of funding.

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

This source of purse money increased by 9.93%, as compared to 2004, with \$1,441,908 going to purses at Corpus Christi Greyhound Race Track, Gulf Greyhound Park, and Valley Race Park during 2005.

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 withdrawal from the program due to lack of participation. The Commission forwarded the request to the Legislature for their consideration. No funds were distributed to the Texas Appaloosa Horse Club during 2005.

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

Year 2005 Distributions	2004	2005	% Change
Texas Thoroughbred Association	\$3,395,873	\$3,007,942	(11.42%)*
Texas Quarter Horse Association	\$1,432,649	\$1,388,575	(3.08%)
Texas Greyhound Association	\$703,638	\$609,632	(13.36%)
Texas-bred Stakes Race Supplements	\$197,971	\$179,604	(9.28%)
Texas Arabian Breeders Association	\$54,047	\$42,677	(21.04%)
Texas Paint Horse Breeders Association	\$14,131	\$22,677	60.48%
Texas Appaloosa Horse Club	\$0	\$0	N/A
TOTAL	\$5,798,309	\$5,251,107	(9.44%)

*Change attributed to heavy volume of wagering on live racing at Lone Star Park on Breeders' Cup Day.

Equine Research Program

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

The 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 2005 was \$94,597. The following equine research instrumentation and equipment were funded through this program.

Equine Research Proposals Funded in 2005

Application of The Indicator Amino Acid Oxidation Technique in the Horse Don Henneke, Tarleton State University	\$15,148
Whole Genomic cDNA Microarray for Improved Equine Health and Fertility Bhanu Chowdhary, Texas A & M University, Department of Veterinary Integrative Biosciences	\$25,000
Establishment of Embryonic Stem Cells in the Horse Katrin Hinrichs, Texas A & M University, Department of Veterinary Physiology & Pharmacology	\$25,000
Causes of Hyperendemic West Nile Virus Transmission in the Texas Equine Industry Michael Ward, Texas A & M University of Veterinary Integrative Biosciences	\$24,975
Validation of a Blood Test for Gastric Ulcers in Horses Allen Roussel, Texas A & M University, Department of Large Animal Clinical Science	\$25,000*
Bioinformatics Support for Equine Genomics David Adelson, Texas A & M University, Department of Animal Science	\$13,000*
Total amount expended on Equine Research Instrumentation & Equipment in 2005	\$128,123

*Partial funding for research in excess of \$98,913 provided from other Texas Agricultural Experiment Station sources.

Industry Highlights

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

Texas Arabian Breeders Association

The Texas Arabian Breeders Association and Sam Houston Race Park hosted the 2nd leg of the Triple Crown of Arabian Racing in March. The two races, one for colts and geldings and one for fillies and mares, each paid a \$50,000 purse.

A record number of horses were sold in April at the Annual Arabian Race Horse Auction at Retama Park.

Texas Greyhound Association

The special focus in 2005 was greyhound safety and welfare. In February, the Texas Greyhound Association (TGA) hosted the 1st Annual Adoption Summit, attended by all the greyhound adoption groups in Texas to coordinate placement of retired greyhounds in new homes. From retired racers to beginners, in March the TGA held its annual Spring Puppy Meet. The event attracted 177 young greyhounds from across Texas and Oklahoma and \$50,000 was awarded in purse monies.

September brought the 4th Annual Greyhound Safety and Racing Surface Seminar held at Gulf Greyhound Park. The TGA partnered with Gulf and the American Greyhound Track Owners' Association to present a full agenda on

track surface safety, track maintenance and health issues, including kennel cough vaccine research funded by the greyhound industry. Attendance was tremendous, drawing racing officials and track managers from around the country.

A few days after the Safety Seminar, our systems were tested by Hurricane Rita. The TGA orchestrated the evacuation of greyhounds in harm's way, and worked with Gulf and Corpus Christi Greyhound Racetrack to ensure that no greyhound was left behind.

In addition to the more than \$570,000 disbursed in the Texas Bred Incentive Program for greyhounds at the three Texas racetracks, \$73,000 in Stakes Awards were distributed between the three Texas greyhound tracks and \$2,425 was given in grants to greyhound adoption groups.

Texas Quarter Horse Association

The Texas Quarter Horse racing and breeding industry had many highs, as well as some lows, in 2005. Texas-bred Quarter Horses remained dominant across the U.S. in racing as well as at yearling sales. Texas-bred Leading Spirit won two-thirds of Quarter Horse racing's Triple Crown in Ruidoso Downs, New Mexico and tallied over \$500,000 in earnings. Texas-bred Fredericksburg won the

Grade III Refrigerator Handicap at Lone Star Park and ended the year with a win in the Grade I \$300,000 Sunland Park Fall Championship at Sunland Park in New Mexico. He garnered Texas Champion Aged Stallion honors and was named World Champion Stallion.

Texas-bred mare Texas Chatterbox won the AQHA Challenge Championship Distaff and was named Texas Champion Aged Mare. Texas-bred PYC Paint Your Wagon won the \$1 million Texas Classic Futurity and was named Champion Texas-bred Two-year-old colt. Texas-bred First Comment won the Texas Classic Derby and was named Champion Texas-bred Three-year-old colt.

Yearling Sales in Texas continued to show growth as the eighth annual Texas Quarter Horse Association (TQHA) Yearling Sale at Sam Houston Race Park posted another record in total sales at \$3,647,000. The average sale price, as well as median price, also posted all-time highs. In September, Lone Star Park hosted the first annual Eclipse Sale for American Quarter Horse yearlings and sold the highest priced Quarter Horse for 2005, Texas-bred Leading Texan for \$525,000.

Texas was home to three of the top twenty stallions in the Quarter Horse industry. Unfortunately, that number dropped 50% from the previous year.

TQHA Past President's Joe Turner, Jr. and Jerry Windham were elected for induction into the American Quarter Horse Association's Hall of Fame.

TQHA awarded \$37,000 in scholarships as well as over \$12,000 to other charitable organizations including Special Olympics, Texas 4-H clubs and ROCK (Ride On Center for Kids), a therapeutic riding center for handicapped children.

With the tragedies of the hurricane season and because of the 2004 California fires, the TQHA provided assistance through connecting our members with people in need. TQHA worked closely with the AQHA in locating evacuation support for those fleeing natural disasters.

Unfortunately, Quarter Horse purses and Texas-bred awards continued to decline in 2005. The Texas Quarter Horse industry continues to lose horses and horsemen to Oklahoma, Louisiana and New Mexico who cannot afford to race in Texas any longer.

Texas Paint Horse Association

Racing opportunities for Paints increased during 2005.

Topping the record set in 2004, Lone Star Park hosted the largest paint stakes race ever paid in the United States, the \$209,000 Graham Futurity.

Texas Thoroughbred Association

The Texas Thoroughbred Association (TTA) celebrated its 50th anniversary with a weekend of exhibits, seminars, and a sock hop in Horseshoe Bay. Hall of Fame trainer D. Wayne Lukas served as the keynote speaker for the awards banquet.

Sam Houston Race Park was awarded its first graded Thoroughbred stakes when the John B. Connally Breeders' Cup Turf Handicap earned Grade 3 status for the 2006 running.

Lone Star Park was awarded its fifth graded race with the elevation of the Dallas Turf Cup Handicap to Grade 3 status for 2006.

TTA helped coordinate efforts to relocate horses to safe places out of the path of Hurricane Rita.

Hall of Fame trainer D. Wayne Lukas and Pin Oak Stud matriarch Josephine Abercrombie were inducted into the Texas Horse Racing Hall of Fame, while JEH Stallion Station owner Jim Helzer received the inaugural Jo Ann Weber award.

TTA hosted an exhibit in the Capitol rotunda exhibiting memorabilia from the association's past 50 years as well as crucial information on the economic impact of the Texas horse industry.

The Texas Thoroughbred received two American Horse Publications awards for excellence.

The Texas Thoroughbred Educational Fund awarded its first college grants to Megan Tracy and Lane Richardson.

A study released by the American Horse Council proved the huge economic impact of the Texas horse industry. The study reported that the horse industry provides a \$5.2 billion economic impact on the state, of which \$848 million comes from racing. The study also stated that 455,600 Texans are involved with the

horse industry and 96,300 total jobs were generated by it.

Helen Groves of the famed King Ranch was awarded the T.I. "Pops" Harkins Award for lifetime achievement.

Texas Horsemen's Partnership

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

In early 2005, Jim Helzer was elected President of the Texas Horsemen's Benevolent and Protective Association (Quarter Horse and Paint Board) for a fourth term. In March, Mr. Helzer was also elected to the American Quarter Horse Association's executive committee. Larry Christopher, a former Chairman of the Texas Racing Commission, was elected President of the Texas Thoroughbred HBPA, Inc. (Thoroughbred and Arabian Board) for a second term and Chairman of the THP Management Committee.

THP hosted the National Horsemen's Benevolent and Protective Association's (NHBPA) Winter Convention for all HBPA affiliates in San Antonio. Horsemen from all over the United States and Canada participated in educational seminars and social activities.

During the NHBPA Summer Convention in Toronto, Canada, John Roark was elected for a third term as President. Mr. Roark is a current board member of the Texas Thoroughbred HBPA and former President of that

board as well as a former Chairman of THP. He is also a current board member of the National Thoroughbred Racing Association (NTRA).

Spring and summer months brought on several natural disasters. The THP, along with its National HBPA affiliates, supported horsemen in distress with quick disaster recovery plans financed by fundraising efforts through the NTRA and the NHBPA. Those groups formed an industry-wide effort known as "Racing to the Rescue." This effort raised relief funds for members of the horse racing and breeding communities who were specifically affected by Hurricanes Katrina and Rita. Additionally, Tom Durant, a TTHBPA board member, initiated a fundraising effort by matching his employee's contributions. The campaign raised \$85,300 for the Salvation Army's efforts on behalf of hurricane victims.

In October, THBPA board president Jim Helzer was awarded the Jo Ann Weber Distinguished Service Award by the Texas Horse Racing Hall of Fame. Jim and Marilyn Helzer established The Refrigerator Challenge Fund to study injuries in racehorses. The goal of the fund, established in memory of AQHA racing's all-time leading money earner, Refrigerator, is to raise

\$200,000 in permanent funds for research involving trauma-related injuries and treatments. Mr. Helzer's tireless commitment and financial contributions to improve Texas horse racing through legislative efforts and educational research have earned him this prestigious award.

In late November, the THP hosted a meeting of all Texas racetracks' Racing Secretaries to initiate a discussion on standardizing the language within all Texas Stall Applications, Stakes and Condition Books, and to bring uniformity to those documents.

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

During 2005, the Texas Horsemen's Assistance Fund, Inc. provided benevolence in the form of medical, vision, dental, disaster, and death benefits to some 400 people at approximately \$161,040 in monetary benefits. An estimated \$151,290 was provided through the Chaplaincy, Educational and Special Programs, for an annual estimated total of \$312,330 in overall benevolence.

2005 Purse Statistics

Source of Funds	Quarter Horse	Thoroughbred	Arabian	Paint	TOTAL HORSE
Earned Purse	\$6,760,152	\$25,112,560	\$393,200	\$140,000	\$32,405,912
Texas Bred Stakes	\$30,526	\$184,000	\$13,000	\$0	\$227,526
Stakes	\$3,881,662	\$1,119,007	\$40,950	\$175,423	\$5,217,042
Sponsors	\$371,855	\$325,269	\$80,700	\$52,500	\$830,324
ATB Sponsored Purse	\$0	\$359,000	\$0	\$0	\$359,000
TOTAL PURSES PAID	\$11,044,195	\$27,099,836	\$527,850	\$367,923	\$39,039,804
Average Daily Purses Paid at All Meets	\$96,879	\$137,563	\$2,680	\$3,227	\$125,530

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

Source of Funds	TOTAL GREYHOUND	Source of Funds	2004 HORSE & GREYHOUND	2005 HORSE & GREYHOUND	% Change
Earned Purse	\$3,445,252	Earned Purse	\$36,164,832	\$35,851,164	(0.87%)
Texas Bred Stakes	\$40,000	Texas Bred Stakes	\$360,900	\$267,526	(25.87%)
Stakes	\$35,100	Stakes	\$17,899,425	\$5,252,142	(70.66%)*
Sponsors	\$83,800	Sponsors	\$2,153,371	\$914,124	(57.50%)*
TGA's Cross Species Purse Supplements	\$1,441,908	TGA's Cross Species Purse Supplements	\$1,311,673	\$1,441,908	9.93%
TOTAL PURSES PAID	\$5,046,060	ATB Sponsored Purse	\$278,183	\$359,000	29.057%
Avg. Purses Paid per Performance	\$5,509	TOTAL PURSES PAID	\$58,168,384	\$44,085,864	(24.21%)*

*Change attributed to Lone Star Park hosting the Breeders' Cup and Sam Houston Race Park hosting the MBNA America® Challenge Championships in 2004.

Summary of All Texas Greyhound Racetracks

from 1/1/2005 through 12/31/2005

	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	647		1,898	1,646	4,191	647	3,544	4,191
# of Performances	916		13,690	10,651	25,257	916	24,341	25,257
Attendance	460,995		38,855	41,611	541,461	460,995	80,466	541,461
Net Handle	\$29,959,205	\$41,233,937	\$33,678,827	\$30,447,629	\$135,319,598	\$71,193,142	\$64,126,457	\$94,085,661
Horse Purse	\$0	\$0	\$0	\$165,029	\$165,029	\$0	\$165,029	\$165,029
Greyhound Purse	1,467,954	164,937	1,046,137	33,972	2,713,000	1,632,891	1,080,109	2,548,063
TTA Purse	0	0	0	205,829	205,829	0	205,829	205,829
TQHA Purse	0	0	0	205,829	205,829	0	205,829	205,829
TGA Purse	0	0	0	24,786	24,786	0	24,786	24,786
Escrowed Horse Purse	0	0	0	1,220,271	1,220,271	0	1,220,271	1,220,271
TX Horsemen's Partnership	0	0	0	0	0	0	0	0
IHP Escrow Horse Purse	0	0	0	308,846	308,846	0	308,846	308,846
Texas Bred	0	0	312,401	246,842	559,243	0	559,243	559,243
State Tax	0	0	336,775	380,238	717,014	0	717,014	717,014
Hub Fee	0	0	0	412,105	412,105	0	412,105	412,105
Simulcast Fee	0	0	926,544	1,109,979	2,036,523	0	2,036,523	2,036,523
Racetracks	<u>5,279,234</u>	<u>1,193,969</u>	<u>5,112,013</u>	<u>2,198,140</u>	<u>13,783,355</u>	<u>6,473,203</u>	<u>7,310,153</u>	<u>12,589,387</u>
Total Commissions	\$6,747,188	\$1,358,906	\$7,733,870	\$6,511,866	\$22,351,830	\$8,106,094	\$14,245,736	\$20,992,924
Breakage	\$92,588	\$0	\$60,293	\$99,939	\$252,820	\$92,588	\$160,232	\$252,820

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

\$24,116,136 Total Export-Interstate Handle - Out of state locations wagering on Texas greyhound racetracks
57,368,951 Total Import-Interstate Handle - Texas greyhound racetracks wagering on out of state racetracks
 -\$33,252,814 Net LOSS of wagering dollars in Texas as a result of simulcasting at greyhound racetracks

Summary of All Texas Horse Racetracks

from 1/1/2005 through 12/31/2005

	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	312		2,470	2,819	5,601	312	5,289	5,601
# of Performances	312		25,806	13,875	39,993	312	39,681	39,993
Attendance	1,236,357		575,925	78,328	1,890,610	1,236,357	654,253	1,890,610
Net Handle	\$59,135,927	\$300,676,501	\$319,204,025	\$42,648,872	\$721,665,325	\$359,812,428	\$361,852,897	\$420,988,824
Horse Purse	\$4,449,016	\$3,415,790	\$22,996,827	\$595,643	\$31,457,276	\$7,864,806	\$23,592,470	\$28,041,486
Greyhound Purse	0	0	0	732,559	732,559	0	732,559	732,559
TTA Purse	0	0	0	0	0	0	0	0
TQHA Purse	0	0	0	0	0	0	0	0
TGA Purse	0	0	0	1,612,822	1,612,822	0	1,612,822	1,612,822
Escrowed Horse Purse	0	0	0	0	0	0	0	0
TX Horsemen's Partnership	0	0	0	0	0	0	0	0
THP Escrow Horse Purse	0	0	0	0	0	0	0	0
Texas Bred	356,935	0	2,340,312	380,769	3,078,017	356,935	2,721,081	3,078,017
State Tax	0	0	3,192,003	532,673	3,724,676	0	3,724,676	3,724,676
Hub Fee	0	0	0	439,738	439,738	0	439,738	439,738
Simulcast Fee	0	0	10,776,781	1,202,101	11,978,882	0	11,978,882	11,978,882
Racetracks	<u>7,681,589</u>	<u>5,669,974</u>	<u>27,119,021</u>	<u>4,241,126</u>	<u>44,711,710</u>	<u>13,351,563</u>	<u>31,360,147</u>	<u>39,041,736</u>
Total Commissions	\$12,487,540	\$9,085,764	\$66,424,944	\$9,737,433	\$97,735,681	\$21,573,305	\$76,162,376	\$88,649,917
Breakage	\$390,465	\$0	\$1,349,546	\$92,686	\$1,832,698	\$390,465	\$1,442,232	\$1,832,698

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

\$283,563,016	Total Export-Interstate Handle - Out of state locations wagering on Texas horse racetracks
<u>334,367,248</u>	Total Import-Interstate Handle - Texas Horse racetracks wagering on out of state racetracks
-\$50,804,232	Net LOSS of wagering dollars in Texas as a result of simulcasting at horse racetracks

Summary of All Texas Racetracks

from 1/1/2005 through 12/31/2005

	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	959	n/a	4,368	4,465	9,792	959	8,833	9,792
# of Performances	1,228	n/a	39,496	24,526	65,250	1,228	64,022	65,250
Attendance	1,697,352	n/a	614,780	119,939	2,432,071	1,697,352	734,719	2,432,071
Net Handle	\$89,095,132	\$341,910,438	\$352,882,852	\$73,096,502	\$856,984,923	\$431,005,570	\$425,979,353	\$515,074,485
	0	0	0	0				
Horse Purse	\$4,449,016	\$3,415,790	\$22,996,827	\$760,672	\$31,622,305	\$7,864,806	\$23,757,499	\$28,206,515
Greyhound Purse	1,467,954	164,937	1,046,137	766,531	3,445,559	1,632,891	1,812,668	3,280,622
TTA Purse	0	0	0	205,829	205,829	0	205,829	205,829
TQHA Purse	0	0	0	205,829	205,829	0	205,829	205,829
TGA Purse	0	0	0	1,637,609	1,637,609	0	1,637,609	1,637,609
Escrowed Horse Purse	0	0	0	1,220,271	1,220,271	0	1,220,271	1,220,271
TX Horsemen's Partnership	0	0	0	0	0	0	0	0
THP Escrow Horse Purse	0	0	0	308,846	308,846	0	308,846	308,846
Texas Bred	356,935	0	2,652,713	627,612	3,637,259	356,935	3,280,324	3,637,259
State Tax	0	0	3,528,778	912,912	4,441,690	0	4,441,690	4,441,690
Hub Fee	0	0	0	851,844	851,844	0	851,844	851,844
Simulcast Fee	0	0	11,703,324	2,312,080	14,015,405	0	14,015,405	14,015,405
Racetracks	<u>12,960,823</u>	<u>6,863,943</u>	<u>32,231,034</u>	<u>6,439,266</u>	<u>58,495,066</u>	<u>19,824,766</u>	<u>38,670,300</u>	<u>51,631,123</u>
Total Commissions	\$19,234,729	\$10,444,670	\$74,158,813	\$16,249,299	\$120,087,511	\$29,679,399	\$90,408,112	\$109,642,841
Breakage	\$483,054	\$0	\$1,409,839	\$192,625	\$2,085,518	\$483,054	\$1,602,464	\$2,085,518

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

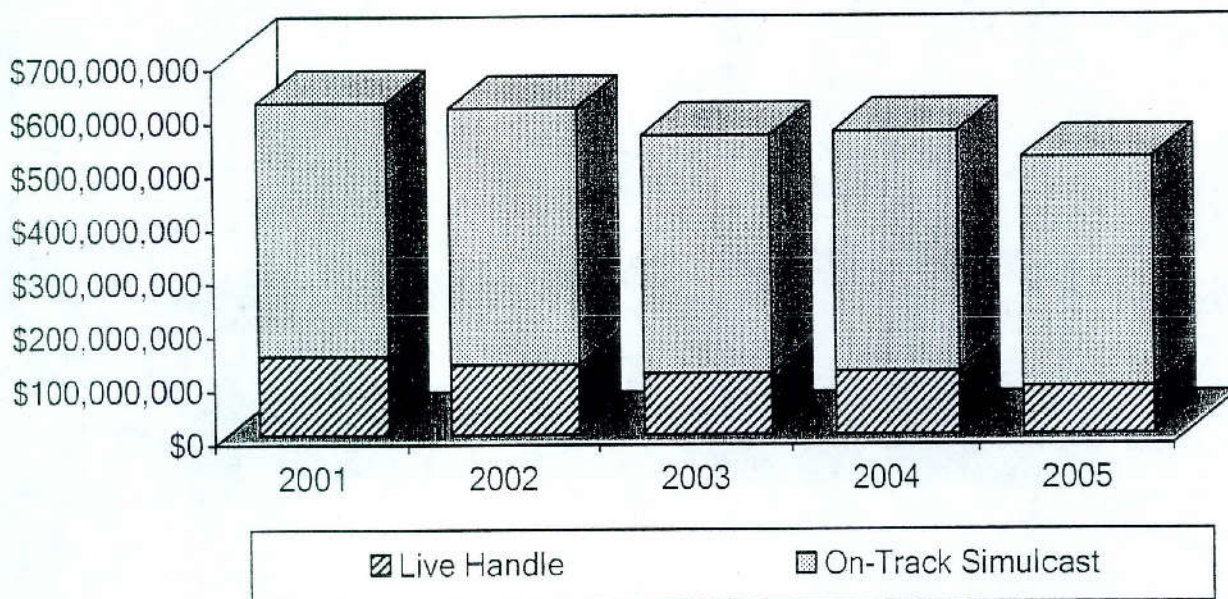
\$307,679,152	Total Export-Interstate Handle - Out of state locations wagering on Texas racetracks
<u>391,736,198</u>	Total Import Interstate Handle - Texas racetracks wagering on out of state racetracks
<u>-\$84,057,046</u>	Net LOSS of wagering dollars in Texas as a result of simulcasting

Five Year Overview of Pari-mutuel Racing

Greyhound & Horse Tracks Combined

	2001	2002	2003	2004*	2005
# of Tracks	8	8	8	8	8
HANDLE ON-TRACK:					
Live	\$146,527,915	\$131,282,149	\$114,414,754	\$117,674,166	\$89,095,132
Simulcast	<u>\$473,486,206</u>	<u>\$477,657,907</u>	<u>\$443,112,863</u>	<u>\$446,623,183</u>	<u>\$425,979,354</u>
TOTAL	\$620,014,121	\$608,940,056	\$557,527,617	\$564,297,349	\$515,074,486
LIVE DATES	1,354	1,365	1,395	1,352	1,228
# OF SIMULCAST SIGNALS TAKEN	54,821	58,800	64,036	66,542	64,022
PURSES PAID	\$50,806,825	\$52,307,192	\$47,114,548	\$58,168,384	\$44,085,864
STATE TAX	\$4,936,353	\$4,982,805	\$4,615,249	\$4,650,399	\$4,441,690
TX BRED \$	\$6,467,625	\$6,421,789	\$5,769,835	\$5,798,309	\$5,251,107
ATTENDANCE	3,191,420	3,052,598	2,862,501	2,783,720	2,432,071

On-Track Handle Greyhound & Horse Combined*

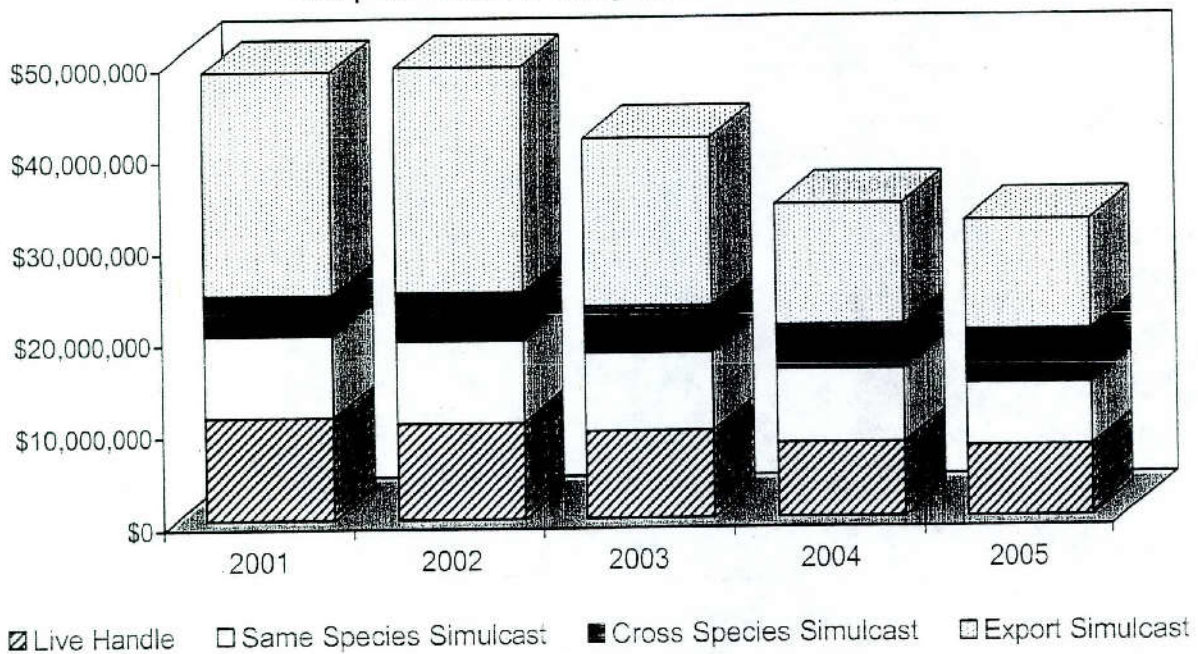


*Note: Lone Star Park's hosting of the 2004 Breeders' Cup races positively impacted the 2004 Live Handle, Export Handle, Purses Paid, and Attendance.

Corpus Christi Greyhound Race Track

	2004	2005	% Change
Live On-Track Handle	\$7,968,969	\$7,573,232	(4.97%)
Import Same Species Simulcast	\$8,010,803	\$6,765,023	(15.55%)
Import Cross Species Simulcast	\$4,810,506	\$5,857,059	21.76%
Total On-Track Handle	\$20,790,278	\$20,195,314	(2.86%)
Total Export Handle	\$13,236,193	\$11,988,909	(9.42%)
Total Wagered on CCGRT	\$21,205,162	\$19,562,141	(7.75%)
Average Value per Point	\$29.01	\$26.58	(8.38%)
Average Purses Paid/Performance	\$2,977	\$2,868	(3.36%)
Total Purses Paid	\$1,181,879	\$1,192,923	0.93%
Total Live Performances	397	416	4.79%
Total # of Simulcast Signals Taken	6,111	5,375	(12.04%)
Total Attendance	157,817	146,012	(7.48%)

2001-2005
Corpus Christi Greyhound Race Track



**Data on this page provided by Corpus Christi Greyhound Race Track
For Calendar Year 1/1/2005– 12/31/2005 – Unaudited**

Average # of Employees/Positions on Payroll	127
Total Salaries and Wages Paid	\$1,515,994
Total State Pari-mutuel Tax Paid	\$140,864
Total Other State Taxes Paid	\$30,790
Total Property Taxes Paid	\$133,414
Total Purchased Goods and Services	\$3,960,258
Total Charitable Contributions	\$4,844

2005 Highlights

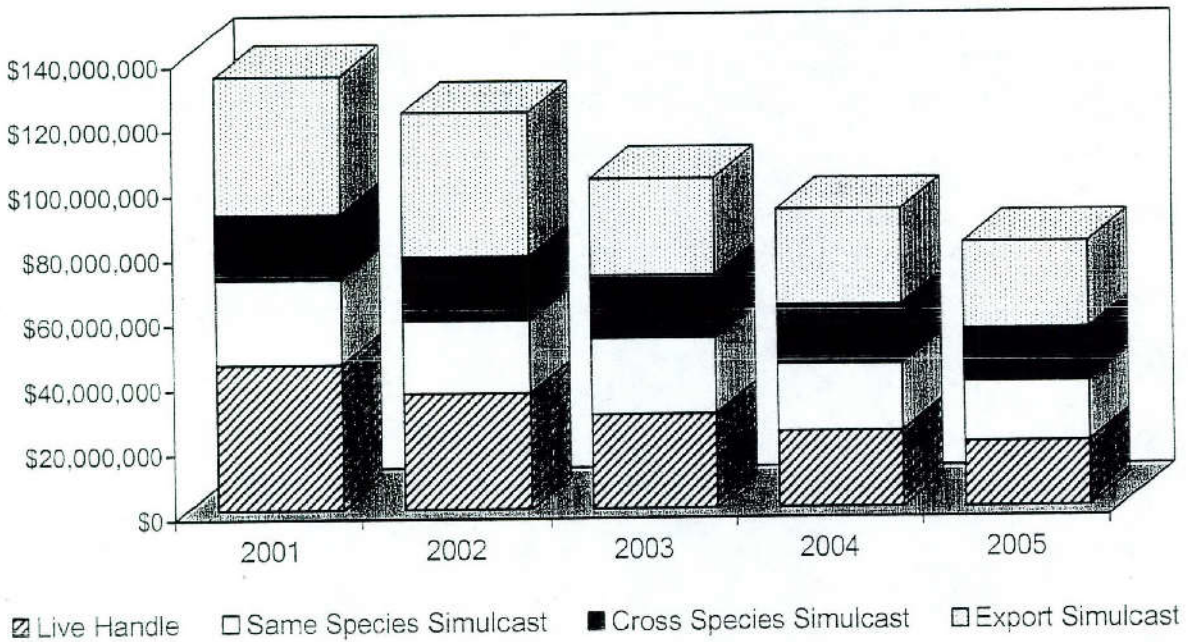
- Corpus Christi Greyhound Race Track (CCGRT) donated several “Night at the Races” packages to numerous charities for their auctions: Corpus Christi Area Council for the Deaf, Reguladores Law Enforcement Motorcycle Club, Muscular Dystrophy Association, VFW Ladies of South Texas’ Chili Bash, Veterans of Foreign Wars, Rockhound Baseball Club, Hermann Sons School of Dance, Goliad Volunteer Fire Department, Ingleside Chamber of Commerce, Metro Ministries, and the Naval Air Base.
- CCGRT made donations to charities, including the Salvation Army and the Women’s Shelter.
- Charity night donations totaled over \$3,000.00, benefiting the Texas A&M School of Veterinary Medicine and Ronald McDonald House.
- The CCGRT adoption program is entering its 15th year. The track also supports the Heart of Texas Greyhound Adoption group, Greyhound Pets of America, and the Gulf Coast Humane Society.
- The CCGRT allowed the circus to utilize their track for a 3-day performance.
- The track continued its work with the Special Olympics by preparing 30 Easter Baskets for the Special Olympics Bunny Operation.

Greyhound Racetrack

Gulf Greyhound Park

	2004	2005	% Change
Live On-Track Handle	\$23,480,839	\$20,010,301	(14.78)
Import Same Species Simulcast	\$20,628,371	\$18,473,744	(10.44%)
Import Cross Species Simulcast	\$18,393,941	\$16,425,543	(10.70%)
Total On-Track Handle	\$62,503,151	\$54,909,588	(12.15%)
Total Export Handle	\$29,351,789	\$26,750,154	(8.86%)
Total Wagered on Gulf Greyhound	\$52,832,628	\$46,760,455	(11.49%)
Average Value per Point	\$61.18	\$59.45	(2.83%)
Average Purses Paid/Performance	\$7,646	\$7,839	2.52%
Total Purses Paid	\$3,410,010	\$3,198,435	(6.20%)
Total Live Performances	446	408	(8.52%)
Total # of Simulcast Signals Taken	9,602	8,825	(8.09%)
Total Attendance	311,529	290,416	(6.78%)

2001-2005
Gulf Greyhound Park



**Data on this page provided by Gulf Greyhound Park
For Calendar Year 1/1/2005– 12/31/2005 – Unaudited**

Average # of Employees/Positions on Payroll	325
Total Salaries and Wages Paid	\$4,411,420
Total State Pari-mutuel Tax Paid	\$390,057
Total Other State Taxes Paid	\$788,770
Total Property Taxes Paid	\$403,897
Total Purchased Goods and Services	\$15,877,480
Total Charitable Contributions	\$67,044

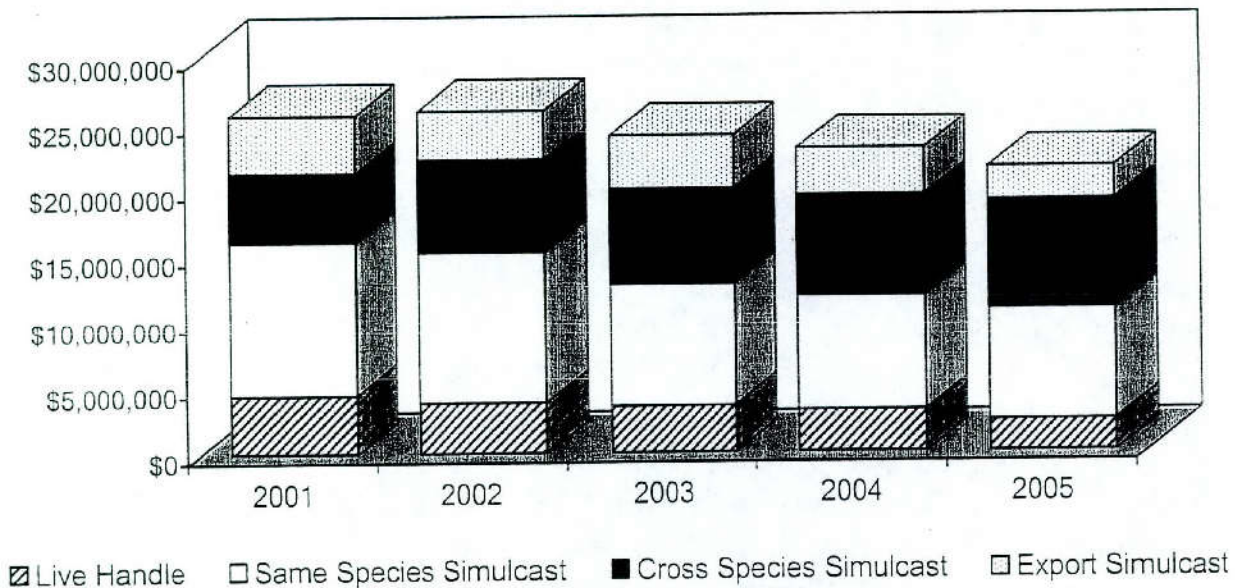
2005 Highlights

- The 6th Annual High School Coaches Clinic was hosted by Gulf Greyhound Park (GGP) in January with over 350 in attendance.
- A few of the many events held in the parking lot at Gulf Greyhound Park included: Sports Car Club of America National Tour Event, Import Drift Show-Off, Mercedes-Benz Show, and BMW Show.
- The Galveston Propeller Club held its annual Crawfish Boil at the track benefiting scholarships for Texas A&M University at Galveston.
- GGP hosted the Galveston County Leukemia & Lymphoma Society Light the Night Walk with approximately 300 participants walking the parking lot.
- Charity days benefited the Texas A&M and University of Texas Scholarship funds, the Texas Greyhound Association, Texas City-La Marque Chamber of Commerce, and Galveston County Ronald McDonald House.
- Over 150 retired racers attended the Annual Adoption Parade held in November on the 13th anniversary of GGP.
- The 6th Annual Track Surface Safety Seminar was held at GGP, sponsored by the TGA and AGTOA along with GGP. Approximately 80 track personnel from across the country attended the seminar.
- Pevehouse Kennel's Bacs McFasty bused the box and traversed the 550-yard course in 29.87 seconds, the fastest time recorded at GGP in over two years. San Tan Jackpot from the Allen Kennel won the \$30,000 Texas Round-Up. The May 14 Night of Stars was won by Gable-Katt Kennel's Gable Chloe while the November contest was won by Bacs McFasty. The Summer Survivor Series was won by LQK Kennel's Monterrey Gotile by a mere ½ length. Bob's Wal of the Stokes-LaRosa Kennel won the Texas Fall Sprint Classic with a 30.29 time. Lingle Kennel's NinetytoNothing blasted out of the box to win the Gordon Wood Memorial Feature Race and Stokes-LaRosa Kennel's Bob's Skeet won the Sheldon Levine Memorial Race. Ending the year, Bacs McFasty won the Au Revoir Race on December 31.

Valley Race Park

	2004	2005	% Change
Live On-Track Handle	\$3,161,771	\$2,375,672	(24.86%)
Import Same Species Simulcast	\$8,639,747	\$8,440,060	(2.31%)
Import Cross Species Simulcast	\$7,615,763	\$8,165,028	7.21%
Total On-Track Handle	\$19,417,281	\$18,980,760	(2.25%)
Total Export Handle	\$3,543,391	\$2,494,875	(29.59%)
Total Wagered on Valley Race Park	\$6,705,162	\$4,870,547	(27.36%)
Average Value per Point	\$37.78	\$58.88	55.85%
Average Purses Paid/Performance	\$3,019	\$7,116	135.71%
Total Purses Paid	\$588,762	\$654,701	22.40%
Total Live Performances	195	92	(52.82%)
Total # of Simulcast Signals Taken	10,501	10,141	(3.43%)
Total Attendance	114,186	105,033	(8.02%)

2001-2005
Valley Race Park



Data on this page provided by Valley Race Park

For Calendar Year 1/1/2005 – 12/31/2005 – Unaudited

Average # of Employees/Positions on Payroll	102
Total Salaries and Wages Paid	\$1,447,000
Total State Pari-mutuel Tax Paid	\$187,000
Total Other State Taxes Paid	\$120,000
Total Property Taxes Paid	\$54,000
Total Purchased Goods and Services	\$2,345,000
Total Charitable Contributions	\$9,100

2005 Highlights

- In conjunction with the City of Harlingen, Valley Race Park (VGP) hosted the first annual "Winter Texans Appreciation Fiesta." The event attracted over 2,600 winter Texans from all regions of the United States.
- Jalapeno 100, the 15th Annual Bicycle Tour benefiting Harlingen Youth Athletics, was staged at VGP on February 19. The event attracted over 400 participants from across Texas.
- The "Spotlight Series," a feature race run each Sunday during the month of February, rose in recognition with the Texas Greyhound Association. Five qualifying rounds culminated in a \$3,500 added purse consolation. CTW Busy Bull, owned by David Peck, won the \$10,000 Texas Showdown Final.
- April 1st saw VGP stage it's 4th annual "Bark at the Park," which attracted between 90 and 100 dogs. There was plenty to entertain the dogs, their owners, and friends as activities included races, fashion shows, and an obstacle course. All proceeds from the event benefited the Sought Texas Animal sanctuary and the Harlingen Humane Society.
- The interest in 2005's Triple Crown Series saw VGP achieve some exceptional attendance and handle figures for each of the Triple Crown days.
- On October 29th, VGP hosted its qualifying round for the Daily Racing Form and NTRA National Handicapping championship for the third straight year. Over 50 entries were received from all over the United States.
- 2005 was brought to a close by another spectacular New Year's Eve celebration. A 15-race performance was supported by an exceptional buffet in Brindles Restaurant and live music from two variety bands. The new year was ushered in with a 12-minute firework show.

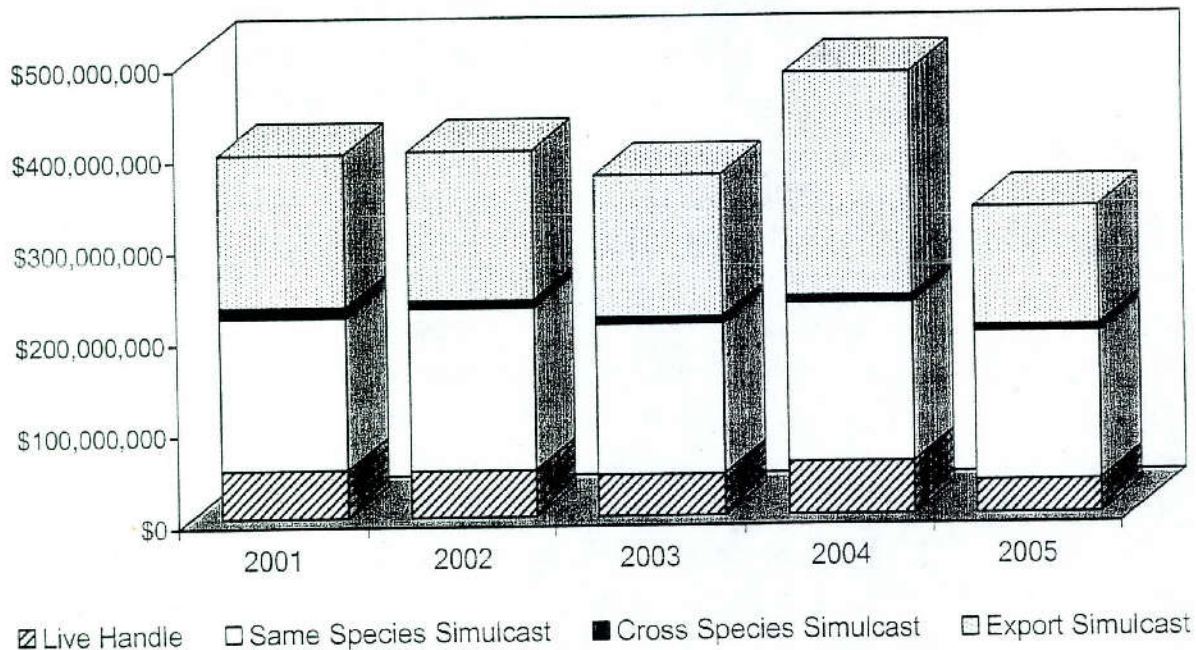
Class 1 Horse Racetrack

Lone Star Park at Grand Prairie

	2004	2005	% Change
Live On-Track Handle	\$56,686,488	\$35,922,139	(36.63%)*
Import Same Species Simulcast	\$174,117,075	\$161,938,041	(6.99%)
Import Cross Species Simulcast	\$7,581,971	\$6,841,436	(9.77%)
Total On-Track Handle	\$238,385,534	\$204,701,616	(14.13%)*
Total Export Handle	\$243,992,825	\$129,541,496	(46.91%)*
Total Wagered on Lone Star	\$300,679,313	\$165,463,635	(44.97%)*
Average Purses Paid/Quarter Horse	\$0	\$116,163	N/A
# of Quarter Horse Race Dates	0	33	N/A
Average Purses Paid/Thoroughbred	\$362,286	\$213,820	(40.98%)*
# of Thoroughbred Race Dates	82	67	(18.29%)
Total Purses Paid	\$29,885,935	\$18,450,706	(38.26%)*
Total Live Performances	82	100	21.95%
Total # of Simulcast Signals Taken	7,807	7,703	(1.33%)
Total Attendance	1,067,342	818,349	(23.33%)*

*Significant decreases attributed to Lone Star Park's hosting Breeders' Cup in 2004.

2001-2005
Lone Star Park at Grand Prairie



**Data on this page provided by Lone Star Park at Grand Prairie
For Calendar Year 1/1/2005 – 12/31/2005 – Unaudited**

Average # of Employees/Positions on Payroll	Seasonal: 450 to 1,100
Total Salaries and Wages Paid (includes benefits)	\$15,935,193
Total State Pari-mutuel Tax Paid	\$1,859,814
Total Other State Taxes Paid	\$1,863,541
Total Property Taxes Paid	\$2,371,638
Total Purchased Goods and Services	\$15,417,720
Total Charitable Contributions	\$108,248

2005 Highlights

- Spring Thoroughbred Season highlights included a crowd of 24,660 – the highest of the meeting – for post-race fireworks on July 3. Live music after the races was also a popular draw. Attendance totaled 23,656 to watch Cross Canadian Ragweed on June 17 – the most attended post-race concert in Lone Star Park's (LSP) history.
- More than \$3.1 million was wagered on-track by the 15,304 in attendance on Kentucky Derby Day. The Lone Star Million, staged for the seventh time on Memorial Day with six stakes races totaling \$1 million in purses, remained a popular draw both locally and nationally. The 13,838 in attendance wagered in excess of \$2 million on-track, while another \$3 million was bet at simulcast outlets in North America.
- On the racetrack, millionaire Supah Blitz was crowned Horse of the Meeting for his victory in the Grade III, \$300,000 LSP Handicap and runner-up effort in the Grade III, \$300,000 Texas Mile. Steve Asmussen, the three-time national leader in races won, collecting his seventh LSP trainer title with 63 victories. Cliff Berry won his first local riding title with 87 trips to the winner's circle. Tom Durant was the leading owner for the fourth time with 87 wins.
- During the Fall Meeting of Champions, Pyc Paint Your Wagon, winner of the \$1 million Texas Classic Futurity, was voted Horse of the Meeting. Jeff Acuna, who conditioned First Comment to a victory in the Grade 1 Texas Classic Derby, clinched his first career training title with 18 wins. J. Wes Owens shared the owner's title with A. D. Maddox. Both had nine wins to their credit. Leading jockey honors went to "Diamond Jim" Brooks who, at age 54, dominated his younger rivals with 47 trips to the winner's circle.
- Off the racetrack, the Lone Star Park Charitable Foundation for Grand Prairie awarded \$60,000 to 18 Grand Prairie, Texas charities. Since the summer of 2001, the Charitable Foundation has raised more than \$220,000.

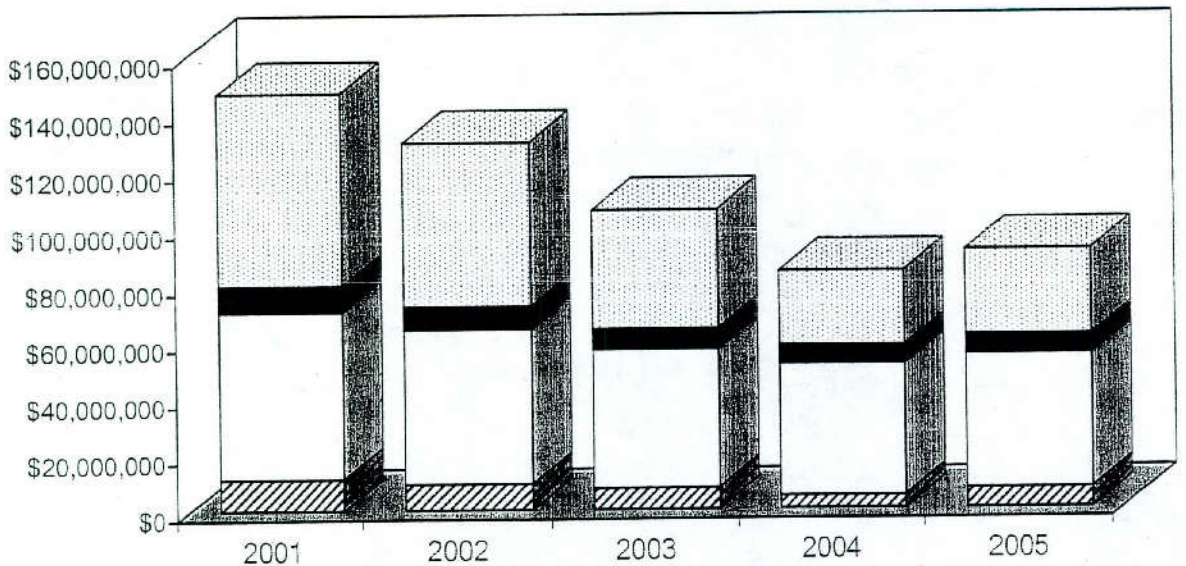
Class 1 Horse Racetrack

Retama Park

	2004	2005	% Change
Live On-Track Handle	\$4,545,218	\$7,072,920	55.61%*
Import Same Species Simulcast	\$46,726,587	\$47,477,035	1.61%
Import Cross Species Simulcast	\$6,439,901	\$6,721,404	4.37%
Total On-Track Handle	\$57,711,706	\$61,271,359	6.17%
Total Export Handle	\$26,443,049	\$30,153,692	14.03%*
Total Wagered on Retama	\$30,988,267	\$37,226,612	20.13%*
Average Purses Paid/Quarter Horse	\$0	\$65,582	100%*
# of Quarter Horse/Mixed Race Dates	\$0	24	100%*
Average Purses Paid/Thoroughbred	\$90,081	\$92,924	3.16%
# of Thoroughbred Race Dates	39	43	10.26%
Total Purses Paid	\$3,709,450	\$5,763,570	55.38%*
Total Live Performances	39	67	71.79%*
Total # of Simulcast Signals Taken	9,077	8,756	(3.54%)
Total Attendance	343,201	381,884	11.27%*

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

2001-2005
Retama Park



Live Handle
 Same Species Simulcast
 Cross Species Simulcast
 Export Simulcast

Data on this page provided by Retama Park

For Calendar Year 1/1/2005 – 12/31/2005 – Unaudited

Average # of Employees/Positions on Payroll	303
Total Salaries and Wages Paid	\$4.9 million
Total State Pari-mutuel Tax Paid	\$560,000
Total Other State Taxes Paid	\$340,000
Total Property Taxes Paid	N/A
Total Purchased Goods and Services	\$7.1 million
Total Charitable Contributions	\$14,000 Cash \$100,000 Goods & Services

2005 Highlights

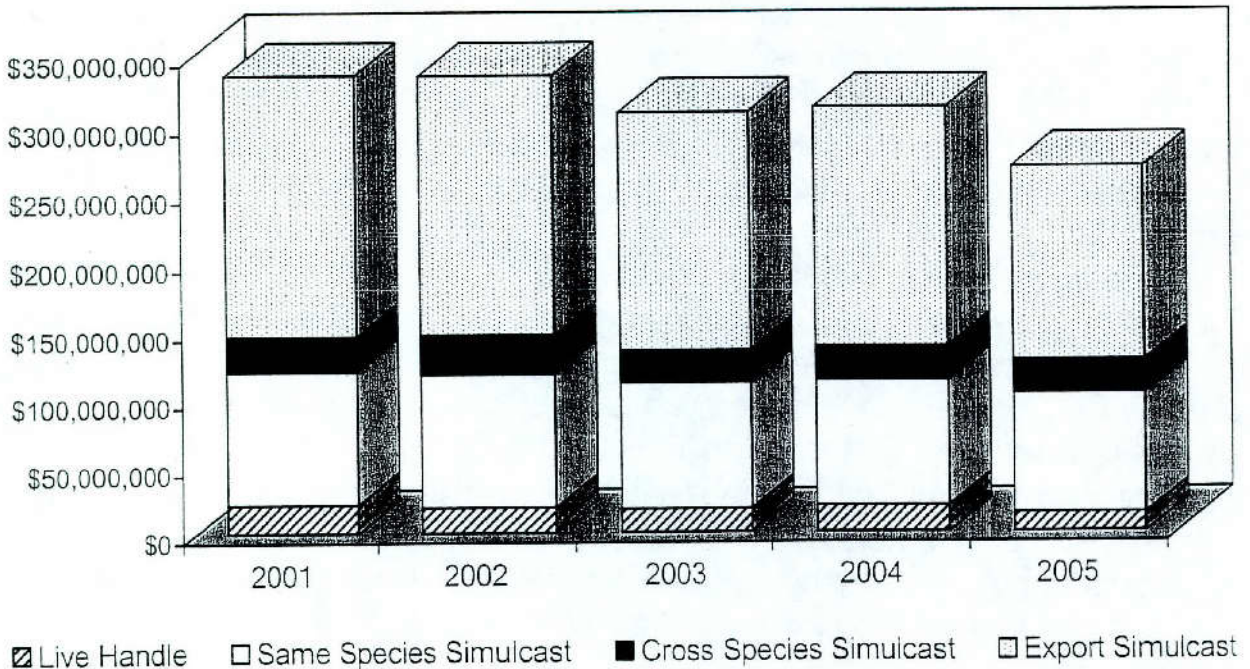
- Live racing was a success as Fifty Cent Fridays continue to be a popular family entertainment value in San Antonio. An average of 6,386 fans passed through the turnstiles on each of the 14 Fifty Cent Nights in 2005.
- Local corporate support continues to grow as two more named stakes races were added to the racing calendar. The Ben E. Keith Stakes and the Red McCombs Stakes ran during the 2005 American Quarter Horse season at Retama Park.
- The Texas Horse Racing Hall of Fame inducted three individuals at a gala event held at Retama Park on Saturday, October 1, 2005: Owner-breeder Josephine Abercrombie, Owner-breeder, Herbert Graham, and trainer and owner, D. Wayne Lukas. The JoAnn Weber Distinguished Service Award was bestowed upon James Helzer. Also, inducted into the Texas Horse Racing Hall of Fame was the world record holding Thoroughbred filly, Miss Princess.
- In conjunction with the Racetrack Chaplaincy, Retama Park hosted dinners at Easter and Christmas for almost 150 Retama Park personnel. All children received an Easter basket and at Christmas, Santa made an appearance and each child had their picture taken when they received a gift. All in attendance received the gift of a heavy sweatshirt, compliments of the Racetrack Chaplaincy.
- Retama Park continued its tradition of community involvement and support by holding a food drive for the victims of Hurricane Katrina. Over 2,360 pounds of dry goods were collected in addition to monetary donations of \$3,400. All proceeds of the drive went to the San Antonio Food Bank. Retama Park also donated over \$100,000 in silent auction items to over 300 area organizations and held a successful blood drive for the South Texas Blood & Tissue Center.
- In November, Retama Park and the Racetrack Chaplaincy co-hosted a luncheon to raise funds for an employee who was seriously ill. Tickets for the event were purchased by patrons, employees, and Retama Park vendors. Retama Park's food vendors donated food for the well attended event that raised much needed funds.

Sam Houston Race Park

	2004	2005	% Change
Live On-Track Handle	\$19,431,475	\$13,798,339	(28.99%)*
Import Same Species Simulcast	\$92,379,464	\$88,117,159	(4.61%)
Import Cross Species Simulcast	\$25,161,848	\$24,685,233	(1.89%)
Total On-Track Handle	\$136,972,787	\$126,600,731	(7.57%)*
Total Export Handle	\$173,734,975	\$140,981,313	(18.85%)*
Total Wagered on Sam Houston	\$193,166,450	\$154,779,652	(19.87%)*
Average Purses Paid/Quarter Horse	\$94,130	\$85,653	(9.01%)
# of Quarter Horse Race Dates	95	38	(60.00%)*
Average Purses Paid/Thoroughbred	\$106,165	\$102,318	(3.62%)
# of Thoroughbred Race Dates	72	82	13.89%
Total Purses Paid	\$17,129,437	\$12,000,421	(29.94%)*
Total Live Performances	167	120	(28.14%)*
Total # of Simulcast Signals Taken	13,581	13,489	(6.77%)
Total Attendance	719,070	619,484	(13.85%)*

*Changes due to addition of live Quarter Horse race dates in 2004 to accommodate Lone Star Park's hosting the Breeders' Cup.

2001-2005
Sam Houston Race Track



**Data on this page provided by Sam Houston Race Park
For Calendar Year 1/1/2005 – 12/31/2005 – Unaudited**

Average # of Employees/Positions on Payroll	534
Total Salaries and Wages Paid	\$10,505,000
Total State Pari-mutuel Tax Paid	\$1,190,000
Total Other State Taxes Paid	\$399,000
Total Property Taxes Paid	\$947,000
Total Purchased Goods and Services	\$12,422,000
Total Charitable Contributions	\$44,000

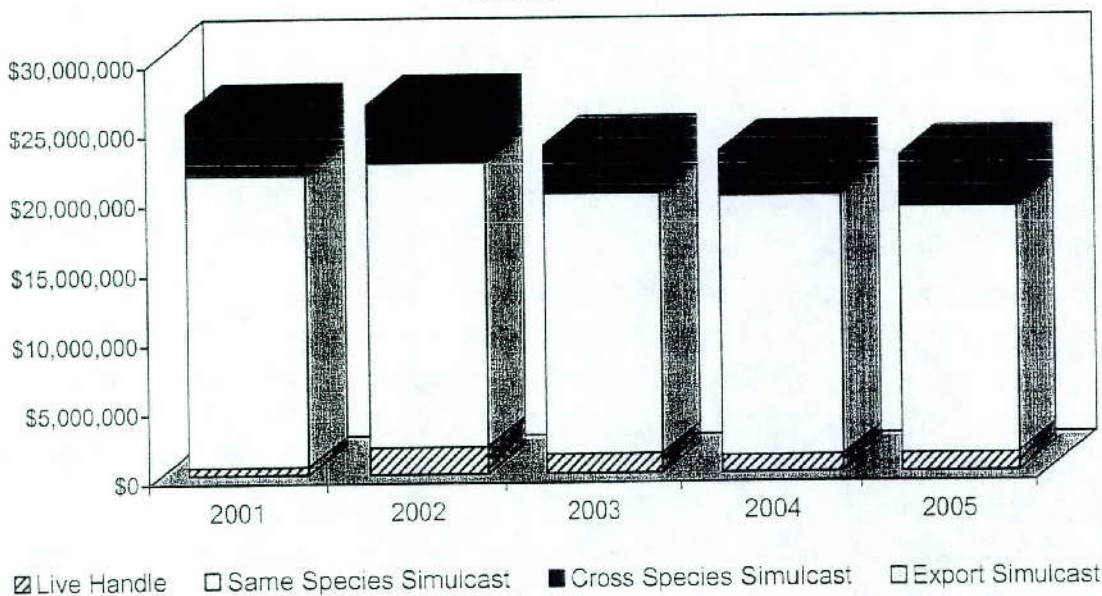
2005 Highlights

- The National Graded Stakes Committee awarded Sam Houston Race Park (SHRP) its first graded stakes in December. The \$200,000 Connally Breeders' Cup Turf will have Grade III status for its 2006 date, April 8.
- SHRP hosted its annual July 4 fireworks show over two nights and attracted a total of 34,001 fans for the live racing programs followed by spectacular firework shows.
- SHRP hosted its annual TQHA Yearling Sale in July. The Texas Summer Showdown Weekend featured a two-day event with a Quarter Horse sale and five stakes races. The sale set a new record with over 300 yearlings passing through the sales ring at total sales of over \$4 million.
- SHRP teamed with Texas Children's Hospital to raise funds for Alex's Lemonade Stand on Belmont Day. Racing fans purchased lemonade and made donations to support pediatric cancer throughout the day.
- SHRP continues to support local and national charities by hosting events such as the following: Houston Northwest Chamber Epicurean Night to raise funds for the Barbara Bush Library, Northwest Assistance Ministries who support activities and fundraising efforts for the Northwest, Cy-Fair, Greenspoint, Galleria, Humble and Atascosita Chambers of Commerce, Light The Night Walk benefiting the Leukemia Society, Silent auctions to raise funds for the Don MacBeth Memorial Jockey Fund, and Houston Equine Research Organization.
- SHRP is a proud supporter of the Racetrack Chaplaincy of America. In addition to donating 2% of one live on-track handle to the track Chaplaincy program, twice each year SHRP organizes a fundraiser event to help fund their many programs, including holding Sunday worship service for horsemen and patrons, counseling services, and providing clothing, blankets, and food for backside workers in need.
- SHRP donated over 700 Box Seat Packages to local charities throughout the city hosting silent auctions to raise funds for their organizations.

Class 2 Horse Racetrack Manor Downs

	2004	2005	% Change
Live On-Track Handle	\$1,249,872	\$1,304,804	4.40%
Import Same Species Simulcast	\$18,661,077	\$17,745,769	(4.90%)
Import Cross Species Simulcast	\$3,224,919	\$3,650,708	13.20%
Total On-Track Handle	\$23,135,868	\$22,701,281	(1.88%)
Total Export Handle	N/A	N/A	N/A
Total Wagered on Manor	\$1,249,872	\$1,304,804	4.40%
Average Purses Paid/Quarter Horse	\$82,353	\$123,033	49.40%
# of Quarter Horse Race Dates	0	0	N/A
Average Purses Paid/Thoroughbred	\$14,350	\$16,925	17.94%
# of Thoroughbred Race Dates	0	0	N/A
Average Purses Paid/Mixed	\$99,692	\$142,841	43.28%
# of Mixed Race Dates	18	16	(11.11%)
Total Purses Paid	\$1,794,460	\$2,285,455	27.36%
Total Live Performances	18	16	(11.11%)
Total # Simulcast Signals Taken	5,687	5,837	2.64%
Total Attendance	56,791	59,512	4.79%

2001-2005
Manor Downs



**Data on this page provided by Manor Downs
For Calendar Year 1/1/2005 – 12/31/2005 – Unaudited**

Average # of Employees/Positions on Payroll	44
Total Salaries and Wages Paid	\$961,745
Total State Pari-mutuel Tax Paid	\$221,399
Total Other State Taxes Paid	\$108,366
Total Property Taxes Paid	\$124,930
Total Purchased Goods and Services	\$2,430,665
Total Charitable Contributions	\$6,132

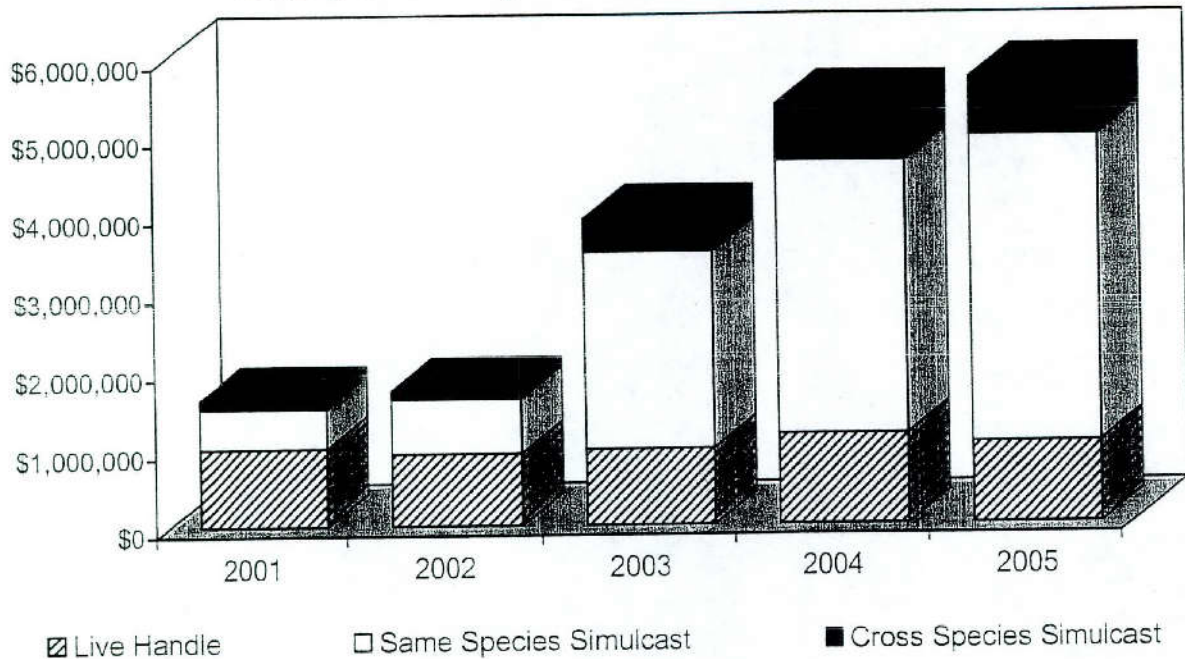
2005 Highlights

- Manor Downs began a three phase \$400,000 drainage and landscape improvement project on the East side of the racetrack, completing Phases I and II.
- On March 27, Party Hound set a new track record of 19.66 seconds for 400-yards.
- Manor Downs contributed over \$6,000 in support of the Texas A&M School of Veterinary Medicine and the persons working in the stall area.

Gillespie County Fair & Festivals Association

	2004	2005	% Change
Live On-Track Handle	\$1,149,534	\$1,037,725	(9.73%)
Import Same Species Simulcast	\$3,495,962	\$3,926,020	12.30%
Import Cross Species Simulcast	\$735,248	\$750,091	2.02%
Total On-Track Handle	\$5,380,744	\$5,713,836	6.19%
Total Export Handle	N/A	N/A	N/A
Total Wagered on Gillespie	\$1,149,534	\$1,037,725	(9.73%)
Average Purses Paid/Quarter Horse	\$46,381	\$51,688	11.44%
Average Purses Paid/Thoroughbred	\$12,175	\$14,663	20.44%
# of Mixed Race Dates	8	8	0.00%
Total Purses Paid	\$468,450	\$539,600	15.19%
Total Live Performances	8	8	0.00%
Total # of Simulcast Signals Taken	4,176	3,896	(6.75%)
Total Attendance	13,784	11,381	(17.43%)

2001-2005
Gillespie County Fair & Festivals Association



**Data on this page provided by Gillespie County Fair & Festivals Association
For Calendar Year 1/1/2005– 12/31/2005 – Unaudited**

Average # of Employees/Positions on Payroll	74.5
Total Salaries and Wages Paid	\$158,818
Total State Pari-mutuel Tax Paid	\$48,597
Total Other State Taxes Paid	\$13,448
Total Property Taxes Paid	Exempt
Total Purchased Goods and Services	\$635,932
Total Charitable Contributions	\$60,000*

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

2005 Highlights

- The Gillespie County Fair Association awarded \$14,300 in scholarships to 26 graduating seniors in Gillespie County, totaling over \$180,000 in scholarships since 1991.
- The Fair Association's donated facility use and volunteer labor is estimated at over \$60,000 for 2005. 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.
- The Gillespie County Fair Association was recognized as a "Star of Texas" by the Gillespie County Historical Society. The Fair Association was recognized for being the longest continuously running county fair in the state of Texas and for the significant contributions it has made to the community.
- The 2005 season had 8 full race days and many good horses. Three track records were broken during the 2005 summer season.

Other Licensed Racetracks

Class 2 Horse Racetrack

Austin Jockey Club

In 1999, Austin Jockey Club, Ltd., acquired majority ownership of Longhorn Downs, Inc., which held a horse racetrack license that was originally issued in 1989.

On November 29, 2004, the Commission considered Austin Jockey Club's (AJC) request to change its location to a site east of Pflugerville, in northeast Travis County. Texas Racing Act, §6.14(d), authorizes the Commission to change a racetrack's location if the Commission finds that the conduct of race meetings at the new location will be in the public interest. The site that was approved in 1999, just off Riverside Drive east of downtown Austin, was the subject of zoning controversies and was eventually zoned in a manner inconsistent with a pari-mutuel racetrack. Following a full day of testimony, the Commissioners voted 6-2 to defer consideration of the requested change in location to give AJC time to address local issues, particularly issues of ingress and egress, or to present an alternative site.

At the December 12, 2005, Commission meeting, Bryan Brown, President of AJC, reported that AJC had entered into a contract to sell Longhorn Downs, Inc. He stated that the purchaser has submitted Department of Public Safety forms and is undergoing the required background check process and will approach the Commission once that process is complete with a request for a change in ownership and, in all likelihood, a change in location.

Class 2 Horse Racetrack

Saddle Brook Park

In 2001, Yellow Rose Entertainment, d/b/a Saddle Brook Park, acquired Lubbock Downs, Inc., a company to which a Class 2 horse racetrack license was issued in 1989. The Commission granted Saddle Brook's request to move the track from Lubbock to Randall County. The new owners indicated their intent to construct the facility and open for live racing and simulcasting in 2002.

Construction plans were submitted and approved by the Commission staff on May 16, 2002. In their monthly construction update to the Commission dated February 11, 2003, Saddle Brook Park reported that steel had been ordered when a problem arose with the Environmental Protection Agency over sewage disposal. The report stated that engineers were working to determine the best and most cost-effective solution. The subsequent monthly reports, including the latest report dated December 13, 2005, stated there was no new information to report but they hoped to have a more informative report in the near future.

Appendix

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Combined Statement of Revenues & Expenditures

For Fiscal Year 2005 As Compared to Fiscal Year 2004

Source: Racing Commission Annual Financial Reports

	FISCAL 2004	FISCAL 2005	% CHANGE
REVENUES:			
Legislative Appropriations	\$ 0	\$ 0	- %
Licenses, Fees & Permits	2,694,691	2,978,366	10%
Interest & Other Investment Income	33,076	41,117	20%
Other Revenues	<u>7,188,937</u>	<u>7,237,889</u>	1%
TOTAL REVENUES	<u>\$9,916,704</u>	<u>\$10,257,372</u>	3%
EXPENDITURES:			
Salaries & Wages	\$3,270,289	\$3,258,427	(1%)
Payroll Related Costs	770,577	780,766	1%
Professional Fees & Services	79,457	36,251	(54%)
Travel	127,190	138,498	8%
Materials & Supplies	162,351	87,113	(53%)
Communications & Utilities	67,275	67,629	1%
Repairs & Maintenance	50,255	39,151	(22%)
Rentals & Leases	170,282	169,050	(1%)
Printing & Reproduction	19,980	3,253	(83%)
Claims & Judgments	0	0	- %
Distributions to Others	5,450,229	6,815,566	20%
Depreciation Expense	13,301	15,859	19%
Capital Outlay	<u>0</u>	<u>0</u>	- %
TOTAL EXPENDITURES	<u>\$10,181,186</u>	<u>\$11,415,903</u>	11%
EXCESS REVENUES OVER EXPENDITURES	<u>-\$264,483</u>	<u>-\$1,158,531</u>	89%
OTHER FINANCING SOURCES (USES):			
Operating Transfer In:			
Agency 902, Fund 001, Breeders' Cup	0	1,835,887	100%
Operating Transfers Out:			
Agency 556, Fund 001, Equine Research	-67,107	-40,353	(40%)
TOTAL OTHER FINANCING SOURCES/(USES)	<u>-\$67,107</u>	<u>\$1,795,534</u>	196%
NET GAIN/LOSS FROM OPERATIONS	<u>-\$331,589</u>	<u>\$647,774</u>	195%
BEGINNING FUND BALANCE	\$1,507,703	\$1,196,278	(21%)
Adjusting entry to fund balance:			
Funds in suspense	0	46,000	100%
USAS AFR adjusting entry	0	890	100%
BEGINNING FUND BALANCE – RESTATED	\$1,507,703	\$1,243,168	(18%)
Net change in Reserve for Inventories	<u>20,164</u>	<u>0</u>	(100%)
ENDING FUND BALANCE	<u>\$1,196,278</u>	<u>\$1,890,942</u>	58%

Summary of Key Fiscal Year 2005 Actual Performance Measures As Compared to Target

Fiscal Year 2005 KEY MEASURES	Target	Actual	% of Target
# of Horse Racetracks Regulated	7	7	100%
Average Regulatory Cost per Horse Racetrack	\$21,281	\$20,319	96%
# of Greyhound Racetracks Regulated	3	3	100%
Average Regulatory Cost per Greyhound Racetrack	\$21,281	\$20,319	96%
Number of Racetrack Inspections	69	72	104%
Number of Texas-bred Awards	26,400	22,673	86%
Number of Occupational Licenses Suspended or Revoked	220	220	100%
Number of Investigations Completed	1,527	1,108	73%
Percentage of Investigations Resulting in Disciplinary Action	97%	99%	102%
Percentage of Licensees with No Recent Violations	98%	97.4%	99%
Number of Race Animals Inspected Prior to Participating in a Race	136,554	118,531	87%
Percentage of Race Animals Injured or Dismissed from Racetracks	0.30%	0.25%	83%
Number of New Occupational Licenses Issued	6,150	6,510	106%
Number of Occupational Licenses Renewed	9,500	8,693	92%
Average Regulatory Cost per Licensee	\$28.72	\$34.10	119%
Average Time (minutes) Required to Issue a New Occupational License	7	7.25	104%
Number of Illegal Wagering Investigations Completed	12	7	58%
Percentage of Compliance Audits Passed	96%	99.5%	104%
Average Cost per Illegal Wagering Investigation	\$430.73	\$455.74	106%
Total Pari-Mutuel Handle (in millions)	\$635.46	\$540.72	85%
Total take to the State Treasury from Pari-mutuel Wagering (in millions)	\$5,562,937	\$4,493,593	81%

Glossary of Racing Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Place - to finish second in a race.

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

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

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

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

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

Show - to finish third in a race.

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

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

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

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

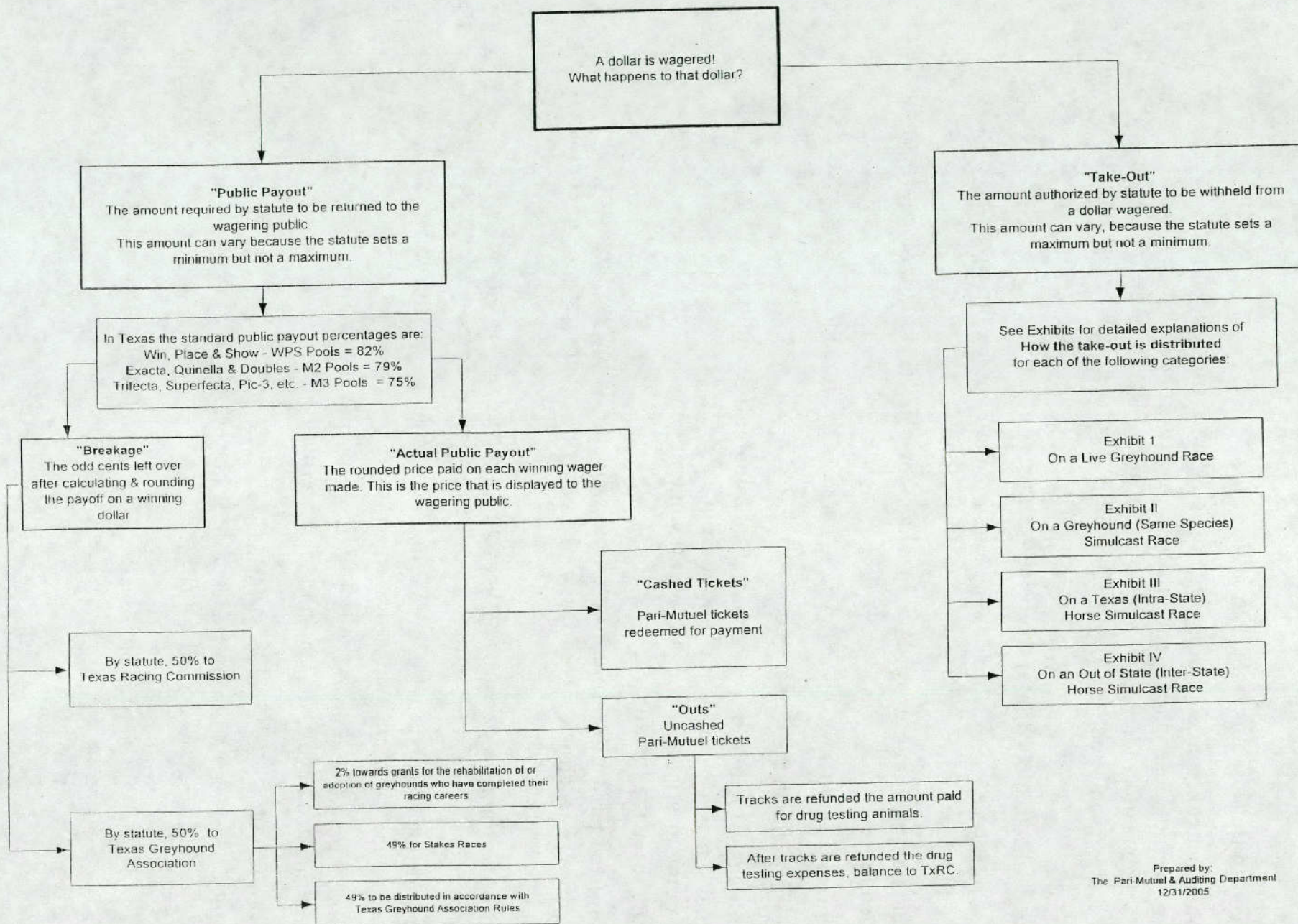
Totalisator - a machine or system for registering and computing the wagering and payoffs in pari-mutuel wagering.

Win - to finish first in a race.

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

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

How Money Wagered at a Greyhound Track is Distributed



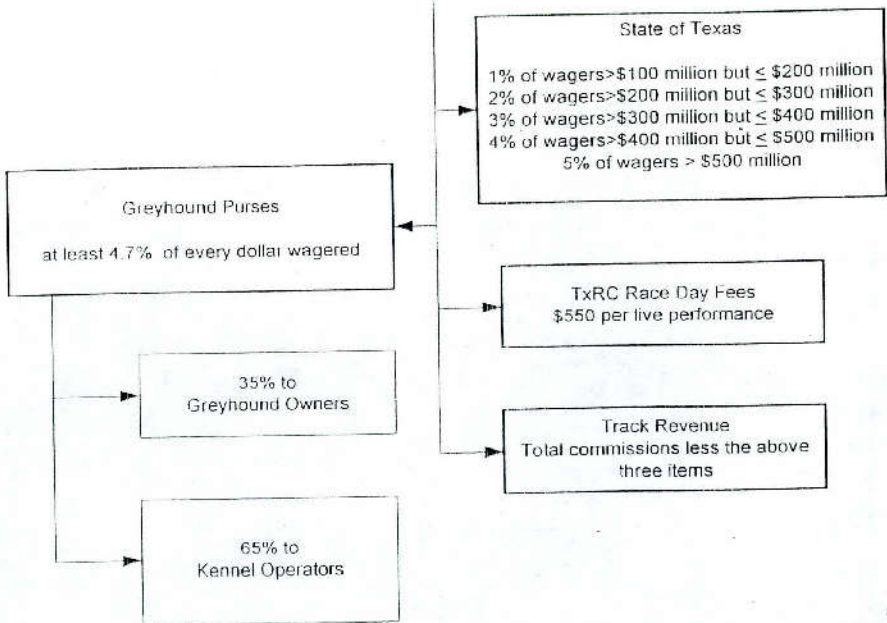
How the Take-Out from a Dollar Wagered at a Greyhound Track is Distributed

On a Live Race

Exhibit I

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

In Texas the standard revenue percentages withheld are:
Win, Place & Show - WPS Pools = 18%
Exacta, Quinella & Doubles - M2 Pools = 21%
Trifecta, Superfecta, Pic-3, etc. - M3 Pools = 25%

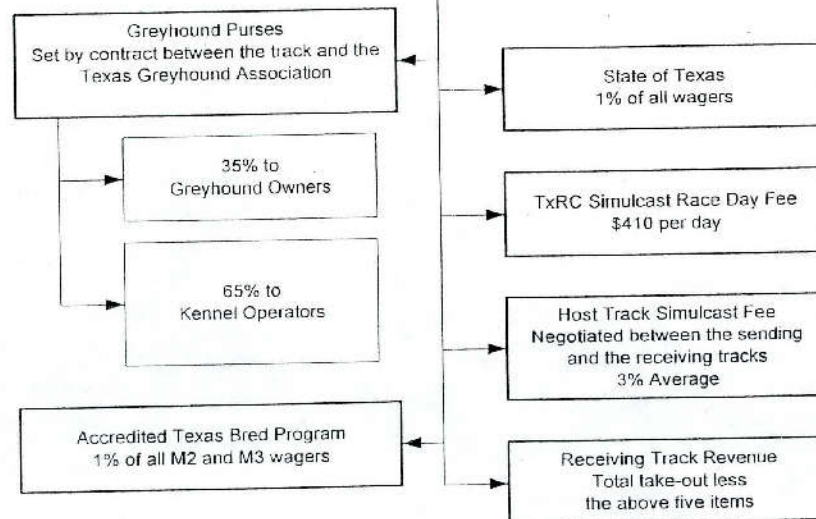


On a Greyhound (Same Species) Simulcast Race

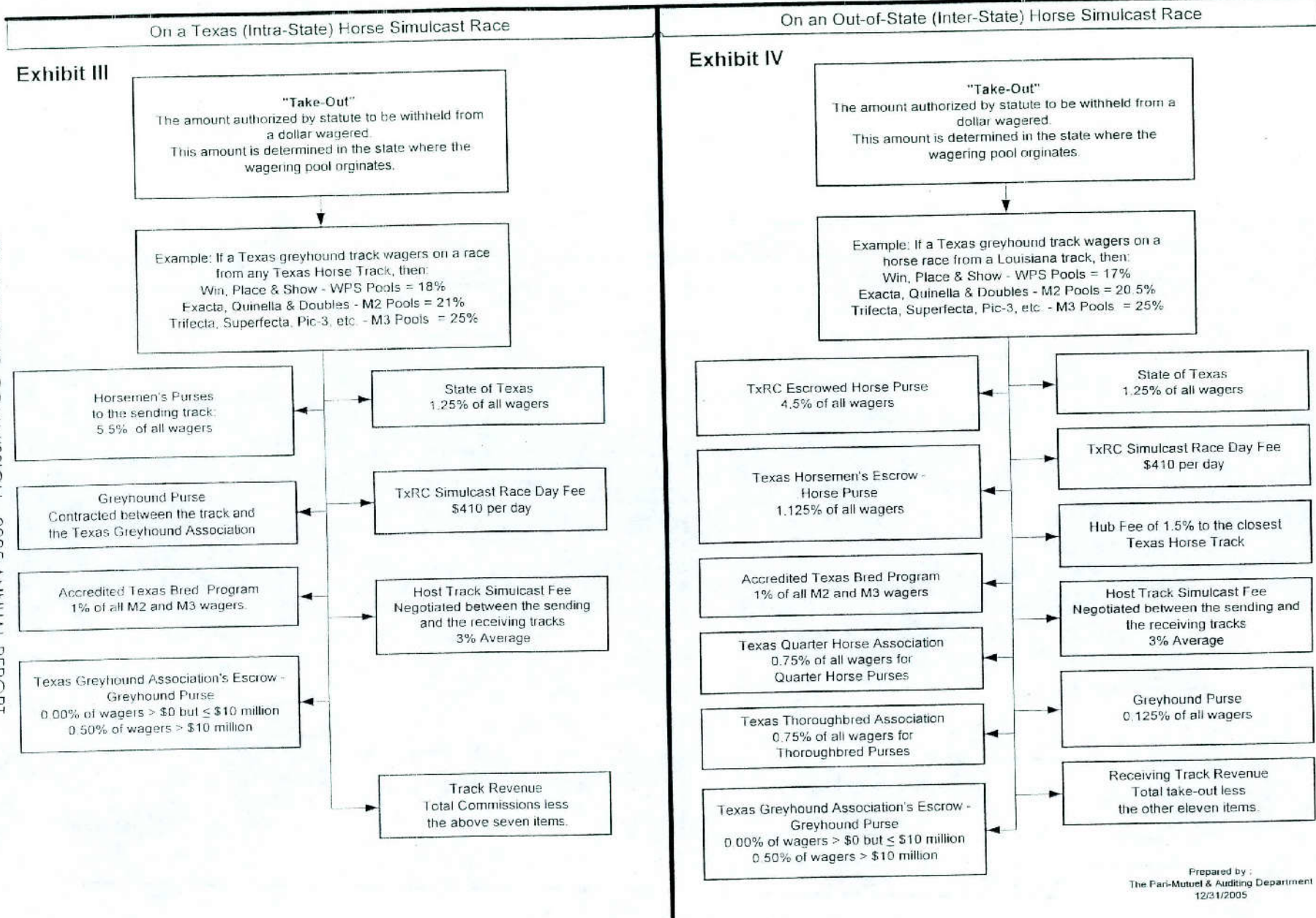
Exhibit II

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

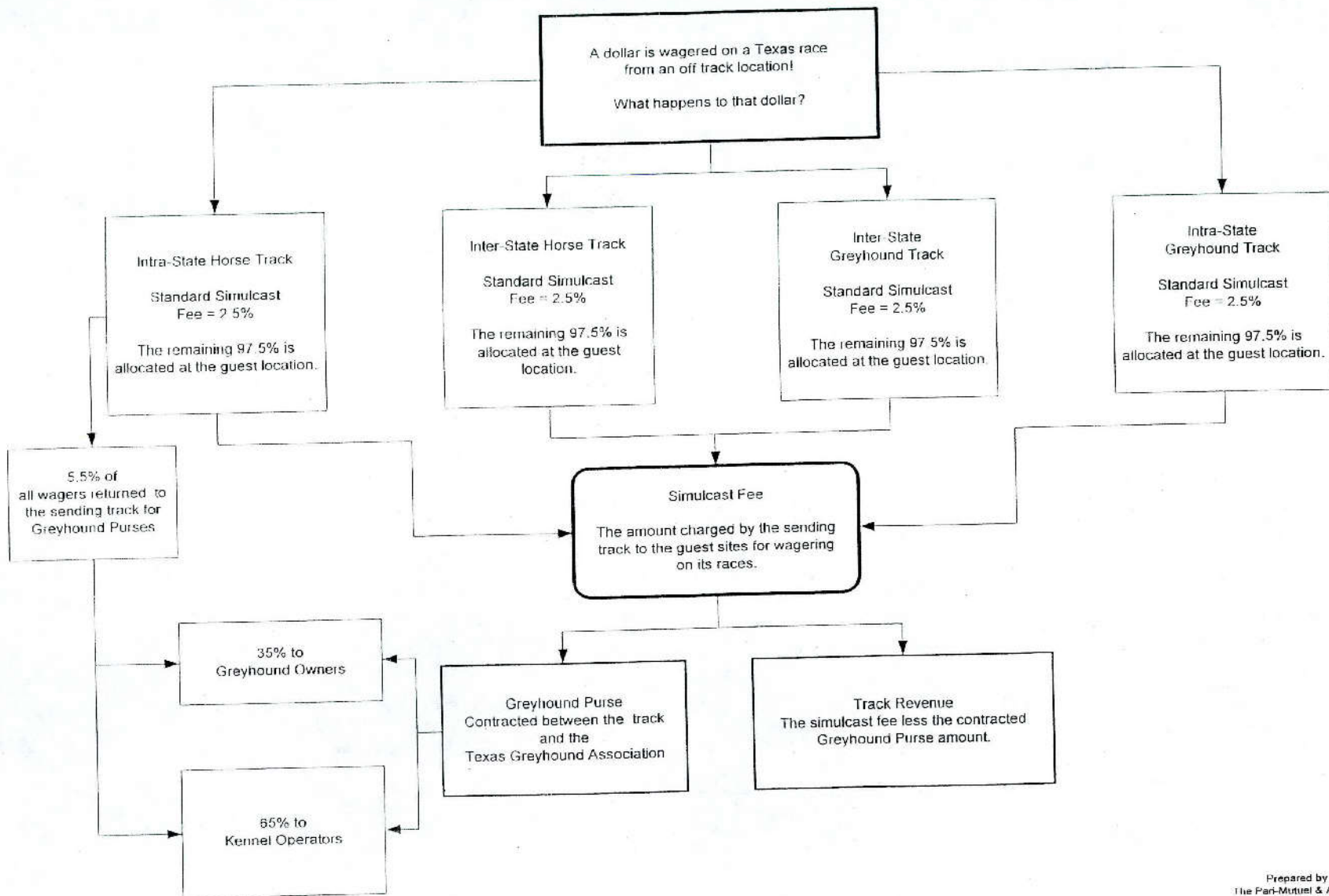
Example: If a Texas greyhound track wagers on a greyhound race from a Florida track
Win, Place & Show - WPS Pools = 16%
Exacta, Quinella & Doubles - M2 Pools = 22%
Trifecta, Superfecta, Pic-3, etc. - M3 Pools = 22%



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



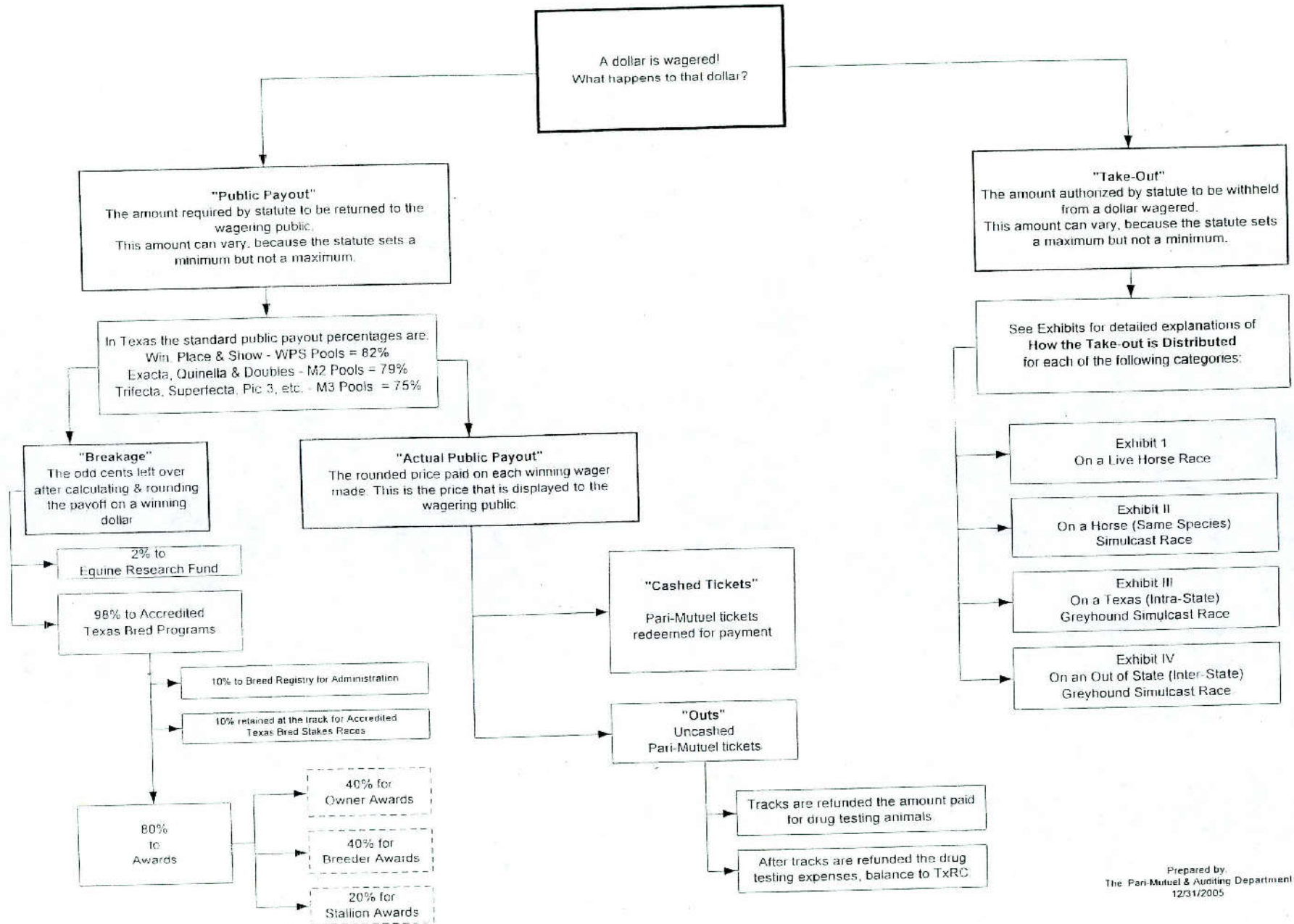
How Money Wagered on a Greyhound Track's Exported Races is Distributed



TEXAS RACING COMMISSION - 2005 ANNUAL REPORT

Prepared by :
The Pari-Mutuel & Auditing
Department
12/31/2005

How Money Wagered at a Horse Track is Distributed



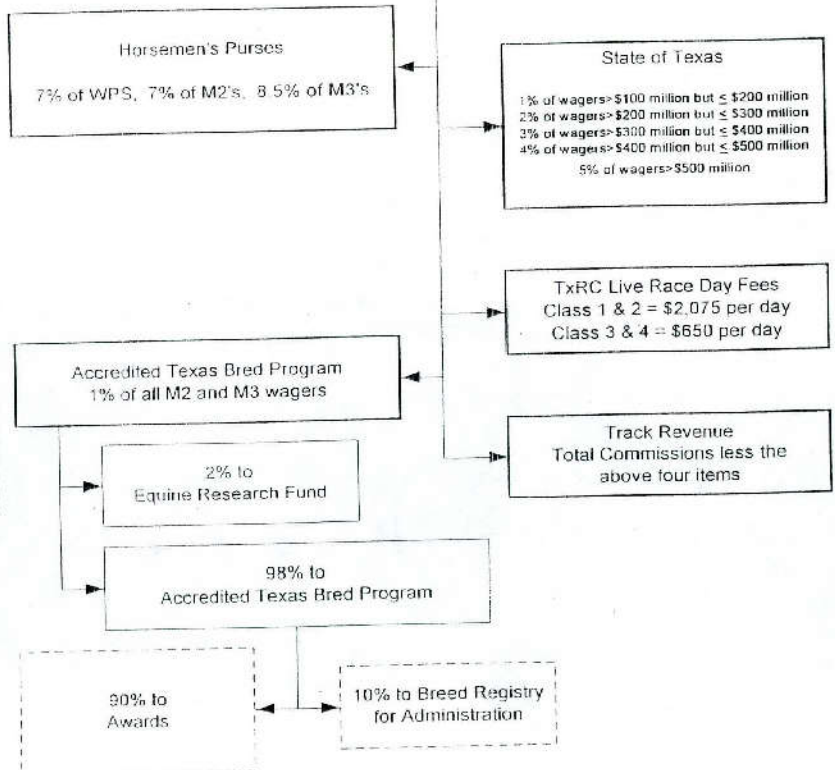
How the Take-Out from a Dollar Wagered at a Horse Track is Distributed

On a Live Race

Exhibit I

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

In Texas the standard revenue percentages withheld are:
Win, Place & Show - WPS Pools = 18%
Exacta, Quinella & Doubles - M2 Pools = 21%
Trifecta, Superfecta, Pic 3, etc. - M3 Pools = 25%

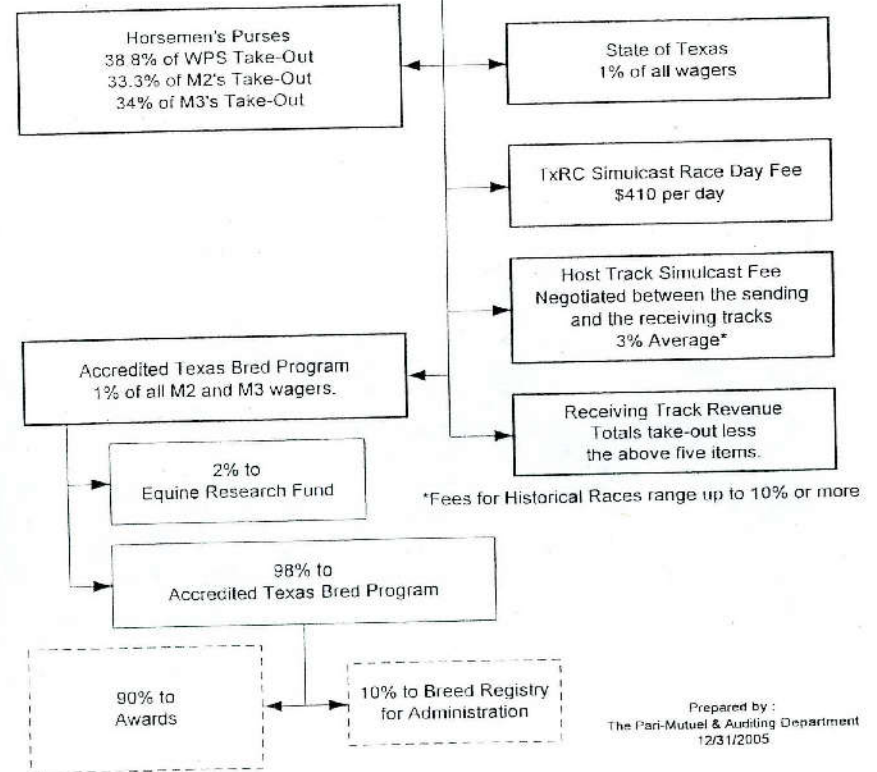


On a Horse (Same Species) Simulcast Race

Exhibit II

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

Example: A Texas horse track wagers on a horse race from a Louisiana track
Win, Place & Show - WPS Pools = 17%
Exacta, Quinella & Doubles - M2 Pools = 20.5%
Trifecta, Superfecta, Pic 3, etc. - M3 Pools = 25%



Prepared by:
The Pari-Mutuel & Auditing Department
12/31/2005

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

On a Texas (Intra-State) Greyhound Simulcast Race

Exhibit III

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

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

Horsemen's Purses*
1.25% of wagers > \$0 but < \$10 million
2.25% of wagers ≥ \$10 million but < \$20 million
2.75% of wagers > \$20 million
*SHRP follows a different model

State Texas
1.25% of all wagers

1xRC Simulcast Race Day Fee
\$410 per day

Greyhound Purse of 5.5% to the Sending Texas Track

Accredited Texas Bred Program
1% of all M2 and M3 wagers

Host Track Simulcast Fee
Negotiated between the sending and the receiving tracks
3% Average

2% to
Equine Research Fund

Track Revenue
Total Commissions less the above six items.

98% to
Accredited Texas Bred Program

90% to
Awards

10% to Breed Registry
for Administration

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

Exhibit IV

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

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

Horsemen's Purses*
1.25% of wagers > \$0 but ≤ \$10 million
2.25% of wagers > \$10 million but ≤ \$20 million
2.75% of wagers > \$20 million
*SHRP follows a different model

State of Texas
1.25% of all wagers

TxRC Simulcast Race Day Fee
\$410 per day

Greyhound Purse of 5.5% to the Texas Greyhound Association

Accredited Texas Bred Program
1% of all M2 and M3 wagers

Hub Fee of 1.5% to the nearest Texas Greyhound Track

2% to
Equine Research Fund

Host Track Simulcast Fee
Negotiated between the sending and the receiving tracks
3% Average

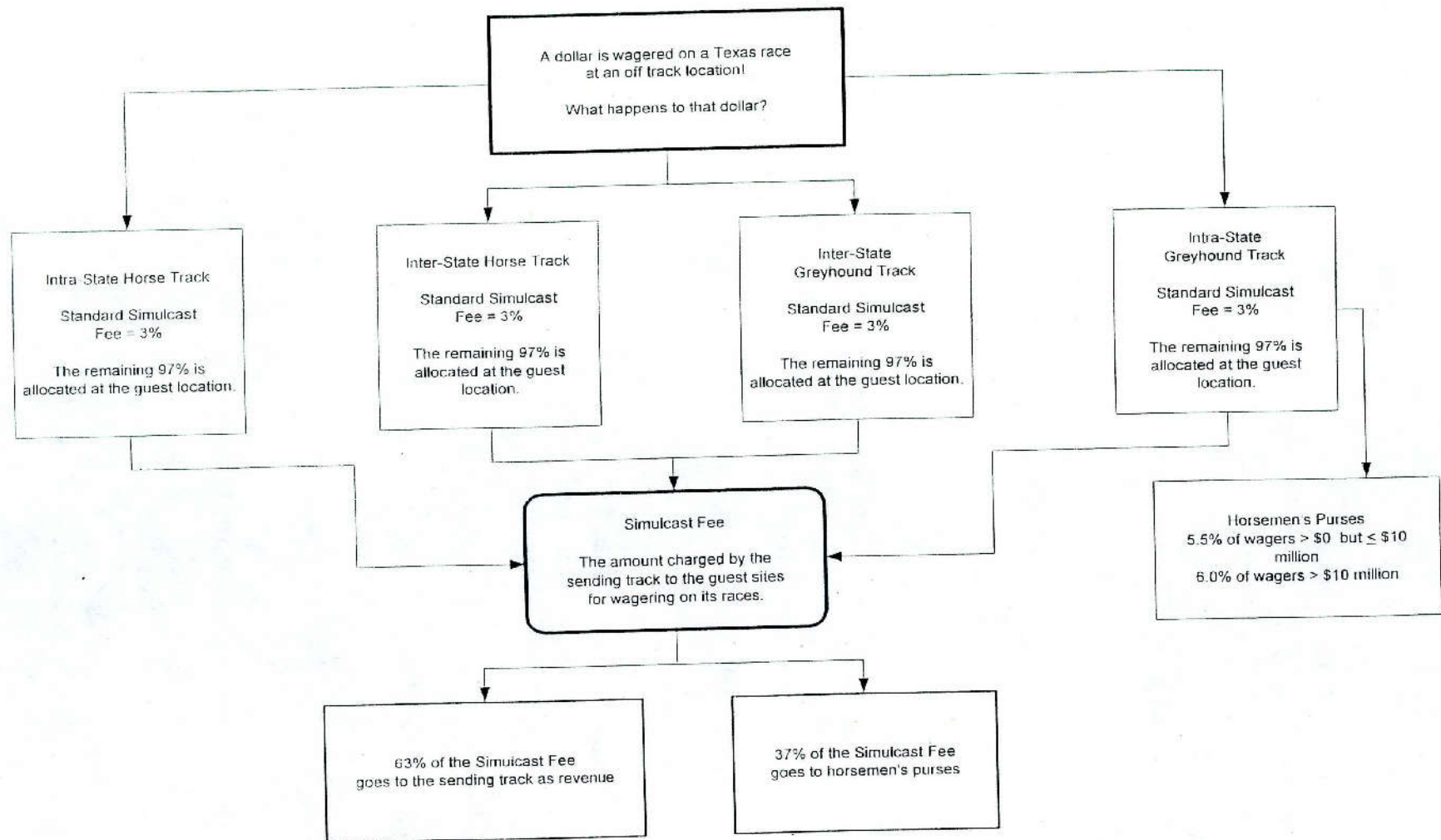
98% to
Accredited Texas Bred Program

Receiving Track Revenue
Total take-out less the above seven items.

90% to
Awards

10% to Breed Registry
for Administration

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



Licensed Racetrack Directory

Greyhound Racetracks:

Corpus Christi Greyhound Race Track

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

Gulf Greyhound Park

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

Valley Greyhound Park

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

Horse Racetracks:

Austin Jockey Club - currently not constructed – Class 2

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

Gillespie County Fair & Festivals Association – Class 3

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

Lone Star Park at Grand Prairie – Class 1

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

Manor Downs – Class 2

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

Retama Park – Class 1

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

Saddle Brook Park – currently not constructed - Class 2

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

Sam Houston Race Park – Class 1

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

Racing Industry Organizations & Related Associations Directory

American Quarter Horse Association

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

Equine Research Account Advisory Committee

Texas Agricultural Experiment Station, P. O. Box 2147,
College Station, TX 77843-2147
Phone 979-845-7980, Fax 979-845-9938

Jockeys' Guild

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

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 Association (American Paint Horse Association)

P. O. Box 161746, Fort Worth, TX 76161
Phone 817-834-2742, Fax 817-834-3152

Texas Quarter Horse Association

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

Texas Thoroughbred Association

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

Year 2006 Granted Live Race Dates

GREYHOUND RACETRACKS

CORPUS CHRISTI GREYHOUND RACE TRACK - 418 performances

Wednesday through Sunday, year-round

GULF GREYHOUND PARK - 464 performances

Tuesday through Sunday, year-round

VALLEY RACE PARK – 137 performances

Wednesday through Sunday, January 1 through April 9 and November 24 through December 31

HORSE RACETRACKS

LONE STAR PARK AT GR& PRAIRIE

Thoroughbred Meet - 66 days - April 13 (Thursday) through July 23 (Sunday)

Wednesday - Sunday racing through May, except opening week, Thursday - Sunday racing June & July

OPEN – Monday, May 29, Memorial Day, Monday, July 3 and Tuesday, July 4, Independence Day

CLOSED – Wednesday & Thursday, May 31 & June 1 and Wednesday & Thursday, July 5 & 6

Quarter Horse Meet - 32 days – October 6 (Friday) through December 2 (Saturday)

Wednesday – Saturday racing except opening week

CLOSED – Wednesday & Thursday, November 22 & 23

RETAMA PARK

Quarter Horse Meet - 24 days – April 28 (Friday) through June 18 (Sunday)

Friday – Sunday racing

Thoroughbred Meet - 51 days – August 11 (Friday) through November 4 (Saturday)

Thursday - Sunday racing August 11 through September 3 (except opening week)

Wednesday – Saturday racing September 6 through November 4

SAM HOUSTON RACE PARK

Thoroughbred Meet - 50 days - January 6 (Friday) through April 9 (Sunday)

Friday – Sunday racing January 6 – February 4

Thursday - Sunday racing starting February 9

CLOSED – Sunday, February 4

Quarter Horse Meet - 38 days – June 23 (Friday) through September 9 (Saturday)

Friday - Sunday racing

OPEN – Monday, July 3, Tuesday, July 4 and Monday, September 4, Labor Day

Thoroughbred Meet - 22 days – November 17 (Friday) through December 30 (Saturday)

Friday - Sunday racing November 17 – November 26

Thursday – Sunday racing November 30 – December 17

Friday – Saturday racing December 22 & 23 and December 29 & 30

CLOSED - Thursday, November 24, Thanksgiving

MANOR DOWNS

Mixed Meet -18 days – February 25 (Saturday) through April 23 (Sunday)

Saturday – Sunday racing

GILLESPIE COUNTY FAIR & FESTIVALS

Mixed Meet - 8 days Saturday & Sunday, July 1 & 2, Saturday & Sunday, July 15 & 16,

Saturday & Sunday, August 12 & 13 and Saturday & Sunday, August 26 & 27

(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 2006 Approved Breed Splits

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

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

PURSES	GILLESPIE COUNTY	MANOR	LONE STAR	RETAMA	SAM HOUSTON
Minor Breed	1.50%	1.50%	1.25%	2.00%	2.00%
Quarter Horse	68.95%	78.80%	14.81%	19.60%	19.60%
Thoroughbred	29.55%	19.70%	83.94%	78.40%	78.40%

TEXAS BRED INCENTIVE PROGRAM

Arabian	0.98325%	0.98325%	0.98325%	0.98325%	0.98325%
Paint	0.51675%	0.51675%	0.51675%	0.51675%	0.51675%
Quarter Horse	68.950%	68.950%	29.550%	29.550%	29.550%
Thoroughbred	29.550%	29.550%	68.950%	68.950%	68.950%

Escrowed Horse Purse Account

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%	18.4%	34.7%	37.5%
Minor Breed	2.0%	2.0%	2.0%	2.0%	2.0%
Quarter Horse	68.6%	29.4%	29.4%	29.4%	29.4%
Thoroughbred	29.4%	68.6%	68.6%	68.6%	68.6%

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

