

2002 ANNUAL REPORT



NOTE:
EXCEPT WHERE INDICATED, INFORMATION IN THIS REPORT IS BASED ON
CALENDAR YEAR 2002 AND IS NOT AUDITED.

TEXAS RACING COMMISSION

8505 Cross Park Drive, Suite 110
Austin, Texas 78754-4552

Mailing Address:
P. O. Box 12080
Austin, Texas 78711-2080

Phone: 512-833-6699
Fax: 512-833-6907

Web Page Address:
<http://www.txrc.state.tx.us>



The Texas Racing Commission is an Equal Opportunity Employer.

TABLE OF CONTENTS

Transmittal Letters to Governor.....	2
Department of Public Safety Report	4
The Commission	
Mission and Philosophy	6
Commissioners	7
Significant Commission Actions.....	8
Organizational Chart	10
Staff - Organization.....	11
Agency Highlights.....	13
Inspection Program.....	17
Related Programs	
Texas-Bred Incentive Program.....	18
Equine Research Program.....	20
Industry Highlights	21
Statistics	
Year 2002 Purse Statistics.....	23
Year 2002 Statistical Racetrack Information	24
Five Year Overview of Pari-Mutuel Racing	27
Greyhound Racetracks	
Corpus Christi Greyhound Race Track.....	28
Gulf Greyhound Park	30
Valley Race Park	32
Horse Racetracks	
Lone Star Park at Grand Prairie, Class 1	34
Retama Park, Class 1	36
Sam Houston Race Park, Class 1	38
Manor Downs, Class 2	40
Gillespie County Fair & Festivals Association, Class 3	42
Other Licensed Racetracks	
Austin Jockey Club.....	44
Saddle Brook Park	44
Appendix	
Summary of Fiscal Year 2002 Financial & Performance Information ...	ii
Glossary of Racing Terms.....	iv
Charts Depicting Pari-Mutuel Distributions.....	vi
Licensed Racetracks Directory	xiv
Racing Industry Organizations & Associations Directory	xv
Year 2003 Granted Race Dates.....	xvi
Year 2003 Approved Breed Splits.....	xvii

2002 ANNUAL REPORT



TEXAS RACING COMMISSION
P. O. BOX 12080
AUSTIN, TEXAS 78711-2080
(512) 833-6699
FAX (512) 833-6907

January 31, 2003

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

Dear Governor Perry:

In accordance with Section 3.10 of the Texas Racing Act, Art. 179e, Vernon's Texas Civil Statutes, I am pleased to submit to you the 2002 Annual Report of the Texas Racing Commission.

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

The Commission is grateful for the continuing assistance and cooperation of the Department of Public Safety and the Comptroller of Public Accounts and her staff in regulating the pari-mutuel industry.

The Commissioners are proud to serve you and the citizens of this state. We remain determined and dedicated to providing effective, efficient regulation of the pari-mutuel industry.

Respectfully submitted,

A handwritten signature in black ink that reads "Terri Lacy".

Terri Lacy
Chair

TL:mjc

2002 ANNUAL REPORT



TEXAS RACING COMMISSION
P. O. BOX 12080
AUSTIN, TEXAS 78711-2080
(512) 833-6699
FAX (512) 833-6907

January 31, 2003

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

Dear Governor Perry:

As the chief administrative officer for the Texas Racing Commission, I am pleased to present the Commission's 2002 Annual Report. The Commission continues to strictly regulate this vital industry in a manner that keeps the trust and respect of the citizens of this State.

As the statistics in the report show, the total amount wagered over the past year has again declined. Based on information from the licensed racetracks we believe the expansion of wagering opportunities in the neighboring states is adversely affecting the industry's potential. And, as reported last year, the proliferation of illegal telephone and internet gaming is also affecting the profitability of the racetracks and the State of Texas. These rogue companies do not pay taxes or contribute in any way to the State.

Looking forward, the Commission is finalizing its plan to reduce spending as you have requested for the remainder of this year. We remain determined and dedicated to providing effective, efficient regulation of the pari-mutuel industry.

Very Truly Yours,


Paula C. Flowerday
Executive Secretary

PCF:mjc

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

2002 ANNUAL REPORT

TEXAS DEPARTMENT OF PUBLIC SAFETY

5805 NORTH LAMAR BLVD • BOX 4087 • AUSTIN, TEXAS 78773-0001

512/424-2000

www.txdps.state.tx.us



THOMAS A. DAVIS, JR.
DIRECTOR

DAVID MCEATHRON
ASST. DIRECTOR

FRANKIE WALLER
ASST. DIRECTOR



COMMISSION
COLLEEN MCHUGH
CHAIRMAN

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

January 15, 2003

Ms Terri Lacy, Commission Chair
Texas Racing Commission
8505 Cross Park Drive, Suite 110
Austin, Texas 78754-4594

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

Dear Ms Lacy,

Pursuant to the requirements outlined in Article 179e, Section 3.10 of Vernon's Texas Civil Statutes, the Texas Department of Public Safety provides the following information relating to organized crime and illegal gambling in Texas for the year 2002.

CRIMINAL ACTIVITY AND CRIME TRENDS

Texas Law Enforcement continues to deal with escalation in computer-assisted crimes. As identified within reports from earlier years, counterfeiting documents, forgery, and theft are maintaining steady increases. The proliferation of child pornography on the Internet has escalated to unparalleled and epidemic dimensions. The increases are a direct result of availability of computer knowledge. These crimes continue to challenge law enforcement in keeping pace with the rapidly changing technology.

Identity theft is a large concern for law enforcement across the nation. Keeping pace with and enhanced by the computer assisted crimes, identity theft is resulting in the loss of millions of dollars to citizens as well as providing a cloaking mechanism and financing tool for criminal organizations. It is anticipated that State government will address this issue in the current legislative session.

The investigation of terrorism continues to be a priority to law enforcement across the nation. In Texas, the challenge to protect citizens and state infrastructure has required a refocus of investigative efforts. Substantial portions of law enforcement resources are being utilized in the war on terrorism.

2002 ANNUAL REPORT

ILLEGAL GAMBLING

During the course of the year 2002, little changed with respect to illegal gambling trends within Texas. Law enforcement continued to address gambling violations specific to 8 Liners, and Internet wagering. Gambling violations surrounding the unregulated Indian Gaming remained a concern in 2002 and some enforcement successes were accomplished by the Texas Attorney General, which ultimately resulted in the closure of two (2) of the three (3) operating casinos. The Texas Racing Industry continues to express concerns over all forms of unregulated gambling within Texas.

Sincerely,



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

LCM:td

2002 ANNUAL REPORT

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, safe racing facilities, fair and honest racing activities, and accountable use of economic incentives funded through pari-mutuel racing. The Commission will conduct its regulatory activities courteously and efficiently and will facilitate communication and cooperation among and between the public and the various interests within the racing industry.

PHILOSOPHY

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

THE COMMISSIONERS

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

Of the six appointed Racing Commissioners, four members must be representatives of the

general public and have general knowledge of business or agribusiness, one member must have special knowledge or experience related to greyhound racing and one must have special knowledge or experience related to horse racing.

The Governor designates a Commissioner to serve as the Chair of the Commission. The eight members elect a Vice-Chair for a term of two years.

2002 ANNUAL REPORT

Terri Lacy was named Chair of the Commission in 2000, and continues to serve as Chair at the pleasure of the Governor. An attorney and partner in the law firm of Andrews & Kurth, Mayor, Day, Caldwell & Keeton L.L.P., Ms Lacy resides in Houston. Her term expires in February of 2003.

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

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

Dyke Rogers was elected by his fellow Commissioners to succeed David Garza as Vice-Chair on February 20, 2002. The President of Frontier Fuel Company has served on the Commission since November of 1999. In addition to Frontier Fuel, Mr. Rogers is engaged in numerous business ventures, including real estate and investments. His term on the Commission expires in February of 2005.

Mike Rutherford was named to the Commission on May 3, 2001. Mr. Rutherford owns and serves as President of Rutherford Oil Corporation, an independent oil and gas producing company based in Houston. His term expires in February of 2007.

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

EX OFFICIO MEMBERS

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

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

2002 ANNUAL REPORT

SIGNIFICANT COMMISSION ACTIONS

Terri Lacy served as Chair of the Commission during 2002 at the request of the Governor. By rule, the Commissioners elect a Vice Chair every two years, and in February, 2002, Dyke Rogers was unanimously selected by the Commissioners to serve as Vice-Chair, replacing David Garza.

At the request of Lone Star Park at Grand Prairie, the Commissioners extended an exemption through December 31, 2002 that allowed temporary housing for licensees on the backside. Construction of additional permanent dorm rooms is underway with completion expected before the start of the 2003 race season at Lone Star Park.

At the invitation of the Texas Veterinary Medical Diagnostic Laboratory (TVMDL) staff, the Commission held their May 2002 meeting on the campus of Texas A&M University in College Station. Following the meeting, the Commissioners, staff, and the meeting attendees were invited to tour the complete laboratory facilities. Dr. Allen Ray, Head of the Drug Testing Lab, explained TVMDL's testing procedures for both horse and greyhound samples during the extensive tour.

At a special meeting in June the Commissioners considered and approved the NTRA All-Star Jockey Championship Special Wagers as requested by Lone Star Park.

At the August meeting, the Commissioners considered the Class 3 license application of El Primero Fair Association, Inc. (EPFA) for a racetrack for Webb County, in the Laredo area. A Class 3 license is defined in the Texas Racing Act as one operated by a county or a nonprofit fair organized under the Texas Non-Profit Corporation Act for the purpose of encouraging agriculture through the operation of public fairs and livestock exhibitions.

As a racetrack license application is a contested case matter under the Administrative Procedure Act, it may not be denied without an evidentiary hearing held before the State Office of Administrative Hearings (SOAH). Therefore, the only motion the Commission could make at the meeting was to grant the license to EPFA.

No motion was made following the discussions and the application was referred to SOAH and scheduled for a December hearing. However, EPFA formally withdrew its application from any further consideration on October 25.

The Executive Secretary notified the Commissioners at the August meeting that the Texas Horsemen's Partnership was the only group that filed an application to be recognized as the representative for horsemen under Section 309.299 of the Rules of Racing. In September, the group was officially recognized for a two-year period as the official organization to represent horse owners and trainers on matters relating to the conduct of live racing and simulcasting at Texas racetracks.

2002 ANNUAL REPORT

At the August meeting the Commission granted the live race dates for calendar year 2003. (See Appendix Page xvi for a complete listing of these dates by racetrack.)

On October 16, 2002, the Commission considered the sales transaction between Lone Star Park, Ltd. and Magna Entertainment Corporation Lone Star, L.P. Before considering the transaction, the Commission requested the Department of Public Safety (DPS) conduct an extensive background investigation. At the meeting, the DPS spokesperson reported to the Commissioners that the information DPS had gathered regarding Magna was favorable, including the background checks on personnel, civil records' checks, and their overall performance in operating their racetracks. However, Magna had accepted wagers via the Internet from Texas residents until May, 2002, when they discontinued the practice. The only place a pari-mutuel wager may be made legally in Texas is on the grounds of a licensed racetrack. Magna's attorney assured the Commission that Magna would not resume accepting wagers from Texas through their on-line system, whether the sales transaction was approved or not.

When asked about plans for Quarter Horse racing at Lone Star Park, the President and CEO of Magna assured the Commissioners that Magna had no intention of disrupting the successful Quarter Horse meet.

The Commission voted 7-1 to approve the various components of the sales transaction. The transaction was finalized on October 25, 2002.

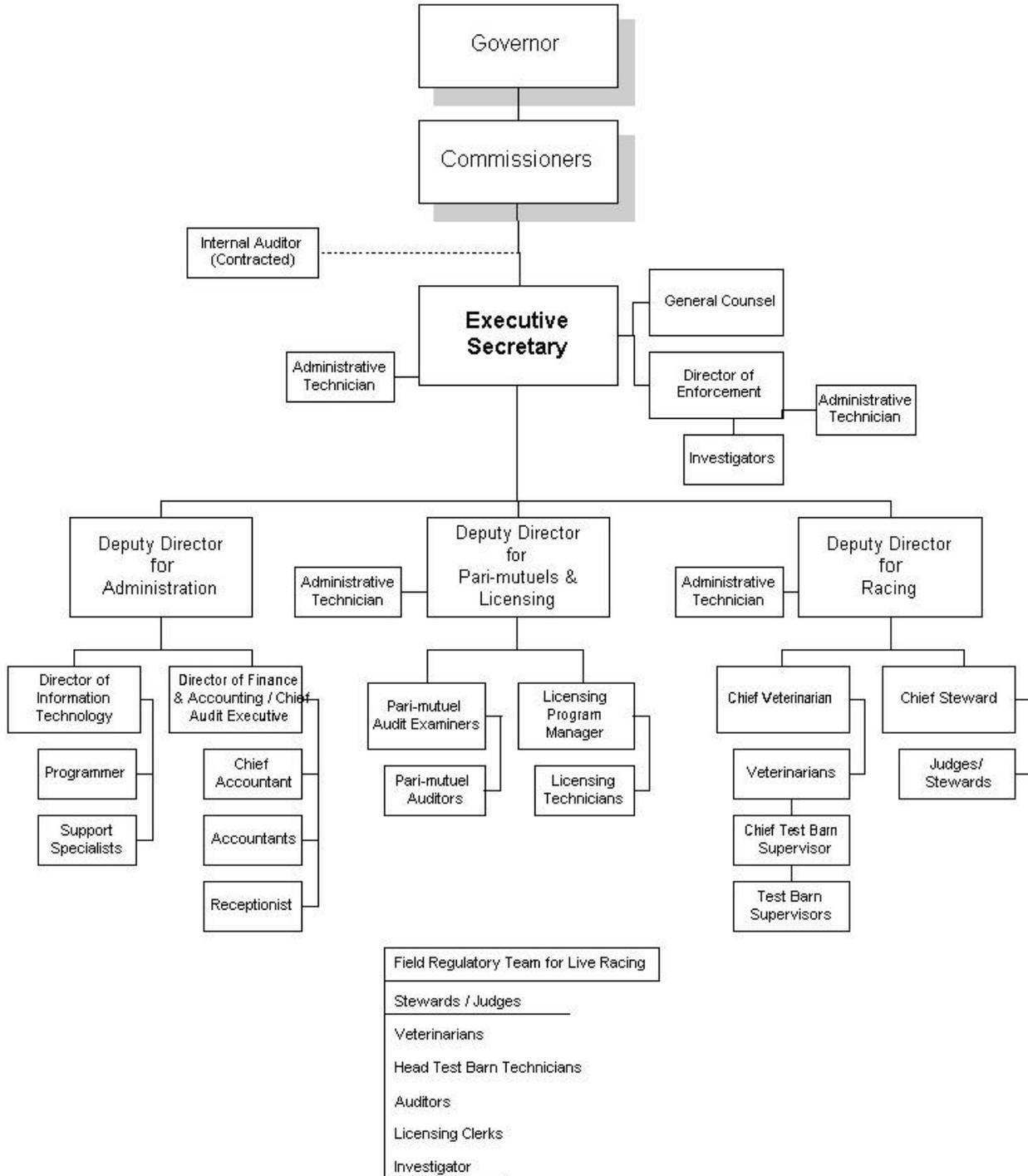
By statute, the Commission is required to conduct an annual competitive bidding process to select a laboratory to perform equine and canine drug testing. Commissioners Boyd and Cottrell volunteered to serve on the committee with Paula Flowerday, Executive Secretary, Dr. Stewart Marsh, Chief Veterinarian, and Tim Craig, Chief Financial Officer. The committee prepared the request for proposal, evaluated the bids, and reported to the Commission. One bid was received, from the Texas Veterinary Medical Diagnostic Laboratory's Drug Testing Lab. The Commission voted unanimously to award the contract to them at the December meeting.

The Executive Secretary reported to the Commissioners that the audit of the Texas Thoroughbred Association conducted by staff auditors was complete and the suggested changes were being adopted by the breed registry.

For 2003, the Commission approved the breed splits of purse money and Texas Bred Incentive Program money derived from simulcasting among the various breeds of horses. The Commission also allocated the escrowed horse purse account derived from cross-species simulcasting at the greyhound tracks and approved a split of that money among the various breeds of horses. These splits were agreed to by all the participating racetracks and breed organizations. (See Appendix Page xvii for the chart depicting the approved breed splits for 2003.)

2002 ANNUAL REPORT

Texas Racing Commission January 1, 2003



COMMISSION STAFF - ORGANIZATION

EXECUTIVE

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

In 2002, the Executive Secretary reorganized the agency as a result of the retirement of one of the previous deputy directors. The position of Deputy Director for Regulatory Control was eliminated and the positions of Director of Enforcement and Deputy Director for Pari-mutuels and Licensing were created.

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

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

Investigations are conducted on the following matters: animal drug positives; criminal histories returned by the Federal Bureau of Investigation and the Department of Public Safety; illegal wagering; illegal use, possession and trafficking of narcotics; embezzlement; and other illicit activities that could affect the integrity of pari-mutuel racing.

Drug testing of people licensed by the Commission, who are suspected of using illegal drugs while performing their duties, has become an important

aspect of regulating the industry. If a licensee tests positive for an illegal controlled substance or alcohol, the licensee faces a suspension and is required to seek professional help.

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

ADMINISTRATION

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

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

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

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

2002 ANNUAL REPORT

RACING

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

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

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

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

The Veterinary Department includes the chief veterinarian, veterinarians, chief test barn supervisor, test barn supervisors, and support personnel. This staff is responsible for implementing veterinary policies to safeguard the health and welfare of racing animals. This department administers the Commission's drug testing program conducted by the Texas Veterinary Medical Diagnostic Laboratory at Texas A&M University.

Commission veterinarians inspect each animal for fitness before racing.

Detailed information about each racing animal is stored in the agency's database, which aids in protecting the welfare of the animals.

PARI-MUTUELS AND LICENSING

This division is responsible for all activities related to wagering and occupational licensing. The Pari-mutuels and Auditing Department and the Occupational Licensing Department report to the Deputy Director for Pari-mutuels and Licensing.

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

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

The Occupational Licensing Department is responsible for issuing occupational licenses and registrations to all persons involved in pari-mutuel greyhound and horse racing. This division works closely with the Enforcement Department and the Stewards/Judges.

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

AGENCY HIGHLIGHTS

ADMINISTRATIVE/STAFFING

For the biennium ending August 31, 2002, the agency managed its business within its financial resources.

The Legislative Budget Board certified that the agency attained or exceeded 88% of its 17 established Key Performance Measures for Fiscal Year 2002. The Commission met or exceeded four of its five outcome targets and 11 of 12 of its output/efficiency targets. Only agencies that meet or exceed 80% of their key measurement targets are eligible for performance awards.

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

The Executive Division coordinated six regular Commission meetings and one special meeting.

The General Counsel coordinated rule reviews for Chapters 301 and 303 as required by Government Code, Sec. 2001.035. These reviews resulted in minor stylistic changes and the repeal of one section due to duplication in the Racing Act. Various amendments were made to 23 other rules. Three new rules were added and two were repealed during the year.

The Commission received the "Texas State Risk Management Sustained Safety Performance Award for Fiscal Year 2002" from the State Office of Risk Management for its continued good safety record.

To comply with the Internal Auditing Act, the agency contracted with an internal auditor who reviewed procedures for personnel and travel allocation and the pari-mutuel audit process. The agency implemented all recommendations of these two audits.

CUSTOMER SERVICE

The Visa/Master Card charge card options for payment of occupational licensing fees and fines, implemented in mid-year 2001, doubled in use during 2002. The average monthly charges went from approximately \$7,500 to over \$15,000. For certain types of occupational licenses, this additional payment method enables applicants to fax their forms and credit card information to any licensing office and be licensed the same day.

2002 ANNUAL REPORT

TECHNOLOGY

The Pari-Mutuels and Auditing Department and the Information Technology Department worked together to design and develop an interface to perform automated data transfer to the Commission's database from the three totalisator companies currently licensed and operating in Texas.

Over the last ten years, with the opening of new racetracks and the growing trend to offer year-round simulcasting, the number of simulcast signals taken at Texas racetracks has increased dramatically from the 398 signals taken in 1992 by the seven operating racetracks. During the last four years, the number of signals has more than doubled for the eight operating racetracks, going from 28,287 signals in 1998 to 58,500 signals in 2002. Automating the process became critical with this tremendous growth of extremely number-intensive, formula-driven data.

Testing was completed in late summer and the daily downloads have been performed since September. Benefits have come not just from reduced data entry time but data accuracy has increased, processing options have expanded, and the Commission obtains an enhanced level of auditable wagering information.

The Information Technology Department completed the upgrade of telecommunications infrastructure for track communications to frame-relay began in 2001. By improving the speed of the network, the time required for day-to-day tasks decreased, thereby improving performance.

REGULATION

In 2002, pari-mutuel auditors reviewed wagering data on 16,310 live races and 677,384 simulcast races to ensure proper collection and distribution of funds. This represents an increase of 0.51% in live races¹ reviewed and an increase of 23.22% in simulcast races.

Over 2,000 import and export simulcast requests were reviewed for compliance with the Rules and the Interstate Horse Racing Act, as compared to over 2,100 in 2001.

Licensing staff issued 16,567 occupational licenses, of which 5,877 were new and 9,445 were renewals. There were 4,750 Owners, 1,070 Owner/Trainers, 293 Trainers, and 187 Jockeys licensed during the year.

Stewards and Judges issued a total of 782 disciplinary rulings, with 544 resulting in fines, and 199 resulting in suspensions. Of the eleven appeals

¹ The number of live races in 2001 was 16,228, not 17,528 as reported in the 2001 Annual Report.

2002 ANNUAL REPORT

filed during 2002, nine were appeals from stewards' or judges' rulings and two were from executive secretary exclusions. Of the two exclusions, one went to a hearing before the State Office of Administrative Hearings (SOAH) and the exclusion was upheld. Five of the appeals were withdrawn before going to a SOAH hearing. Six hearings were conducted by SOAH; three were from cases filed in 2001. Of these six hearings, Commission staff's position was upheld by SOAH four times. In the other two cases, the fact of the violation was upheld by the judge, but a different penalty was recommended.

Seven preliminary reports were issued against racetracks by the Executive Secretary, all for violations of the Commission's rules regulating simulcasting. The penalties totaled over \$6,800.

Commission veterinarians performed 34,058 pre-race horse and 101,869 pre-race greyhound examinations and evaluations. Injured or unsound animals are not permitted to race and are re-examined before being allowed to return to competition.

Commission veterinarians supervised the collection of 19,031 greyhound specimens and 7,816 horse specimens, which were submitted to the drug testing laboratory. The laboratory conducted tests for substances that could produce an unfair advantage for an animal in a race through stimulation and/or the masking of pain and for substances that interfere with the detection of illegal drugs.

Six more greyhound performances were run in 2002 than 2001, a total of 1,013 as compared to 1,007. This accounted for the slight increase in both the number of greyhound starters and number of samples tested from racing greyhounds. However, the number of drug positives showed an actual decrease, going from 41, or 0.22% of the total samples taken in 2001, to 35, or 0.18% of the samples taken in 2002. Of the 35 drug positives in greyhounds, 51% were Procaine, an antibiotic not associated with performance enhancement.

Pursuant to authority granted by Commission rule, the executive secretary has promulgated a classification for prohibited drugs, chemicals and other substances as a means of assessing penalties. The classification system for greyhounds separates drugs into seven categories based on their effect on the greyhound, with Class 1 being the most potent scheduled stimulants and depressants that have no generally accepted medical use in the greyhound and Class 7 being innocuous substances to the greyhound but nevertheless interfere with testing procedures. Of the greyhound positives, there were no Class 1 positives and only two positives in Class 2. The 18 procaine positives were Class 3, 14 positives

2002 ANNUAL REPORT

were Class 4 and 5 violations, and the remaining positive for furosemide is an unclassified drug for greyhounds.

The increase in the number of horse starters and samples is attributable to the additional seven days of racing in 2002. Unlike the greyhounds, however, there was an overall increase in the number of positives. There were 105 positives in 2001, or 1.35% of the total samples, while there were 120 positives in 2002, or 1.54% of the total samples.

There is a similar drug classification system for horses, Class 1 being the most potent and Class 5 being therapeutic medications for which concentration limits have been established. In 2002, there was one Class 1 positive and five Class 2 positives. Over 43% of the total positives, or 52, were due to an excess of Phenylbutazone, an anti-inflammatory drug, which is therapeutic in nature and permitted at limited levels.

GREYHOUND	2001	2002	HORSE	2001	2002
# of Starters	101,475	101,869	# of Starters	33,377	34,058
# of Samples	18,713	19,031	# of Samples	7,612	7,816
3-Hydroxypentobarbital	5	0	Acetaminophin	2	0
Caffeine	3	0	Butorphanol	1	0
Furosemide	0	1	Caffeine	2	0
Gammahydroxyphenylbutazone	2	3	Clenbuterol	4	5
Metoclopramide	0	1	Clonidine	0	3
Naproxen	1	1	Cromoglycate	0	4
Phenobarbital	0	2	Dimethylsulfoxide	6	9
Polyethyleneglycol	4	6	Flunixin	8	7
Procaine	22	18	Furosemide overage	12	6
Sulfamethoxazole	0	3	Furosemide not in Certified Bleeders	3	2
Theobromine	3	0	Guanabenz	3	2
Theophylline	1	0	Hydroxylidocaine	0	3
TOTAL	41	35	lpratropium	0	1
			Ketoprofen	1	0
			Ketorolac	0	2
			Lidocaine	1	2
			Methamphetamine	0	1
			Phenylbutazone overage	49	52
			Polyethyleneglycol	2	2
			Promazine	0	3
			Rantidine (Zantac)	0	1
			Sulfadiazine	1	5
			Sulfadimethoxine	1	2
			Sulfamethoxazole	4	3
			Theophylline	0	0
			Torseamide	0	1
			Trichloromethiazide	1	0
			Trimethoprim	2	4
			TOTAL	103	120

2002 ANNUAL REPORT

COMMISSION INSPECTION PROGRAM

Due to the complexity of racing operations, no one person can effectively monitor and assess a racetrack. All divisions share the inspection responsibility to ensure compliance with the Racing Act and the Rules of Racing. Regular inspections ensure compliance before the beginning of each live race meet, as racetracks make renovations and personnel changes.

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

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

that includes documentation and approval before the project begins, structured progress reports, and periodic inspections.

During 2002, Commission staff conducted a total of 52 new inspections and 20 follow-up inspections at the racetracks.

Thirty-two of the new inspections, or 62%, required no remedial action. There were 60 items requiring remedial attention on the remaining inspections, as compared to 38 in 2001. As of the end of the year, 55 of the 60 items passed a follow-up inspection.

Almost 50% of the items, 28 of the 60 items, were related to conforming to tote standards that were adopted by the Commission in 2001.

Year 2002 Inspections

TYPE OF INSPECTION	NEW	FOLLOW-UP
ENFORCEMENT: SAFETY & SECURITY	10	3
EXECUTIVE: ADMINISTRATIVE OPERATIONS	8	1
PARI-MUTUEL & AUDIT: PARI-MUTUEL & SIMULCASTING OPERATIONS	13	7
JUDGES & STEWARDS: TRACK CONDITIONS & RACING EQUIPMENT	10	5
VETERINARIANS: CONDITIONS FOR RACE ANIMALS	11	4
TOTALS	52	20

TEXAS-BRED INCENTIVE PROGRAM

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

GREYHOUND PROGRAM

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

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

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

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

approved by the Commission in 1999.

During 2002, \$7,564 was distributed to five qualified Texas non-profit adoption groups. This represents an 18% increase over the grants disbursed in 2001.

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 racetracks.

Simulcasting of inter-state greyhound races at Texas racetracks during 2002 earned \$1,581,869 for greyhound purses at Corpus Christi Greyhound Race Track, Gulf Greyhound Park, and Valley Race Park. This amount represents a slight decrease of less than 4% as compared to the amount earned during 2001.

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.

A Texas-bred stakes race supplement is funded from

2002 ANNUAL REPORT

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

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

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

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

In November 1998, the Texas Appaloosa Horse Club requested to withdraw from the program due to lack of participation. The Commission forwarded the request to the Legislature for their consideration. No funds were distributed to the Texas Appaloosa Horse Club during 2002.

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

Year 2002 Distributions	2001	2002	% Change
Texas Thoroughbred Association	\$3,658,244	\$3,659,195	0.02%
Texas Quarter Horse Association	\$1,645,059	\$1,633,823	(0.68%)
Texas Greyhound Association	\$851,207	\$819,892	(3.68%)
Texas-Bred Stakes Race Supplements	\$235,179	\$229,580	(2.38%)
Texas Arabian Breeders Association	\$68,595	\$67,262	(1.94%)
Texas Paint Horse Breeders Association	\$9,341	\$12,037	28.86%
Texas Appaloosa Horse Club	\$0	\$0	\$0
TOTAL	\$6,467,625	\$6,421,789	(0.71%)

2002 ANNUAL REPORT

EQUINE RESEARCH PROGRAM

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

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

The total amount of funds received by the Equine Research Fund in 2002 was \$160,140.51. The following projects were funded.

RESEARCH PROJECTS FUNDED IN 2002

Short-term Research Projects First-year funding for projects up to two years in duration	
“Case-Control Study of Management Practices Associated with Developmental Orthopedic Disease in Thoroughbred Race-Bred Yearlings”, by Noah Cohen, TAMU Department of Large Animal Medicine and Surgery	\$12,614
“Genomic Analysis of the Equine Major Histocompatibility Complex” by Loren Skow, TAMU Department of Veterinary Anatomy & Public Health	\$24,556
“Establishing A Resource Family ‘Bank’ to Analyze Inherited Diseases and Other Traits of Significance in the Horse” by Bhanu Chowdhary, TAMU Department Veterinary Anatomy & Public Health	\$25,287
Long-term Research Projects Supplemental funding for projects up to five years in duration	
“Regulatory Factors Controlling Spermatogenesis in the Stallion”, by Larry Johnson, TAMU Department of Veterinary Anatomy & Public Health	\$15,000
“Analyzing The Equine Genome To Approach Genes Governing Disease and Performance Traits”, by Dr. Bhanu Chowdhary, TAMU Department of Veterinary Anatomy & Public Health	\$12,500
“Rhodococcus equi: Iron Metabolism As A Virulence Factor in Foal Pneumonia”, by Ronald Martens, TAMU Department of Large Animal Medicine & Surgery	\$15,000
Total amount expended on research projects for 2002	\$120,557

INDUSTRY HIGHLIGHTS

TEXAS ARABIAN BREEDERS ASSOCIATION

The Texas Arabian Breeders Association (TABA) hosted a two day event culminating in the presentation of the Darley Awards for Arabian Racing. Over 200 attendees from across the United States attended the Friday night races at Sam Houston Race Park featuring three Arabian Stakes Races.

TABA and the Alamo Arabian Horse Club of San Antonio held a joint meeting at Retama Park. Proceeds from a silent auction were donated to the Racetrack Chaplaincy to help build a volleyball court on the backside of the track.

TEXAS GREYHOUND ASSOCIATION

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

The TGA, continuing to use its track research facility, designed a mechanical break-away lure that should lessen the risk of injury to the racing greyhounds. The system will be made available to the racing industry once a trial test has been successfully completed.

Gulf Greyhound Park hosted a TGA seminar on greyhound safety and racing surfaces. Topics of some of the national and international speakers included Typical Racing Injuries, Greyhound Economics, Minerals in

Soil, Soil Testing, Racing in Australia and the United States, and Greyhound Safety and System of Data Gathering on Injuries.

Management teams from racetracks in Oregon, West Virginia, Florida, Iowa, Arizona, New Hampshire and state racing judges from Alabama and Texas attended the educational event.

TEXAS HORSEMEN'S

PARTNERSHIP

Mid-year, John Roark was re-elected as Chairman of the Texas Horsemen's Partnership. He is also in his second year as the National Horsemen's Benevolent Protective Association (HBPA) President where he continues to be instrumental in areas of communications, increased national prominence, and strategic alliances with other industry organizations. In addition, the National HBPA has played a critical role in the industry's current effort to develop uniform drug testing and therapeutic medication rules and regulations. Early in 2002, the THP negotiated contracts with Sam Houston Race Park (SHRP) and Retama Park, adding new language that provides the horsemen a voice in helping improve the condition of racetrack facilities and the quality of life on the backside.

In March the educational Texas Racehorse Conference was again co-sponsored by the THP and the Texas Extension Service and hosted by SHRP. Speakers included representatives of SHRP, the THP, and the Commission, and Texas A&M

2002 ANNUAL REPORT

University professors and veterinarians.

The Texas A & M Extension Specialists, a private practice veterinarian, and a Texas Horsemen's Benevolent Protective Association Board Member, provided live racehorse demonstrations. Booths were sponsored by The Jockey Club Information Systems, Inc. and 3M.

The newly created position of Benefits Coordinator implemented Health Fairs at each racetrack.

TEXAS QUARTER HORSE ASSOCIATION

The Texas Quarter Horse Association (TQHA) Yearling Sale saw an increase in the average sales price and total revenue for the fifth straight year. SHRP hosted TQHA's annual Yearling Sale with a record 247 yearlings passing through the sales ring for total sales of \$2.2 million, topping the record of \$1.9 million set at last year's sale.

The Yearling Sale has grown from 96 horses in 1998 and as a result of the growth of the sale, the purse for the TQHA Sales Futurity, which is a Grade I race restricted to accredited Texas-breds, has increased significantly. The purse for the 1999 TQHA Sales Futurity was \$79,031 while the 2002 TQHA Sales Futurity paid a record \$276,100.

The TQHA hosted the 2nd annual Youth Race Experience at SHRP. This program introduces a "behind the scene" look at racing to their youth members who are involved in showing horses.

The Texas Classic Futurity Purse paid over \$1,000,000 at Lone Star Park in December.

The TQHA awarded over \$32,000 in scholarships and contributed \$5,000 to 4-H programs and the Special Olympics.

TEXAS THOROUGHBRED ASSOCIATION

With the inception of the Accredited Texas Bred Owners' Bonus in 2002, the Texas Thoroughbred Association's (TTA) Texas-breds earned \$258,479.77 for their owners as a result of finishing first, second, or third in non-restricted races in Texas.

During 2002, there was a slight decrease in the number of mares accredited for participation in the Accredited Texas Bred Program compared with 2001. This decrease may be attributed to significant revenue growth in incentive programs in neighboring states, Louisiana and New Mexico in particular, whose incentive programs have been fueled by changes in state law to permit video lottery terminals or slot machines at racetracks in the respective states.

The Texas Thoroughbred, TTA's magazine, earned its highest national honor by being selected as the best state/regional publication by American Horse Publications.

The TTA honored Bob Bork, SHRP's President and General Manager, with the Allen Bogan Memorial Award for his outstanding efforts to bring the inaugural NTRA Great State Challenge to Texas in 2002.

2002 ANNUAL REPORT

YEAR 2002 PURSE STATISTICS

Source of Funds	Quarter Horse	Thoroughbred	Arabian	Paint	TOTAL HORSE*
Earned Purse	\$7,648,871	\$28,710,213	\$417,000	\$109,100	\$36,885,184
Texas Bred Stakes	\$69,199	\$166,598	\$3,000	\$0	\$238,797
Stakes	\$3,441,410	\$1,321,978	\$84,365	\$103,669	\$4,951,422
Sponsors	\$1,100,460	\$1,862,587	\$20,000	\$50,000	\$3,033,047
ATB Sponsored Purse	\$2,500	\$296,310	\$0	\$0	\$298,810
TOTAL PURSES PAID	\$12,262,440	\$32,357,686	\$524,365	\$262,769	\$45,407,260
Average Daily Purses Paid at All Meets	\$91,511	\$145,102	\$1,502	\$1,961	\$130,107

Source of Funds	TOTAL GREYHOUND	Source of Funds	2001 HORSE & GREYHOUND	2002 HORSE & GREYHOUND	% Change
Earned Purse	\$5,387,287	Earned Purse	\$43,817,618	\$42,272,471	(3.53%)
Texas Bred Stakes	\$87,960	Texas Bred Stakes	\$457,792	\$326,757	(28.62%)
Stakes	\$9,000	Stakes	\$4,402,235	\$4,960,422	12.68%
Sponsors	\$150,235	Sponsors	\$660,254	\$3,183,282	382.13%
TGA's Cross Species Purse Supplements	\$1,265,450	TGA's Cross Species Purse Supplements	\$1,305,526	\$1,265,450	(3.07%)
TOTAL PURSES PAID	\$6,899,932	ATB Sponsored Purse	\$163,400	\$298,810	82.87%
Average Purses Paid per Performance	\$6,811	TOTAL PURSES PAID	\$50,806,825	\$52,307,192	2.95%

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

2002 ANNUAL REPORT

Summary of All Texas Greyhound Racetracks from 1/1/2002 through 12/31/2002

	Column 1 Live On-Track	Column 2 Live Export	Column 3 Simulcast Same-Species	Column 4 Simulcast Cross-Species	Column 5 Sum of 1 through 4 Total	Column 6 Sum of 1 & 2 Live On-Track & Export Total	Column 7 Sum of 3 & 4 Combined Simulcast Import Total	Column 8 Sum of 1 & 7 Combined On-Track Total
# of Race Days	683	n/a	1,992	1,738	4,413	683	3,730	4,413
# of Performances	1,013	n/a	13,750	10,179	24,942	1,013	23,929	24,942
Attendance	651,188	n/a	41,985	33,684	726,857	651,188	75,669	726,857
Net Handle	\$49,860,530	\$67,570,361	\$42,855,454	\$32,199,224	\$192,585,569	\$117,530,891	\$75,054,678	\$125,015,208
Horse Purse	\$0	\$0	\$0	\$233,721	\$233,721	\$0	\$233,721	\$233,721
Greyhound Purse	2,455,343	270,280	1,456,530	23,765	4,205,918	2,725,623	1,480,295	3,935,638
TTA Purse	0	0	0	210,360	210,360	0	210,360	210,360
TQHA Purse	0	0	0	210,360	210,360	0	210,360	210,360
TGA Purse	0	0	0	0	0	0	0	0
Escrowed Horse Purse	0	0	0	1,250,376	1,250,376	0	1,250,376	1,250,376
TX Horsemen's Partnership	0	0	0	0	0	0	0	0
THP Escrow Horse Purse	0	0	0	394,364	394,364	0	394,364	394,364
Texas Bred	0	0	392,940	249,137	642,077	0	642,077	642,077
State Tax	0	0	428,555	402,409	830,963	0	830,963	830,963
Hub Fee	0	0	0	420,872	420,872	0	420,872	420,872
Simulcast Fee	0	0	1,178,745	1,114,138	2,292,884	0	2,292,884	2,292,884
Racetracks	8,780,501	1,688,759	6,321,444	2,254,570	19,055,275	10,479,261	8,576,014	17,366,515
Total Commissions	\$11,245,844	\$1,959,040	\$9,778,214	\$6,764,072	\$29,747,170	\$13,204,884	\$16,542,286	\$27,788,130
Breakage	\$147,816	\$0	\$84,494	\$123,318	\$355,628	\$147,816	\$207,813	\$355,628

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

\$39,975,914 Total Export-Interstate Handle - Out of state locations wagering on Texas greyhound racetracks
 \$4,900,886 Total Import-Interstate Handle - Texas greyhound racetracks wagering on out of state racetracks
 -\$24,924,972 Net LOSS of wagering dollars in Texas as a result of simulcasting at greyhound racetracks

2002 ANNUAL REPORT

Summary of All Texas Horse Racetracks from 1/1/2002 through 12/31/2002

	Column 1 Live On-Track	Column 2 Live Export	Column 3 Simulcast Same-Species	Column 4 Simulcast Cross-Species	Column 5 Sum of 1 through 4 Total	Column 6 Sum of 1 & 2 Live On-Track & Export Total	Column 7 Sum of 3 & 4 Combined Simulcast Import Total	Column 8 Sum of 1 & 7 Combined On-Track Total
# of Race Days	352	n/a	2,323	2,501	5,176	352	4,824	5,176
# of Performances	352	n/a	22,998	11,873	35,223	352	34,871	35,223
Attendance	1,464,925	n/a	815,685	45,131	2,325,741	1,464,925	860,816	2,325,741
Net Handle	\$81,321,619	\$408,592,031	\$352,260,129	\$50,343,100	\$893,516,879	\$490,913,650	\$402,803,229	\$483,924,848
Horse Purse	\$6,082,961	\$4,491,671	\$25,068,555	\$710,678	\$36,363,864	\$10,594,632	\$25,779,232	\$31,872,193
Greyhound Purse	0	0	0	1,187,048	1,187,048	0	0	1,187,048
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	1,581,869	1,581,869	0	1,581,869	1,581,869
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	487,148	0	2,443,297	440,382	3,370,827	487,148	2,883,679	3,370,827
State Tax	0	0	3,522,601	629,237	4,151,838	0	4,151,838	4,151,838
Hub Fee	0	0	0	431,443	431,443	0	431,443	431,443
Simulcast Fee	0	0	11,641,419	1,277,653	12,919,072	0	12,919,072	12,919,072
Racetracks	10,518,070	7,621,114	29,375,512	5,195,819	52,710,514	18,139,183	34,571,331	46,089,400
Total Commissions	\$17,098,179	\$12,112,784	\$72,051,385	\$11,454,128	\$112,716,477	\$29,210,984	\$83,505,513	\$100,803,692
Breakage	\$518,111	\$0	\$1,698,059	\$126,479	\$2,342,649	\$518,111	\$1,824,538	\$2,342,649

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

\$383,592,520	Total Export-Interstate Handle - Out of state locations wagering on Texas horse racetracks
\$359,167,204	Total Import-Interstate Handle - Texas Horse racetracks wagering on out of state racetracks
\$24,425,316	Net GAIN of wagering dollars in Texas as a result of simulcasting at horse racetracks

2002 ANNUAL REPORT

Summary of All Texas Racetracks from 1/1/2002 through 12/31/2002

	Column 1 Live On-Track	Column 2 Live Export	Column 3 Simulcast Same-Species	Column 4 Simulcast Cross-Species	Column 5 Sum of 1 through 4 Total	Column 6 Sum of 1 & 2 Live On-Track & Export Total	Column 7 Sum of 3 & 4 Combined Simulcast Import Total	Column 8 Sum of 1 & 7 Combined On-Track Total
# of Race Days	1,035	n/a	4,315	4,239	9,589	1,035	8,554	9,589
# of Performances	1,385	n/a	36,748	22,052	60,165	1,385	58,800	60,165
Attendance	2,116,113	n/a	857,670	78,815	3,052,598	2,116,113	936,485	3,052,598
Net Handle	\$131,282,149	\$477,162,392	\$395,115,583	\$82,542,324	\$1,086,102,448	\$608,444,541	\$477,657,907	\$608,940,056
Horse Purse	\$6,092,961	\$4,491,671	\$25,068,555	\$944,398	\$36,597,585	\$10,584,632	\$26,012,953	\$32,105,914
Greyhound Purse	2,455,343	270,280	1,456,530	1,210,813	5,392,967	2,725,623	2,667,343	5,122,686
TTA Purse	0	0	0	210,360	210,360	0	210,360	210,360
TCHA Purse	0	0	0	210,360	210,360	0	210,360	210,360
TGA Purse	0	0	0	1,581,869	1,581,869	0	1,581,869	1,581,869
Escrowed Horse Purse	0	0	0	1,250,376	1,250,376	0	1,250,376	1,250,376
TX Horsemen's Partnership	0	0	0	0	0	0	0	0
THP Escrow Horse Purse	0	0	0	394,364	394,364	0	394,364	394,364
Texas Bred	487,148	0	2,836,238	688,519	4,012,905	487,148	3,525,757	4,012,905
State Tax	0	0	3,951,156	1,031,945	4,982,802	0	4,982,802	4,982,802
Hub Fee	0	0	0	852,315	852,315	0	852,315	852,315
Simulcast Fee	0	0	12,820,165	2,391,791	15,211,955	0	15,211,955	15,211,955
Racetracks	19,308,571	9,309,873	35,896,956	7,450,389	71,785,789	28,618,444	43,147,345	62,455,916
Total Commissions	\$28,344,023	\$14,071,824	\$81,829,599	\$18,218,200	\$142,463,645	\$42,415,848	\$100,047,799	\$128,391,822
Breakage	\$0	\$0	\$0	\$0	\$0	\$685,926	\$2,032,351	\$2,698,277

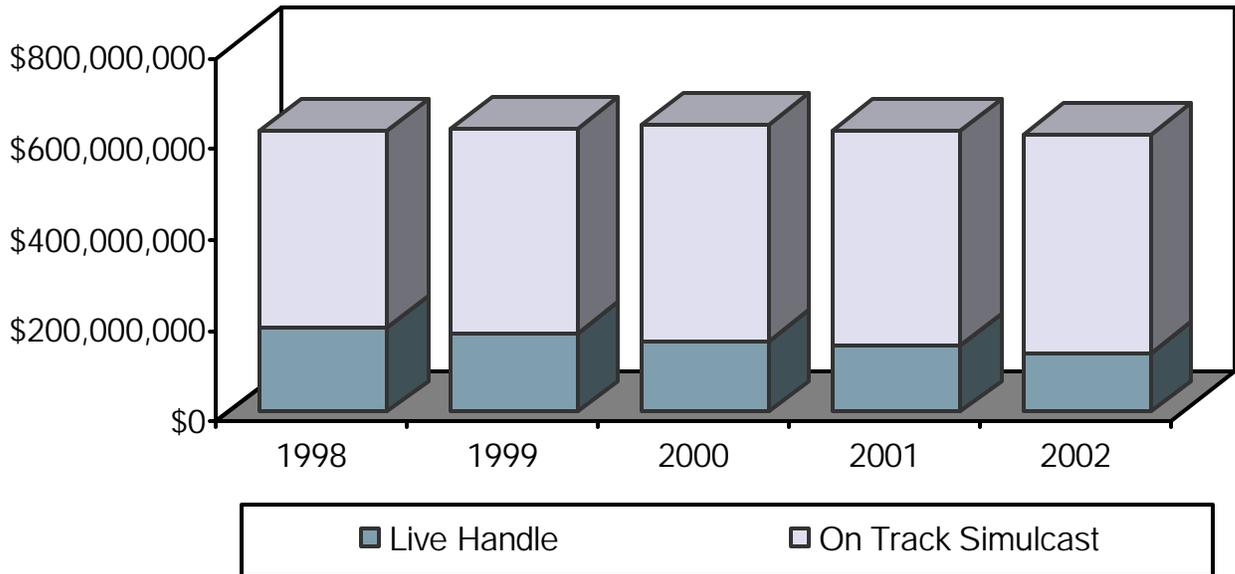
Net LOSS of wagering dollars in Texas as a result of simulcasting at Texas racetracks:

\$423,568,434	Total Export-Interstate Handle - Out of state locations wagering on Texas racetracks
424,088,090	Total Import-Interstate Handle - Texas racetracks wagering on out of state racetracks
-\$499,656	Net LOSS of wagering dollars in Texas as a result of simulcasting

2002 ANNUAL REPORT

FIVE YEAR OVERVIEW OF PARI-MUTUEL RACING

On Track Handle Greyhound & Horse Combined



GREYHOUND & HORSE TRACKS COMBINED

	1998	1999	2000	2001	2002
# of Tracks	7	7	8	8	8
HANDLE ON TRACK:					
Live	\$186,298,579	\$172,397,736	\$157,839,705	\$146,527,915	\$131,282,149
Simulcast	<u>\$434,277,050</u>	<u>\$451,928,576</u>	<u>\$475,868,631</u>	<u>\$473,486,206</u>	<u>\$477,657,907</u>
TOTAL	\$620,575,629	\$624,326,312	\$633,708,336	\$620,014,121	\$608,940,056
LIVE DATES	1,256	1,272	1,285	1,354	1,365
# OF SIMULCAST SIGNALS TAKEN	28,287	35,802	44,980	54,821	58,800
PURSES PAID	\$46,607,818	\$48,170,585	\$51,768,317	\$50,806,825	\$52,307,192
STATE TAX	\$9,353,898	\$4,676,860	\$4,933,323	\$4,936,353	\$4,982,805
TX BRED \$	\$6,373,003	\$6,567,234	\$6,640,235	\$6,467,625	\$6,421,789
ATTENDANCE	3,508,490	3,375,588	3,307,714	3,191,420	3,052,598

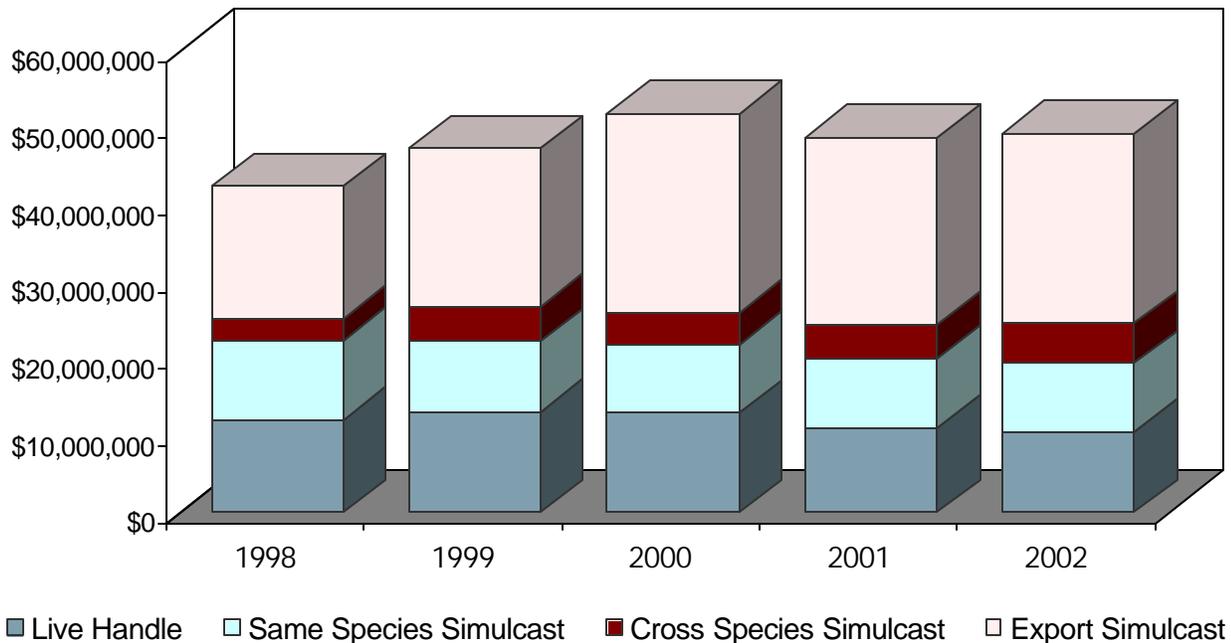
2002 ANNUAL REPORT

Greyhound Racetrack

CORPUS CHRISTI GREYHOUND RACE TRACK

	2001	2002	% Change
Live On-Track Handle	\$11,067,211	\$10,392,704	(6.09%)
Import Same Species Simulcast	\$8,950,742	\$8,963,843	0.15%
Import Cross Species Simulcast	\$4,434,160	\$5,259,446	18.61%
Total On-Track Handle	\$24,452,113	\$24,615,993	0.67%
Total Export Handle	\$24,333,751	\$19,473,386	(19.97%)
Total Wagered on CCGRT	\$35,400,962	\$29,866,090	(15.63%)
Average Value per Point	\$35.22	\$30.03	(14.74%)
Average Purses Paid/Performance	\$4,114	\$3,621	(11.98%)
Total Purses Paid	\$1,723,785	\$1,509,804	(12.41%)
Total Live Performances	419	417	(0.48%)
Total # of Simulcast Signals Taken	5,301	5,756	8.58%
Total Attendance	182,848	164,224	(10.19%)

1998-2002
Corpus Christi Greyhound Race Track



2002 ANNUAL REPORT

Data on this page provided by Corpus Christi Greyhound Race Track
For Calendar Year 1/1/2002 – 12/31/2002 – Unaudited

Average # of Employees/Positions on Payroll	128
Total Salaries and Wages Paid	\$1,597,837
Total State Pari-mutuel Tax Paid	\$155,354
Total Other State Taxes Paid	\$25,888
Total Property Taxes Paid	\$135,805
Total Purchased Goods and Services	\$4,529,573
Total Charitable Contributions	\$29,153

2002 Highlights

- Corpus Christi Greyhound Race Track donated coats and other clothing to the Salvation Army as the area experienced a colder than normal winter.
- Charity night donations totaled over \$6,200, benefiting the Texas A&M School of Veterinary Medicine, Texas Special Olympics, the Women's Shelter of Corpus Christi, the Ronald McDonald House, and the persons working in the kennel area.
- Corpus Christi Greyhound Race Track made donations to numerous charities, including Senior Community Services, State School for Exceptional Children, American Heart Association, Pee Wee's Pet Adoption World, Special Olympics Corpus Christi Police Project, GPA of San Antonio and the Woodsboro Grade School. The track also assisted with Special Olympics Flower Project.
- Each weekend Corpus Christi Greyhound Race Track allows Harley Davidson to conduct a state-required safety program for new motorcycle riders.
- The Hispanic Circus, sponsored by General Mills Food, also utilized the parking lot for a week long appearance.
- The Corpus Christi Greyhound Race Track adoption program, in its eleventh year of operation, placed 16 greyhounds in area homes.

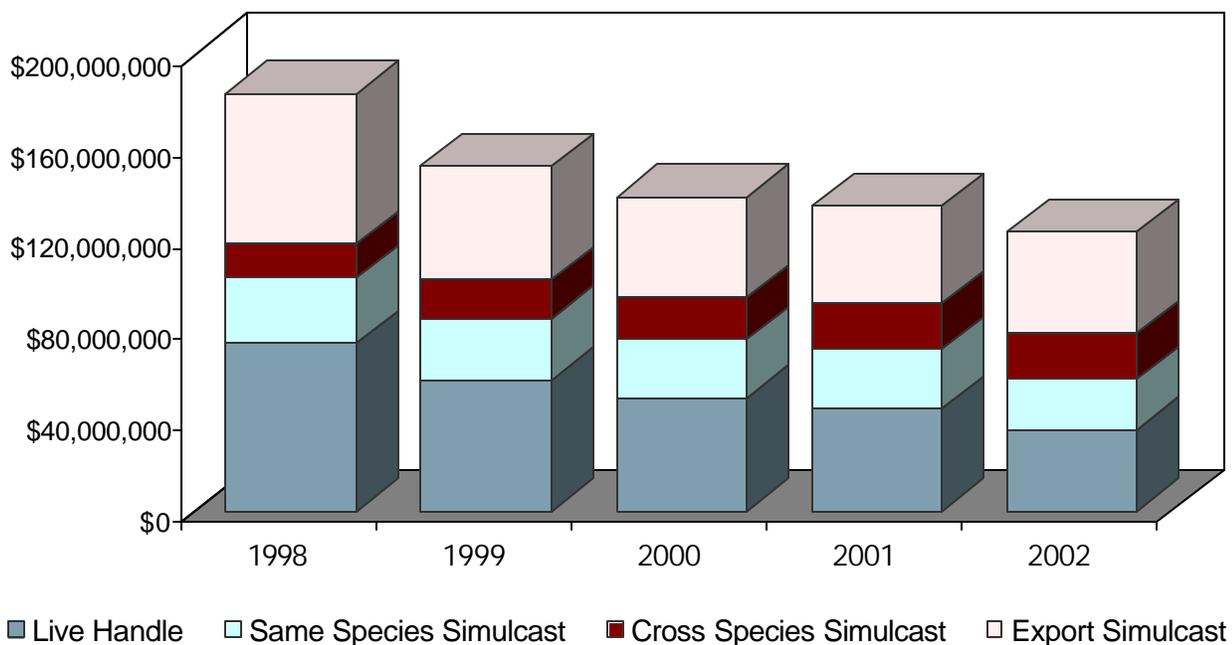
2002 ANNUAL REPORT

Greyhound Racetrack

GULF GREYHOUND PARK

	2001	2002	% Change
Live On-Track Handle	\$44,851,069	\$37,758,526	(15.81%)
Import Same Species Simulcast	\$26,405,537	\$22,465,283	(14.92%)
Import Cross Species Simulcast	\$20,126,242	\$19,940,795	(0.92%)
Total On-Track Handle	\$91,382,848	\$78,164,604	(14.46%)
Total Export Handle	\$42,794,848	\$44,367,083	3.67%
Total Wagered on Gulf Greyhound	\$87,645,917	\$80,125,609	(8.58%)
Average Value per Point	\$77.98	\$69.54	(10.82%)
Average Purses Paid/Performance	\$11,068	\$9,726	(12.13%)
Total Purses Paid	\$5,135,465	\$4,532,100	(11.75%)
Total Live Performances	464	466	0.43%
Total # of Simulcast Signals Taken	8,257	8,365	1.31%
Total Attendance	519,489	431,299	(16.98%)

1998-2002
Gulf Greyhound Park



2002 ANNUAL REPORT

Data on this page provided by Gulf Greyhound Park
For Calendar Year 1/1/2002 – 12/31/2002 – Unaudited

Average # of Employees/Positions on Payroll	435
Total Salaries and Wages Paid	\$5,681,383
Total State Pari-mutuel Tax Paid	\$473,868
Total Other State Taxes Paid	\$234,788
Total Property Taxes Paid	\$479,387
Total Purchased Goods and Services	\$13,424,231
Total Charitable Contributions	\$115,362

2002 Highlights

- Gulf Greyhound Park celebrated its tenth anniversary in November with a concert featuring Roger Creager.
- Beckner's Kennel "Be Discrete" won 26 starts and placed in 19 other races; LQK's "Shadow Ofa Doubt" and "Gulfstream" each won 22 races. Gable Kennel was the dominant kennel during 2002. "Gable Oscar" has won 41 races over his 68 career starts, with 10 of those wins coming in 14 starts during 2002. He was elected to the Greyhound Hall of Fame and was named as a co-captain along with Slatex Shell for the All Gulf Team, which honored the eight best greyhounds to ever run at Gulf.
- Gulf Greyhound Park has placed over 1,420 greyhounds through the adoption program during its ten year history.
- The Weiner Dog races continue to be a very popular event bringing in over 500 entries in 2002.
- Over 250 college and high school coaches attended the 3rd Annual High School Coaches Clinic.
- The Sports Car Club of America held their national event in Gulf's parking lot with 275 drivers from across the country in attendance.
- The Galveston Propeller Club held its annual Crawfish Boil to raise scholarship funds for Texas A&M University at Galveston.
- Over 4,000 people attended the Galveston County 911 Office's Safety Expo in April that featured medic helicopters, fire trucks, and other emergency vehicles on display.
- Gulf Greyhound Park hosted the Texas City La Marque Chamber of Commerce's "Seafood Grill-Off" in November.

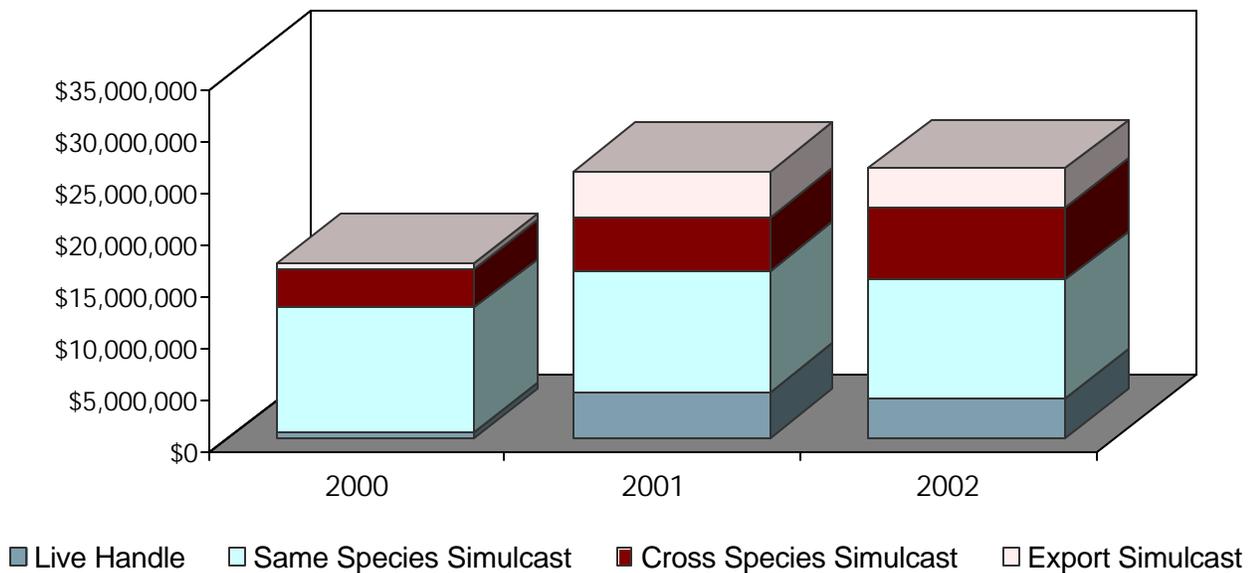
2002 ANNUAL REPORT

Greyhound Racetrack

VALLEY RACE PARK

	2001	2002	% Change
Live On-Track Handle	\$4,418,748	\$3,809,300	(13.79%)
Import Same Species Simulcast	\$11,633,929	\$11,426,328	(1.78%)
Import Cross Species Simulcast	\$5,193,268	\$6,998,983	34.77%
Total On-Track Handle	\$21,245,945	\$22,234,611	4.65%
Total Export Handle	\$4,418,808	\$3,729,892	(15.59%)
Total Wagered on Valley Race Park	\$8,837,556	\$7,539,192	(14.69%)
Average Value per Point	\$59.44	\$47.15	(20.68%)
Average Purses Paid/Performance	\$8,369	\$6,600	(21.14%)
Total Purses Paid	\$1,037,756	\$858,028	(17.32%)
Total Live Performances	124	130	4.84%
Total # of Simulcast Signals Taken	9,061	9,808	8.24%
Total Attendance	140,097	131,334	(6.25)%

2000-2002
Valley Race Park



2002 ANNUAL REPORT

Data on this page provided by Valley Greyhound Park
For Calendar Year 1/1/2002 – 12/31/2002 – Unaudited

Average # of Employees/Positions on Payroll	103
Total Salaries and Wages Paid	\$1,600,184
Total State Pari-mutuel Tax Paid	\$201,750
Total Other State Taxes Paid	\$50,749
Total Property Taxes Paid	\$70,650
Total Purchased Goods and Services	\$2,553,274
Total Charitable Contributions	\$16,058

2002 Highlights

- Valley Race Park hosted the 12th running of the *Jalapeno 100* bicycle tour. A record breaking number of participants and spectators attended the event that benefits Harlingen Youth Activities. The sponsors again chose Valley Race Park as the site of the 2003 race, currently scheduled for February 15.
- In March, over 3,000 attended a 36-hour outdoor music festival *Valleypalooza*, at Valley Race Park. The event, held on the grounds of the track, featured some fifty entertainers.
- Valley Race Park, along with the Valley Morning Star, hosted a July 4th celebration, *Freedom Fest*. The outdoor festival featured national recording artists Night Ranger and Bad Company. Over 5,000 people enjoyed the day-and-a-half of events that included car shows, fajita and frijoles cook-offs, and arts and crafts booths.
- For the second year, Valley Race Park hosted the *South Texas Scorcher*, a 16-hour outdoor festival. Over 7,500 enjoyed the live music, car shows, vendor booths, paint ball exhibitions, and a children's village area.
- On December 31, Valley Race Park celebrated New Year's Eve with an event entitled *Symphony in the Sky*. The event featured various themes complete with live music and food during the evening's greyhound performance. Culminating the last day of 2002 was a spectacular 20-minute fireworks display, ending at midnight.

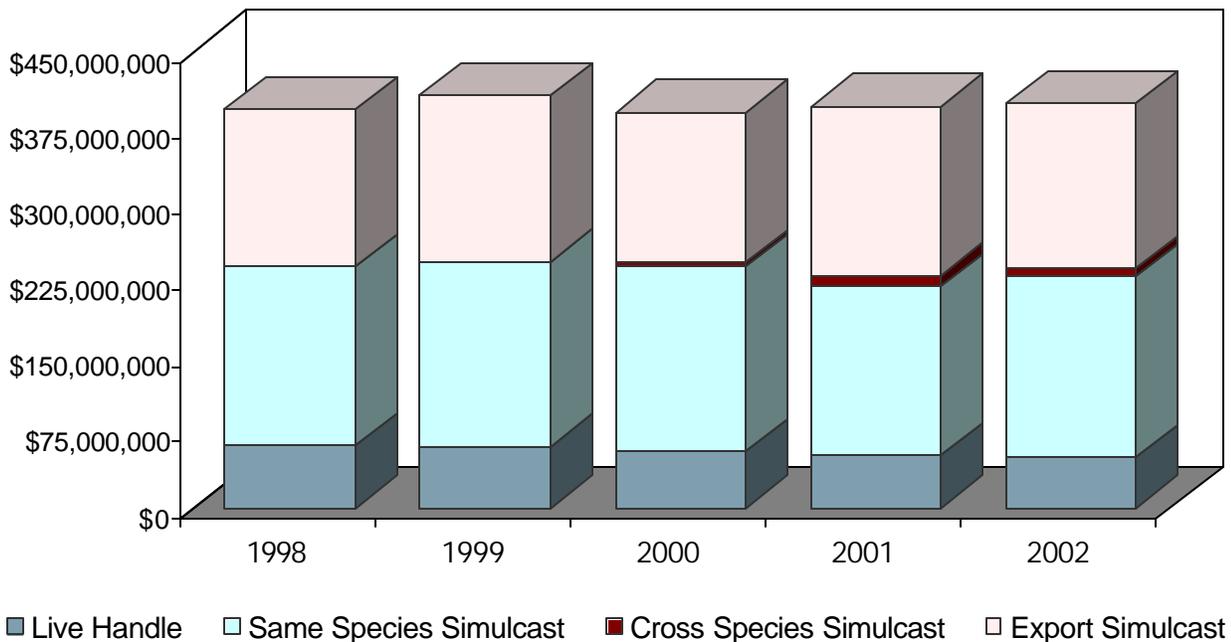
2002 ANNUAL REPORT

Class 1 Horse Racetrack

LONE STAR PARK AT GRAND PRAIRIE

	2001	2002	% Change
Live On-Track Handle	\$52,393,818	\$50,608,096	(3.41%)
Import Same Species Simulcast	\$166,591,928	\$177,867,868	6.77%
Import Cross Species Simulcast	\$10,938,891	\$8,530,977	(22.01%)
Total On-Track Handle	\$229,924,637	\$237,006,941	3.08%
Total Export Handle	\$167,705,736	\$163,175,493	(2.70%)
Total Wagered on Lone Star	\$220,099,554	\$213,783,589	(2.87%)
Average Purses Paid/Quarter Horse	\$137,359	\$151,400	10.22%
# of Quarter Horse Race Dates	33	33	0%
Average Purses Paid/Thoroughbred	\$231,400	\$228,065	(1.44%)
# of Thoroughbred Race Dates	74	70	(5.41%)
Total Purses Paid	\$21,878,502	\$21,180,661	(3.19%)
Total Live Performances	107	103	(3.74%)
Total # of Simulcast Signals Taken	5,810	6,649	14.44%
Total Attendance	1,164,313	1,150,416	(1.19%)

1998-2002
Lone Star Park



2002 ANNUAL REPORT

Data on this page provided by Lone Star Park
For Calendar Year 1/1/2002 – 12/31/2002 – Unaudited

Average # of Employees/Positions on Payroll	800
Total Salaries and Wages Paid	\$14,388,491
Total State Pari-mutuel Tax Paid	\$1,879,675
Total Other State Taxes Paid	\$2,191,756
Total Property Taxes Paid	\$466,547
Total Purchased Goods and Services	\$21,183,502
Total Charitable Contributions	\$180,424

2002 Highlights

- The Breeders' Cup Board of Directors voted unanimously in July to confirm the selection of Lone Star Park at Grand Prairie (LSP) to host the Breeders' Cup World Thoroughbred Championships in 2004.
- LSP's 6th Thoroughbred season saw significant gains in every daily attendance and handle category. Attendance for the 70-day meet rose 1.5% to an average of over 9,000 with on-track handle up 6.8% at \$1.29 million.
- In October, the Commission approved Magna Entertainment Corporation's acquisition of LSP for \$80 million in cash and the assumption of certain liabilities, including a capital lease obligation of approximately \$19 million.
- In preparation of accommodating a crowd in excess of 50,000 for the Breeders' Cup races in 2004, LSP began Phase I of its \$7.8 million expansion in late November. A part of the expansion, three new barns, six stable area dorm buildings and two new recreation buildings, will be finished in April of 2003.
- Bolstered by the return of the MBNA America Challenge Championships and Texas' first million-dollar horse race, the \$1,061,703 Texas Classic Futurity, LSP concluded its sixth Fall Meeting of Champions for American Quarter Horses with a handle increase of 0.8%, as compared to 2001.
- Breeders' Cup wagering at LSP was \$2.3 million, a new LSP record.
- The Lone Star Park Charitable Foundation for Grand Prairie, a 501c(3) non-profit organization, raised \$66,000 for Grand Prairie in its first full year of operation.

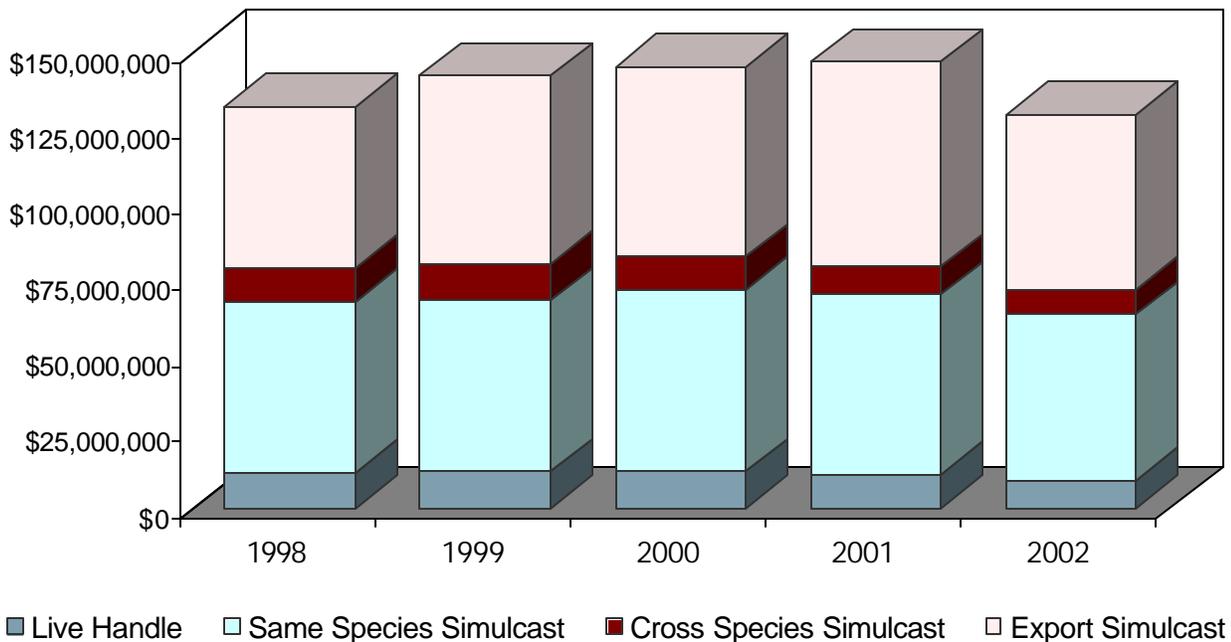
2002 ANNUAL REPORT

Class 1 Horse Racetrack

RETAMA PARK

	2001	2002	% Change
Live On-Track Handle	\$11,160,691	\$9,196,253	(17.60%)
Import Same Species Simulcast	\$59,404,320	\$54,894,853	(7.59%)
Import Cross Species Simulcast	\$9,237,958	\$8,183,070	(11.42%)
Total On-Track Handle	\$79,772,969	\$72,274,176	(9.40%)
Total Export Handle	\$67,397,161	\$57,476,508	(14.72%)
Total Wagered on Retama	\$78,527,852	\$66,672,761	(15.10%)
Average Purses Paid/Quarter Horse	\$75,493	\$58,432	(22.60%)
# of Quarter Horse/Mixed Race Dates	33	31	(6.06%)
Average Purses Paid/Thoroughbred	\$89,059	\$98,062	10.11%
# of Thoroughbred Race Dates	55	51	(7.27%)
Total Purses Paid	\$7,609,951	\$7,047,683	(7.39%)
Total Live Performances	88	82	(6.82%)
Total # of Simulcast Signals Taken	7,866	8,483	7.84
Total Attendance	447,635	419,952	(6.18%)

1998-2002
Retama Park



2002 ANNUAL REPORT

Data on this page provided by Retama Park

For Calendar Year 1/1/2002 – 12/31/2002 – Unaudited

Average # of Employees/Positions on Payroll	294
Total Salaries and Wages Paid	\$5.5 Million
Total State Pari-mutuel Tax Paid	\$652,000
Total Other State Taxes Paid	\$413,000
Total Property Taxes Paid	N/A
Total Purchased Goods and Services	\$8.3 Million
Total Charitable Contributions	\$24,000

2002 Highlights

- A Belmont Stakes on-track handle record was set in 2002 as 6,732 fans wagered \$1,039,438, shattering the previous record of \$919,733 set in 1999.
- Two track records were set in April during the Quarter Horse meet when Roses Down ran 330 yards in 16.92 seconds and, exactly one week later, Thru Rebas Eyes ran 350 yards in 17.61 seconds.
- “Fifty Cent Night” promotions featuring free admission, 50-cent Pepsi, hot dogs, and programs continued at the track. Activities included a live band plus a petting zoo, pony rides, face painters, clowns, and a caricature artist for the kids. Over 93,000 fans came on these 14 days, tripling the usual daily attendance.
- Retama Park employees and the track’s jockey colony honored Jo Ann Weber, Executive Director of the Texas Horse Racing Hall of Fame, with a race benefiting the Susan G. Komen Breast Cancer Awareness Fund. In addition to contributions from those working at the track, each jockey donated their jock mount fee for that race.
- Retama Park hosted the annual Texas Horse Racing Hall of Fame induction ceremonies on October 12. Dr. Charles Graham, Tommy Oliphant, Bubba Cascio, Joe Cassel, Staunch Avenger, and Easy Jet were honored for their lifetime achievements in racing.
- San Antonio Livestock Exposition, Inc., honored Retama Park for their long time support of the annual San Antonio Stock Show and Rodeo.
- Retama Park continued its tradition of community involvement and support by donating \$187,938 in silent auction items to 237 area organizations.
- Retama Park again hosted a Thanksgiving dinner for the residents of Selma, with proceeds donated to the Racetrack Chaplaincy and the Selma Fire Department.

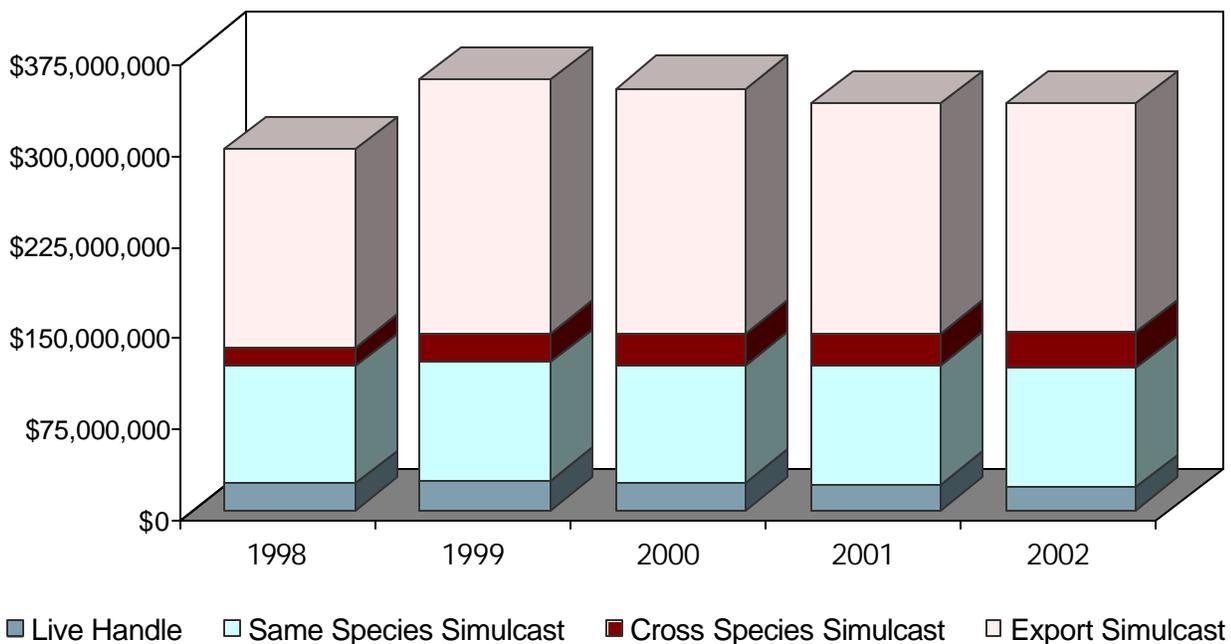
2002 ANNUAL REPORT

Class 1 Horse Racetrack

SAM HOUSTON RACE PARK

	2001	2002	% Change
Live On-Track Handle	\$21,077,061	\$18,615,955	(11.68%)
Import Same Species Simulcast	\$98,503,047	\$98,394,951	(0.11%)
Import Cross Species Simulcast	\$25,952,314	\$29,264,649	12.76%
Total On-Track Handle	\$145,532,422	\$146,275,555	0.51%
Total Export Handle	\$190,007,008	\$188,940,030	(0.56%)
Total Wagered on Sam Houston	\$211,084,069	\$207,555,985	(1.67%)
Average Purses Paid/Quarter Horse	\$80,992	\$79,565	(1.76%)
# of Quarter Horse Race Dates	47	44	(6.38%)
Average Purses Paid/Thoroughbred	\$102,167	\$127,664	24.96%
# of Thoroughbred Race Dates	81	84	3.70%
Total Purses Paid	\$12,302,267	\$14,511,258	17.96%
Total Live Performances	128	128	N/A
Total # of Simulcast Signals Taken	13,260	13,914	4.93%
Total Attendance	669,122	675,145	0.90%

1998-2002
Sam Houston Race Track



2002 ANNUAL REPORT

Data on this page provided by Sam Houston Race Park
For Calendar Year 1/1/2002 – 12/31/2002 – Unaudited

Average # of Employees/Positions on Payroll	505
Total Salaries and Wages Paid	\$9,960,000
Total State Pari-mutuel Tax Paid	\$1,350,000
Total Other State Taxes Paid	\$537,000
Total Property Taxes Paid	\$1,041,000
Total Purchased Goods and Services	\$7,304,000
Total Charitable Contributions	\$43,000

2002 Highlights

- Sam Houston Race Park (SHRP) hosted the inaugural NTRA Great State Challenge on December 7. The exciting day of racing featured top Thoroughbreds from across the country and set a new live handle record of \$5,083,692 and a new all-source handle record of \$5,623,402.
- An all-time attendance record was set on July 4 when SHRP hosted 24,124 fans for the special live racing program followed by *Foley's & The Fourth Fireworks Extravaganza*.
- SHRP continues to be active in many area charities supporting the Northwest, Cy-Fair, Greenspoint, Galleria, Humble and Atascosita Chambers of Commerce. Donations were made to Langham Creek School and Cy-Fair School. SHRP supported the Light The Night Walk, benefiting the Leukemia Society, and the Houston Northwest Chamber Epicurean Night, raising funds for the Barbara Bush Library and Northwest Assistance Ministries. SHRP also sponsored two golf tournaments and auctions to raise funds for the Don MacBeth Memorial Jockey Fund. Additionally, over 700 seat packages were donated to local area charities.
- The American Quarter Horse Association recognized SHRP's marketing department with Sprint Awards for the Jiffy Lube *Music Revolution* and the *Foley's & the Fourth Fireworks Extravaganza*.
- SHRP is a proud supporter of the Racetrack Chaplaincy of America, a non-profit organization instrumental in offering various programs and assistance to those who make their living in racing. In addition to donating 2% of one day's live on-track handle to the Chaplaincy program, twice each year SHRP organizes a fundraiser to help fund their many programs. In conjunction with the Texas Horsemen's Partnership, SHRP opened a new building in the stable area for the track chaplain and staff.

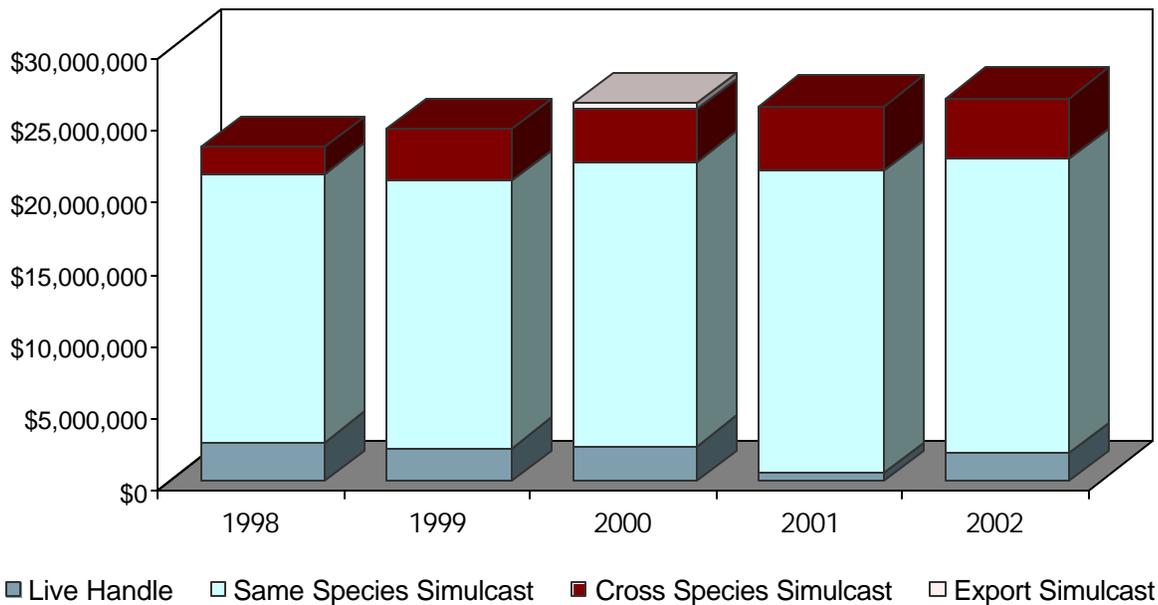
2002 ANNUAL REPORT

Class 2 Horse Racetrack

MANOR DOWNS

	2001	2002	% Change
Live On-Track Handle	\$587,905	\$1,978,049	236.46%
Import Same Species Simulcast	\$20,990,792	\$20,398,448	(2.82%)
Import Cross Species Simulcast	\$4,495,879	\$4,259,715	(5.25%)
Total On-Track Handle	\$26,074,576	\$26,636,212	2.15%
Total Export Handle	N/A	N/A	N/A
Total Wagered on Manor	\$587,905	\$1,978,049	236.46%
Average Purses Paid/Quarter Horse	\$73,090	\$91,153	24.71%
# of Quarter Horse Race Dates	11	18	63.64%
Average Purses Paid/Thoroughbred	N/A	\$63,340	100%
# of Thoroughbred Race Dates	N/A	10	100%
Total Purses Paid	\$803,990	\$2,309,709	187.28%
Total Live Performances	11	28	154.55%
Total # Simulcast Signals Taken	4,745	5,069	6.83%
Total Attendance	56,720	69,659	22.81%

1998-2002
Manor Downs



2002 ANNUAL REPORT

Data on this page provided by Manor Downs

For Calendar Year 1/1/2002 – 12/31/2002 – Unaudited

Average # of Employees/Positions on Payroll	58
Total Salaries and Wages Paid	\$1,231,382
Total State Pari-mutuel Tax Paid	\$257,359
Total Other State Taxes Paid	\$115,420
Total Property Taxes Paid	\$136,789
Total Purchased Goods and Services	\$2,784,077
Total Charitable Contributions	\$5,234

2002 Highlights

- Manor Downs put the finishing touches on its new oval track with the addition of an infield lake complete with a pumping station. The 7 ½ furlong oval track with a 6 furlong back chute is one of the few tracks in the Southwest United States to feature a Fontana safety rail.
- The inaugural Thoroughbred meet was held in the spring following the Quarter Horse Meet. For the first time ever, on Kentucky Derby Day, Manor Downs featured live Thoroughbred racing.
- In addition to charity day donations to the Racetrack Chaplaincy and Texas A&M University, Manor Downs also provided additional benevolencies to backside personnel and financial aid to its personnel.

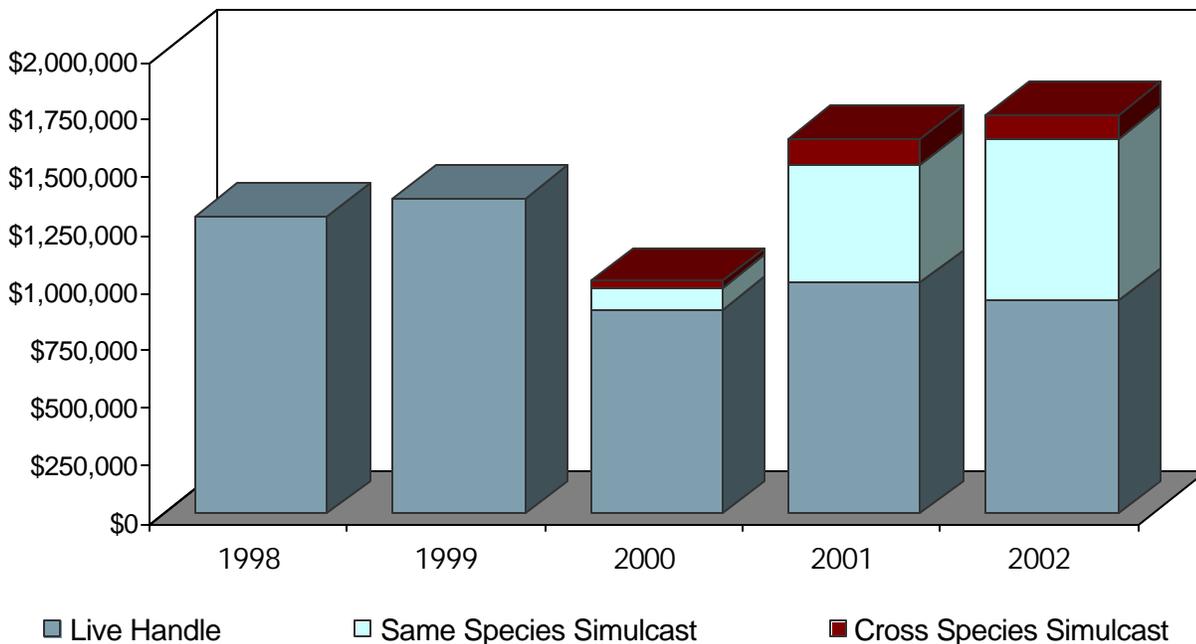
2002 ANNUAL REPORT

Class 3 Horse Racetrack

GILLESPIE COUNTY FAIR & FESTIVALS ASSOCIATION

	2001	2002	% Change
Live On-Track Handle	\$1,001,412	\$923,266	(7.80%)
Import Same Species Simulcast	\$514,325	\$704,009	36.88%
Import Cross Species Simulcast	\$112,874	\$104,689	(7.25%)
Total On-Track Handle	\$1,628,611	\$1,731,964	6.35%
Total Export Handle	N/A	N/A	N/A
Total Wagered on Gillespie	\$1,001,412	\$923,266	(7.80%)
Average Purses Paid/Quarter Horse	\$33,560	\$39,156	16.67%
Average Purses Paid/Thoroughbred	\$4,175	\$5,913	41.63%
# of Mixed Race Dates	8	8	0
Total Purses Paid	\$308,030	\$360,550	17.05%
Total Live Performances	8	8	0
Total # of Simulcast Signals Taken	521	756	45.11%
Total Attendance	11,196	10,569	(5.60%)

1998-2002
Gillespie County Fair & Festivals



2002 ANNUAL REPORT

Data on this page provided by Gillespie County Fair & Festivals Association
For Calendar Year 1/1/2002 – 12/31/2002 – Unaudited

Average # of Employees/Positions on Payroll	65
Total Salaries and Wages Paid	\$158,300
Total State Pari-mutuel Tax Paid	\$8,345
Total Other State Taxes Paid	\$14,200
Total Property Taxes Paid	Exempt
Total Purchased Goods and Services	\$490,000
Total Charitable Contributions	\$12,500

2002 Highlights

- The Gillespie County Fair and Festivals Association (GCFFA) was honored by the Texas Horse Racing Hall of Fame at their November banquet for their contribution to racing. GCFFA was organized in 1881 and has conducted horse racing each year since its inception. This year marked its 115th year of racing. GCFFA received their Class 3 license from the Commission in 1989 and ran their first pari-mutuel race meet in 1990.
- Earnings from the annual summer horse meet are used to maintain and upgrade the multi-use facility and to benefit the county by funding scholarships. This year GCFFA awarded \$12,500 in scholarships to 25 graduating seniors in Gillespie County. To date, over \$130,000 has been awarded in scholarships to deserving seniors in Gillespie County.
- The value of GCFFA's donated facility use and volunteer labor is estimated at over \$60,000 for the year.
- During the fall, construction began on a new simulcast facility, featuring a restaurant and bar. The new building, estimated to open in early spring of 2003, will replace the current "fresh air" simulcasting facility!

Other Licensed Racetracks

Class 2 Horse Racetrack

AUSTIN JOCKEY CLUB

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

Section 309.103 of the Rules of Racing requires a racetrack to submit detailed construction plans for Commission approval at least 30 days before commencing any site work. As of December 31, 2002, no plans were submitted.

Class 2 Horse Racetrack

SADDLE BROOK PARK

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

The new owners indicated their intent to construct the facility and open for live racing and simulcasting in 2002. Construction plans were submitted and approved by the Commission staff on May 16, 2002. The last report made by Saddle Brook Park to the Commission was on August 30, 2002. At that time, Saddle Brook Park reported that the steel for the building was being manufactured and that Southwestern Bell was running fiber optic to the site. Nothing further has been received by the Commission regarding the facility.

APPENDIX
TABLE OF CONTENTS

Summary of Fiscal Year 2002 Financial & Performance Measuresii
Glossary of Racing Termsiv
Charts Depicting Pari-Mutuel Distributions..... vi
Licensed Racetrack Directory..... xiv
Racing Industry Organizations & Related Associations Directory.....xv
Year 2003 Granted Race Dates xvi
Year 2003 Approved Breed Splits..... xvii

2002 ANNUAL REPORT

COMBINED STATEMENT OF REVENUES & EXPENDITURES FOR FISCAL YEAR 2002 AS COMPARED TO FISCAL YEAR 2001

Source: Annual Financial Reports

	FISCAL 2001	FISCAL 2002	% CHANGE ¹
REVENUES:			
Legislative Appropriations	\$ 0	\$ 0	0%
Licenses, Fees & Permits	3,615,764	2,678,261	(26%)
Interest & Other Investment Income	8,688	31,264	260%
Other Revenues	<u>8,829,687</u>	<u>8,458,641</u>	(4%)
TOTAL REVENUES	<u>\$12,454,139</u>	<u>\$11,168,166</u>	(10%)
EXPENDITURES:			
Salaries & Wages	\$3,426,359	\$3,703,392	8%
Payroll Related Costs	777,741	881,650	13%
Professional Fees & Services	81,334	99,483	22%
Travel	142,465	134,543	(6%)
Materials & Supplies	154,598	68,876	(55%)
Communications & Utilities	90,753	76,471	(16%)
Repairs & Maintenance	44,704	55,725	25%
Rentals & Leases	147,409	172,277	17%
Printing & Reproduction	27,944	7,650	(73%)
Claims & Judgments	40,142	0	(100%)
Distributions to Others ²	7,542,750	6,402,022	(15%)
Depreciation Expense	0	16,473	100%
Capital Outlay	<u>51,728</u>	<u>-3,810</u>	(107%)
TOTAL EXPENDITURES	<u>\$12,527,926</u>	<u>\$11,614,752</u>	(7%)
EXCESS REVENUES OVER EXPENDITURES	<u>-\$73,787</u>	<u>-\$446,586</u>	505%
OTHER FINANCING SOURCES (USES):			
Sale of Fixed Assets	\$0	-\$1,133	100%
Operating Transfers Out:			
Agency 556, Fund 001, Equine Research	<u>-116,195</u>	<u>-114,395</u>	(2%)
TOTAL OTHER FINANCING SOURCES/(USES)	<u>-\$116,195</u>	<u>-\$115,528</u>	(1%)
EXCESS REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER FINANCING USES	<u>-\$189,982</u>	<u>-\$562,114</u>	196%
BEGINNING FUND BALANCE	<u>\$4,260,836</u>	<u>\$4,076,680</u>	(4%)
Net Change in Reserve for Inventories	<u>5,826</u>	<u>16,567</u>	184%
ENDING FUND BALANCE	<u>\$4,076,680</u>	<u>\$3,497,999</u>	(14%)

¹ Percentages are rounded to nearest whole number.

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

2002 ANNUAL REPORT

SUMMARY OF KEY FISCAL YEAR 2002 ACTUAL PERFORMANCE MEASURES AS COMPARED TO TARGET

Fiscal Year 2002 KEY MEASURES	Target	Actual	% of Target
Number of Racetrack Inspections	50	63	126%
Average Regulatory Cost per Racetrack	\$22,218	\$23,124	104%
Number of Texas-bred Awards	27,524	25,959	94%
Number of Occupational Licenses Suspended or Revoked	245	215	88%
Number of Investigations Completed	1,372	1,498	109%
Percentage of Investigations Resulting in Disciplinary Action	93%	99.5%	107%
Percentage of Licensees with No Recent Violations	98%	97%	99%
Number of Race Animals Inspected Prior to Participating in a Race	135,800	137,346	101%
Percentage of Race Animals Injured or Dismissed from Racetracks	0.30%	0.26%	87%
Number of New Occupational Licenses Issued	6,031	5,907	98%
Number of Occupational Licenses Renewed	8,466	9,559	113%
Average Regulatory Cost per Licensee	\$34.68	\$30.98	89%
Average Time (minutes) Required to Issue a New Occupational License	7	7.60	109%
Number of Illegal Wagering Investigations Completed	12	12	100%
Percentage of Compliance Audits Passed	95%	99%	104%
Average Cost per Illegal Wagering Investigation	\$414	\$407	98%
Total Pari-Mutuel Handle (in millions)	\$639.4	\$617.4	97%
Total take to the State Treasury from Pari-mutuel Wagering (in millions)	\$4.99	\$5.01	101%

2002 ANNUAL REPORT

GLOSSARY OF RACING TERMS

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

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

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

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

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

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

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

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

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

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

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

Multiple 3 wager - a wager on three or more animals in one or more races.

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

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

2002 ANNUAL REPORT

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 conducted on the race at the receiving location.

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

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

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

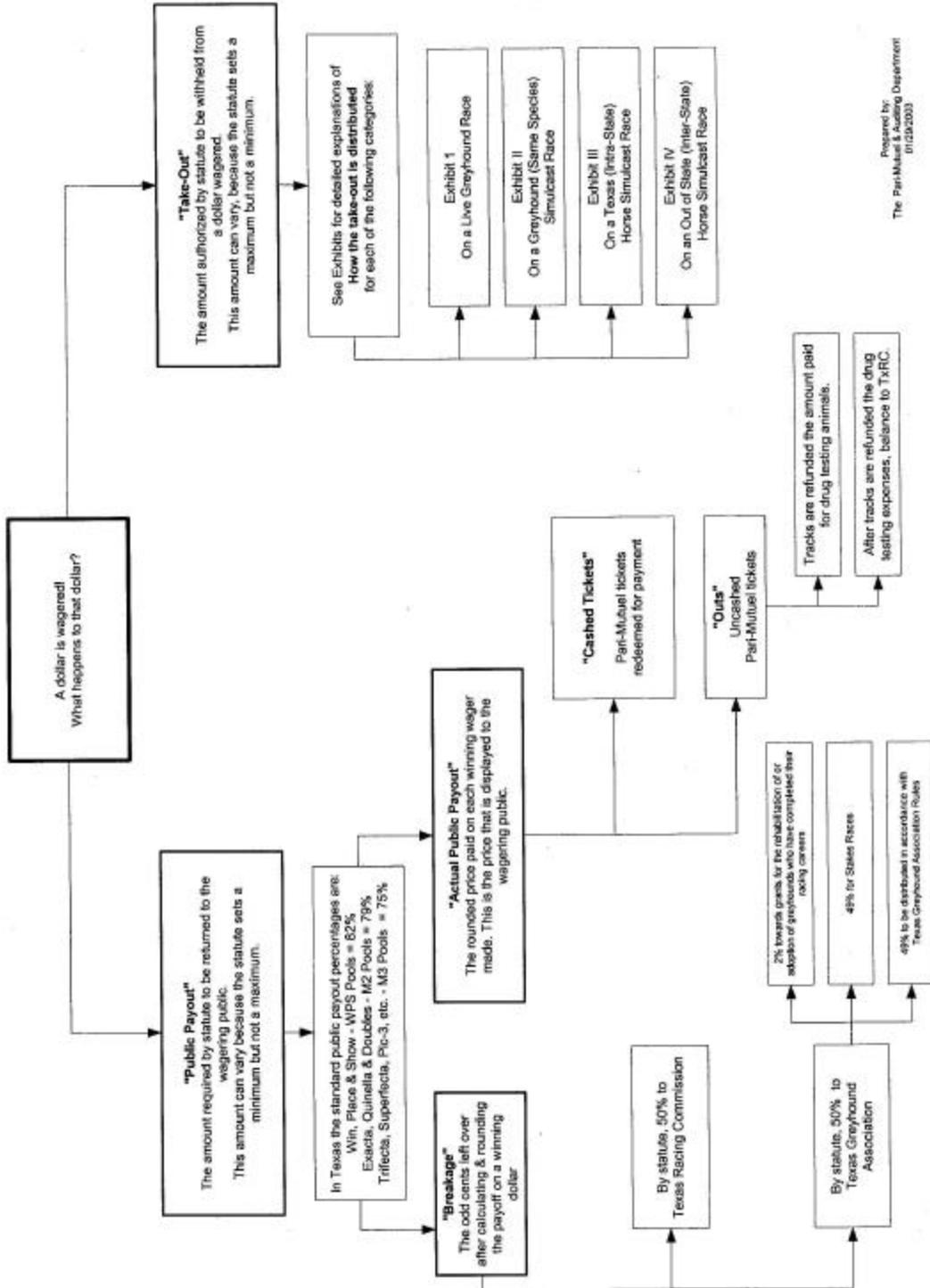
Totalisator - a machine or system for registering and computing the wagering and payoffs in pari-mutuel wagering.

Win - to finish first in a race.

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

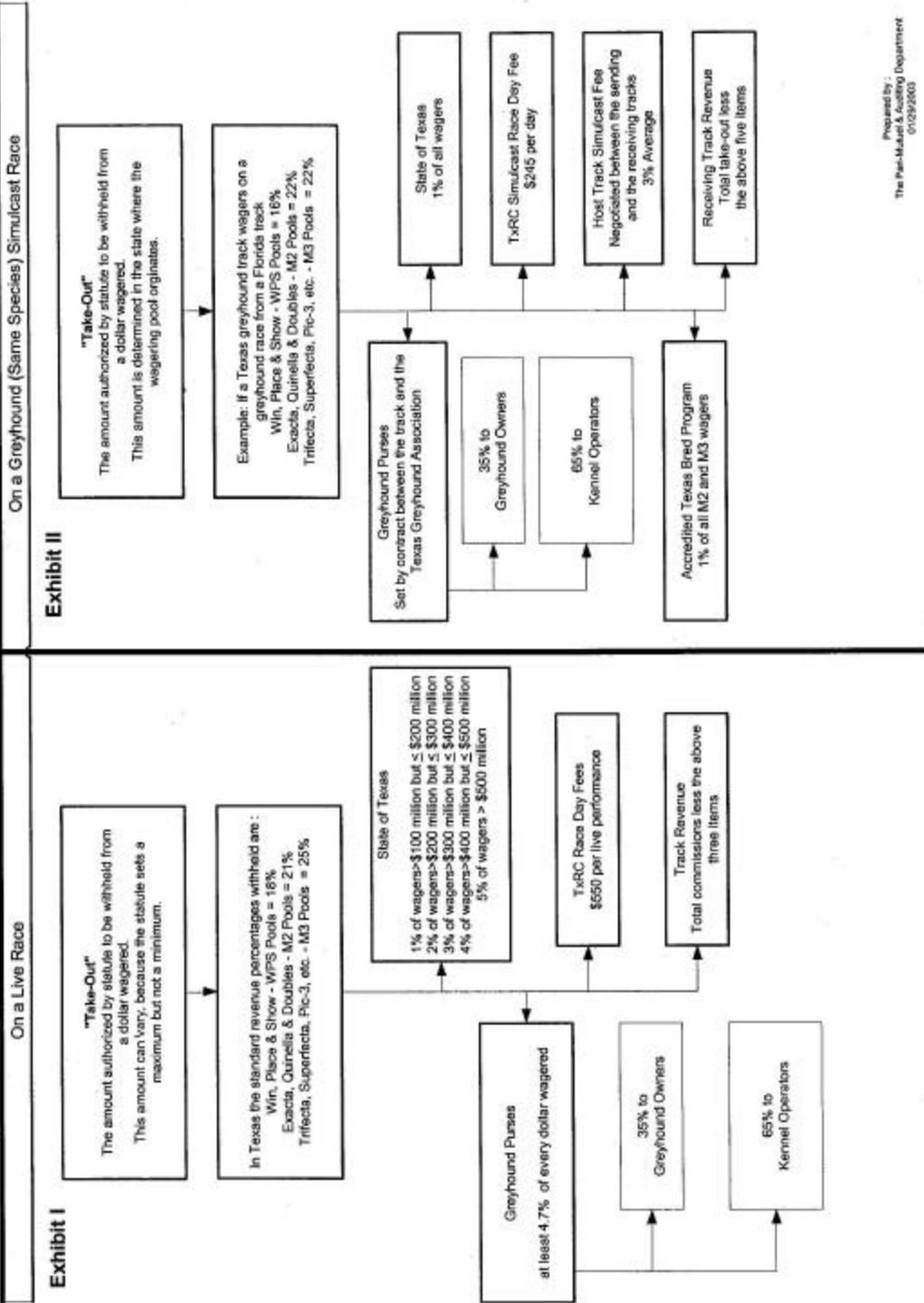
For further definitions, see Section 1.03 of the Texas Racing Act and Section 301.1 of the Rules of Racing.

How Money Wagered at a Greyhound Track is Distributed



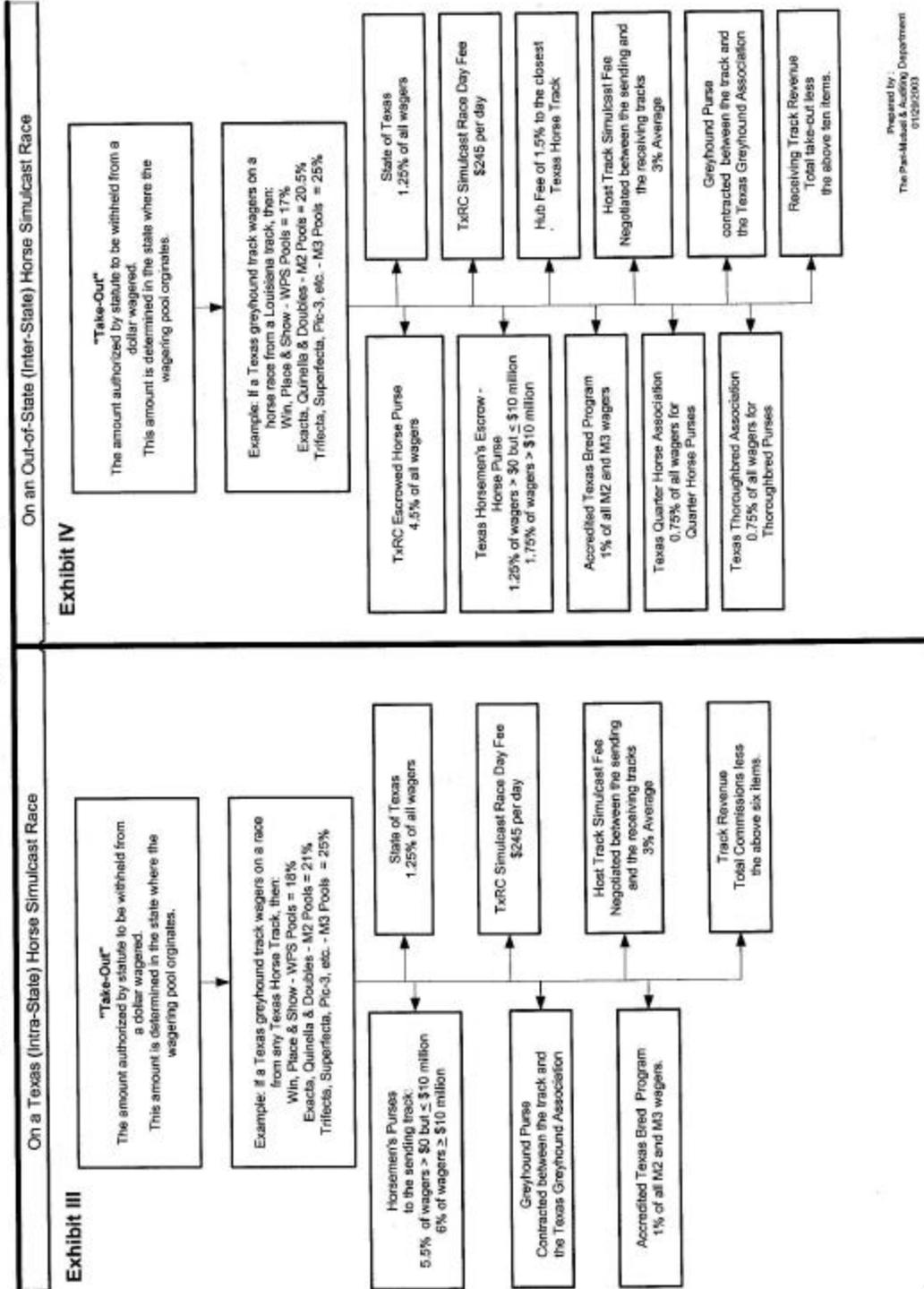
Prepared by:
The Pari-Mutuel & Auditing Department
01/28/2003

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



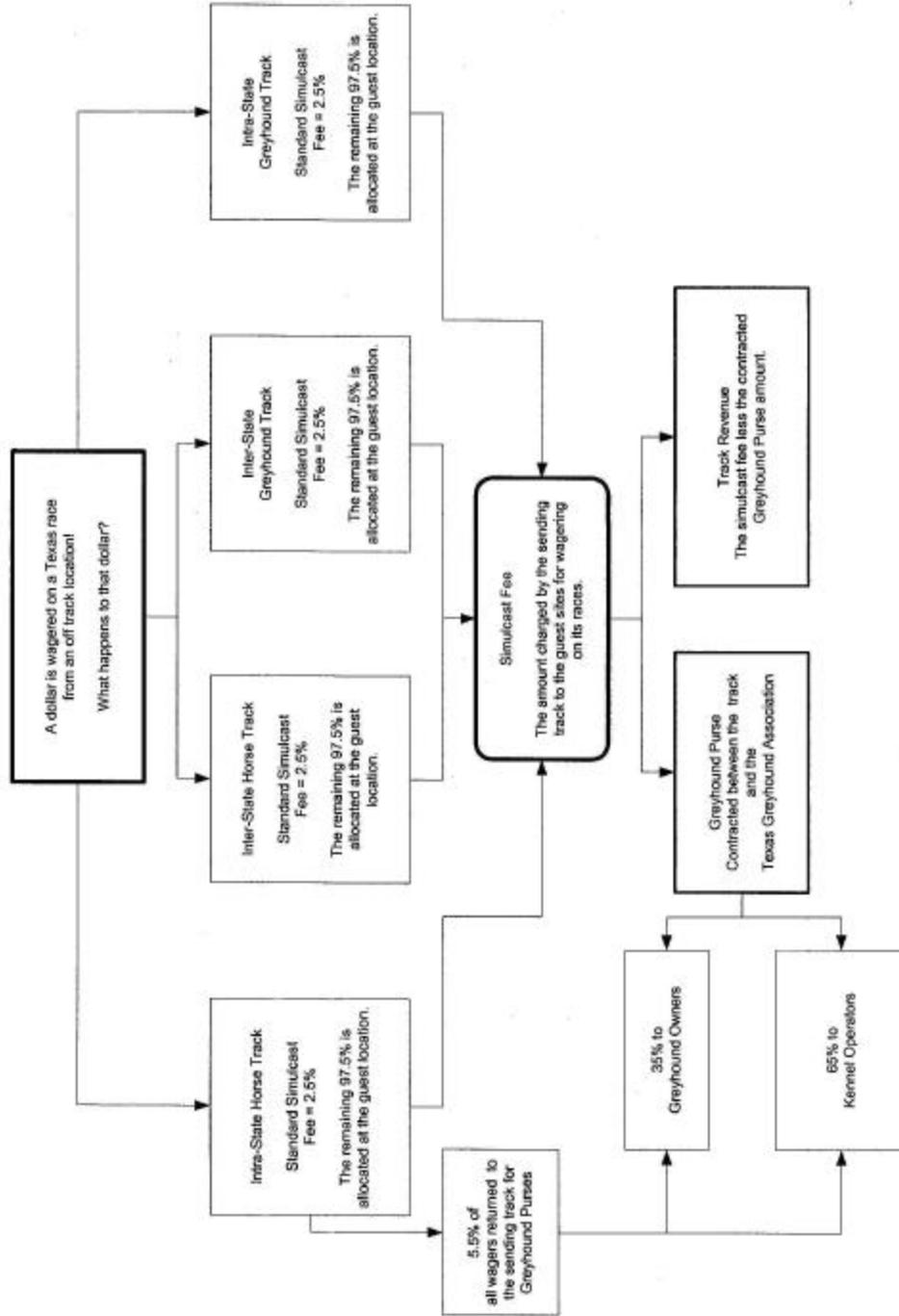
Prepared by:
The Past-Master & Training Department
01/29/2003

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



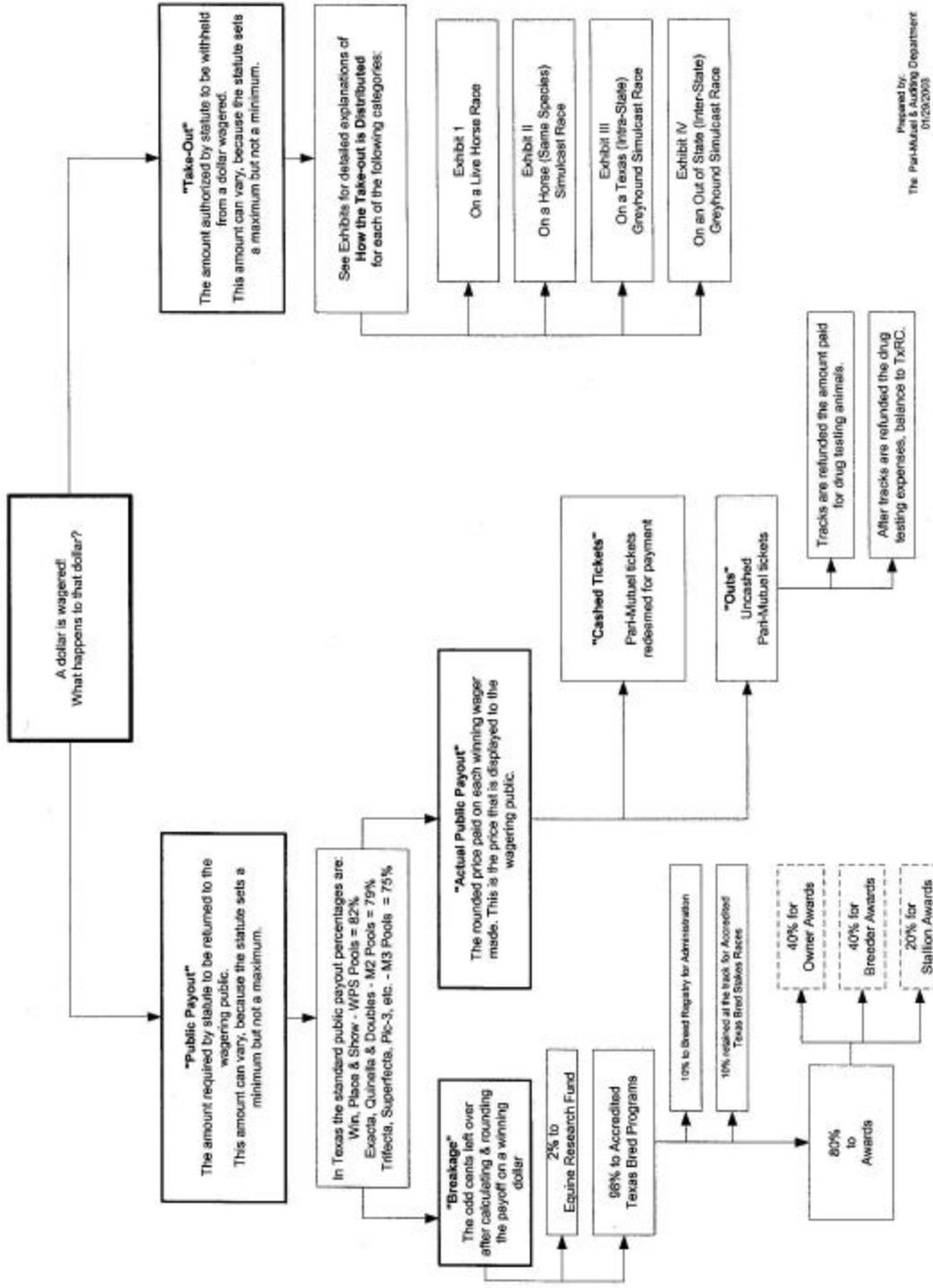
Prepared by:
The Pan-Missouri Auditing Department
01/22/00

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



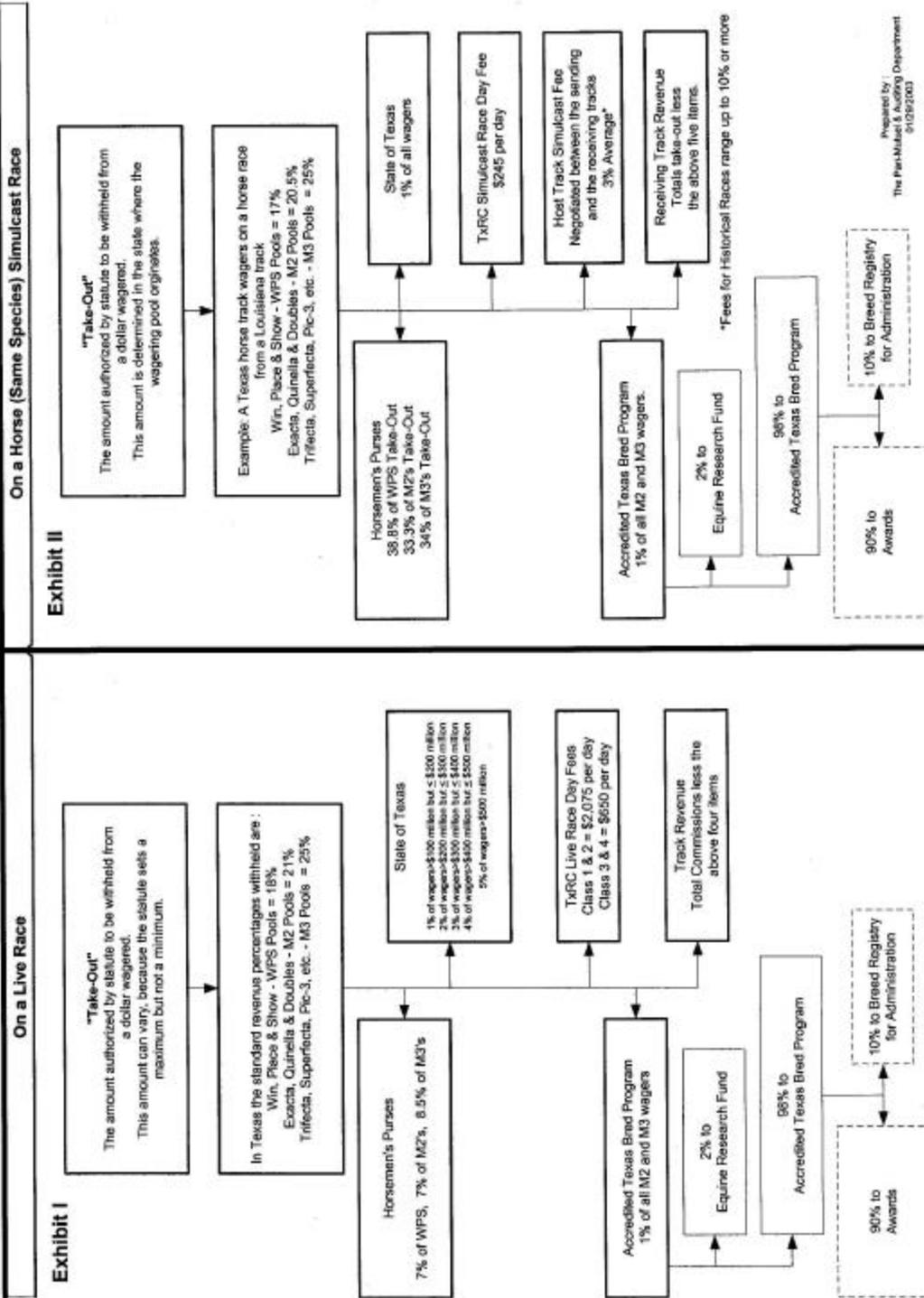
Prepared by:
The Parliament & Auditing
Department
01/24/2003

How Money Wagered at a Horse Track is Distributed

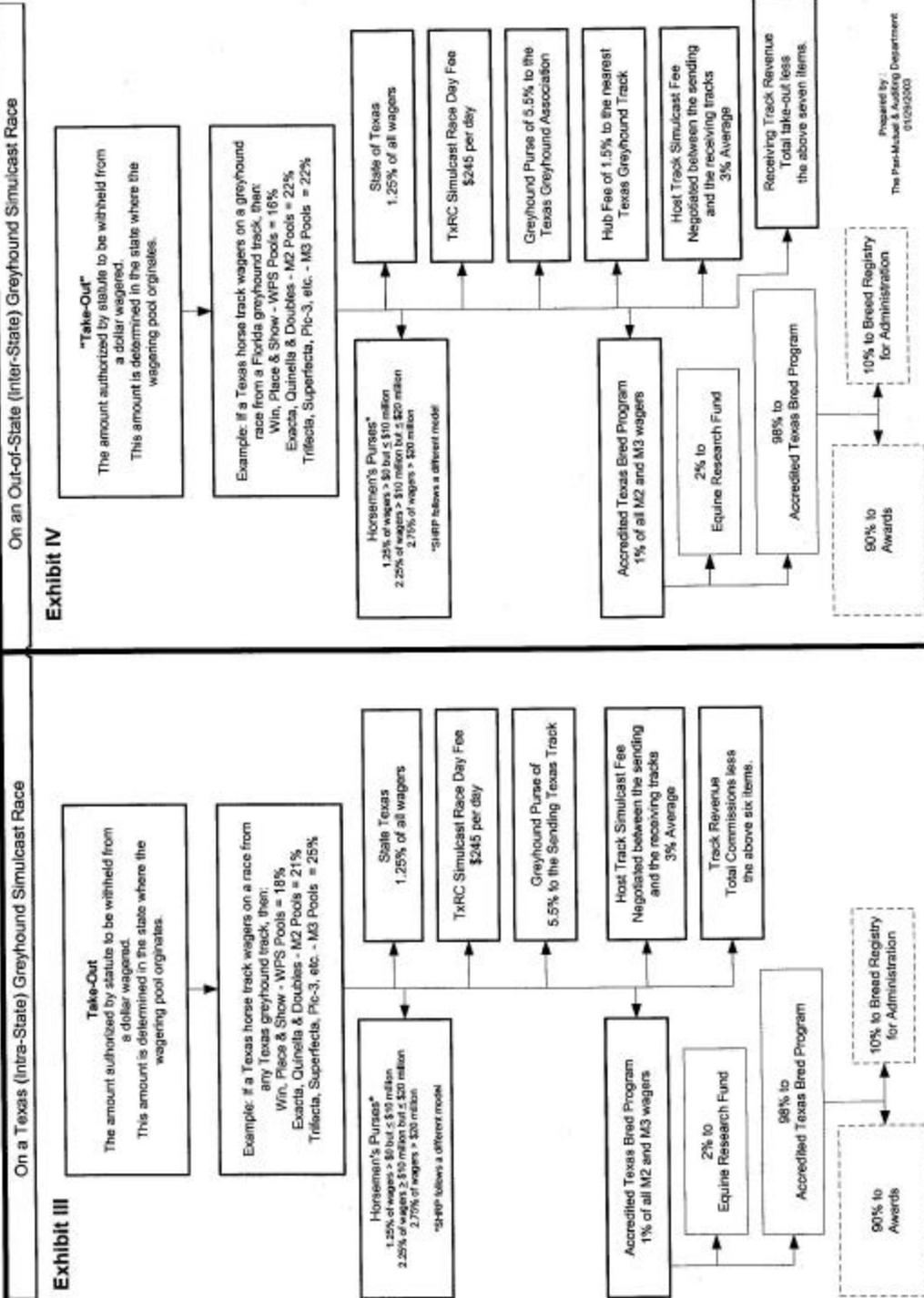


Prepared by:
The Par-Mutuel & Auditing Department
01/20/2003

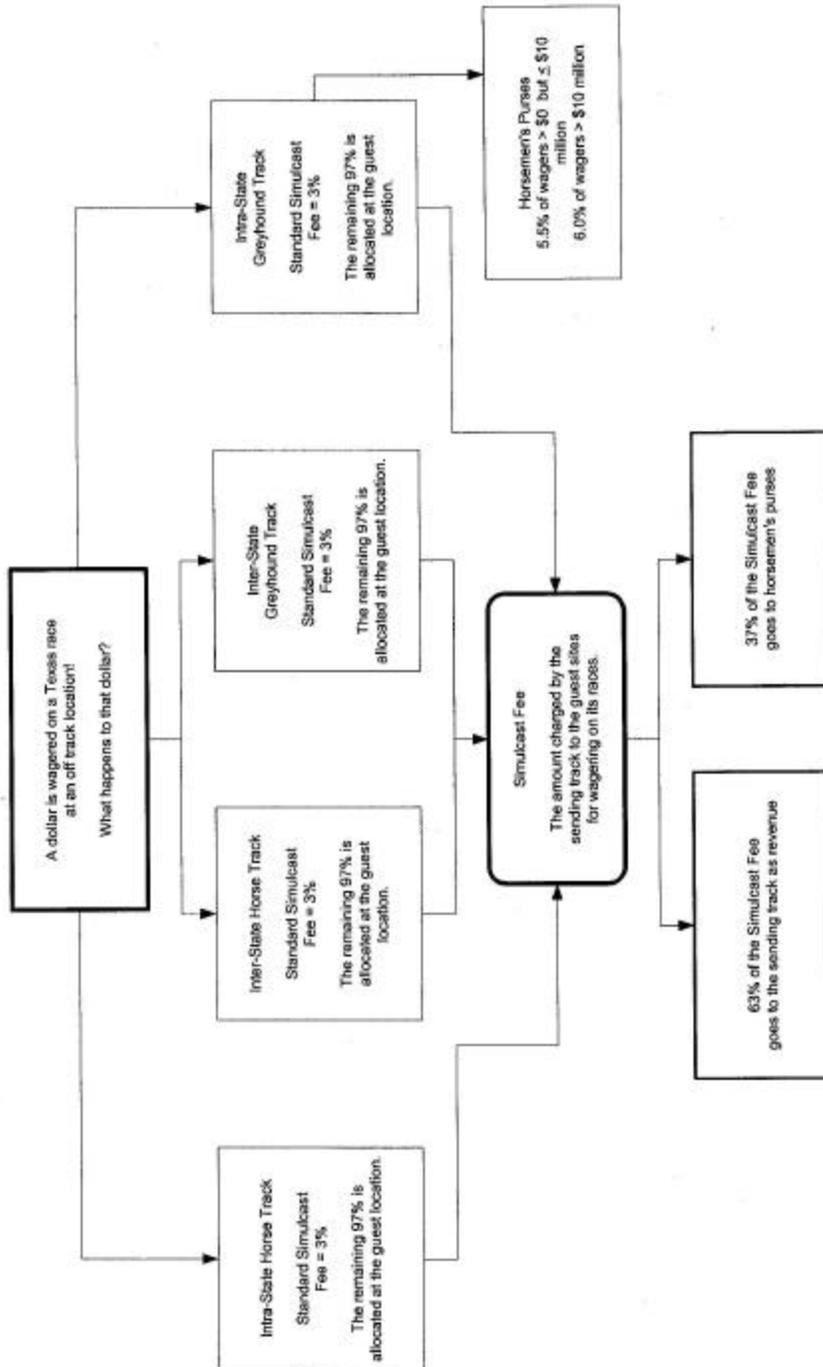
How the Take-Out from a Dollar Wagered at a Horse Track is Distributed



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



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



Prepared by :
The Post-Mortem & Auditing
Department
01/29/2003

2002 ANNUAL REPORT

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

2002 ANNUAL REPORT

RACING INDUSTRY ORGANIZATIONS & RELATED ASSOCIATIONS

American Quarter Horse Association

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

Equine Research Account Advisory Committee

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

Jockeys Guild

1711 B North Avenue C, Elgin, TX 78621
Phone 512-259-1957, Fax 512-259-8600

Texas Appaloosa Horse Club

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

Texas Arabian Breeders Association

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

Texas Greyhound Association

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

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

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

Texas Paint Horse Breeders Association

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

Texas Quarter Horse Association

P. O. Box 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

2002 ANNUAL REPORT

YEAR 2003 GRANTED LIVE RACE DATES

GREYHOUND RACETRACKS

CORPUS CHRISTI GREYHOUND RACE TRACK_ - 418 performances

Wednesday through Sunday, year-round

GULF GREYHOUND PARK_ - 467 performances

Tuesday through Sunday, year-round

VALLEY RACE PARK – 129 performances

Tuesday through Sunday, January through April 6 & November 28 through December 31

HORSE RACETRACKS

LONE STAR PARK AT GRAND PRAIRIE, Class 1

Thoroughbred Meet - 70 days - April 3 (Thursday) through July 13 (Sunday)

Thursday - Sunday racing from April 3 through April 27, Wednesday – Sunday racing from April 30 through July 13; Holiday racing on Monday, May 26, Memorial Day, closed on Wednesday & Thursday, May 28 & 29

Quarter Horse Meet - 33 days – October 3(Friday) through November 29 (Saturday)

Wednesday - Saturday racing, Holiday racing – closed on Thursday, November 27, Thanksgiving

RETAMA PARK, Class 1

Quarter Horse Meet – 24 days – May 2 (Friday) through June 22 (Sunday)

Friday - Sunday racing

Thoroughbred Meet - 51 days – August 1 (Friday) through October 25 (Saturday)

Thursday – Sunday racing in August, Wednesday – Saturday racing September through October 25

SAM HOUSTON RACE PARK, Class 1

Thoroughbred Meet – 48 days - January 2 (Thursday) through March 30 (Sunday)

Thursday - Saturday racing from January 2 – January 25, Thursday – Sunday racing from January 30 – March 30

Quarter Horse Meet - 43 days – June 27 (Friday) through September 6 (Saturday)

Thursday - Sunday racing, except opening and closing weekends, Holiday racing on Monday, September 1, Labor Day

Thoroughbred Meet - 35 days – October 24 (Friday) through December 27 (Saturday)

Wednesday - Saturday racing, Closed on Thursday, November 27, Thanksgiving, and Wednesday, December 24, and Thursday, December 25, Christmas

MANOR DOWNS, Class 2

Quarter Horse Meet - 10 days – March 1 (Saturday) through March 30 (Sunday)

Mixed Meet – 8 days – April 5 (Saturday) through April 27 (Sunday)

Thoroughbred Meet – 4 days – May 3 (Saturday) through May 11 (Sunday)

All three meets feature Saturday & Sunday racing

GILLESPIE COUNTY FAIR & FESTIVALS ASSOCIATION, Class 3

Mixed Meet - 8 days - July 4, 5 & 6 and 19 & 20, August 9 & 10 and 23 & 24

Saturday & Sunday racing, Holiday racing on Friday, July 4, Independence Day

(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.)

2002 ANNUAL REPORT

YEAR 2003 APPROVED BREED SPLITS

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

TEXAS BRED INCENTIVE PROGRAM

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

ESCROWED HORSE PURSE ACCOUNT

	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%

Copies of this publication have been distributed in compliance with the State Depository Law and are available for public use through the Texas State Library and other state depository libraries.

THIS PUBLICATION IS ALSO AVAILABLE ON THE
TEXAS RACING COMMISSION'S WEBSITE AT
<http://www.txrc.state.tx.us>