

TEXAS RACING COMMISSION



2009

ANNUAL

REPORT

TEXAS RACING COMMISSION

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TEXAS RACING COMMISSION
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January 29, 2010

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

Dear Governor Perry:

On behalf of my fellow commissioners and staff, I am honored to submit the 2009 Annual Report of the Texas Racing Commission in accordance with Section 3.10 of the Texas Racing Act, Article 179e, Vernon's Texas Civil Statutes. The results of the Commission's regulatory efforts, along with statistics of interest, are highlighted in this report.

Once again, with most aspects of the Texas pari-mutuel industry continuing to decline, the statistics are not promising. Texas racetracks face stiff competition from the continued proliferation of unregulated horse racing in Texas; additional wagering opportunities in all four of our neighboring states and Mexico; and unregulated gaming via the Internet. The national economic downturn adds an additional burden to all stakeholders, including the State of Texas. In 2009, the total amount wagered at Texas racetracks fell by almost \$53 million, representing a 12% decrease from 2008 wagering totals. Nationally, it has been estimated that total wagering on horse racing in 2009 fell almost 10%.

As you know, despite a very productive Sunset review process that yielded several extremely important recommendations, the 81st Legislature failed to pass our Commission's Sunset legislation. I remain hopeful that the 82nd Legislature will recognize the importance of said recommendations and work towards providing meaningful improvements to the Texas Racing Act.

On behalf of the Texas Racing Commission, I would like to reiterate our commitment to remain determined and dedicated to providing fair, effective and efficient regulation of the pari-mutuel industry.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. Pablos", written in a cursive style.

Rolando B. Pablos
Presiding Officer
Texas Racing Commission



TEXAS RACING COMMISSION
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AUSTIN, TEXAS 78711-2080
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January 29, 2010

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

Dear Governor Perry:

As the executive director of the Texas Racing Commission, I respectfully submit the Commission's 2009 Annual Report.

I want to thank all the members of the Commission for their valuable contributions to the agency this past year. From Commission meetings to working group meetings, each generously gives their time and energy. The Commissioners, based on a wealth of professional and business expertise, provide quality leadership.

The Commission regulates a complex industry that operates seven days a week, 364 days a year. I highly commend staff's efforts and teamwork as they work long hours and remain determined and dedicated to protecting the health, safety, and welfare of all involved in racing. I thank each individual for their contributions to the Commission and to the State of Texas.

On behalf of the Commissioners and the staff, we thank the Texas Department of Public Safety and the Texas Comptroller of Public Accounts as each consistently provides critical assistance in regulating the pari-mutuel industry. These state agency partnerships effectively demonstrate the benefits derived from coordinated efforts and resources.

Although the Commission is significantly concerned about the continuing decline of the pari-mutuel industry, we continue to efficiently and effectively fulfill our mission in securing the safety, integrity, and fairness of racing and wagering in Texas.

Sincerely,

A handwritten signature in blue ink that reads "Charla Ann King".

Charla Ann King
Executive Director

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TEXAS DEPARTMENT OF PUBLIC SAFETY

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STEVEN C. McCRAW
DIRECTOR
LAMAR BECKWORTH
BRAD RABLE
DEPUTY DIRECTORS



COMMISSION
ALLAN B. POLUNSKY, CHAIR
C. TOM CLOWE, JR.
ADA BROWN
JOHN STEEN
CARIN MARCY BARTH

January 21, 2010

Mr. Rolando Pablos, Commission Chair
Texas Racing Commission
8505 Cross Park Drive, Suite 110
Austin, Texas 78754-4594

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

Dear Mr. Pablos,

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 2009.

CRIMINAL ACTIVITY AND CRIME TRENDS

The Department's re-organizational objectives are progressing at a rapid pace, with Homeland security efforts with the emphasis on Criminal Enterprises, Narcotics Trafficking, and Gangs, continue to be a law enforcement priority in 2009. The increase in violence along the border regions of Mexico, border security enforcement has been enhanced through multi-agency collaborative efforts and re-emphasizing Department resources toward these new initiatives. Trans-national gangs continue to be a threat concern, not just along the Mexican border, but throughout the Texas. Organized crime groups continue to pursue lucrative international smuggling operations which include drugs, stolen vehicles, weapons and illegal aliens.

Identity theft continues to flourish nationally and law enforcement is desperately attempting to stay ahead of this challenge through updated technology and training. Federal, state and local jurisdictions continue to investigate these offenses but despite the enforcement efforts, these activities continue to thrive due to jurisdictional issues and the anonymity provided by technology.

The reportable crime index will not be available until May 2010.

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ILLEGAL GAMBLING

Animal related gambling, such as dog fights and cockfights continue to be a challenge to law enforcement, predominantly in the rural areas of the Texas, as well as, in the inner Metropolitan City neighborhoods. Illegal gambling involving 8-liner businesses has shown an increase, according to the number of investigations conducted by State and local officers. Continued coordination between State and local law enforcement personnel, along with the Office of the Texas Attorney General, will enhance efforts in reducing these illegal businesses. Unsanctioned horse racing at non pari-mutuel tracks or "*brush tracks*" are a continuing challenge in rural areas of the Texas. In spite of numerous covert operations conducted by officers, these tracks are difficult to infiltrate, making investigation and prosecution a major challenge. The erratic schedule of operation, clandestine/rural locations, and tight-knit associations, allows for the cloaking of these operations. Racing authorities and racing interests feel these unsanctioned tracks are having a definitive negative impact on the legitimate pari-mutuel tracks and the racing industry in Texas, both operationally and economically.

With Highest Regards,

A handwritten signature in blue ink, appearing to read "Jesse Flores".

Jesse Flores, Major
Special Investigations Section

THE COMMISSION

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

MISSION

To enforce the Texas Racing Act and the Rules of Racing to ensure the safety, integrity, and fairness of Texas pari-mutuel racing.

PHILOSOPHY

The Texas Racing Commission performs its responsibilities in strict compliance with state laws. The agency conducts its regulatory activities fairly, consistently, efficiently, and courteously.

THE COMMISSIONERS

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

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

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

Governor Rick Perry appointed **Rolando Pablos** of San Antonio as Chair of the Commission on October 31, 2008. Mr. Pablos was first appointed to the Commission on October 3, 2007. He is an attorney with Monty Partners LLP, a firm that focuses on employment, labor law, and immigration issues. He is also the co-founder of Burg O.A. Entertainment. Mr. Pablos is chairman of the San Antonio Hispanic Chamber of Commerce Board of Directors, and also serves on the boards of the San Antonio Free Trade Alliance, the Hispanic Alliance for Progress Institute, and the San

Antonio Zoo. His term expires on February 1, 2013.

G. Kent Carter, DVM, was named to the Commission on February 19, 2004. On August 8, 2007, Dr. Carter was elected by his fellow Commissioners to serve as the Vice-Chair of the Commission. He serves as Chief of Medicine in the Department of Large Animal Clinical Sciences at Texas A&M University. In 2008, he was inducted into the International Horseshoeing Hall of Fame as the 2008 college and industry veterinarian, recognizing his accomplishments, achievements and contributions in the advancement of equine foot-care. He also served on the Board of Directors for the American Association of Equine Practitioners from 2004-2007. Although Dr. Carter's term on the Commission expired on February 1, 2009, he continues to serve at the pleasure of Governor Perry.

Scott Haywood was appointed to the commission on November 24, 2009, by Governor Perry. Mr. Haywood replaced **Thomas Latham** who resigned from the Commission shortly after being appointed in April to pursue other interests. Mr. Latham had replaced **Jesse Adams** whose term expired on February 1, 2009. Mr. Haywood is the director of corporate communications for Astrotech Corporation. He previously served as director of communications for the Texas Secretary of State. His term will expire February 1, 2015.

Governor Perry appointed **Vicki Smith Weinberg** to the Commission on April 8, 2009, replacing **Charles L. "Sonny" Sowell** whose term expired on February 1, 2009. Ms. Weinberg is a self-

employed real estate investor and a member of the International Council of Shopping Centers. She is also past education foundation director for the Grapevine-Colleyville Independent School District. Commissioner Weinberg's term will expire February 1, 2015.

Robert Schmidt of Fort Worth was appointed to the Commission on November 16, 2007. Mr. Schmidt is a practicing orthopedic surgeon and a partner of the Texas Hip and Knee Center, L.L.P. He also serves as Chief-of-Staff at Plaza Medical Center of Fort Worth and Chair of Division of Orthopedics of North Texas Specialty Physicians Network. His term expires on February 1, 2011.

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

member of the South Texas Institute of the Arts Board of Governors.

Commissioner Hicks serves as a board member of the South Texas Botanical Gardens, Citizens for Education Excellence, Texas Society of Certified Public Accountants, and American Institute of Public Accountancy. On October 30, 2008, Governor Perry appointed her as the commissioner with special knowledge or experience related to greyhound racing. Her term expires on February 1, 2011.

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

EX OFFICIO MEMBERS

On October 7, 2008, the Chair of the Public Safety Commission, **Allen B. Polunsky** appointed Public Safety Commissioner **Thomas Clowe** as his new designee, replacing Elizabeth Anderson, who resigned from the Public Safety Commission. Mr. Clowe is from Waco and is a ranch land developer and investor in various Texas nursing homes. He is also a retired senior management advisor of the State Bar of Texas and former appointee to the Texas Lottery Commission. His term on

the Public Safety Commission expires January 1, 2010.

Susan Combs was sworn into office in January 2007 as the Comptroller of Public Accounts and serves as an ex-officio member of the Racing Commission. **Ann O'Connell**, Special Counsel to the Comptroller and Director of Criminal Investigations, replaced **Jimmy Archer**, who retired in June 2009, as Ms. Combs' official designee at Commission meetings.

COMMISSION MEETINGS, SIGNIFICANT ACTIONS, AND ACTIVITIES

The Texas Racing Commission met six times during calendar year 2009 to conduct official business.

Significant actions taken by the Commission during 2009 included the adoption of four new rules: two related to fee changes and two related to horse safety. With the recommendation of the Committee on Rules, eighteen existing rules were also amended.

At the April 2009 meeting, the Commission approved a 100% change in ownership of Corpus Christi Greyhound Race Track. Under the new name Gulf Coast Racing, the facility re-opened for simulcast wagering on July 3, 2009.

Two new Commissioners, Thomas Latham and Vicki Smith Weinberg, joined the June meeting replacing former Chair Jesse Adams and Commissioner Sonny Sowell. Both Adams' and Sowell's terms expired February 1, 2009. Commissioner Jimmy Archer, serving as the Comptroller of Public Account's designee for 12 years, announced his retirement and was replaced by a new designee, Ann O'Connell.

In September 2009, in response to a proposal by the three greyhound racetracks and stakeholders, the Commission approved a new format for greyhound racing beginning in 2010 through August 2011. Valley Race Park only requested racing dates in 2011, five performances over the Fourth of July weekend. Track and industry spokespersons cited Valley's request, along with the continued decline of purse levels and greyhound inventories, as the reasons for needing to make major changes to the business model. The Commission granted Gulf Greyhound Park 355 performances, including the transfer of 43 performances previously granted to Gulf Coast Racing. The goal of the new approach is to increase Gulf Greyhound Park's purse levels with simulcast purses earned at Gulf Coast Racing and Valley Race Park.

Commission approves major changes to 2010-2011 greyhound and horse racing schedules.

The Commission also granted the 2010 horse race dates at the September 2009 meeting. Declining purse levels also led to some changes to the horse race dates schedule. The

Commission approved Retama Park's request to transfer their Quarter Horse days and respective purse money to Sam Houston Race Park. Lone Star Park requested and was granted five fewer days of Thoroughbred racing, going from 65 days to 60. Manor Downs requested and was granted four fewer days of Mixed racing, going from 18 days to 14.

The request by Austin Jockey Club to approve a change in ownership in Longhorn Downs to Dallas City Limits was denied by the Commission at the September meeting. Chair Pablos directed the current owners of Austin Jockey Club to fulfill its commitment to the Commission with respect to its license and either bring a new proposal for a change in ownership and a subsequent location

for approval or bring forward a location and business plan for constructing a facility.

In October 2009, staff presented the results of an innovative, never-before conducted audit on the three tote companies that provide wagering systems in Texas. The agency contracted with an outside testing laboratory, Gaming Laboratories Inc., to perform extensive, high-level testing of the tote companies' operations, including testing pricing pool distributions, wagering terminals, and the information technology networks. All three were found to be qualified to operate at Texas racetracks. Also at this meeting, additional horse race dates in 2010 and 2011 were granted to the five inactive racetrack licensees, the first step to opening these five facilities.

Four new Commissioners take office during 2009.

In December, Scott Haywood became the fourth new Commissioner taking office in 2009. He replaced Commissioner Thomas Latham who resigned from the Commission in August 2009 to pursue other business interests.

The Commission's meetings are open to the public and, in addition to the required postings in the Texas Register, the agendas and agenda materials are posted on the agency's website prior to the meeting. Transcripts of each Commission meeting are also at www.txrc.state.tx.us.

Committee on Funding

Commissioners Sonny Sowell and Gloria Hicks served on a newly formed Committee on Funding. In late 2008 and early 2009, due to the combined impact of a declining pari-mutuel industry, the national economic downturn, and the effects of the 2008 hurricanes, the agency faced significantly reduced revenue. In early February, this group developed proposals for immediate steps to reduce costs and alternatives for raising revenue while continuing to explore options for improving the agency's method of finance. At its February meeting, with the Committee's recommendation, the Commission approved the request for a supplemental appropriation. Additionally, the Commission approved proposals to the Legislature for alternative methods of finance.

Committee on Racetrack Licensing

Commissioners Tom Clowe and Robert Schmidt presided over the Committee on Racetrack Licensing. Chair Pablos charged this new committee with reviewing all facets of racetrack licensing. The Committee issued its Report on Racetrack Licensing to the Commission at the February 2009 meeting. In summary, the Committee supported the Sunset recommendations on racetrack licensing, identified several policy issues, and provided an inventory of specific types of problems that face the Commissioners in addressing racetrack licensing issues.

Committee on Rules

Vice Chair Dr. Kent Carter and Commissioner Jimmy Archer heard public and stakeholder comments regarding proposed rule changes at the first meeting of the Committee on Rules in April. The Committee on Rules was implemented to

provide a forum for an in-depth review of proposed changes. The committee, chaired by Chair Pablos, met five times during the year. Upon Commissioner Archer's retirement, Commissioner Ann O'Connell joined the committee.

Safety and Medication Working Group

In July, Vice Chair Dr. Kent Carter convened the Safety and Medication Working Group to hear public and stakeholder testimony. The working group participants discussed the Report by the American Association of Equine Practitioners: Putting the Horse First: Veterinary Recommendations for the Safety and Welfare of the Thoroughbred Racehorse. The group also discussed proposed changes to model rules being considered by the Association of Racing Commissioners International (RCI).

SAM HOUSTON RACE PARK REOPENS FOLLOWING MAJOR RECONSTRUCTION DUE TO HURRICANE DAMAGE

In July and September of 2008, the combined effects of Hurricanes Dolly and Ike caused damage to three Texas racetracks. Sam Houston Race Park (SHRP) in Houston experienced the most significant damage, including extensive roof and water damage in the grandstand area, major damage to the infield, the tote board, and several areas on the backside including barns and dorms. Due to the damage, SHRP had to cancel its Thoroughbred meet scheduled to begin in November of 2008 and run through early April of 2009. To ease the burden of the loss of these significant racing opportunities, the Commission approved an industry supported transfer of Thoroughbred race dates to Retama Park.

Following significant new construction and major renovations, SHRP re-opened for live Quarter Horse racing on May 1, 2009.

81ST LEGISLATURE AND THE RACING COMMISSION

Senate Confirms Governor's Appointees

In May of 2009, all of the appointed Commissioners, including Chair Rolando Pablos, Ronald Ederer, Gloria Hicks, Thomas Latham, Robert Schmidt, and Vicki Smith Weinberg were unanimously confirmed by the Senate.

Agency's Legislative Appropriations Request Approved with Additional General Revenue Funding

The agency's FY2010-2011 Legislative Appropriations Request was approved with an additional \$1.5 million in General Revenue Funding. Obtaining alternative sources of revenue was one of the recommendations of the Commission's Committee on Funding.

This additional funding compensates for fluctuations in the agency's cash flow caused by variations in the uncashed, or outstanding ticket revenue. The revenue stream continues to be an unreliable source of major funding as the number of uncashed tickets continues to drop due to the decline in overall wagering and the innovations in wagering technology.

Legislature Passes Concurrent Resolution to Appoint Task Force on Horse and Greyhound Racing

Representative Senfronia Thompson, Vice Chair of the Licensing and Administrative Procedures Committee, authored the concurrent resolution to appoint a task force on horse and greyhound racing that was passed by the Legislature. However, Governor Perry vetoed the resolution, stating that the Texas Racing Commission already has the authority to fulfill the intentions of the resolution. In his veto statement, Governor Perry directed the Commission, in conjunction with private industry, to fulfill the intentions of the resolution by studying the current state of horse and greyhound racing and breeding in Texas and making a full report, including findings, recommendations, and possible legislation, to the Governor, the Lieutenant Governor, and the Speaker of the House of Representatives before the convening of the 82nd Legislature.

Sunset Bill Failed to Pass

A productive Sunset review process began in the summer of 2007 resulting in a number of Sunset recommendations. The recommendations were considered by the 81st Legislature that convened in January 2009.

The Sunset staff, in its March 2008 Summary Report to the Sunset Commission, concluded that *"...while the Commission is well-managed and effectively meets its mission, the Commission's statute has not kept pace with changes in the racing industry, specifically the decline in wagering and overall racing industry profits."*

The recommended changes provided clearer statutory authority and gave the Commission added flexibility to oversee today's racing industry. The Sunset Commission recommended that the Commission continue as an independent agency for six years, instead of the usual twelve, in order to provide the legislature with an earlier opportunity to re-evaluate the agency's role in regulating a declining industry.

Despite the vast amount of time, effort, and resources devoted by the Racing Commission, the Sunset Commission, and numerous legislators and their staff

Special Session postpones action on agency's Sunset legislation until 2011.

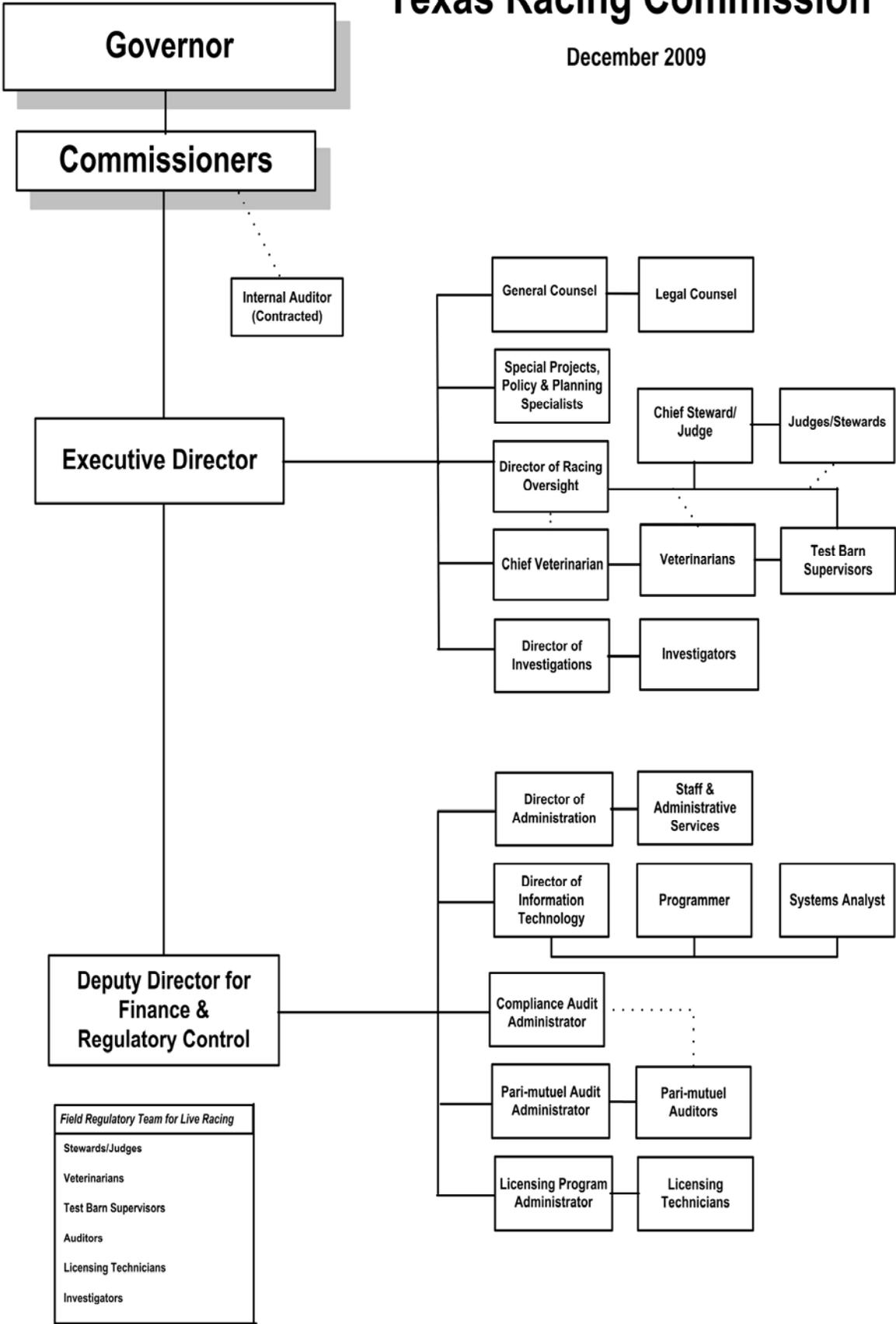
members over a two year period, the bill failed to pass. The Commission was one of five agencies whose Sunset legislation failed passage. Governor Perry called a Special Session in July to continue the five agencies until 2011. The bill limits the Sunset Commission's review to the appropriateness

of recommendations to the 81st Legislature and authorizes the Sunset Commission to include any other recommendations it considers appropriate.

The Commission remains committed to the Sunset process. Although the Sunset Commission recommendations were not enacted, the agency did respond to the Sunset's recommendations for management actions. The agency's implementation of the recommendations resulted in an expedient method of obtaining criminal history reports through electronic fingerprinting, a process for oversight of practical examinations for licensing horse trainers, more consistent oversight from racetrack to racetrack by changing staffing patterns and requiring better reporting on enforcement actions, and improved integration of field staff effort with central office efforts.

Texas Racing Commission

December 2009



COMMISSION STAFF – ORGANIZATION

EXECUTIVE

EXECUTIVE DIRECTOR

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

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

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

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

GENERAL COUNSEL

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

INVESTIGATIONS

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

enforcement of the Commission's Rules and the Texas Racing Act.

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

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

RACING

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

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

VETERINARY DIVISION

The Chief Veterinarian oversees this division, supervising the veterinarians and test barn supervisors working at the racetracks. The Veterinary and Drug Testing Program Manager assists in overseeing all aspects of the drug testing program.

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

Commission's race animal drug testing program.

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

FINANCE AND REGULATORY CONTROL

DEPUTY DIRECTOR

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

PARI-MUTUEL AND AUDITING

The pari-mutuel and auditing department regulates all activities related to wagering and is headed by a Pari-Mutuel Audit Administrator and a Compliance Audit Administrator. The department protects the interest of the wagering public and ensures the proper collection and distribution of funds in accordance with the Racing Act. To achieve this, tests of the pari-mutuel totalisator systems are routinely 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 and voucher balances, depository reports, and requests for simulcast approval. The audit staff also performs routine procedural audits, conducts random inspections of pari-mutuel wagering facilities, and responds to public complaints relating to wagering.

OCCUPATIONAL LICENSING

The licensing department, headed by a Licensing Administrator, is responsible for issuing occupational licenses and registrations to all persons involved in pari-

mutuel greyhound and horseracing. This department works closely with the Investigators and the Stewards/Judges.

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

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

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

FINANCE AND ACCOUNTING

This department is headed by the agency's Chief Financial Officer and is responsible for the budget, accounting, purchasing, personnel, travel coordination, and other administrative functions of the Commission. The department also assists in preparing the biennial Legislative Appropriation Request, the operating budget, the annual financial report, and reports on performance measures.

INFORMATION TECHNOLOGY (IT)

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

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

information regarding all aspects of the Commission's regulatory programs.

AGENCY HIGHLIGHTS

ADMINISTRATIVE

During FY 2009, the agency met or exceeded three of its five performance outcome measure targets: increase the percentage of compliance audits passed; reduce the rate of rulings by maintaining a high percentage of investigations resulting in disciplinary action; and by having a high percentage of licensees with no recent violations.

The Commission began implementing a new electronic fingerprinting process with new equipment that allows the agency to receive background information more timely. The process, requiring additional data entry and a considerable learning curve, has caused additional time when issuing a new occupational license within a specified time. The percentage of race animals injured or dismissed from racing has been affected by the Commission emphasizing, to both horse and greyhound trainers, the importance of reporting all racing related injuries, including those that occur during training. Several factors affect the number of animal injuries including the condition and quality of the racing surface, the overall quality of racing stock, and the frequency that a race animal competes.

The Executive Division coordinated six regular Commission meetings. The General Counsel coordinated and completed rule reviews for Chapters 313 and 315 as required by Government Code § 2001.039 and initiated the review of Chapters 307, 321, and 323. During the year, the Commission considered and adopted amendments to forty-five rules.

TECHNOLOGY

In 2009, the Information Technology (IT) department completed over 325 database change requests, 90 programming requests, and 70 service requests. With budget being a major concern in 2009, the IT department did not replace or upgrade any servers or PCs; instead, efforts were focused on documentation and training. The department completed the software standardization project originally begun in 2008.

**Documentation and training
were priorities in 2009.**

The IT department initiated a major project, the migration of all its server software applications to the latest technology. This project is targeted for completion in mid-2010. Once complete, the new applications should provide more services and improve user access and security.

REGULATORY

In 2009, pari-mutuel auditors reviewed wagering data on 7,490 live races and 699,811 simulcast races to ensure proper collection and distribution of funds. A total of 1,914 import and export simulcast requests were reviewed for compliance with the Texas Racing Act, the Texas Rules of Racing, and the Federal Interstate Horse Racing Act.

TXRC continues to oversee and work closely with totalisator (tote) system companies, the third party vendors that provide pari-mutuel wagering computer services to racing associations operating in the state of Texas.

In 2008, the agency contracted with Gaming Laboratories International (GLI), an accredited testing laboratory for reviewing, testing, and evaluating the validity of pari-mutuel wagers and pay-offs to ensure accurate information goes to the bettor, the racing associations, the Texas Comptroller of Public Accounts, and the Texas Racing Commission. In 2009, the contract was completed and a final report was presented to the commissioners on October 20, 2009. The final report was a summation of GLI's testing methodology, the findings of the testing, recommendations for corrective action, and recommendations for future monitoring of the totalisator systems to ensure the integrity of pari-mutuel wagering in Texas. All three tote companies operating at Texas tracks were found to be qualified to continue tote operations in Texas.

The Commission completed its fifth full year of participation in the TexasOnline program, a web-based program that provides the public the convenience of applying for a myriad of state services online. During 2009, over 10.39% of all individual and business renewals were processed through the online program. This represents a 7% decrease from the 2008 usage. New license applications via the TexasOnline program accounted for 5.3% of all new applications received.

In 2009, a total of 9,528 occupational licenses and 97 business licenses were issued, down just over 10% from 2008. The decline in licenses issued is directly attributable to the overall decline in the racing industry as a whole.

Of the occupational licenses issued, new licenses accounted for 3,640 while renewals accounted for 5,888. The 97 business licenses consisted of 11 kennel licenses and 86 vendor licenses. There were 908 trainer type licenses, 161 jockey licenses, and 11 apprentice jockey licenses issued during the year. The largest number of licenses issued was for track employees, which totaled 2,924 licenses. Individual owner licenses followed with a total of 2,605 being issued. The remaining 2,919 licenses were issued among the other license categories, including exercise riders, kennel helpers, veterinarians, and multiple owners.

A new licensing policy was approved and implemented in 2009, whereby two new license types, specifically dealing with totalisator companies and their employees, were introduced. The new policy further ensures that requirements specific to totalisator companies are being met. Staff developed an approach that creates a direct relationship between the totalisator companies and their employees similar to the system in place for owners and trainers.

Stewards and Judges issued a total of 472 disciplinary rulings, with 303 resulting in fines, 175 resulting in suspensions, and 2 resulting in revocation. There were a total of 27 applications for licensure that were denied due to ineligibility. Two appeals were filed during 2009. Both appeals remain pending as of January 2010.

Two disciplinary reports were issued by the Executive Director during 2009 for violations of the Commission's rules with penalties totaling \$702.70.

INVESTIGATIONS

During calendar year 2009, the Investigations Division worked 263 cases as compared to 272 cases in 2008. Case referrals to the Board of Stewards/Judges for animal drug positives continued to decline, with 54 animals testing positive in 2009, compared to 59 in 2008. Human drug positives remain static, with 34 human positives in both 2008 and 2009.

Through the use of tactical allocation of resources, and active liaison with the Texas Department of Public Safety (DPS) and local law enforcement agencies, the division continues to strive for voluntary compliance with agency rules. The critical assistance from these entities helps ensure the safety of the public, participants, and animals involved in racing.

Investigators, along with the DPS and local law enforcement, continue to perform random inspections at all active licensed racetracks and licensed training centers. These inspections resulted in 27 contraband cases being referred to the Board of Stewards/Judges.

ANIMAL EXAMINATIONS / DRUG TESTING

Commission veterinarians are required to examine each animal that is entered in a pari-mutuel race to determine their health and soundness for racing. During 2009, Commission veterinarians performed 39,707 greyhound and 21,352 equine pre-race examinations.

Commission veterinarians supervised the collection of 7,599 greyhound urine specimens, 5,317 equine urine specimens, and 5,078 equine blood specimens. These specimens were submitted to the Texas Veterinary Medical Diagnostic Laboratory, the Commission's authorized drug testing laboratory. The laboratory tested the specimens for substances that could alter the outcome of a race or would interfere with the detection of illegal drugs.

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

The classification system for greyhounds separates drugs into six classes based on their effect on the greyhounds. Of the 6 prohibited substances detected in greyhounds during 2009, five were Class 4 substances and one was a Class 6 substance.

The classification system for equines consists of five classes. Of the forty-two classified substances detected in racehorses during 2009, five were Class 2 substances, three were Class 3 substances, eleven were Class 4 substances, and twenty-three were Class 5 substances.

The Commission began testing for anabolic steroids in January of 2009. The Commission provided advance notice that the testing would begin, to ensure that horsemen and their veterinarians had adequate time to adjust their medication regiment. The effort was successful and as of December 31, 2009, there were no positives were identified for anabolic steroids out of the 5,317 equine samples.

**First year testing resulted
in no equine anabolic
steroid positives.**

RESULTS OF DRUG TESTING 2009 COMPARED TO 2008

GREYHOUND			HORSE		
	2008	2009		2008	2009
No. of Starters	40,811	39,707	No. of Starters	24,270	21,352
No. of Samples	7,712	7,599	No. of Samples	6,016	5,317
Drug [Classification]			Drug [Classification]		
Acetylsalicylic Acid (4)	0	5	Caffeine (3)	0	1
Caffeine (4)	6	0	Clenbuterol (4)	2	2
Procaine (6)	3	1	Dexamethasone (4)	0	1
Sulfamethazine (6)	6	0	Dextrophan (4)	0	1
Theobromine (4)	1	0	Dimethylsulfoxide (5)	0	1
Theophylline (3)	5	0	Flunixin (4)	1	5
TOTAL	21	6	Fluphenazine (2)	0	1
			Furosemide Overage (n/a)	0	1
			Furosemide not found in Furosemide Program Horses (n/a)	0	1
			Guaifenesin (4)	0	1
			Hydroxylicocaine (2)	3	2
			Lidocaine (2)	2	2
			Mepivacaine (2)	1	0
			Methylprednisolone (4)	3	1
			Phenylbutazone (n/a)	23	21
			Sulfadiazine (5)	5	9
			Sulfamethazine (5)	0	1
			Sulfamethoxazole (5)	0	2
			Theophylline (3)	0	1
			Trimethoprim (5)	2	10
			2-[1-hydroxyethyl]-7 Hydroxypromazine (3)	0	1
			TOTAL	42	65

GREYHOUND DRUG CLASSIFICATION SCHEDULE

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

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

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

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

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

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

HORSE DRUG CLASSIFICATION SCHEDULE

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

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

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

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

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

INSPECTION PROGRAM

The Commission has a mission to ensure pari-mutuel racing is conducted in a manner that protects the participants and the public. To accomplish this mission, the Commission has developed a comprehensive inspection program for pari-mutuel racetracks and licensed training facilities. Through this inspection program, the Commission oversees all pari-mutuel racetrack license holders to monitor and gain compliance with the rules of the Commission.

INSPECTIONS BY AREA

The Commission's inspection program is separated into six inspection areas:

- Safety and Security inspections focus on all security aspects of the facility, including outdoor lighting and fencing. Other areas reviewed include medical and first aid services, fire prevention measures, including inspecting the barns to ensure proper storage for hay and feed.
- Administrative Operations inspections center on a review of association ownership records, bookkeeping, and accounting systems. It also includes a review of the facility from the patron's viewpoint, including cleanliness of patron facilities and amenities, posting of pertinent public notices, and proper signage on automatic banking machines.
- Live Racing Operations inspections focus on all aspects of animal housing, including maintenance and cleanliness of barns and kennel areas. These inspections also cover the condition of the track surface, starting gates and boxes, rails, and distance markers.
- Animal Health and Safety/Drug Testing Operations inspections cover the drug testing facilities and equipment, the treatment areas, and the equine ambulance. The inspections include a review of the overall maintenance of the backside areas with emphasis on ensuring a safe environment for both animals and licensees.
- Pari-mutuel Wagering Operations inspections include a review of all aspects of the wagering operations, including the track's mutuel department, the totalisator company's operations, and all related wagering equipment.
- Training Track inspections focus on the facility's overall track condition, including the track surface, starting gate, rails, and distance markers. Other areas of focus include checking for proper licensing of training facility personnel and those bringing horses for official works.

2009 Inspections by Area

Type of Inspection	Number of Inspections
Safety and Security	31
Administrative Operations	13
Live Racing Operations	31
Animal Health and Safety/Drug Testing Operations	22
Pari-mutuel Wagering Operations	30
Training Tracks	10
TOTAL	137

INSPECTIONS BY TRACK

Of the 137 inspections, 58 were scheduled, 45 were random, and 34 were follow-up inspections. Sixty-eight, or 67%, of the scheduled and random inspections indicated 100% compliance, with no remedial action required subsequent to initial inspection.

- Horse tracks are inspected prior to the opening of their live racing season and unannounced inspections are conducted during the live racing meet.
- Greyhound tracks are inspected twice each year with periodic unannounced inspections occurring throughout the year.
- Training tracks are inspected twice each year. Training facilities may provide official workouts for horses if licensed by the Commission.

2009 Inspections by Track

Track Name	Number of Inspections
Corpus Christi Greyhound Race Track	5
Gillespie County Fair & Race Barn	9
Gulf Coast Racing (formerly Corpus Christi GH)	7
Gulf Greyhound Park	28
Lone Star Park at Grand Prairie	24
Manor Downs	12
Retama Park	15
Sam Houston Race Park	17
Valley Race Park	12
Delta Training	3
Diamond D Training	2
Oakleaf Training	2
Valhalla Training	1
TOTAL	137

TEXAS-BRED INCENTIVE PROGRAM

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

GREYHOUND PROGRAM

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

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

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

Two percent of the total money from breakage received by the TGA must be set aside for grants for rehabilitating or locating homes for greyhounds.

The procedures and criteria for applying for a grant were finalized by the TGA and approved by the Commission in 1999. During 2009, six grants at \$300 each were distributed from this source of funding to qualified Texas non-profit rehabilitation and adoption groups totaling \$1,800.

Purse money earned from inter-state simulcast wagering on greyhound races at a horse track is also paid to the

TGA for use at Texas greyhound racetracks.

This source of purse money resulted in \$1,152,053 going to purses at Gulf Greyhound Park and \$249,366 going to purses at Valley Race Park during 2009. This represents an overall decrease of \$182,255 or 11.5% from 2008.

HORSE PROGRAM

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

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

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

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

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

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

In November 1998, the Texas Appaloosa Horse Club requested to be

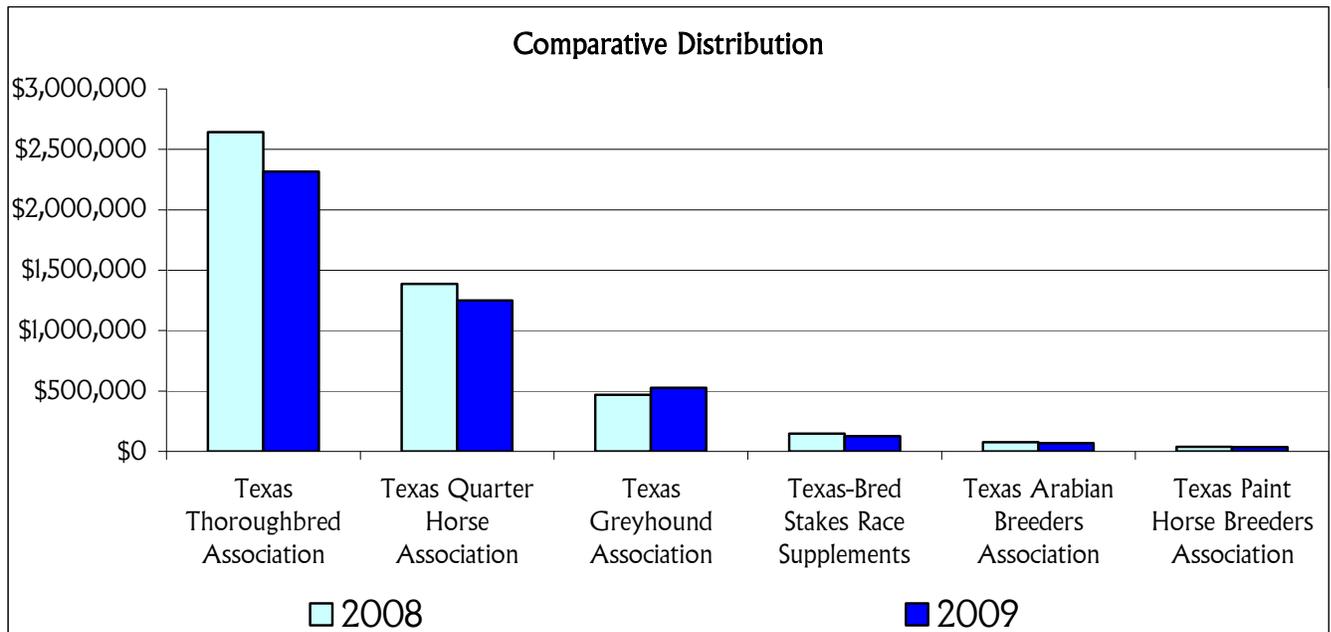
withdrawn from the program due to lack of participation. The Commission forwarded the request to the Legislature for their consideration but no action has ever been taken. No funds were distributed to the Texas Appaloosa Horse Club during 2009.

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

Texas-Bred Incentive Program

**Comparative Distributions
Year 2009 vs. Year 2008**

	2008	2009	% Change
Texas Thoroughbred Association	\$2,643,629	\$2,316,007	-12.39%
Texas Quarter Horse Association	\$1,385,159	\$1,249,860	-9.77%
Texas Greyhound Association	\$467,489	\$526,441	12.61%
Texas-Bred Stakes Race Supplements	\$146,762	\$126,424	-13.86%
Texas Arabian Breeders Association	\$76,762	\$68,781	-10.40%
Texas Paint Horse Breeders Association	\$38,757	\$35,786	-7.67%
Texas Appaloosa Horse Club	\$0	\$0	0.00%
TOTAL	\$4,758,558	\$4,323,299	-9.15%



EQUINE RESEARCH PROGRAM

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

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

The Equine Research Account Advisory Committee underwent Sunset review during the 81st Legislature. Legislation concerning ERAAC was not passed during the Regular Session. ERAAC was continued until September 1, 2011, in legislation passed during the 1st Called Session. The Sunset Committee will conduct a re-review of ERAAC for 2011.

The Texas Legislature did not appropriate any funds to the Equine Research Account during fiscal year 2009. However, Texas AgriLife Research dedicated \$125,000 during FY2009 to fund various equine research proposals. ERAAC has been designated to receive proceeds from one of Retama Park's "Charity Days" race dates in September 2010.

The equine research proposals funded in 2008-2009 totaled \$151,500 and are as follows:

- \$25,000 – Effect of Forage Type and Nutritional Strategies to Reduce the Severity of Gastric Ulcer Syndrome in Exercising Horses (Dr. Dennis Sigler, Department of Animal Science, Texas A&M University)
- \$28,000 – Genetic Analysis of Laminitis and Heaves in the Horse (Dr. Bhanu Chowdhary, Department of Veterinary Integrative Biosciences, Texas A&M University)
- \$12,500 – Studying Genetic Factors Associated with Racetrack Injuries: Phase I: Archiving DNA Samples from Horses Injured on Racetracks (Dr. Bhanu Chowdhary, Department of Veterinary Integrative Biosciences, Texas A&M University)
- \$32,000 – Relationship of Semen Laboratory Measures and Fertility of Stallions Subjected to Artificial Insemination (Dr. Charles Love, Department of Veterinary Large Animal Clinical Sciences, Texas A&M University)
- \$30,000 – Influence of Confinement Housing on the Cecal Environment of the Horse (Dr. Bill Pinchak, Texas AgriLife Research & Extension Center, Vernon)
- \$4,000 – Efficacy of Boldenone in Improving Recovery from Racing in Thoroughbred Horses (Dr. Virginia Fajt, Department of Veterinary Physiology & Pharmacology, Texas A&M University)
- \$20,000 – Elimination of Boldenone, Stanozolol, and Exogenous Testosterone from the Urine and Serum of Horses in Training (Dr. Kenneth Peck, Texas Veterinary Medical Diagnostic Laboratory, Drug Testing Lab)

INDUSTRY HIGHLIGHTS

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

TEXAS ARABIAN BREEDERS ASSOCIATION

The Annual Texas Arabian Breeders Association Race Horse Auction was held at Retama Park in early April. Average prices for the auction held constant with those from 2008.

In 2009, the Texas Arabian Breeders Association (TABA) served as host club for the Annual Arabian Racing Cup's Darley Awards. This recognition of the top Arabian horses, owners, breeders, trainers, and jockeys in the United States was for calendar year 2008.

This exciting weekend of racing began with two Grade II stakes races at Retama Park on Friday evening and concluded with the Darley Awards Recognition Saturday evening at the Embassy Suites Convention Center in San Marcos. TABA Board member Sam Vasquez was recognized as Breeder of the year along with two of his Accredited Texas Bred runners. JESSIE'S PRINCES was older mare of the year and GOLLY BRET was 3 year-old colt of the year. Trainer of the year went to Texas trainer Elizabeth Brand. Several other TABA members or their respective horses were nominated in various other categories.

Following the very successful weekend, the Texas Arabian Breeders Association was asked to host the Darley Awards again in 2010.

Arabians participated in racing at the three Texas Class I horse tracks, with almost all fields containing more than 10 horses.

TEXAS GREYHOUND ASSOCIATION

The Texas Greyhound Association (TGA) is the officially designated greyhound breed registry for accredited Texas-bred greyhounds. In 2009, Texas greyhound owners and breeders registered 2,312 greyhound puppies as Texas-bred, representing an 11% increase over 2008 and a continued commitment to greyhound racing in Texas.

The TGA paid out \$43,000 in Texas-bred stakes races during 2009, and over \$465,000 in Owner Awards. Texas-bred greyhounds dominated the stakes events and were the top sellers in the National Greyhound Association

bi-annual meet and sale in Abilene, Kansas, where greyhounds throughout the United States compete.

TEXAS QUARTER HORSE ASSOCIATION

Calendar year 2009 was a trying year for the entire Texas equine industry. Purses and breeder awards in Texas continue to pale in comparison to those in neighboring states and many Texas owners and breeders have been forced to leave the state due to the fact that they have been placed at a competitive disadvantage.

However, there were some bright spots. Accredited Texas bred STOLIS WINNER won the Texas Classic Derby and became second on the all-time highest earnings list. Bred in College Station by leading breeder Jerry Windham, STOLIS WINNER will race again in 2010 on a quest to become the richest racehorse in Quarter Horse racing history.

The Texas Quarter Horse Association (TQHA) hosted its 12th Annual TQHA Yearling Sale at Sam Houston Race Park. The sale, restricted to accredited Texas-breds, was held on the last weekend in July and was extremely successful, especially considering current U.S. economic conditions. There was a total of 385 yearlings consigned, the largest consignment to date. Sale graduates continue to compete at the sport's highest levels throughout the United States.

The TQHA continues to provide youth scholarships to deserving students. TQHA also supported other organizations such as 4-H, therapeutic riding centers, and equine rescue.

Demonstrating equine industry solidarity, the TQHA and Texas Thoroughbred Association along with the Texas Arabian Breeders Association annual awards banquets were jointly held in 2009.

Governor Rick Perry signed into law HCR 53, a bill sponsored by State Representative Larry Phillips from Sherman, Texas, that designates the American Quarter Horse as the official horse of Texas.

TEXAS PAINT HORSE BREEDERS ASSN.

The Texas Paint Horse Breeders Association (TPHBA) continued to make strides forward in 2009. To encourage and promote Texas breeding, the Accredited Texas Bred program dispersed over \$34,000 to owners and breeders for the 2008 racing year.

Sam Houston Race Park and Lone Star Park continue to support the TPHBA. The Grade 1 Lone Star Paint & Appaloosa Futurity remains the richest stakes race for these breeds in Texas, offering over \$60,000 in purse money. JUDYS ROCKET TO CASH set a new Paint track record in his trial, breaking GOT COUNTRY GRIP's record set in 2005. However, CUTROCK came on strong in his trial that same evening and broke JUDYS ROCKET TO CASH'S record. CUTROCK then broke his own record in the finals.

TPHBA continues to receive support from the tracks and participation in Texas H.O.R.S.E. (Horse Organization for Racing, Showing, and Eventing) program.

TEXAS THOROUGHBRED ASSOCIATION

The highlight event of 2009 for the Texas Thoroughbred Association (TTA) occurred early in the year when the TTA joined with the Texas Quarter Horse Association to host an annual conference in Dallas in conjunction with each organization's yearly awards banquet.

A record \$44,000 in scholarships was awarded by the Texas Thoroughbred Education Fund to twelve college students whose parents are TTA members.

On North American racetracks, Eileen Hartis's Texas homebred 4-year-old filly PRINCESS HAYA earned the designation of 2009 Texas Horse of the Year, focusing international attention on the Texas breeding industry. She finished third in the Grade 1 E.P. Taylor Stakes at Woodbine in Ontario, Canada, and won the Grade 2 Canadian Stakes on the same turf course. TALKIN TO MOM ROO, bred in Texas by L.T. Smith Enterprises, also proved to be competitive in Grade 1 company, as he finished second in the Bing Crosby Stakes at the prestigious Del Mar in Southern California.

Texas had another 2009 Eclipse Award recipient when William S. Farish, a native Houstonian and owner and operator of Lane's

End Texas near Hempstead, was honored for Lifetime Achievement.

TEXAS HORSEMEN'S PARTNERSHIP

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

In the spring of 2009, the election of officers by THP's respective partners was conducted. Dr. Tommy Hays was re-elected to the position of President of the Texas Horsemen's Benevolent & Protective Association. Jan Hayes was elected as President of the Texas Thoroughbred HBPA and Chairman of the THP Management Committee.

Terry Blanton and Tooter Jordan continue to serve as Directors of Race, attending industry and horsemen's meetings. Both are closely involved with the horsemen at each of the Texas horse tracks and monitor situations that involve and concern horsemen. Through this approach, the THP has increased the strength of the partnership boards and has been able to keep horsemen updated on issues, which have an impact on the membership of THP.

The Cross Species Global Agreement, which allows and encourages the exchange of cross species simulcast signals between Texas horse and greyhound race tracks, expired in December 2009. However, an agreed-to extension through January 31, 2010, allows all affected parties the necessary time to renegotiate the agreement.

For the calendar year 2009, the Texas Horsemen's Assistance Fund, Inc., provided benevolence and emergency assistance to over 350 eligible members in the form of medical, vision, dental, disaster, and death benefits. Combined with support of chaplaincy programs at all Texas horse tracks and special horsemen's programs, the annual total in overall member assistance reached \$208,120.

THP continued to provide on-track physician services, flu shots, horsemen's dinners, holiday dinners, shuttle services to off-track venues, and participation in the National HBPA, the nationally affiliated The Elite Program (Groom Elite Program). It also continued its affiliation as a founding member with Lone Star Outreach to Place Ex-Racers (LOPE).

2009 Purse Statistics

Source of Funds	Quarter Horse	Thoroughbred	Arabian	Paint	TOTAL HORSE
Earned Purse	\$5,527,610	\$18,028,954	\$375,900	\$128,500	\$24,060,964
Texas Bred Stakes	\$43,970	\$35,806	\$0	\$0	\$79,776
Stakes	\$4,020,716	\$842,131	\$64,050	\$92,498	\$5,019,395
Sponsors	\$568,815	\$349,959	\$90,650	\$0	\$1,009,424
ATB Sponsored Purse	\$0	\$75,200	\$0	\$0	\$75,200
TOTAL PURSES PAID	\$10,161,111	\$19,332,050	\$530,600	\$220,998	\$30,244,759
Average Daily Purses Paid at All Meets	\$94,084	\$119,334	\$12,633	\$55,249	\$281,301

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

Source of Funds	TOTAL GREYHOUND	Source of Funds	2008 HORSE & GREYHOUND	2009 HORSE & GREYHOUND	% CHANGE
Earned Purse	\$1,922,892	Earned Purse	\$30,015,270	\$25,983,856	-13.43%
Texas Bred Stakes	\$43,000	Texas Bred Stakes	\$127,504	\$122,776	-3.71%
Stakes	\$34,500	Stakes	\$5,531,646	\$5,053,895	-8.64%
Sponsors	\$77,521	Sponsors	\$1,448,411	\$1,086,945	-24.96%
TGA Cross Species Purse Supplements	\$1,312,123	TGA Cross Species Purse Supplements	\$1,417,425	\$1,312,123	-7.43%
TOTAL PURSES PAID	\$3,390,036	ATB Sponsored Purse	\$172,000	\$75,200	-56.28%
Avg. Purses Paid per Performance	\$7,740	TOTAL PURSES PAID	\$38,712,256	\$33,634,795	-13.12%

Summary of All Texas Greyhound Racetracks
from 1/1/2009 through 12/31/2009

	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	331	n/a	1,265	1,204	2,800	331	2,469	2,800
# of Performances	438	n/a	10,979	10,201	21,618	438	21,180	21,618
Attendance	201,442	n/a	123,827	413	325,682	201,442	124,240	325,682
Net Handle	\$14,510,265	\$16,453,895	\$26,283,503	\$24,404,912	\$81,652,575	\$30,964,160	\$50,688,415	\$65,198,680
Horse Purse				\$69,544	\$69,544		\$69,544	\$69,544
Greyhound Purse	\$718,575	\$83,523	\$820,569	\$54,608	\$1,677,275	\$802,098	\$875,178	\$1,593,753
TTA Purse				\$173,387	\$173,387	\$0	\$173,387	\$173,387
TQHA Purse				\$173,387	\$173,387	\$0	\$173,387	\$173,387
TGA Purse				\$0	\$0	\$0	\$0	\$0
Escrowed Horse Purse				\$1,025,920	\$1,025,920	\$0	\$1,025,920	\$1,025,920
TX Horsemen's Partnership				\$0	\$0	\$0	\$0	\$0
THP Escrow Horse Purse				\$240,850	\$240,850	\$0	\$240,850	\$240,850
Texas Bred			\$245,142	\$196,781	\$441,922	\$0	\$441,922	\$441,922
State Tax			\$262,805	\$304,742	\$567,547	\$0	\$567,547	\$567,547
Hub Fee			\$706,198	\$347,188	\$347,188	\$0	\$347,188	\$347,188
Simulcast Fee			\$949,386	\$949,386	\$1,655,583	\$0	\$1,655,583	\$1,655,583
Racetracks	\$2,504,325	\$481,710	\$4,018,219	\$1,718,107	\$8,722,362	\$2,986,036	\$5,736,326	\$8,240,651
Total Commissions	\$3,222,900	\$565,233	\$6,052,932	\$5,253,900	\$15,094,966	\$3,788,133	\$11,306,832	\$14,529,732
Breakage	\$49,527		\$42,099	\$77,420	\$169,046	\$49,527	\$119,519	\$169,046

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

\$8,463,665 Total Export-Interstate Handle - Out of state locations wagering on Texas greyhound racetracks
 \$48,112,796 Total Import-Interstate Handle - Texas greyhound racetracks wagering on out of state racetracks
 -\$39,649,131 Net LOSS of wagering dollars in Texas as a result of simulcasting at greyhound racetracks

Summary of All Texas Horse Racetracks
from 1/1/2009 through 12/31/2009

	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	247	n/a	2,247	2,646	5,140	247	4,893	5,140
# of Performances	247	n/a	27,494	12,590	40,331	247	40,084	40,331
Attendance	1,037,262	n/a	776,764	1,217	1,815,243	1,037,262	777,981	1,815,243
Net Handle	\$36,012,760	\$150,616,995	\$256,727,674	\$36,594,752	\$479,952,182	\$186,629,755	\$293,322,427	\$329,335,187
Horse Purse				\$457,038	\$23,809,936	\$4,651,862	\$19,158,074	\$21,858,819
Greyhound Purse				\$366,266	\$366,266	\$0	\$366,266	\$366,266
TTA Purse					\$0	\$0	\$0	\$0
TQHA Purse					\$0	\$0	\$0	\$0
TGA Purse					\$1,646,205	\$0	\$1,646,205	\$1,646,205
Escrowed Horse Purse					\$0	\$0	\$0	\$0
TX Horsemen's Partnership					\$0	\$0	\$0	\$0
THP Escrow Horse Purse					\$0	\$0	\$0	\$0
Texas Bred					\$0	\$0	\$0	\$0
State Tax	\$206,415	\$0	\$1,905,606	\$332,084	\$2,444,106	\$206,415	\$2,237,690	\$2,444,106
Hub Fee			\$2,567,154	\$457,038	\$3,024,191	\$0	\$3,024,191	\$3,024,191
Simulcast Fee			\$0	\$448,820	\$448,820	\$0	\$448,820	\$448,820
Racetracks	\$4,631,893	\$3,071,262	\$9,427,461	\$1,022,330	\$10,449,791	\$0	\$10,449,791	\$10,449,791
Total Commissions	\$7,539,053	\$5,022,379	\$21,594,501	\$3,648,309	\$32,945,964	\$7,703,154	\$25,242,810	\$29,874,703
Breakage	\$241,372	\$0	\$54,195,758	\$8,378,091	\$75,135,280	\$12,561,432	\$62,573,848	\$70,112,901
			\$979,702	\$68,963	\$1,290,037	\$241,372	\$1,048,665	\$1,290,037

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

\$142,240,000	Total Export-Interstate Handle - Out of state locations wagering on Texas horse racetracks
<u>\$279,572,816</u>	Total Import-Interstate Handle - Texas Horse racetracks wagering on out of state racetracks
<u>-\$137,332,815</u>	Net LOSS of wagering dollars in Texas as a result of simulcasting at horse racetracks

Summary of All Texas Racetracks
from 1/1/2009 through 12/31/2009

	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	578	n/a	3,512	3,850	7,940	578	7,362	7,940
# of Performances	685	n/a	38,473	22,791	61,949	685	61,264	61,949
Attendance	1,238,704	n/a	900,591	1,630	2,140,925	1,238,704	902,221	2,140,925
Net Handle	\$50,523,025	\$167,070,890	\$283,011,178	\$60,999,664	\$561,604,757	\$217,593,915	\$344,010,842	\$394,533,867
Horse Purse	\$2,700,745	\$1,951,117	\$18,701,037	\$526,582	\$23,879,481	\$4,651,862	\$19,227,619	\$21,928,363
Greyhound Purse	\$718,575	\$83,523	\$820,569	\$420,875	\$2,043,542	\$802,098	\$1,241,444	\$1,960,019
TTA Purse	\$0	\$0	\$0	\$173,387	\$173,387	\$0	\$173,387	\$173,387
TQHA Purse	\$0	\$0	\$0	\$173,387	\$173,387	\$0	\$173,387	\$173,387
TGA Purse	\$0	\$0	\$0	\$1,646,205	\$1,646,205	\$0	\$1,646,205	\$1,646,205
Escrowed Horse Purse	\$0	\$0	\$0	\$1,025,920	\$1,025,920	\$0	\$1,025,920	\$1,025,920
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	\$0	\$0	\$0	\$240,850	\$240,850	\$0	\$240,850	\$240,850
State Tax	\$206,415	\$0	\$2,150,748	\$528,865	\$2,886,028	\$206,415	\$2,679,613	\$2,886,028
Hub Fee	\$0	\$0	\$2,829,958	\$761,780	\$3,591,738	\$0	\$3,591,738	\$3,591,738
Simulcast Fee	\$0	\$0	\$0	\$796,008	\$796,008	\$0	\$796,008	\$796,008
Racetracks	\$7,136,218	\$3,552,972	\$10,133,659	\$1,971,716	\$12,105,374	\$0	\$12,105,374	\$12,105,374
Total Commissions	\$10,761,953	\$5,587,612	\$25,612,720	\$5,366,416	\$41,668,326	\$10,689,190	\$30,979,136	\$38,115,354
Breakage	\$290,898	\$0	\$60,248,690	\$13,631,991	\$90,230,246	\$16,349,565	\$73,880,681	\$84,642,633
			\$1,021,801	\$146,383	\$1,459,082	\$290,898	\$1,168,184	\$1,459,082

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

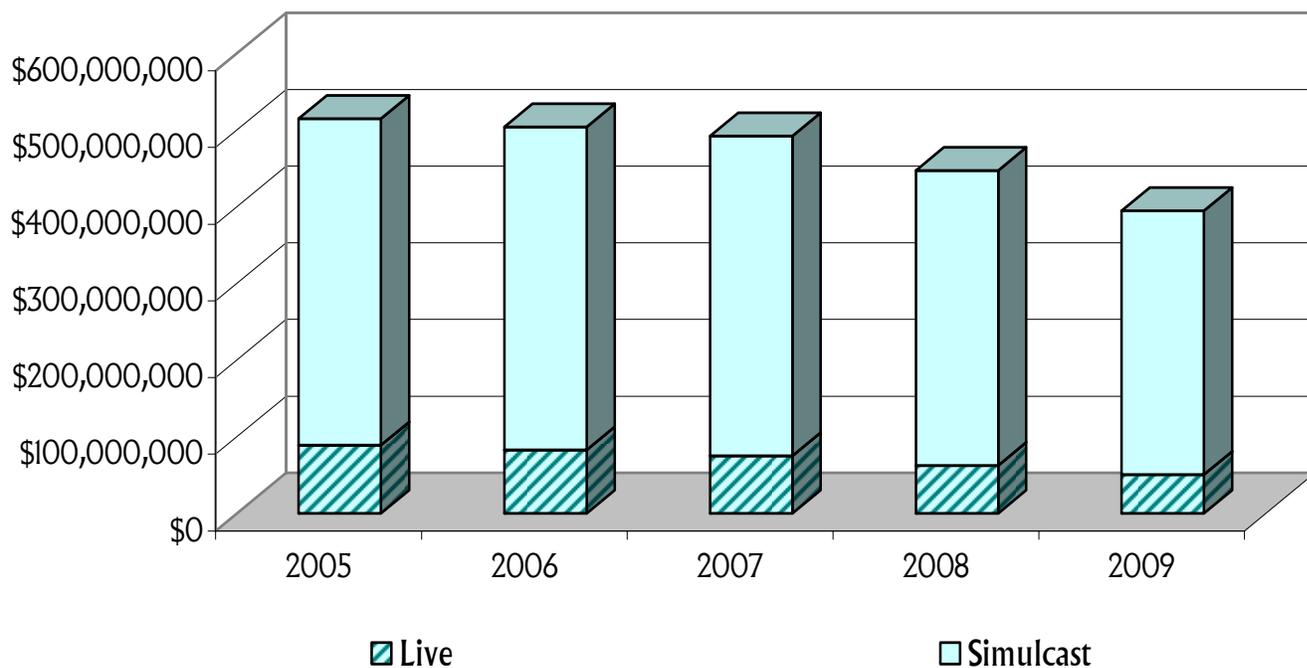
\$150,703,666	Total Export-Interstate Handle - Out of state locations wagering on Texas racetracks
\$327,685,612	Total Import-Interstate Handle - Texas racetracks wagering on out of state racetracks
-\$176,981,946	Net LOSS of wagering dollars in Texas as a result of simulcasting

Five-Year Overview of Pari-Mutuel Racing

Greyhound & Horse Tracks Combined

	2005	2006	2007	2008	2009
# of Active Tracks	8	8	8	7	8
Handle On-Track:					
Live	\$89,095,132	\$82,985,634	\$74,989,502	\$62,255,153	\$50,523,025
Simulcast	<u>\$425,979,354</u>	<u>\$421,247,936</u>	<u>\$417,210,488</u>	<u>\$384,980,770</u>	<u>\$344,010,842</u>
TOTAL	\$515,074,486	\$504,233,570	\$492,199,990	\$447,235,923	\$394,533,867
Live Performances	1,228	1,298	1,255	733	578
# of Simulcast Signals Taken	64,022	67,118	67,727	58,119	61,264
Purses Paid	\$44,085,864	\$43,524,681	\$41,664,542	\$38,673,756	\$33,591,795
State Tax	\$4,441,690	\$4,398,721	\$4,351,865	\$4,009,199	\$3,591,738
Tx Bred \$	\$5,251,107	\$5,342,051	\$5,214,149	\$4,758,559	\$2,886,028
Attendance	2,432,071	2,361,397	2,276,747	2,270,483	2,140,925

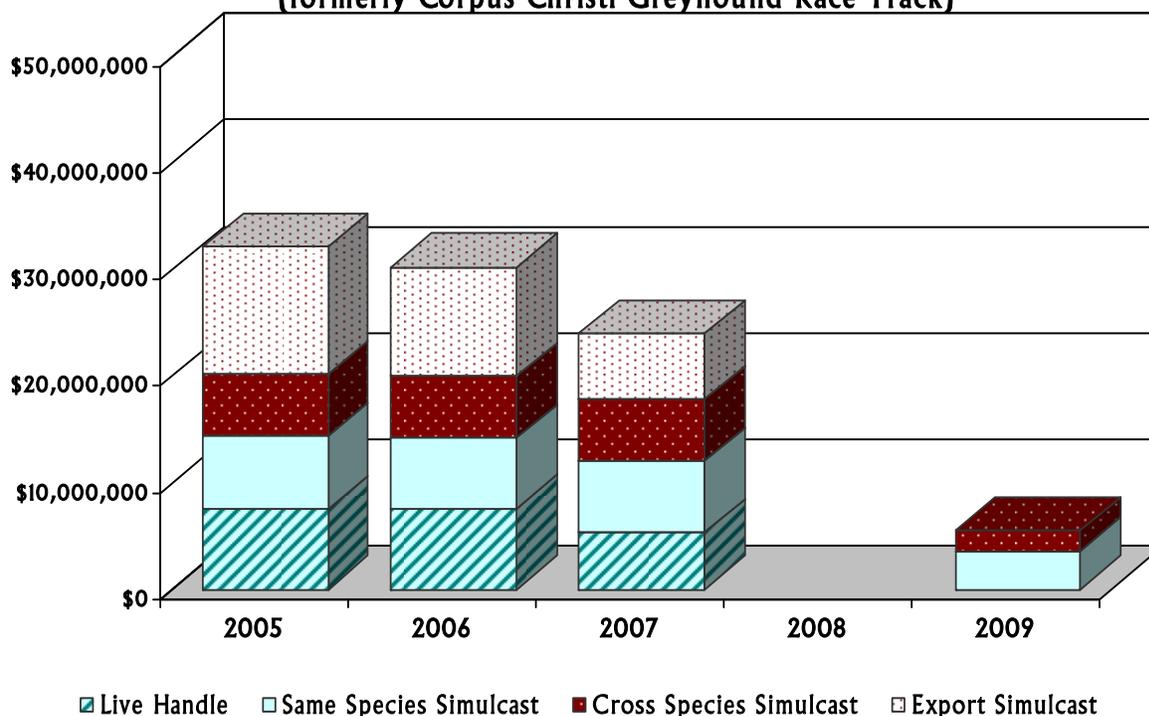
On-Track Handle
Greyhound & Horse Combined



Greyhound Racetrack Gulf Coast Racing (formerly Corpus Christi Greyhound Race Track)

	2008	2009	% Change
Live On-Track Handle	\$0	\$0	N/A
Import Same Species Simulcast	\$0	\$3,613,900	N/A
Import Cross Species Simulcast	\$0	\$1,856,268	N/A
Total On-Track Handle	\$0	\$5,470,167	N/A
Total Export Handle	\$0	\$0	N/A
Total Wagered on CCGRT	\$0	\$0	N/A
Average Value per Point	\$0.00	\$0.00	N/A
Average Purses Paid/Performance	\$0	\$0	N/A
Total Purses Paid	\$0	\$0	N/A
Total Live Performances	0	0	N/A
Total # of Simulcast Signals Taken	0	2,913	N/A
Total Attendance	0	27,593	N/A

**2005-2009
Gulf Coast Racing
(formerly Corpus Christi Greyhound Race Track)**



*Corpus Christi Greyhound Race Track ceased pari-mutuel operations on December 31, 2007.
*Under new ownership, Gulf Coast Racing resumed pari-mutuel operations on July 3, 2009.

**Data on this page provided by Gulf Coast Racing
For Calendar Year 1/1/2009– 12/31/2009**

Average # of Employees/Positions on Payroll	35
Total Salaries and Wages Paid	\$275,580
Total State Pari-mutuel Tax Paid	\$59,342
Total Other State Taxes Paid	\$12,948
Total Property Taxes Paid	\$0
Total Purchased Goods and Services	\$885,188
Total Charitable Contributions	\$0

2009 Highlights



Gulf Coast Racing (GCR) opened on July 3, 2009, offering simulcast racing from greyhound and horse tracks across the country. The average weekly attendance for 2009 was 985 patrons, with an average weekly handle of \$210,014.



Between July and December, GCR hosted many business meetings and seminars along with weddings and receptions, team building events, and trade shows in the Stakes ‘n Rail Suite. The Stakes ‘n Rail Suite accommodates approximately 350 people and has large screen TVs as well as a dance floor.

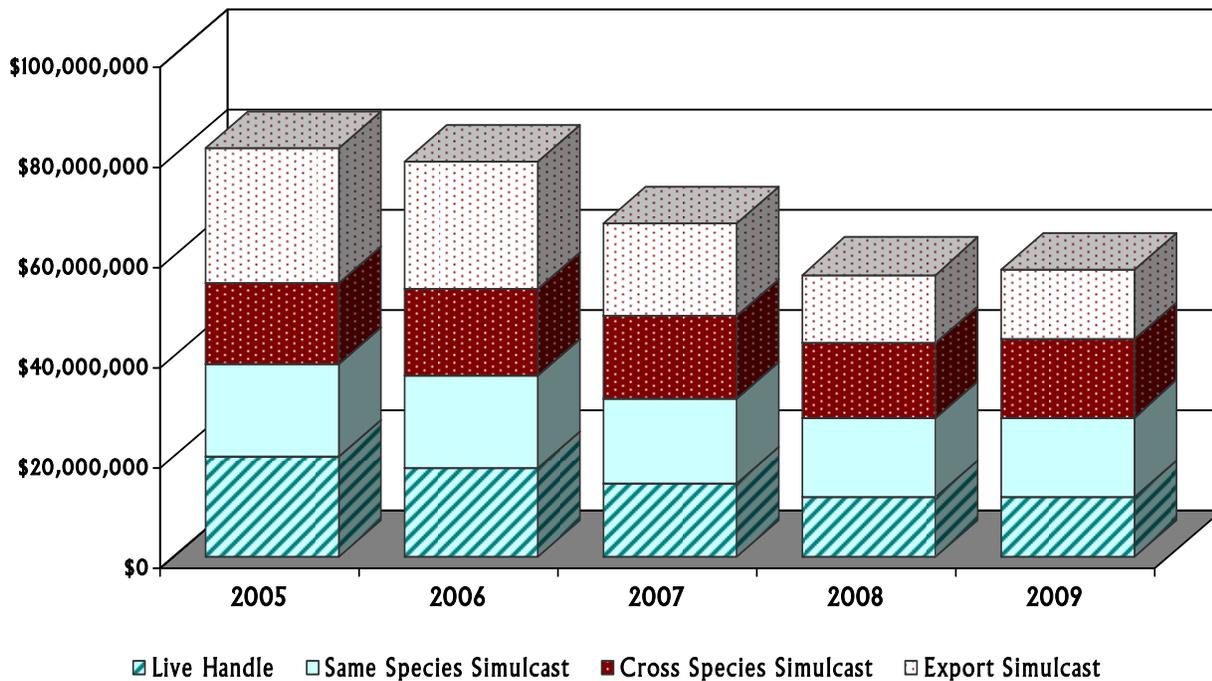


The oversized parking lot is utilized by Harley-Davidson Motorcycles as well as the City of Corpus Christi Police Department for training purposes.

Greyhound Racetrack Gulf Greyhound Park

	2008	2009	% Change
Live On-Track Handle	\$12,073,799	\$12,209,773	1.13%
Import Same Species Simulcast	\$15,813,250	\$15,854,222	0.26%
Import Cross Species Simulcast	\$14,842,121	\$15,565,467	4.87%
Total On-Track Handle	\$42,729,170	\$43,629,462	2.11%
Total Export Handle	\$13,821,790	\$13,783,203	-0.28%
Total Wagered on GULF	\$25,895,589	\$25,992,976	0.38%
Average Value per Point	\$65.68	\$67.74	3.14%
Average Purses Paid/Performance	\$9,603	\$8,824	-8.12%
Total Purses Paid	\$2,842,566	\$2,770,681	-2.53%
Total Live Performances	296	314	6.08%
Total # of Simulcast Signals Taken	8,422	8,561	1.65%
Total Attendance	192,789	198,306	2.86%

**2005-2009
Gulf Greyhound Park**





**Data on this page provided by Gulf Greyhound Park
For Calendar Year 1/1/2009– 12/31/2009**

Average # of Employees/Positions on Payroll	236
Total Salaries and Wages Paid	\$3,309,938
Total State Pari-mutuel Tax Paid	\$353,111
Total Other State Taxes Paid	\$107,679
Total Property Taxes Paid	\$284,037
Total Purchased Goods and Services	\$6,255,543
Total Charitable Contributions	\$42,601

2009 Highlights

- 
 GGP played host to the following events during 2009:
 - Softball Coaches Clinic (attendance 300)
 - Department of Public Safety State Conference (attendance 200)
 - Retirement party honoring Dickinson Volunteer Fire Department Chief – 35 service years (attendance 150)
 - Ronald McDonald House Space Race with over 4,000 riders
 - Over 250 various groups

- 
 Eighty-one retired racers were adopted out to loving homes.

- 
 On May 10 GABLE SOUR CREAM of Gable Gulf Kennel set a new track record of 29.43 seconds out of the 550 yard box. Additionally, a new track record for the 660 yard distance was set by J'S AIYSSA from the D. Q. Williams Kennel on August 16 with a time of 36.16 seconds.

- 
 The \$20,000 Texas Greyhound Association sponsored Texas Round Up was held on May 2 with GRETA'S HARDROCK from the Sambade Racing Kennel garnering the first place finish.

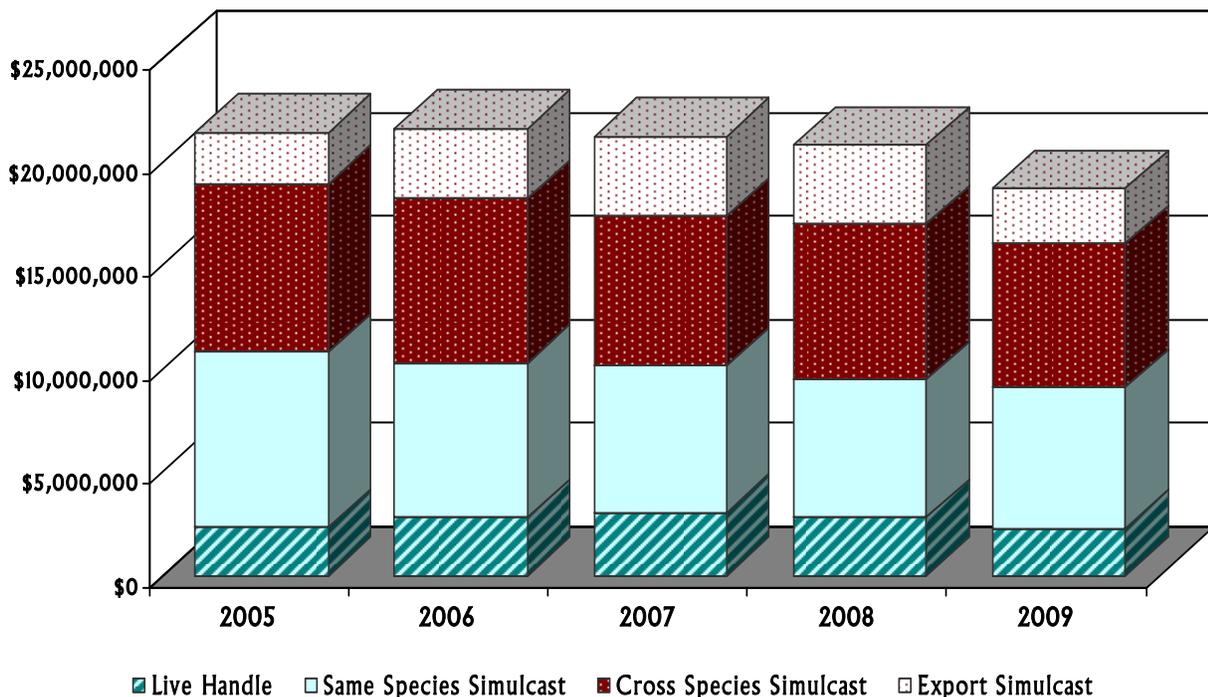
- 
 The Texas Greyhound Association's \$10,000 Texas Fall Sprint Classic, held on November 7, was won by ATASCOCITA LARS from the Libby Racing Kennel.

- 
 Additionally, six other stakes races were held during the year.

Greyhound Racetrack Valley Race Park

	2008	2009	% Change
Live On-Track Handle	\$2,840,339	\$2,300,492	-19.01%
Import Same Species Simulcast	\$6,663,400	\$6,815,382	2.28%
Import Cross Species Simulcast	\$7,543,119	\$6,983,177	-7.42%
Total On-Track Handle	\$17,046,858	\$16,099,051	-5.56%
Total Export Handle	\$3,796,603	\$2,670,692	-29.66%
Total Wagered on VGP	\$6,636,942	\$4,971,184	-25.10%
Average Value per Point	\$49.10	\$50.47	2.79%
Average Purses Paid/Performance	\$4,431	\$4,648	4.89%
Total Purses Paid	\$735,591	\$576,355	-21.65%
Total Live Performances	166	124	-25.30%
Total # of Simulcast Signals Taken	9,318	9,706	4.16%
Total Attendance	109,272	99,783	-8.68%

2005-2009
Valley Race Park





**Data on this page provided by Valley Race Park
For Calendar Year 1/1/2009 – 12/31/2009**

Average # of Employees/Positions on Payroll	62
Total Salaries and Wages Paid	\$1,141,412
Total State Pari-mutuel Tax Paid	\$68,146
Total Other State Taxes Paid	\$0
Total Property Taxes Paid	\$45,963
Total Purchased Goods and Services	\$2,341,853
Total Charitable Contributions	\$5,349

2009 Highlights

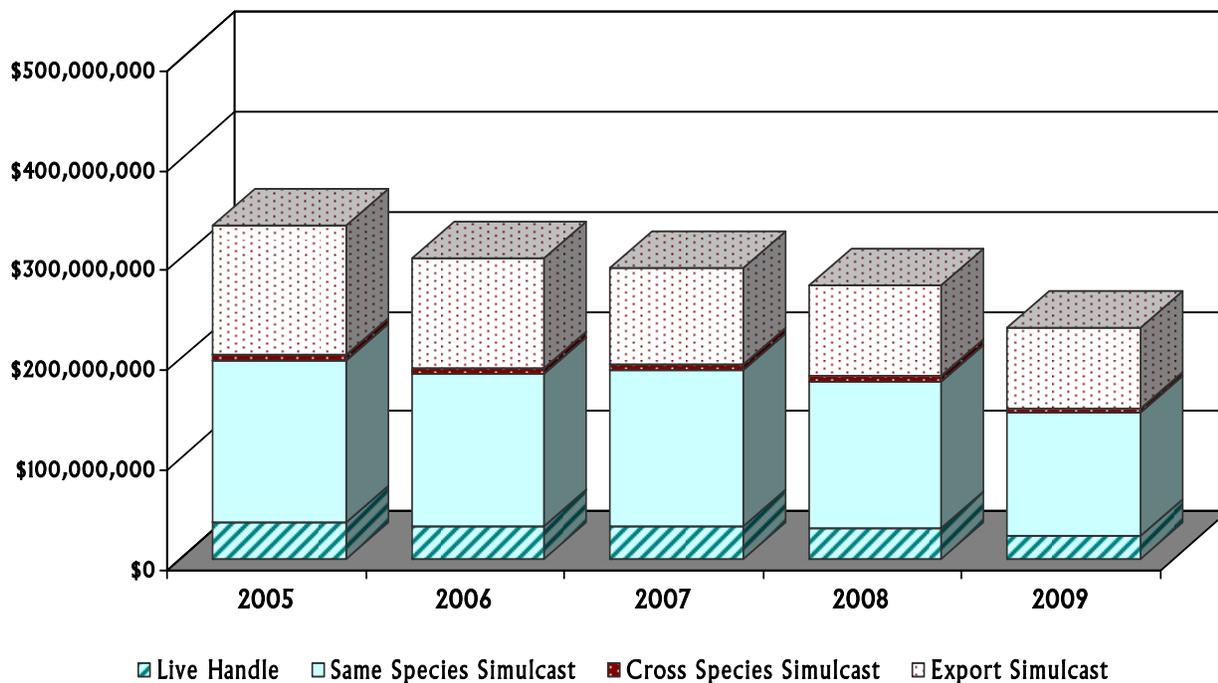


Valley Race Park did not submit highlights for inclusion in this report.

Class 1 Horse Racetrack Lone Star Park at Grand Prairie

	2008	2009	% Change
Live On-Track Handle	\$29,944,883	\$23,329,717	-22.09%
Import Same Species Simulcast	\$148,385,240	\$122,461,314	-17.47%
Import Cross Species Simulcast	\$5,918,577	\$4,801,899	-18.87%
Total On-Track Handle	\$184,248,700	\$150,592,930	-18.27%
Total Export Handle	\$89,954,259	\$80,156,136	-10.89%
Total Wagered on LSP	\$119,899,142	\$103,485,852	-13.69%
Average Purses Paid/Quarter Horse	\$131,895	\$121,081	-8.20%
# of Quarter Horse Race Dates	31	28	-9.68%
Average Purses Paid/Thoroughbred	\$185,331	\$176,926	-4.54%
# of Thoroughbred Race Dates	65	65	0.00%
Total Purses Paid	\$16,411,783	\$15,138,849	-7.76%
Total Live Performances	96	93	-3.13%
Total # of Simulcast Signals Taken	8,348	8,262	-1.03%
Total Attendance	818,151	740,287	-9.52%

**2005-2009
Lone Star Park at Grand Prairie**





**Data on this page provided by Lone Star Park at Grand Prairie
For Calendar Year 1/1/2009 – 12/31/2009**

Average # of Employees/Positions on Payroll	325 off-season/900 live racing
Total Salaries and Wages Paid (includes benefits)	\$13,031,760
Total State Pari-mutuel Tax Paid	\$1,284,637
Total Other State Taxes Paid	\$1,491,420
Total Property Taxes Paid	\$2,240,916
Total Purchased Goods and Services	\$12,761,978
Total Charitable Contributions	\$75,305

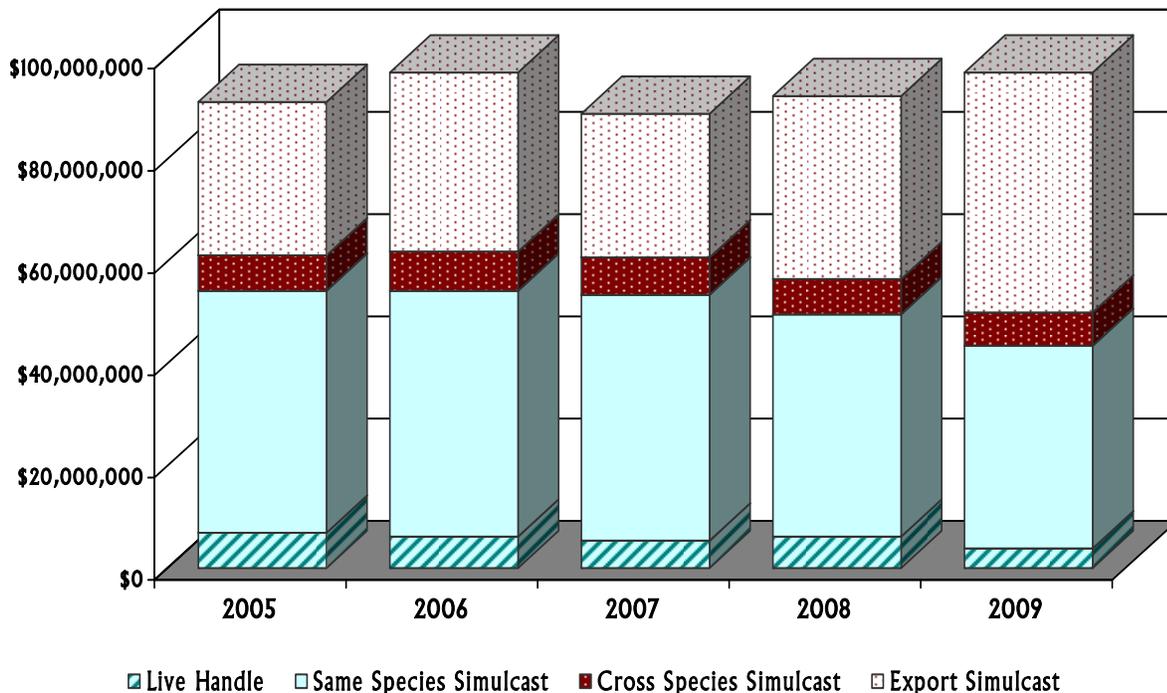
2009 Highlights

-  Lone Star Park (LSP) saw declines in both attendance and handle in 2009 for both their Thoroughbred and Quarter Horse meets. This decline is paralleling the national downward trend across the country.
-  Newcomer Chris Landeros was the leading jockey for the Thoroughbred meet with 97 wins.
-  The owner's race was won by Tom Durant, who previously won the award in 2008, 2005, and tied in 2004, with 26 wins, more than double his nearest rival.
-  JONESBORO, winner of the Grade 3, \$300,000 Texas Mile on Lone Star Million Preview Day on April 25, was voted as the Horse of the Meet.
-  Jose Trevino's TEMPTING DASH, who was four-for-four during the 2009 Fall Meeting of Champions for American Quarter Horses, was named the Horse of the Meet. His winnings included the Grade 1, \$1.1 Million Texas Classic Futurity and the Grade 1, \$445,185 Dash for Cash Futurity, as well as his two trials for those races.
-  Debra Gotovac, a breast cancer survivor who contributes a percentage of her purse winnings to help others battle the illness, captured leading owner honors with nine wins during the 2009 Fall Meeting of Champions.
-  Trey Wood (20 wins) and Ricky Ramirez (32 wins) were honored as the top trainer and jockey, respectively, for the 2009 Fall Meeting of Champions.

Class 1 Horse Racetrack Retama Park

	2008	2009	% Change
Live On-Track Handle	\$6,185,090	\$3,865,166	-37.51%
Import Same Species Simulcast	\$43,680,821	\$39,655,742	-9.21%
Import Cross Species Simulcast	\$7,019,208	\$6,528,351	-6.99%
Total On-Track Handle	\$56,885,119	\$50,049,259	-12.02%
Total Export Handle	\$35,587,383	\$47,151,832	32.50%
Total Wagered on RETA	\$41,772,473	\$51,016,998	22.13%
Average Purses Paid/Quarter Horse	\$72,712	\$0	-100.00%
# of Quarter Horse Race Dates	21	0	-100.00%
Average Purses Paid/Thoroughbred	\$104,181	\$94,072	-9.70%
# of Thoroughbred Race Dates	51	59	15.69%
Total Purses Paid	\$7,054,340	\$5,847,395	-17.11%
Total Live Performances	72	59	-18.06%
Total # of Simulcast Signals Taken	9,628	9,741	1.17%
Total Attendance	308,708	255,784	-17.14%

2005-2009
Retama Park





**Data on this page provided by Retama Park
For Calendar Year 1/1/2009 – 12/31/2009**

Average # of Employees/Positions on Payroll	195
Total Salaries and Wages Paid	\$4.3 million
Total State Pari-mutuel Tax Paid	\$478,000
Total Other State Taxes Paid	\$229,000
Total Property Taxes Paid	N/A (Tax Exempt)
Total Purchased Goods and Services	\$4.8 million
Total Charitable Contributions	\$63,000 cash and in kind donations

2009 Highlights

- 

Retama Park started the 2009 calendar year racing the remaining dates of the Sam Houston Race Park Winter Thoroughbred meet. This transfer of 43 live thoroughbred race dates was necessary due to the damage that the Sam Houston Race Park facility sustained during Hurricane Ike in September 2008. At the conclusion of the meet in February, Retama Park saw a decrease in live on-track handle of 32% while posting an increase in export handle of 53% over the 2008 Fall Thoroughbred meet averages.
- 

The Quarter Horse meet race dates traditionally held at Retama Park in May and June were transferred to Sam Houston Race Park in 2009.
- 

Retama Park again had the honor of partnering with Operation Homefront of Texas for two very special projects during 2009. Operation Homefront of Texas is a local organization that provides assistance to military families with parents serving overseas. Volunteers from throughout the community gathered at the track to help prepare and assemble backpacks in August for “Operation Hope.” In December, “Operation Jolly Holly” volunteers assembled Christmas stockings. These backpacks and stockings were then distributed to children of military families with parents serving overseas. Retama Park donated the entire clubhouse level of the facility and staff to support these wonderful causes.
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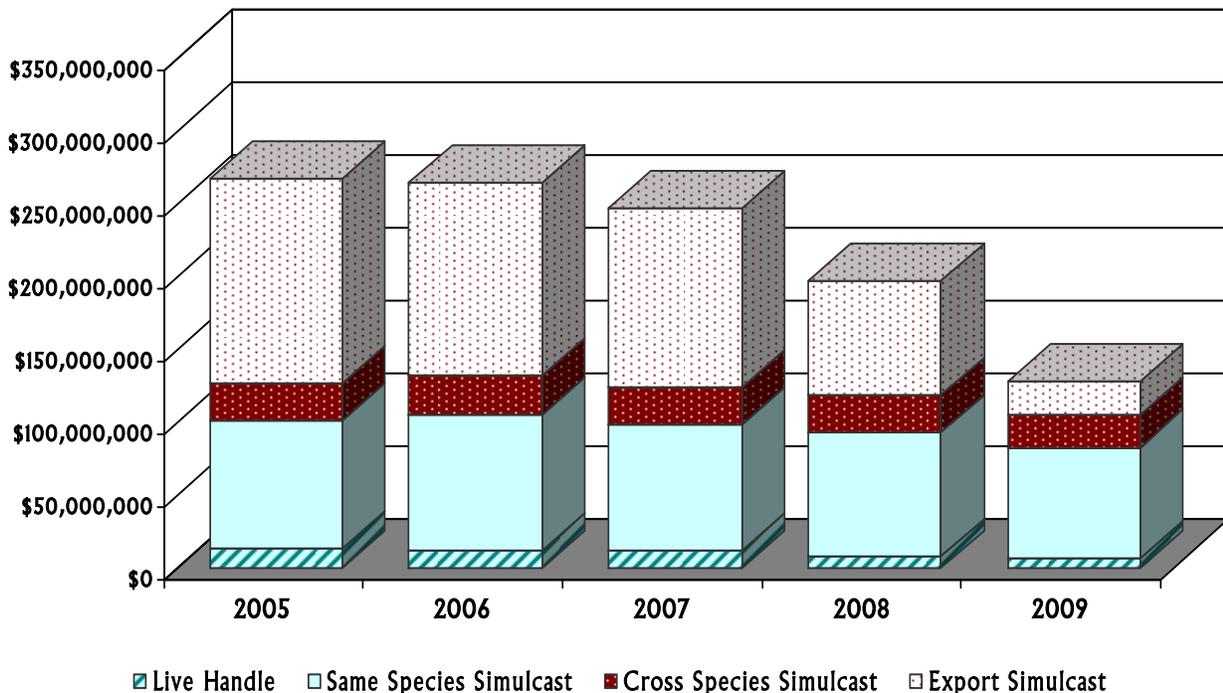
Sponsorship partners continued their support of the showcase races at Retama Park, the \$100,000 SKYY El Joven and the \$100,000 M2 Technology La Seniorita. Fifty-cent Night promotions remained popular for families and young adults seeking value oriented entertainment.
- 

Retama Park had the special privilege of donating a banquet dinner and facility usage to the Fort Sam Houston Wounded Warrior program as they celebrated their own “Special Olympics” with an awards program and dinner. This organization serves veterans wounded in Iraq and Afghanistan and their family members.

Class 1 Horse Racetrack Sam Houston Race Park

	2008	2009	% Change
Live On-Track Handle	\$8,392,520	\$6,228,363	-25.79%
Import Same Species Simulcast	\$85,458,352	\$76,917,940	-9.99%
Import Cross Species Simulcast	\$24,717,254	\$21,948,876	-11.20%
Total On-Track Handle	\$118,568,126	\$105,095,178	-11.36%
Total Export Handle	\$79,103,364	\$23,309,027	-70.53%
Total Wagered on SHRP	\$87,495,884	\$29,537,390	-66.24%
Average Purses Paid/Quarter Horse	\$95,801	\$82,551	-13.83%
# of Quarter Horse Race Dates	33	54	63.64%
Average Purses Paid/Thoroughbred	\$116,875	\$110,389	-5.55%
# of Thoroughbred Race Dates	44	15	-65.91%
Total Purses Paid	\$8,592,011	\$6,273,893	-26.98%
Total Live Performances	77	69	-10.39%
Total # of Simulcast Signals Taken	12,915	13,463	4.24%
Total Attendance	766,294	752,094	-1.85%

2005-2009
Sam Houston Race Park



**Data on this page provided by Sam Houston Race Park
For Calendar Year 1/1/2009 – 12/31/2009**

Average # of Employees/Positions on Payroll	455
Total Salaries and Wages Paid	\$8,621,154
Total State Pari-mutuel Tax Paid	\$1,043,540
Total Other State Taxes Paid	\$535,322
Total Property Taxes Paid	\$874,665
Total Purchased Goods and Services	\$10,607,460
Total Charitable Contributions (Cash and Like-Kind)	\$100,000

2009 Highlights

- 

Following a major facility, stable, and barn area reconstruction brought about by damages sustained from Hurricane Ike in September 2008, Sam Houston Race Park (SHRP) re-opened for live racing events May 1, 2009. In addition to exciting Quarter Horse live racing events, opening weekend featured the 135th Running of the Kentucky Derby; the debut of Saturday “Value Day” and Party on the Patio; and the opening post-race show of the Verizon Wireless Summer Concert Series at The Showgrounds with a performance from Joan Jett and the Blackhearts.
- 

SHRP celebrated its 15th Anniversary on April 29, 2009, and rolled out The History of Sam Houston Race Park exhibition presented by Momentum Signs, which features photos and highlights from live racing, concerts, and other special events from the past 15 years.
- 

A comprehensive green program was implemented by SHRP to address recycling and conservation issues across the facility’s racing, special event, and concert programs addressing several key areas of use from aluminum bottles, cans, and plastic containers to paper recycling, including news print, paper print mix, and cardboard. SHRP estimates that approximately 12 tons of cardboard, 36 tons of newsprint, and 24 tons of paper print mix will be recycled annually.
- 

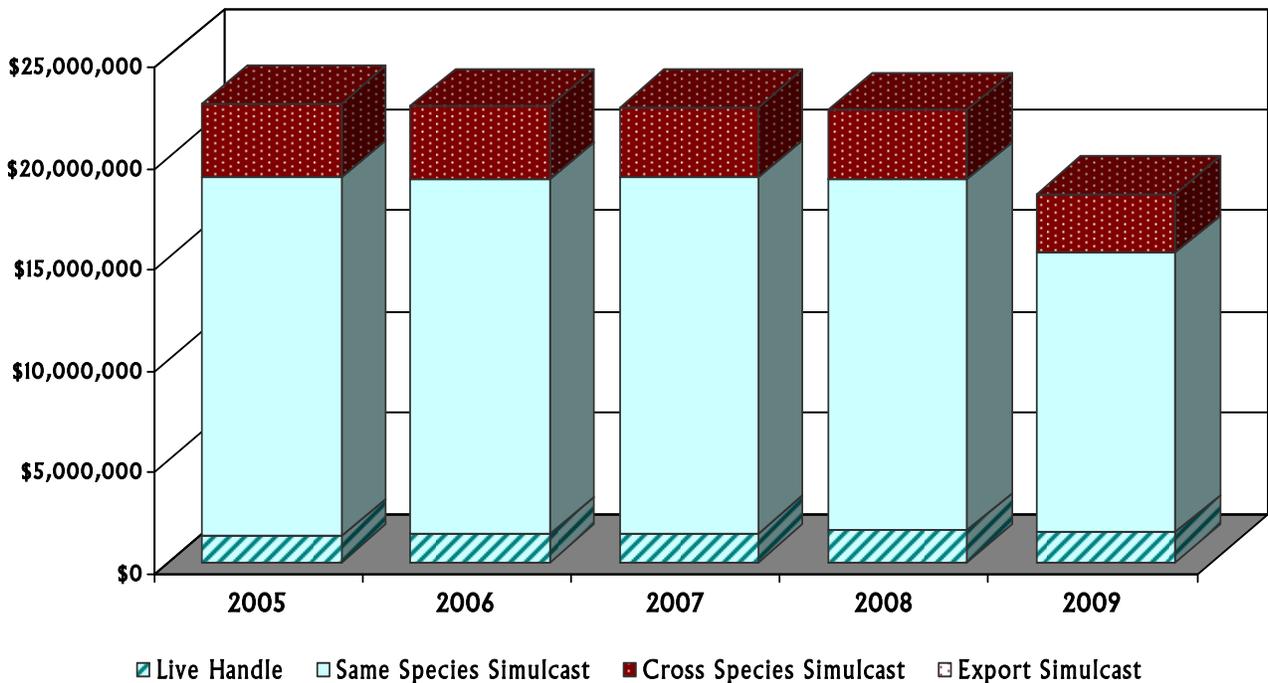
SHRP hosted a special July 4 holiday weekend of live racing and live music, which welcomed more than 60,000 patrons. The weekend kicked off with Dollar Day at The Park on July 2, and continued with the 15th Anniversary of Vans Warped Tour with more than 13,000 music and extreme sports fans present in addition to Guy’s Night Out and live racing events on July 3. The weekend closed out with the annual July 4 Celebration featuring live racing and fireworks for more than 33,000 guests.
- 

Live Thoroughbred racing returned with the introduction of a streamlined admission process offering patrons free general parking for live racing events beginning Friday, November 27, 2009. Free parking continues for all live racing dates for Thoroughbred and Quarter Horse meets with the exception of select holidays, special events, and festivals.

Class 2 Horse Racetrack Manor Downs

	2008	2009	% Change
Live On-Track Handle	\$1,570,360	\$1,483,106	-5.56%
Import Same Species Simulcast	\$17,341,098	\$13,851,569	-20.12%
Import Cross Species Simulcast	\$3,480,967	\$2,896,507	-16.79%
Total On-Track Handle	\$22,392,425	\$18,231,182	-18.58%
Total Export Handle	\$0	\$0	0.00%
Total Wagered on MAN	\$1,570,360	\$1,483,106	-5.56%
Average Purses Paid/Quarter Horse	\$106,198	\$104,280	-1.81%
Average Purses Paid/Thoroughbred	\$28,113	\$31,860	13.33%
Average Purses Paid/Minor Breed	\$2,434	\$11,433	369.80%
# of Mixed Race Dates	18	18	0.00%
Total Purses Paid	\$2,377,065	\$2,400,673	0.99%
Total Live Performances	18	18	0.00%
Total # of Simulcast Signals Taken	5,125	4,852	-5.33%
Total Attendance	60,680	52,926	-12.78%

2005-2009
Manor Downs



**Data on this page provided by Manor Downs
 For Calendar Year 1/1/2009 – 12/31/2009**

Average # of Employees/Positions on Payroll	34
Total Salaries and Wages Paid	\$1,054,083
Total State Pari-mutuel Tax Paid	\$173,145
Total Other State Taxes Paid	\$126,463
Total Property Taxes Paid	\$159,656
Total Purchased Goods and Services	\$2,280,949
Total Charitable Contributions	\$5,171

2009 Highlights

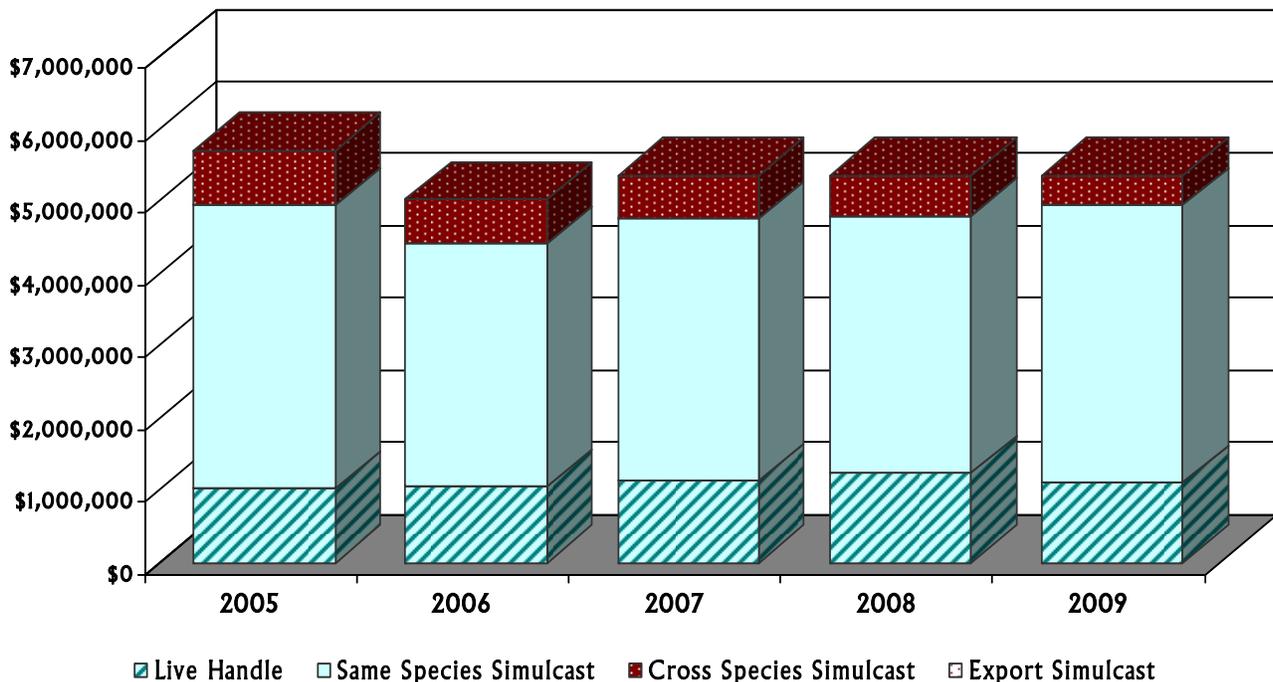
-  While the horse racing industry in Texas was dealing with tough economic times during 2009, Manor Downs was able to maintain its same high level of purses for the fifth consecutive year.

-  A new thoroughbred record was set at a speed of 1:36:08 by MR. GRUMPY STRIPES in the Tony Sanchez Memorial Mile. The 4-year-old Texas Bred was owned by Double U Farms L.L.C., and John Ryer.

Class 3 Horse Racetrack Gillespie County Fair & Festival Association

	2008	2009	% Change
Live On-Track Handle	\$1,248,163	\$1,106,409	-11.36%
Import Same Species Simulcast	\$3,560,522	\$3,841,110	7.88%
Import Cross Species Simulcast	\$556,841	\$419,119	-24.73%
Total On-Track Handle	\$5,365,526	\$5,366,637	0.02%
Total Export Handle	\$0	\$0	0.00%
Total Wagered on GCF	\$1,248,163	\$1,106,409	-11.36%
Average Purses Paid/Quarter Horse	\$56,811	\$54,506	-4.06%
Average Purses Paid/Thoroughbred	\$18,638	\$18,488	-0.81%
# of Mixed Race Dates	8	8	0.00%
Total Purses Paid	\$660,400	\$583,950	-11.58%
Total Live Performances	8	8	0.00%
Total # of Simulcast Signals Taken	3,696	3,766	1.89%
Total Attendance	12,865	14,152	10.00%

**2005-2009
Gillespie County Fair & Festival Association**





RACE BARN

THE HILL COUNTRY'S PLACE TO PLAY

Data on this page provided by Gillespie County Fair & Festivals Association
For Calendar Year 1/1/2009– 12/31/2009

Average # of Employees/Positions on Payroll	130
Total Salaries and Wages Paid	\$458,744
Total State Pari-mutuel Tax Paid	\$43,650
Total Other State Taxes Paid	\$32,834
Total Property Taxes Paid*	\$9,430
Total Purchased Goods and Services	\$768,334
Total Charitable Contributions (including in-kind**)	\$93,325

*Property taxes represent those attributable to the Race Barn property only; the Fairgrounds are exempt from property taxes.

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

2009 Highlights

- 

The Gillespie County Fair & Festivals Association awarded \$15,000 in scholarships to 25 graduating seniors in Gillespie County. To date, over \$240,000 in scholarships have been awarded since 1991.
- 

The Fair Association's donated facility use and volunteer labor is estimated at over \$90,000 for 2009. The Fair Association consists of over 50 volunteer directors who, along with their families, provide a variety of events and activities throughout the year for the community.
- 

The Gillespie County Fair & Festivals Association hosted the 1st Annual Texas Wines/Texas Winners wine tasting event. The event highlights local area and Texas wines.

OTHER LICENSED CLASS 2 RACETRACKS

AUSTIN JOCKEY CLUB

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

From 1999 until 2005, AJC presented two potential Austin area racetrack locations. The first location was approved by the Commission but became infeasible due to municipal zoning issues. The second proposed location was not approved by the Commission due to traffic problems. In December 2005, AJC notified the Commission that it had entered into a contract to sell its ownership interests in Longhorn Downs. Later in 2006, the proposed new owners of AJC, Dallas City Limits, presented a general overview of plans to locate the racetrack in the Dallas area, noting that the details of the transaction and location would be submitted in the near future. Dallas City Limits submitted its formal proposal in 2007. After delays caused by litigation between its two general partners, Dallas City Limits submitted a revised application in 2008.

After the Department of Public Safety and TxRC staff review, the Commission denied AJC's request for a change of ownership to Dallas City Limits at its September 2009 meeting. Chair Pablos directed the current owners of AJC to fulfill its commitment to the Commission with respect to its license and either bring a new proposal for a change in ownership and new location or bring forward a location and business plan for constructing a facility. Otherwise, the license may be subject to revocation hearings.

At the October 2009 Commission meeting, AJC requested and was granted 12 race dates in July and August of 2011.

At the December 2009 Commission meeting, an AJC representative reported entering into an agreement with a new group and that documentation would be submitted in January 2010 to request a change in ownership and location.

Commission staff is working with each inactive licensee to review the business plan for opening the track for simulcast wagering and live racing. Each licensee will report on its progress at each 2010 Commission meeting.

LAREDO DOWNS

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

Laredo Downs did not begin simulcasting or live racing by its agreed to dates in 2009 and the track's security bond was forfeited in accordance with the order.

At the October 2009 Commission meeting, Laredo Downs requested and was granted 6 race dates in August of 2011. A representative of Laredo Downs noted that the group is working on a request for a change in location.

At the December 2009 Commission meeting, Laredo Downs' representative stated that a request for a change in location could be submitted to the Commission within 60 to 90 days. The Commission has not received a request for change in location as of the date of this report.

Commission staff is working with each inactive licensee to review the business plan for opening the track for simulcast wagering and live racing. Each licensee will report on its progress at each 2010 Commission meeting.

LAREDO RACE PARK

On March 20, 2007, the Commission approved an interim order allowing the racetrack applicant, Laredo Race Park, to return for final approval of its proposed Class 2 horse racetrack contingent upon the sale of Valley Race Park. However, the 80th Legislature increased the number of licenses that can be held to three, which eliminated the need to sell Valley Race Park. At its August 2007 meeting, the Commission finalized the order and required security be posted to ensure compliance with the Act and the Rules. Laredo Race Park posted security and agreed to a schedule that called for simulcasting to begin on or before July 15, 2009, and the facility to be ready for live racing on or before December 1, 2009.

Laredo Race Park did not begin simulcasting or live racing by its agreed to dates in 2009. In addition to the 2009 dates, Laredo Race Park has two granted live race dates in 2010. Although the Commission was set to consider Laredo Race Park's request for an amendment to the security bond at its December meeting that would waive the forfeiture of the security bond, officials asked for additional time to focus on its plan to negotiate an agreement with Webb County officials to move the racetrack site to a county-owned golf course. According to a Laredo Race Park representative, subsequent to having acquired access to the new property, Laredo Race Park would submit a request for change in location and request a change in the terms of the security order.

At the September 2009 Commission meeting, Laredo Race Park requested and was granted 8 race dates in August of 2011.

Commission staff is working with each inactive licensee to review the business plan for opening the track for simulcast wagering and live racing. Each licensee will report on its progress at each 2010 Commission meeting.

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 in May of 2002. Saddle Brook Park reported that steel had been ordered when a problem arose with the Environmental Protection Agency (EPA) over sewage disposal. At the May 2007 Commission meeting, Saddle Brook Park's representative reported some progress was being made on the sewage

disposal issue but that he was unable to give any firm dates for resuming construction or opening the racetrack.

At the September 2009 meeting, Saddle Brook Park requested and was granted 12 race dates in July and August of 2011. At the October 2009 meeting, Saddle Brook Park's representative reported that the prior EPA problem was no longer an issue.

Commission staff is working with each inactive licensee to review the business plan for opening the track for simulcast wagering and live racing. Each licensee will report on its progress at each 2010 Commission meeting.

VALLE DE LOS TESOROS RACE PARK

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

Valle de los Tesoros did not begin simulcasting or live racing by its agreed to dates in 2009 and the track's security bond was forfeited in accordance with the order.

At the October 2009 Commission meeting, Valle de los Tesoros Race Park requested and was granted 6 race dates in August of 2011. A representative of Valle de los Tesoros noted some progress on obtaining sewer and water for the site.

At the December 2009 Commission meeting, a representative provided a letter from the City of McAllen that reported a verbal agreement had been made with the City of Hidalgo to provide water and sewer services to the racetrack site through an Interlocal Agreement.

Commission staff is working with each inactive licensee to review the business plan for opening the track for simulcast wagering and live racing. Each licensee will report on its progress at each 2010 Commission meeting.

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Combined Statement of Revenues and Expenditures

For Fiscal Year 2009 As Compared to Fiscal Year 2008

Source: Annual Financial Reports

	Fiscal Year 2008	Fiscal Year 2009	Change +/- %
REVENUES:			
Legislative Appropriations	\$0.00	\$424,874.70	0%
Licenses, Fees & Permits	\$3,677,951.23	\$3,940,833.07	7.15%
Interest & Other Investment Income	\$24,256.69	\$21,923.86	-9.62%
Other Revenues	<u>\$6,595,043.92</u>	<u>\$5,681,123.75</u>	-13.86%
TOTAL REVENUES	<u>\$10,297,251.84</u>	<u>\$10,068,755.38</u>	-2.22%
EXPENDITURES:			
Salaries & Wages	\$3,537,361.82	\$3,510,457.62	-0.76%
Payroll Related Costs	\$922,212.15	\$882,657.50	-4.29%
Professional Fees & Services	\$126,301.32	\$227,020.93	79.75%
Travel	\$215,356.83	\$168,220.64	-21.89%
Materials & Supplies	\$79,876.23	\$109,325.95	36.87%
Communications & Utilities	\$72,926.67	\$132,211.46	81.29%
Repairs & Maintenance	\$48,996.09	\$44,906.40	-8.35%
Rentals & Leases	\$119,276.93	\$119,054.71	-0.19%
Printing & Reproduction	\$6,540.48	\$2,655.80	-59.39%
Claims & Judgments	\$0.00	\$0.00	0%
Distributions to Others	\$4,902,891.98	\$4,484,407.35	-8.54%
Depreciation Expense	\$15,303.65	\$6,844.74	-55.27%
Capital Outlay	<u>\$0.00</u>	<u>\$0.00</u>	0%
TOTAL EXPENDITURES	<u>\$10,047,044.15</u>	<u>\$9,687,763.10</u>	-3.58%
EXCESS REVENUES OVER EXPENDITURES	<u>\$250,207.69</u>	<u>\$380,992.28</u>	52.27%
OTHER FINANCING SOURCES (USES):			
Operating Transfer In:			
Loss on Sale of Capital Assets	\$0.00	\$0.00	0%
Operating Transfers Out:			
Agency 902, Fund 001, Sweep	\$0.00	(\$377,359.23)	0%
Agency 556, Fund 001, Equine Research	<u>(\$94,391.53)</u>	<u>(\$89,939.15)</u>	-4.72%
TOTAL OTHER FINANCING SOURCES/(USES)	<u>(\$94,391.53)</u>	<u>(\$467,298.38)</u>	395.06%
NET GAIN/LOSS FROM OPERATIONS	<u>\$155,816.16</u>	<u>(\$86,306.10)</u>	-155.39%
BEGINNING FUND BALANCE	\$491,193.64	\$647,009.80	31.72%
Adjusting entry to fund balance:			
Funds in Suspense	\$0.00	\$0.00	0%
After AFR deadline	\$0.00	\$0.00	0%
BEGINNING FUND BALANCE – RESTATED	<u>\$491,193.64</u>	<u>\$647,009.80</u>	31.72%
Capital Assets & Long Term Liability Adjustments	<u>\$0.00</u>	<u>\$0.00</u>	0%
ENDING FUND BALANCE	<u>\$647,009.80</u>	<u>\$560,703.70</u>	-13.34%

Summary of Key Measures Fiscal Year 2009

Actual Performance Measures As Compared to Target

Fiscal Year 2009 KEY MEASURES	Target	Actual	% of Target
# of Horse Racetracks Regulated	7	10	143%
Average Regulatory Cost per Horse Racetrack	\$32,660	\$25,545	78%
# of Greyhound Racetracks Regulated	3	3	100%
Average Regulatory Cost per Greyhound Racetrack	\$33,246	\$25,545	77%
Number of Racetrack Inspections	71	99	139%
Number of Texas-bred Awards	23,450	16,543	71%
Number of Occupational Licenses Suspended or Revoked	212	175	83%
Number of Investigations Completed	900	229	25%
Percentage of Investigations Resulting in Disciplinary Action	99.00%	96.00%	97%
Percentage of Licensees with No Recent Violations	97.50%	97.34%	100%
Number of Race Animals Inspected Prior to Participating in a Race	116,500	63,014	54%
Percentage of Race Animals Injured or Dismissed from Racetracks	0.30%	0.42%	140%
Number of New Occupational Licenses Issued	4,600	3,844	84%
Number of Occupational Licenses Renewed	8,000	6,851	86%
Average Regulatory Cost per Licensee	\$45.56	\$50.63	111%
Average Time (minutes) Required to Issue a New Occupational License	7.5	12.22	163%
Percentage of Compliance Audits Passed	98.00%	99.55%	102%
Total Pari-Mutuel Handle (in millions)	\$464.39	\$409.45	88%
Total take to the State Treasury from Pari-mutuel Wagering (in millions)	\$4,030,217	\$3,724,246	92%

Glossary of Racing Terms

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

Breakage - the odd cents by which the amount payable on each dollar wagered exceeds a multiple of 10 cents, except in the event of a minus pool, in which case the breakage is based on a multiple of 5 cents.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Place - to finish second in a race.

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

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

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

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

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

Show - to finish third in a race.

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

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

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

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

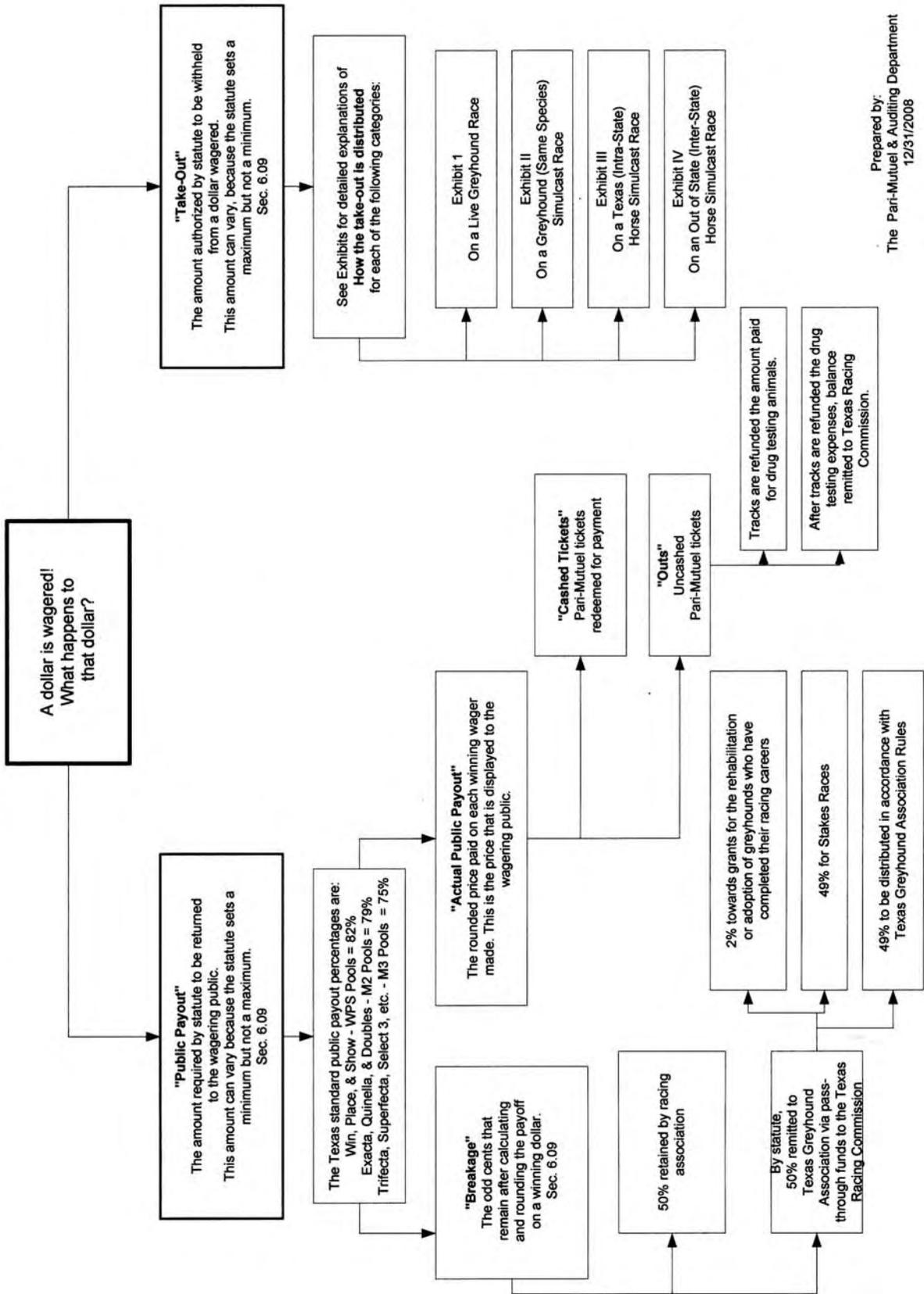
Totalisator - a machine or system for registering and computing the wagering and payoffs in pari-mutuel wagering.

Win - to finish first in a race.

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

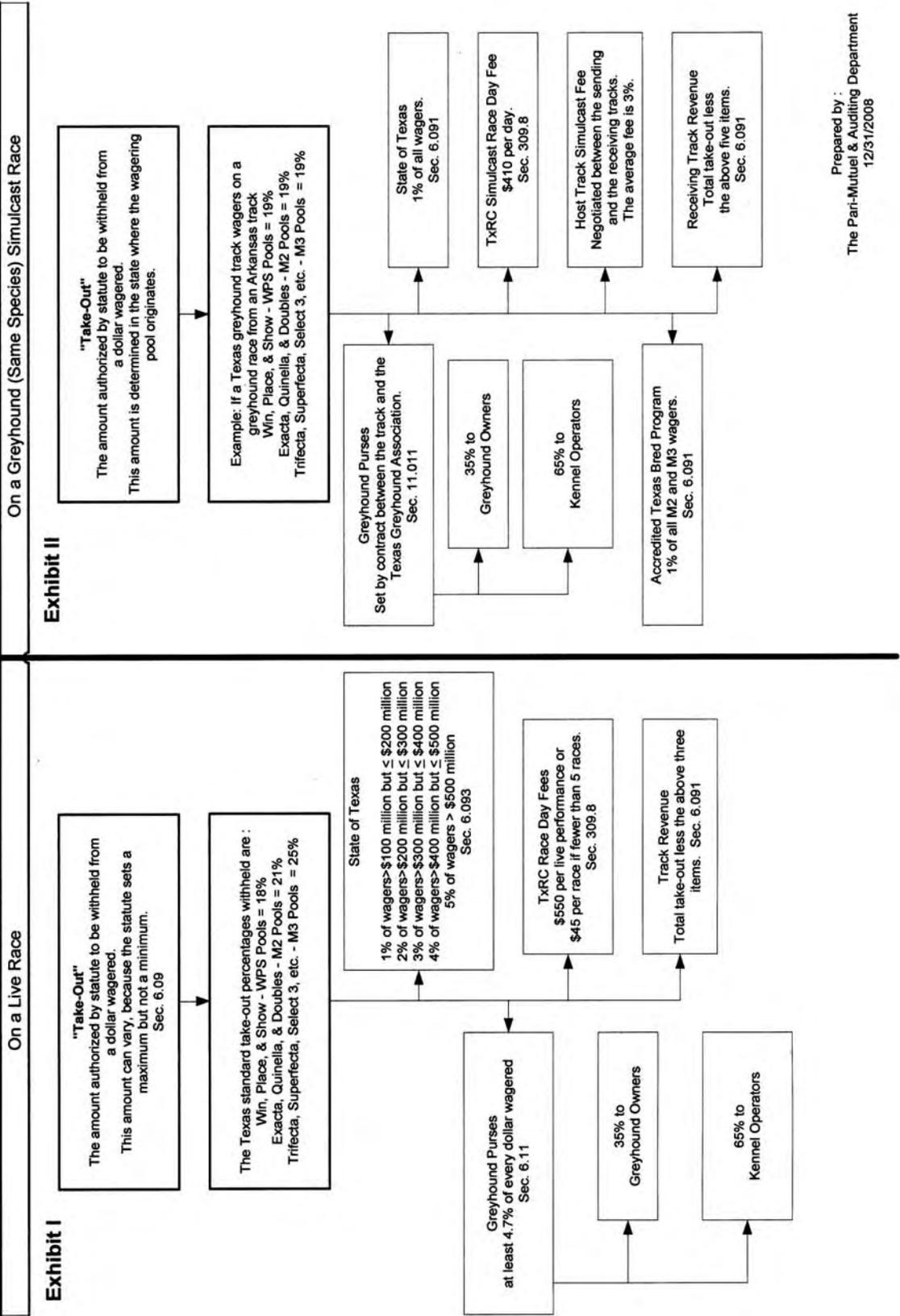
For additional definitions, see §1.03 of the Texas Racing Act and §301.1 of the Commission's Rules.

How Money Wagered at a Greyhound Track is Distributed

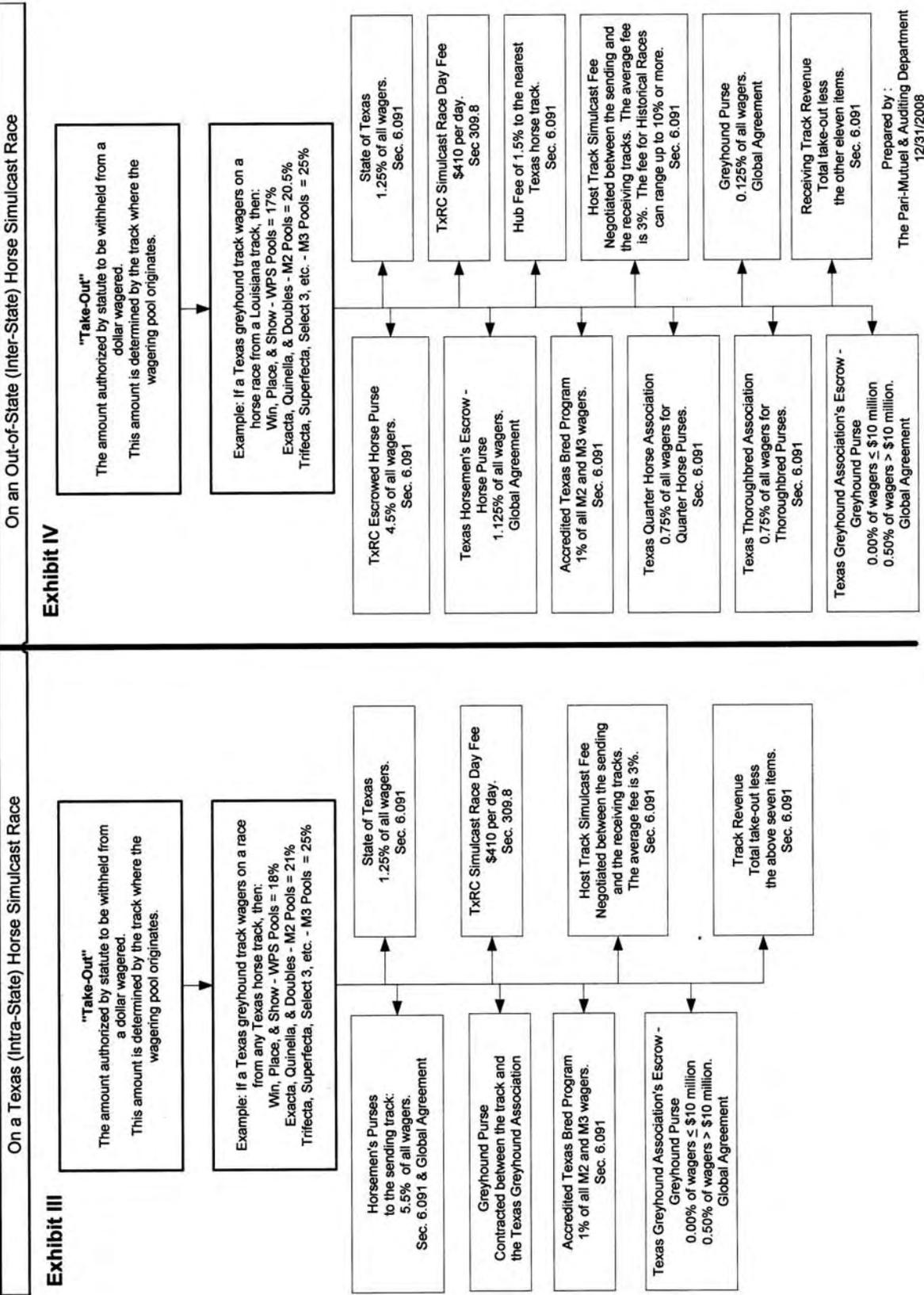


Prepared by:
The Par-Mutuel & Auditing Department
12/31/2008

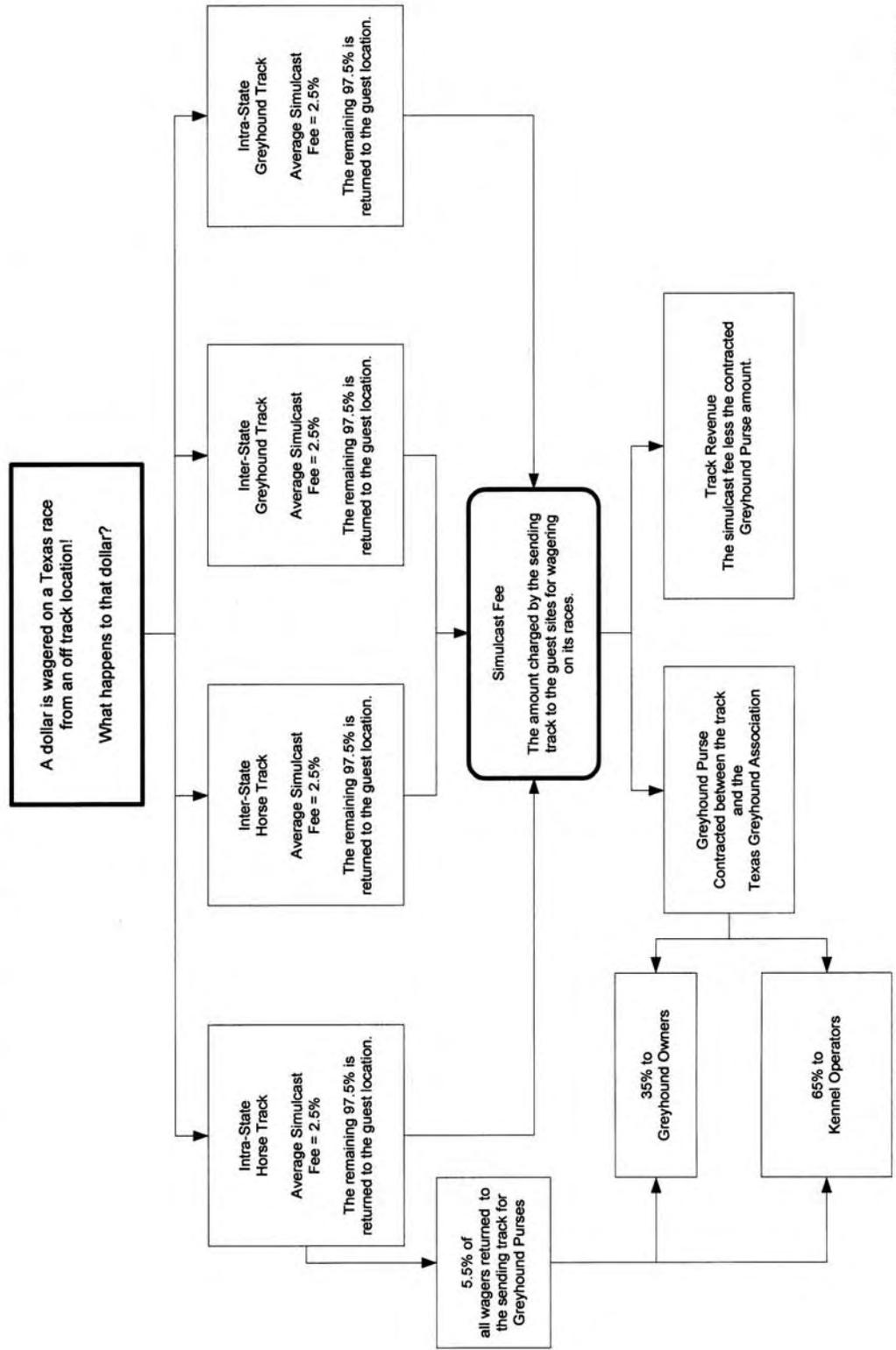
How the Take-Out from a Dollar Wagered at a Greyhound Track is Distributed



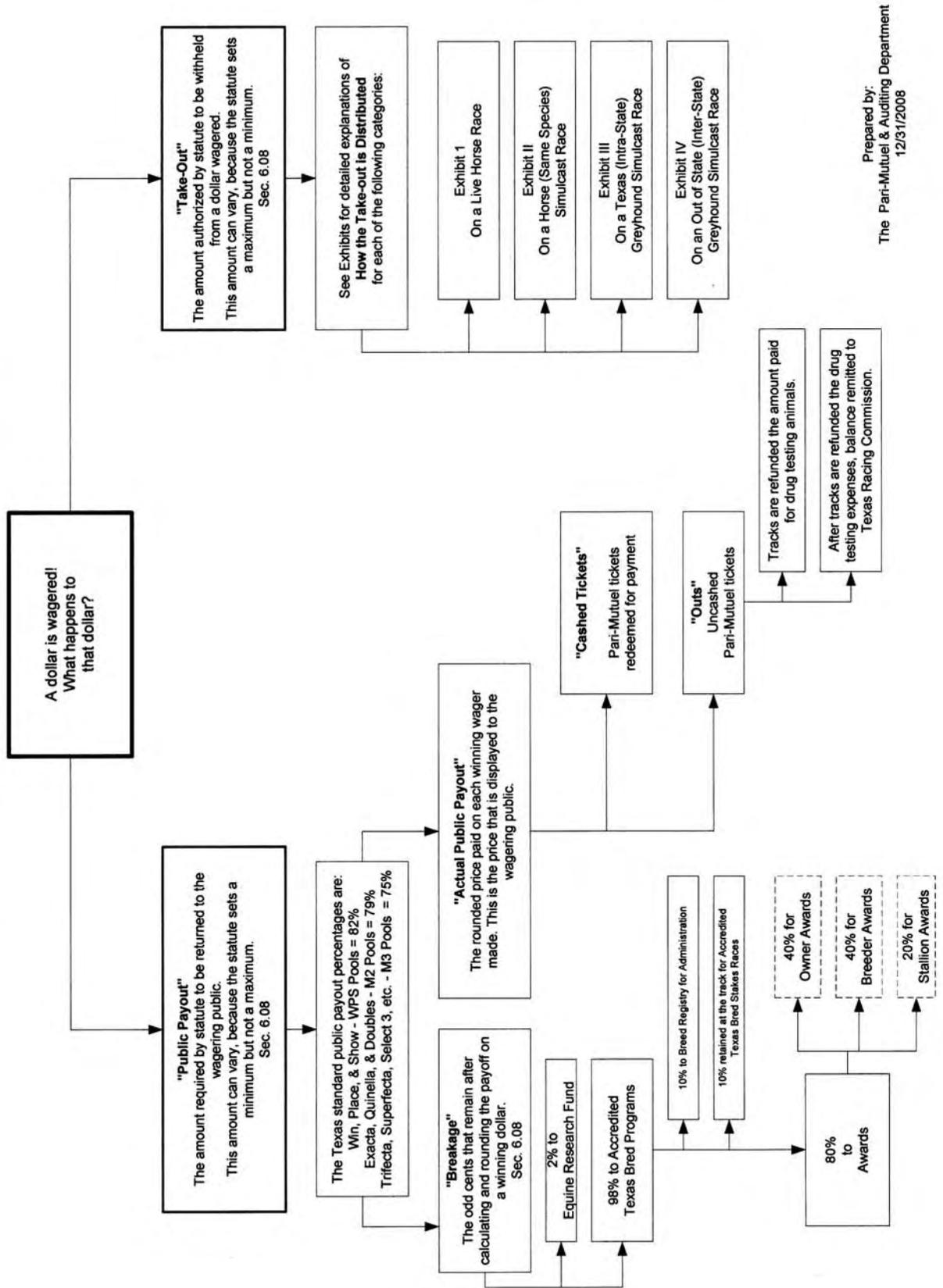
How the Take-Out from a Dollar Wagered at a Greyhound Track is Distributed



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

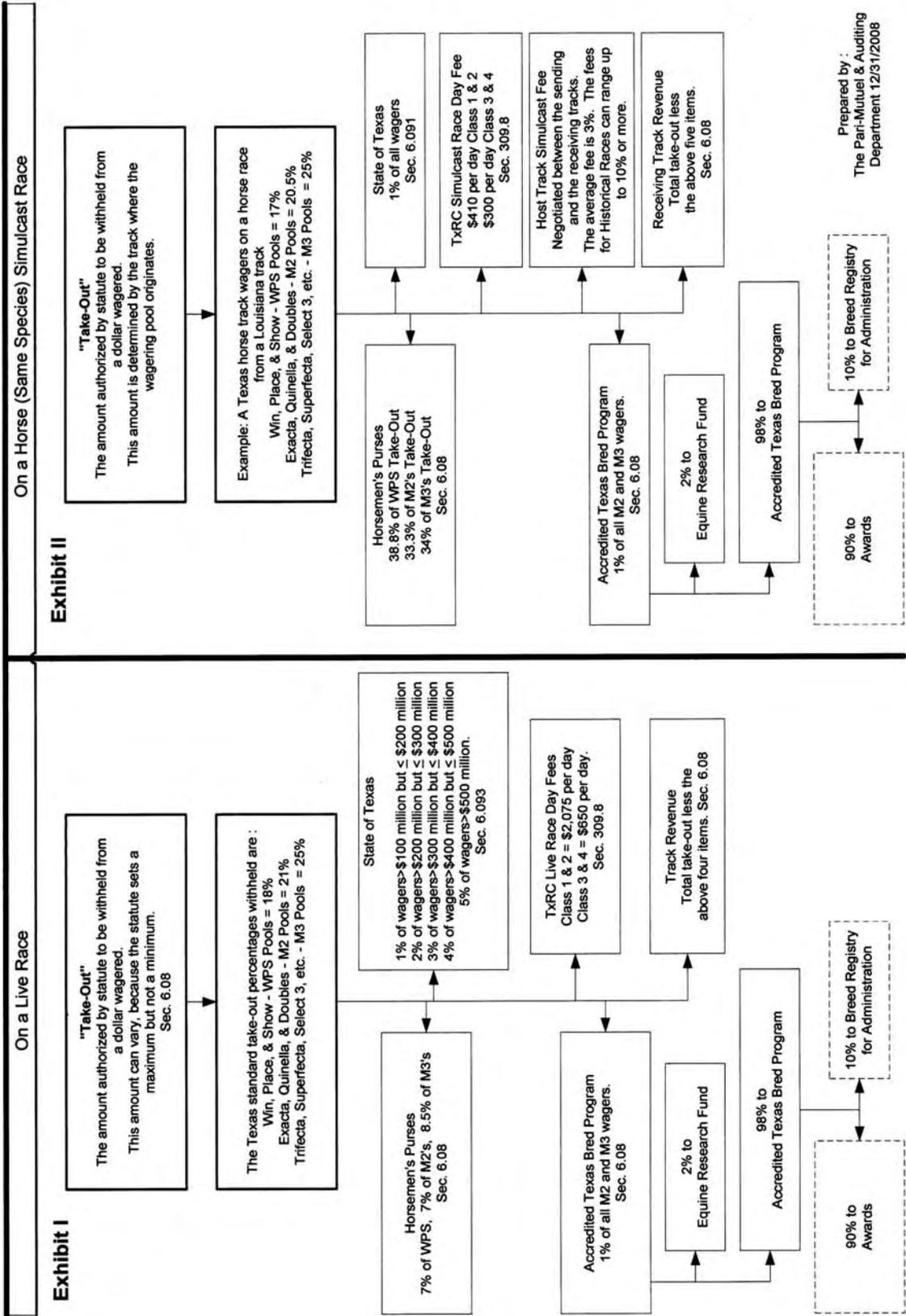


How Money Wagered at a Horse Track is Distributed



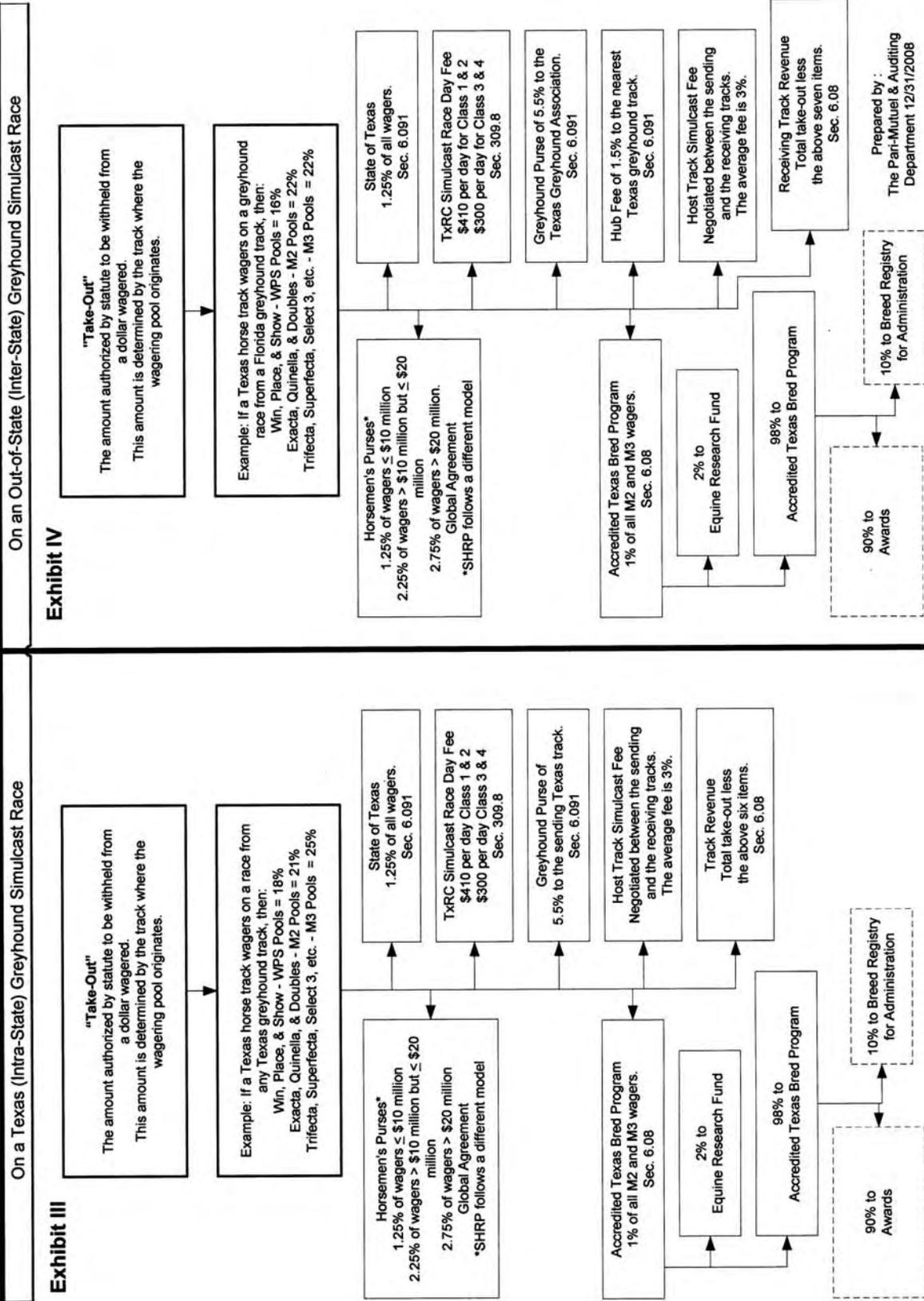
Prepared by:
The Pari-Mutuel & Auditing Department
12/31/2008

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

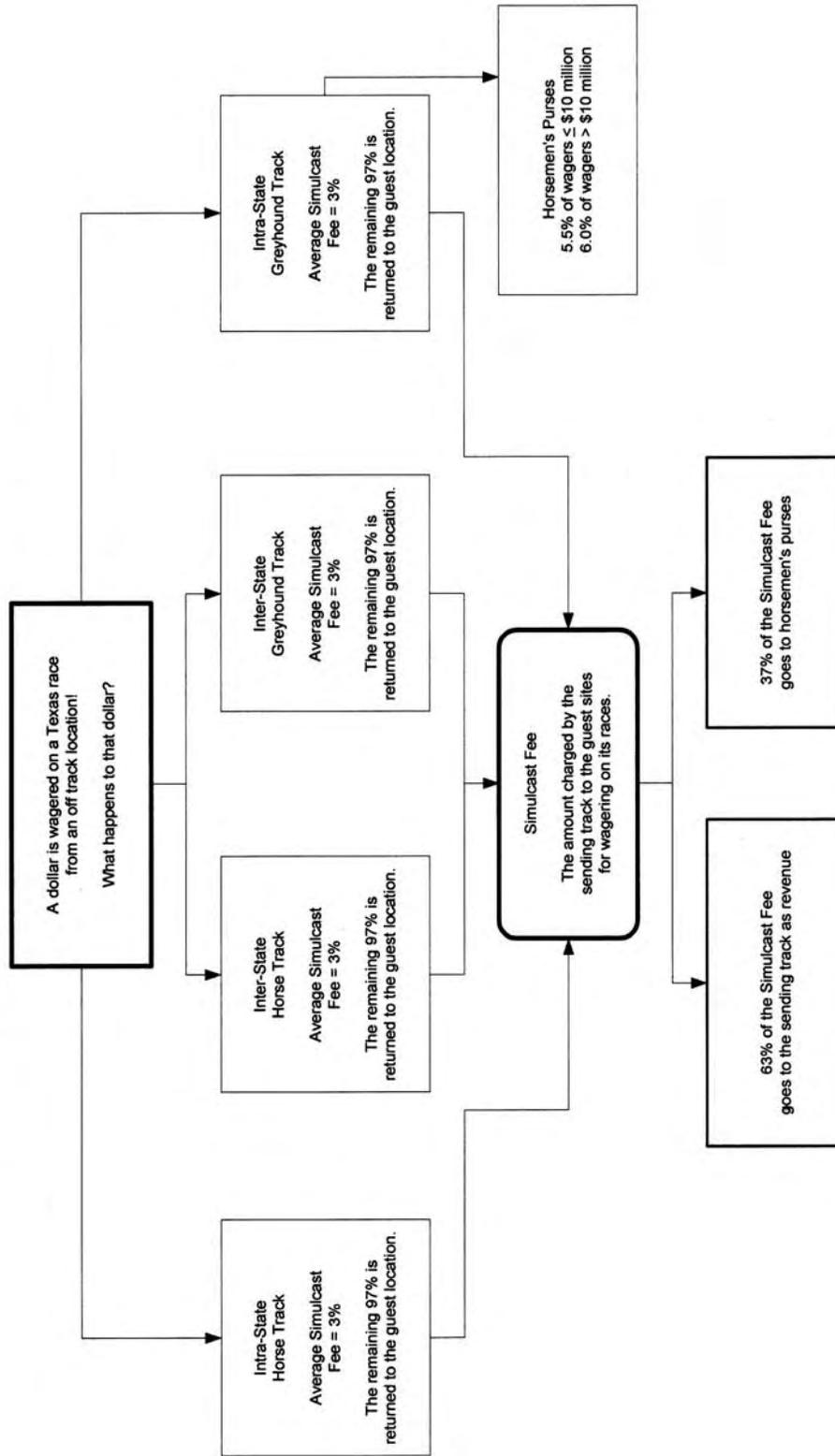


Prepared by:
The Pari-Mutuel & Auditing
Department 12/31/2008

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



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



Licensed Racetracks Directory

Greyhound Racetracks

Gulf Coast Racing

5302 Leopard Street, Corpus Christi, TX 78408
Phone 361.289.9333, Fax 361.299.1970

Gulf Greyhound Park

1000 FM 2004, La Marque, TX 77568
Phone 409.986.9500, Fax 409.986.9700

Valley Race Park

2601 South Ed Carey Drive, Harlingen, TX 78552
Phone 956.412.7223, Fax 956.428.0163

Horse Racetracks

Austin Jockey Club (currently not constructed) – Class 2

c/o Bryan Brown, 500 Dallas Street, 3400 Penthouse, Houston TX 77002
Phone 713.335.1322, Fax 713.654.7814

Gillespie County Fair & Festivals Association – Class 3

Highway 16 South, Fredericksburg, TX 78624
Phone 830.997.2359, Fax 830.997.4923

Laredo Downs (currently not constructed) – Class 2

7220 CPL Road, Laredo, TX 78091
Phone 956.723.6354, Fax 956.725.1949

Laredo Race Park (currently not constructed) – Class 2

c/o SHRP, 7575 N Sam Houston Parkway West, Houston, TX 77064-3417
Phone 281.807.8700, Fax 281.807.8777

Lone Star Park at Grand Prairie – Class 1

1000 Lone Star Parkway, Grand Prairie, TX 75050
Phone 972.263.7223, Fax 972.262.5622

Manor Downs – Class 2

9211 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

3822 Business Park Drive, Amarillo, TX 79110
Phone 806.359.9546, Fax 806.359.5239

Sam Houston Race Park – Class 1

7575 North Sam Houston Parkway West, Houston, TX 77064-3417
Phone 281.807.8700, Fax 281.807.8777

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

3900 North McColl Road, McAllen, TX 78501
Phone 956.687.7751, Fax 956.994.9734

Racing Industry Organizations and Related Associations Directory

American Quarter Horse Association

P.O. Box 200, Amarillo, TX 79168
Phone 806.376.4888, Fax 806.349.6402

Association of Racing Commissioners, International (RCI)

1510 Newton Pike, Suite 210, Lexington, KY 40511-1222
Phone 859.224.7070, Fax 859.224.7071

Department of Public Safety

P.O. Box 4087, Austin, TX 78773
Phone 512.424.2000, Fax 512.424.5779

Equine Research Account Advisory Committee

Texas Agricultural Experiment Station
2142 TAMU, College Station, TX 77843-2142
Phone 979.845.3713, Fax 979.862.1637

Jockeys' Guild

P. O. Box 487, Leander, TX 78646
Phone 512.826.3344

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 163794, Fort Worth, TX 76161
Phone 817.222.6444, Fax 817.222.8489

Texas Quarter Horse Association

P. O. Box 9449, Austin, TX 78766
Phone 512.458.5202, Fax 512.458.1713

Texas Thoroughbred Association

P. O. Box 14967, Austin, TX 78761
Phone 512.458.6133, Fax 512.453.5919

Texas Veterinary Medical Diagnostic Laboratory

P.O. Drawer 3040, College Station, TX 77841-3040
Phone 979.845.3414, Fax 979.845.1794

Year 2010 Granted Live Race Dates

Greyhound Racetracks

Gulf Coast Racing [formerly Corpus Christi Greyhound Race Track] - 43 performances

At the September 15, 2009, Commission meeting, the Commission approved Gulf Coast Racing's request to transfer its 43 performances to Gulf Greyhound Park.

Gulf Greyhound Park - 355 performances (including 43 transferred performances)

Tuesday through Sunday, year-round

Valley Race Park – no performances

Valley Race Park did not request race dates for calendar year 2010. The Commission approved Valley Race Park's request for live race dates in June and July of 2011.

Horse Racetracks

Gillespie County Fair & Festivals

Mixed Meet (8 days) – July and August

Saturday and Sunday, July 3 and 4; Saturday and Sunday, July 17 and 18

Saturday and Sunday, August 14 and 15; Saturday and Sunday, August 28 and 29

Lone Star Park at Grand Prairie

Thoroughbred Meet (60 days) – April 8 (Thursday) through July 18 (Sunday)

Thursday – Sunday racing

OPEN – Monday, May 31 (Memorial Day)

Quarter Horse Meet (29 days) – September 17 (Friday) through November 13 (Saturday)

Thursday – Saturday racing through October (except opening week)

Wednesday – Saturday racing beginning October 27 through the end of the meet.

Laredo Race Park

Mixed Meet (12 days) – August 28 (Saturday) and August 29 (Sunday)

Manor Downs

Mixed Meet (14 days) – March 6 (Saturday) through April 18 (Sunday)

Saturday – Sunday racing

Retama Park

Thoroughbred Meet (30 days) – August 27 (Friday) through November 6 (Saturday)

Thursday – Saturday racing (except first three weekends – Friday and Saturday only)

Sam Houston Race Park

Thoroughbred Meet (61 days) – January 1 (Friday) through April 3 (Saturday)

Thursday – Saturday racing for the month of January, March, and April

Thursday – Sunday racing for the month of February

Quarter Horse Meet (45 days) – April 30 (Friday) through August 14 (Saturday)

Friday and Saturday racing through May 15

Thursday – Saturday racing from May 20 through August 14

OPEN – Monday, May 31 (Memorial Day)

Thoroughbred Meet (16 days) – November 26 (Friday) through December 31 (Friday)

Thursday – Sunday racing (except opening week)

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

Year 2010 Approved Breed Splits

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

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

PURSES	GILLESPIE COUNTY	MANOR	LONE STAR	RETAMA	SAM HOUSTON
Minor Breed	1.50%	1.50%	1.25%	2.00%	2.00%
Quarter Horse	68.95%	72.89%	16.7875%	21.56%	21.56%
Thoroughbred	29.55%	25.61%	81.9625%	76.44%	76.44%

TEXAS BRED INCENTIVE PROGRAM

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

ESCROWED HORSE PURSE ACCOUNT

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

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

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Note: Except where indicated, information in this report is for calendar year 2009 and has not been audited.