

ANNUAL REPORT
2013

— TEXAS —
RACING COMMISSION



Submitted January 31, 2014

TEXAS RACING COMMISSION 2013 ANNUAL REPORT

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TEXAS RACING COMMISSION 2013 ANNUAL REPORT

TEXAS RACING COMMISSION

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January 29, 2014

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 pleased to submit the Texas Racing Commission's 2013 Annual Report in accordance with Section 3.10 of the Texas Racing Act, Article 179e, Vernon's Texas Civil Statutes. The Annual Report covers the operations of the Commission over the last calendar year and describes the condition of horse and greyhound racing and breeding as we begin calendar year 2014.

The total amount of dollars wagered at racetracks in Texas, a critical measure of the health of a jurisdiction's pari-mutuel industry, has seen a significant decline since reaching a peak of \$633.7 million in the year 2000. This decline was reversed slightly in 2004, the year in which Lone Star Park in Grand Prairie hosted the Breeders Cup. In 2005, the decline resumed and continued through 2013. The most recent data illustrates a flattening of the downward trend. In 2013, the total amount of dollars wagered at Texas racetracks was approximately \$317 million, a less than 2 percent decrease from 2012. Overall, the 2013 figure represents a near 50 percent decrease compared to the total amount of dollars wagered at Texas racetracks in the year 2000.

The Texas racetracks continue to face many challenges. Gaming competition from our neighboring states and Mexico, and unlawful gaming via the Internet represent two problematic issues. Complicating matters, over the years, Texas tracks have decreased the number of racing opportunities available to horsemen and greyhound participants. In addition, the purse structure in Texas has significantly decreased particularly compared to our neighboring states, which are aided by gaming supplements.

As a direct byproduct, the breeding industry and associated agricultural businesses are also suffering. For example, the Texas Thoroughbred breeding industry has seen a significant decline in foals produced and stallions standing for stud. From 1995 to 2012, the most recent year for which complete information is available, the national percentage of thoroughbred foals from Texas has decreased from 7.1 percent to 2.5 percent.

Despite these struggles, the Commission's role remains unchanged. On behalf of the Texas Racing Commission, I reiterate our Commission goal to provide fair, effective, and efficient regulation of the pari-mutuel industry, our racetracks, and dog tracks.

Respectfully submitted,

A handwritten signature in blue ink that reads "Robert Schmidt MD".

Robert Schmidt, MD
Chairman

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The Honorable Rick Perry
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State Capitol, Room 200
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Dear Governor Perry:

I respectfully submit the Commission's 2013 Annual Report.

The Commission regulates a complex industry that operates seven days a week, 365 days a year. Our Commissioners give time and energy, and, based on a wealth of professional and business expertise, provide quality leadership. Their contributions are invaluable.

I highly commend my staff. Agency employees work long hours in a highly regulated industry and do so with an ultimate sense of teamwork. We all remain determined and dedicated to protecting the broad public interest and integrity, as well as the health, safety and welfare of all involved in racing.

On behalf of the Commissioners and agency staff, I 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.

Sincerely,

A handwritten signature in blue ink, appearing to read "C. Trout", is written over a light blue circular stamp.

Chuck Trout
Executive Director

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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.

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THE COMMISSIONERS

Of the nine board members, the governor appoints seven with the advice and consent of the Texas Senate. Two commissioners, the Comptroller of Public Accounts and the Chair of the Public Safety Commission, are ex-officio members. The seven non-salaried commissioners serve overlapping six-year terms.

Of the seven appointees, five represent the public and have general knowledge of business or agribusiness. One may be a veterinarian. One member must have experience or special knowledge of greyhound racing and one must have experience or special knowledge of horse racing. The governor designates the Commission's chairman. The nine members elect a vice chair for a two-year term.

Gov. Rick Perry appointed **Robert Schmidt, MD**, of Fort Worth to chair the Commission on September 2, 2011. Schmidt previously served as the Commission's vice chair and first joined the Commission in November 2007. 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 the Division of Orthopedics of North Texas Specialty Physicians Network. Chairman Schmidt's term expires February 1, 2017.

Ronald F. Ederer of Corpus Christi was appointed in July 2007 as the commissioner with knowledge or experience related to horse racing. In

November 2011, his fellow commissioners elected Ederer to serve as the Commission's vice chair. Ederer, an attorney in private practice, 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 February 1, 2019.

Gary P. Aber, DVM, of Simonton was appointed to the Commission in May 2012. Aber is a veterinarian and owner of Simonton Veterinary Clinic. He is a member of the American Association of Equine Practitioners. He received a bachelor's degree from Texas Tech University and a Doctorate of Veterinary Medicine from Texas A&M University. His term expires February 1, 2015.

Gloria Hicks of Corpus Christi was appointed in November 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. 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. In October 2008, she was appointed as the commissioner with special knowledge or experience related to greyhound racing. Her term expires February 1, 2017.

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Michael F. Martin, DVM, of San Antonio was appointed in November 2010. Martin is a veterinarian and principal owner of Retama Equine Hospital, Inc. He is a member of the American Association of Equine Practitioners, American and Texas Quarter Horse associations, and American and Texas Veterinary Medical associations. Martin is also a member of the Texas Equine Veterinary Association Board of Directors. His term expires February 1, 2015.

John T. Steen III of Houston joined the Commission in October 2011. Steen currently serves as vice president of business development at Sage Midstream. He is a Chartered Financial Analyst charter holder, an Eagle Scout and a life member of the Sons of the Republic of Texas. He is also a past member of the State Board of Dental Examiners. Steen's term expires February 1, 2019.

Vicki Smith Weinberg of Colleyville was appointed in April 2009. 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. Weinberg's term expires February 1, 2015.

EX-OFFICIO MEMBERS

A. Cynthia "Cindy" Leon is the Public Safety Commission's representative on the Racing Commission. Appointed to the Public Safety Commission in 2011, she currently serves as its chair. Leon, of Mission, is a retired Regional Director for the U.S. Department of Housing and Urban Development. She is a life member of the Naval Reserve Association, Navy League, U.S. Naval Institute and the Reserve Officers Association. She is also a member of the International Women's Forum and Leadership Texas, and past chair of the Dallas-Fort Worth and San Antonio Federal Executive Boards. She served as a Captain in the U.S. Navy Reserve. Leon earned a bachelor's degree from Austin College and a master's degree in public administration from the University of Colorado at Boulder. She is also a graduate of the Federal Executive Institute in Charlottesville, VA.

Susan Combs of Austin was sworn into office in January 2007 as the Comptroller of Public Accounts and won reelection in 2010. Ann O'Connell, Special Counsel to the Comptroller and Director of Criminal Investigations, serves as Combs' official designee at Commission meetings.

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SIGNIFICANT COMMISSION ACTIONS AND ACTIVITIES

The Texas Racing Commission met six times during calendar year 2013. 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 before meetings. Transcripts of each Commission meeting are also available at www.txrc.texas.gov.

RACE DATE ALLOCATION

Between 2009 and 2012, the number of race dates that Texas horse tracks requested declined from 265 to 191. The reduced schedules carried into 2013 when tracks ran 187 days. With Lone Star Park (76), Retama Park (46), Sam Houston Race Park (56) and Gillespie Fair and Festivals Association (8) offering a total of 186 days of live racing in 2014, racing opportunities have stabilized for now.

In 2014, Gulf Greyhound Park will continue its year-round racing schedule. The number of performances the track is offering drops from 260 in 2013 to 255 in 2014. Gulf Coast Racing requested five performances in 2014 and Valley Race Park requested none.

COMMITTEE ON RULES

During 2013, the Committee on Rules met six times. The committee recommended closure of the review of

Chapter 309 (Racetrack Licenses and Operations) that it began in June 2012 and Chapter 311 (Other Licenses) that it began in August 2012. It also recommended opening rule reviews of Chapter 313 (Officials and Rules of Horse Racing) and Chapter 315 (Officials and Rules for Greyhound Racing.)

The Committee recommended the proposal and subsequent adoption of 18 rules during 2012. The committee continued its work implementing changes resulting from Sunset legislation passed during the 82nd Legislative Session. These included recommending the proposal and adoption of a rule for negotiated rulemaking and alternative dispute resolution, and recommending the proposal and adoption of a rule for the ownership and management review of active racetrack licenses.

HORSE AND GREYHOUND RACE DATES CALENDAR COMMITTEES

The Horse and Greyhound Race Dates Calendar committees provided a forum for interested stakeholders and the public to discuss proposed race date calendars. Topics at the meetings included the potential number and locations of race dates and the purse levels for those dates. The committees met once each in 2013 to discuss industry calendar proposals.

The Commission allocated race dates for both 2014 and the first 8 months of 2015 for greyhounds and horses at its August 2013 meeting.

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SAFETY AND MEDICATION WORKING GROUP

The Safety and Medication Working Group met on September 9, 2013, providing a valuable forum for all stakeholders to discuss critical safety and medication issues.

Attendees included Commissioner Mike Martin, Commissioner Gary P. Aber, representatives from Texas racetrack associations, breed registries, the Texas Horsemen's Partnership, current practicing backside veterinarians, trainers, owners, and TxRC staff.

Topics covered at the meeting included the implementation of the Association of Racing Commissioners International (RCI) schedule of controlled therapeutic substances, administration of furosemide (whether to require that furosemide be administered only by racetrack-secured veterinarians), the claiming rule (whether to modify the claiming rules to void a claim in the case of death or injury during a race or in the case of a positive drug test), and veterinary practices and procedures.

TxRC is a member of RCI, which is the international association of the government sanctioned entities responsible for the honesty and integrity of horse and greyhound racing as well as all associated pari-mutuel wagering. Industry members expressed general support for fully implementing RCI's recommendations on therapeutic medications. Staff made many of these changes administratively. One rule change, which allows the executive director to set thresholds for any therapeutic medication, regardless of whether the amount constituted

a trace level, required and received Commission approval.

Support was also expressed for requiring that furosemide be administered by third parties instead of by the trainers' own backside veterinarians. This change can be implemented by the racetracks themselves and required no Commission action. Regarding any changes to the claiming rules, the committee discussed recent developments in California, Arkansas, and New York, where the states now provide that claims will be voided after catastrophic injuries. The committee will continue monitoring the situation and take up the issue again at a future meeting.

ACTIVE/INACTIVE STATUS AND DESIGNATION OF TRACKS

Sunset legislation passed by the 82nd Legislature requires the Commission to conduct an annual review of each inactive racetrack license and determine whether to renew that license.

The Commission adopted rules to implement this requirement in 2012, and at its August 2013 meeting, the Commission completed its reviews of the licenses held by Laredo Downs, Laredo Race Park, Longhorn Downs, and Manor Downs. After the reviews, the Commission elected to renew each license for an additional year.

OWNERSHIP AND MANAGEMENT REVIEWS OF ACTIVE RACETRACK LICENSES

Sunset legislation passed by the 82nd

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Legislature required the Commission to conduct ownership and management review of each active racetrack license. At its Commission meetings in February and April, the Commission proposed and then adopted rules establishing the parameters of the ownership and management reviews.

The Commission also set out the schedule under which active licenses would be reviewed. At its October meeting, the Commission completed its reviews of Gillespie County Fair and Festivals Association, Gulf Greyhound Park, Saddle Brook Park, and Valle de los Tesoros, and scheduled the next ownership and management review of each racetrack for 2018.

STATUTORY REQUIREMENTS RELATED TO ONLINE WAGERING

In its 2008 review of TxRC, the Sunset Commission took note of the unregulated entities that were taking wagers from Texans over the Internet.

In Texas, the only place a person may place a legal wager on a horse or greyhound race is on the grounds of a licensed pari-mutuel racetrack. However, these unregulated companies were using a technology not contemplated when the Texas Racing Act was passed and using the resulting ambiguity in the law to defend their actions. The Sunset legislation clarifies that all entities, whether in-state or out-of-state, are prohibited from accepting these types of wagers.

The Texas Legislature amended the Texas Racing Act in 2011 to clarify that the existing prohibitions against

off-track wagering also applied to the Internet. Accordingly, the TxRC sent cease-and-desist letters to all of the advance deposit wagering (ADW) companies that reportedly accepted these wagers from Texas residents. Most of the contacted companies voluntarily complied with the statute. However, TwinSpires.com refused and then filed a federal lawsuit against the TxRC in September 2012. TwinSpires.com and at least one other company continued to do business in Texas until a federal district judge ruled in favor of the Commission and dismissed the suit on Sept. 23.

TwinSpires.com has filed an appeal that is currently pending before the U.S. Fifth Circuit Court.

AGENCY OVERVIEW

TxRC regulates all aspects of pari-mutuel horse and greyhound racing through licensing, on-site monitoring and enforcement. Statute and rule require the Commission to:

- License racetracks that offer racing and the people directly involved with pari-mutuel wagering who work at the racetracks or own race animals.
- Allocate race dates, supervise the conduct of all races, monitor the health and safety of the race animals and conduct drug tests to ensure the animals race without prohibited substances.
- Oversee all pari-mutuel wagering activity, approve simulcasts, test the tote systems (complex

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computer systems that tally and calculate pari-mutuel wagers) and ensure the proper allocation and distribution of revenue generated by pari-mutuel wagering.

- Administer the Texas-Bred Incentive Program, which provides economic incentives to support a healthy and vigorous breeding industry in the state.

ORGANIZATIONAL STRUCTURE

The General Appropriations Act authorized the agency to have 52.6 full-time equivalent positions (FTEs) in FY 2013 and FY 2014. This is down from the 62.3 authorized FTEs in FY 2012 and FY 2013. While the Racing Act requires the Commission's headquarters to be in Austin, a large number of staff members work at the operating racetracks.

Many of the employees outside Austin are seasonal, working only when the racetracks conduct live racing.

TxRC's workforce features a diverse collection of professions that includes auditors, veterinarians, stewards, racing judges, investigators, licensing staff and support personnel.

TxRC has a field office at the three operating Class 1 horse racetracks and at two of the three currently operating greyhound racetracks. Additionally, staff is always present at any field office when that track is running live racing.

The agency's structure features an executive group headed by an executive director, a Division for Racing Oversight, and a Division for Finance and Wagering. A deputy director leads each division.



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FISCAL INFORMATION

BUDGET AND FINANCE

The Commission is self-funded by the entities it regulates and is typically appropriated only GR-Dedicated funds. The agency's revenue primarily comes from fees assessed to race-tracks and occupational licensees.

For FY 2013, the Commission had a total appropriation of approximately \$8.35 million. The agency's operating budget was \$4.22 million, of which approximately 70 percent was salary and salary-related expenses. The \$8.35 million appropriation included a direct, dedicated-revenue pass-through of almost \$4.13 million for the Texas-Bred Incentive Program.

The Texas-Bred Incentive Program is authorized in the Racing Act. It provides purse supplements and monetary awards to breeders and owners of Texas-bred greyhounds and horses to encourage economic development through agribusiness in the horse and greyhound breeding industries.

Funding for the Texas-Bred Incentive Program comes from breakage from all types of wagers and a small percentage of all exotic wagers. Generally, breakage is the amount available after payoffs to winning ticket holders rounded down to the nearest dime.

AGENCY HIGHLIGHTS

ADMINISTRATIVE

During FY 2013, the agency met or exceeded all of its five performance

outcome measure targets. Those targets are related to: increasing the percentage of compliance audits passed; reducing the rate of rulings by maintaining a high percentage of investigations resulting in disciplinary action; having a high percentage of licensees with no recent violations; meeting the animal injury related benchmark; and bettering the average time to issue a new occupational license.

The executive division coordinated six regular Commission meetings. The general counsel coordinated rule reviews for Chapters 309, 311, 313 and 315 as required by Government Code §2001.039. The general counsel also facilitated the development of the remaining rules necessary to implement the terms of the Sunset legislation. During the year, the Commission adopted 18 new rules or amendments to existing rules.

TECHNOLOGY

In 2013, the Information Technology Department (IT) continued to focus on migrating to upgraded technology.

The agency moved from an in-house email service to email in the cloud.

The final server was purchased in the server consolidation and migration project which began in late 2011. Final migration and testing of the database migration has been delayed due to resource constraints and is now scheduled to be completed in 2014.

A project management methodology for IT projects was formally adopted

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at the end of 2013. The new process should ensure that IT resources are allocated where the need is greatest.

Several in-house applications were modified to improve tracking and classification of animal injuries. The greyhound application was completed in 2013 with the horse application tentatively scheduled for 2014.

REGULATORY

In 2013, pari-mutuel auditors reviewed wagering data on 5,705 live races and 743,704 simulcast races to ensure proper collection and distribution of funds. The auditing staff reviewed a total of 1,929 import and export simulcast requests for compliance with the Racing Act, the Texas Rules of Racing, and the Federal Interstate Horse Racing Act.

In 2013, the Commission issued 5,961 occupational licenses—down less than one percent from 2012—and 64 business licenses. Of the occupational licenses issued, 1,975 were for new licenses and 3,986 were for renewals. The 64 business licenses consisted of 8 kennel licenses and 56 vendor licenses.

In the past, applicants for licensure had to submit fingerprints to the agency every three years, along with a processing fee. The Department of Public Safety submitted those fingerprints to the FBI for background check purposes. Taking advantage of chang-

BREAKDOWN OF LICENSES ISSUED



es implemented at DPS, the Commission passed a new rule in 2012 that will ultimately save licensees money and make the renewal process more convenient for renewal applicants and generally less cumbersome. If DPS already has a renewal applicant's fingerprints on file, the Commission simply requests DPS to resubmit the existing prints to the FBI, eliminating the need for new fingerprint cards and the portion of the fingerprinting fee associated with submission of hard-copy fingerprint cards. This new process also saves licensing considerable time as staff no longer must fingerprint every applicant up for a three-year renewal.

INVESTIGATIONS

By allocating resources tactically and cooperating with the Department of Public Safety (DPS), the department strives 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.

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Investigators, along with the DPS, continue to perform random inspections at all operating racetracks and licensed training centers. These inspections resulted in 34 contraband case referrals to the respective Board of Stewards or Judges. Stewards and judges issued a total of 300 disciplinary rulings. These included 214 fines, 118 suspensions and four revocations.

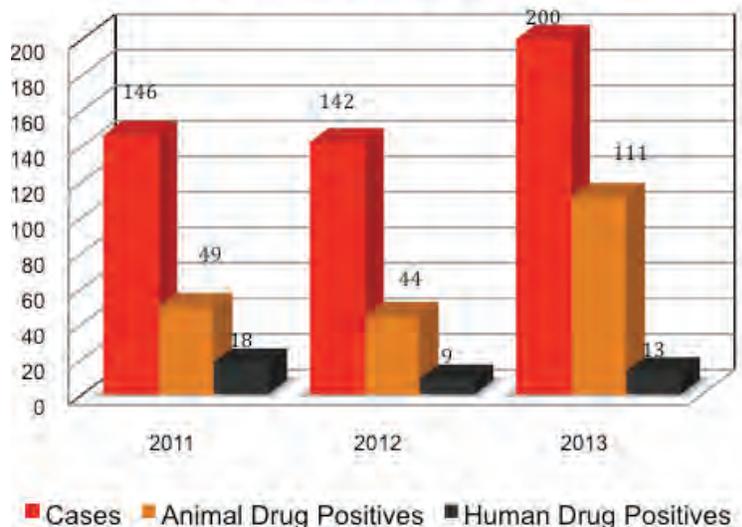
ANIMAL EXAMINATIONS/ DRUG TESTING

Historically, the majority of the horse positives have been the result of inadvertent or improperly timed administration of medications considered to have therapeutic value to the horse, but unlikely to be of a performance enhancing nature. Therapeutic medications have a legitimate role in the care and maintenance of any active animal, horses and dogs included.

The Racing and Medication Testing Consortium (RMTC) is a national, non-profit organization that strives to develop uniform medication rules, testing procedures, thresholds and withdrawal guidelines for therapeutic medications for jurisdictions across the country. RCI requested RMTC recommendations for thresholds and withdrawal times (how long an animal must be off a medication before racing) for therapeutic medications. RCI is expected to adopt in its model rules the RMTC recommendations.

The Racing Commission's execu-

INVESTIGATION ACTIVITY



tive director recently modified the agency's drug testing policy to bring it more in line with the majority of RMTC recommendations to RCI. The policy revisions to thresholds and withdrawal periods apply only to certain therapeutic drugs. Texas remains a zero-tolerance state with regard to performance enhancing drugs.

Another ongoing development in drug testing methodology relates to the sensitivity of the tests themselves. Labs now are able to detect the presence of drugs at much lower concentrations. Improved techniques and tests are allowing the Commission to screen for a greater number of drugs than ever before.

INSPECTION PROGRAM

The Commission helps ensure that pari-mutuel racing is safe for the participants and the public. To accomplish this, the Commission developed a comprehensive inspection program of licensed racetracks and training

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facilities. Through this inspection program, the Commission oversees all pari-mutuel racetrack license holders to monitor and ensure compliance with Commission rules.

INSPECTIONS BY AREA

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

- Live racing operations inspections focus on all aspects of animal housing—including maintenance and cleanliness of barns and kennel areas—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 tote company's operations and all related wagering equipment.
- Safety and security inspections focus on all security aspects of the facility, including outdoor lighting, fencing, medical and first aid services, and fire prevention measures, including inspecting the barns to ensure proper storage of hay and feed.
- Administrative operations inspections center on association ownership records, bookkeeping and accounting systems. These inspections include a review from the patron's viewpoint, including cleanliness of patron facilities and amenities, posting of pertinent public notices and proper signage on automatic banking machines.
- 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.

2013 INSPECTIONS BY AREA

TYPE OF INSPECTION	NUMBER
LIVE RACING OPERATIONS	18
ANIMAL HEALTH AND SAFETY/ DRUG TESTING OPERATIONS	14
PARI-MUTUEL WAGERING OPERATIONS	23
SAFETY AND SECURITY	20
ADMINISTRATIVE OPERATIONS	9
TRAINING TRACKS	2
TOTAL	86

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TEXAS-BRED INCENTIVE PROGRAM

The Racing Act provides purse supplements and monetary awards to breeders and owners of accredited 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 percent of the total breakage from live, simulcast same-species and simulcast cross-species handle; and
- 1 percent of all multiple two and multiple three wagers from simulcast same-species and simulcast cross-species handle.

The 50 percent of breakage and the 1 percent of multiple two and three wagers are paid to the Texas Greyhound Association (TGA). The breakage money is dedicated 50 percent to stakes races and 50 percent for administration of the Accredited Texas-Bred (ATB) program. The money received from multiple two and three wagers is paid as awards to those owners of accredited Texas-bred greyhounds finishing first in races run 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.

Of the total money from breakage received by the TGA, 2 percent must be set aside for grants for rehabilitating or locating homes for greyhounds. During 2013, seven grants were distributed from this source of funding to qualified Texas non-profit rehabilitation and adoption groups totaling \$2,450, including an added contribution of \$1,150 by the TGA.

Purse money earned from interstate 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 \$1,282,647 going to purses at Gulf Greyhound Park in 2013. This source remained fairly constant, decreasing less than 5 percent from the 2012 payout.

HORSE PROGRAM

The 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 percent of all multiple two and multiple three wagers from live, simulcast same-species and simulcast cross-species handle.

Texas-bred stakes race supplement is funded from 9.8 percent of the break-

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age from all pari-mutuel pools. This money is retained by the racetracks for distribution through the horse-men'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 percent, 40 percent and 20 percent split, respectively, among the owners, breeders and stallion owners of the accredited Texas-bred horse.

The Racing Act names the official breed registries that are responsible for determining 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.

The Texas Appaloosa Horse Club does not participate in this program.

COMPARATIVE DISTRIBUTIONS YEAR 2012 VS. YEAR 2013

	2012	2013	% CHANGE
TEXAS THOROUGHBRED ASSOCIATION	\$1,832,400	\$1,769,563	-3.43%
TEXAS QUARTER HORSE ASSOCIATION	\$907,520	\$895,720	-1.30%
TEXAS GREYHOUND ASSOCIATION	\$485,275	\$487,722	0.50%
TEXAS-BRED STAKES RACE SUPPLEMENTS	\$94,362	\$97,114	2.92%
TEXAS ARABIAN BREEDERS ASSOCIATION	\$52,519	\$51,440	-2.05%
TEXAS PAINT HORSE BREEDERS ASSOCIATION	\$26,365	\$25,621	-2.82%
TOTAL	\$3,398,442	\$3,327,180	-2.10%

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2013 PURSE STATISTICS

SOURCE OF FUNDS	QUARTER HORSE	THOROUGH-BRED	ARABIAN	PAINT	TOTAL HORSE
EARNED PURSE	\$4,095,220	\$14,490,328	\$304,150	\$116,100	\$19,005,798
TEXAS BRED STAKES	\$20,160	\$16,609	\$0	\$0	\$36,769
STAKES	\$3,298,478	\$584,760	\$41,700	\$67,970	\$3,992,908
SPONSORS	\$459,634	\$144,063	\$52,900	\$46,045	\$702,642
FUND TRANSFERS	\$32,652	\$0	\$0	\$0	\$32,652
ATB SPONSORED PURSE	\$17,500	\$110,000	\$0	\$0	\$127,500
TOTAL PURSES PAID	\$7,923,644	\$15,345,760	\$398,750	\$230,115	\$23,898,269
AVERAGE DAILY PURSES PAID AT ALL MEETS	\$101,585	\$132,291.03	\$10,493.42	\$57,529	\$101,263.85

SOURCE OF FUNDS	TOTAL GREYHOUND
EARNED PURSE	\$1,181,680
TEXAS BRED STAKES	\$0
STAKES	\$51,000
SPONSORS	\$44,306
FUND TRANSFERS	\$463,676
TGA CROSS SPECIES PURSE SUPPLEMENTS	\$1,282,647
TOTAL PURSES PAID	\$3,023,309
AVERAGE DAILY PURSES PAID PER PERF.	\$10,213.88

SOURCE OF FUNDS	2012 COMBINED	2013 COMBINED	% CHANGE
EARNED PURSE	\$22,788,614	\$20,187,478	-11.41%
TEXAS BRED STAKES	\$10,000	\$36,769	267.69%
STAKES	\$2,014,325	\$4,043,908	100.76%
SPONSORS	\$766,495	\$746,948	-2.55%
FUND TRANSFERS	\$548,695	\$496,328	-9.54%
TGA CROSS SPECIES PURSE SUPPLEMENTS	\$1,345,863	\$1,282,647	-4.70%
ATB SPONSORED PURSE	\$68,750	\$127,500	85.45%
TOTAL PURSES PAID	\$27,542,742	\$26,921,578	-2.26%

TEXAS RACING COMMISSION 2013 ANNUAL REPORT

SUMMARY OF ALL TEXAS GREYHOUND RACETRACKS JANUARY 1, 2103 THRU DECEMBER 31, 2013

	Column 1 Live On-Track	Column 2 Live Export	Column 3 Simulcast Same-Species	Column 4 Simulcast Cross- Species	Column 5 Sum of 1-4 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	296	n/a	1,446	1,340	3,082	296	2,786	3,082
# of Performances	296	n/a	12,283	11,749	0	296	24,032	24,328
Attendance	86,966	n/a	130,356	728	218,050	86,966	131,084	218,050
Net Handle	\$8,465,977	\$13,124,733	\$26,562,845	\$22,264,579	\$70,418,134	\$21,590,709	\$48,827,424	\$57,293,401
Horse Purse				\$46,058	\$46,058	\$0	\$46,058	\$46,058
Greyhound Purse	\$423,172	\$230,170	\$827,852	\$133,487	\$1,614,681	\$653,341	\$961,339	\$1,384,511
TTA Purse				\$160,353	\$160,353	\$0	\$160,353	\$160,353
TQHA Purse				\$160,353	\$160,353	\$0	\$160,353	\$160,353
TGA Purse				\$0	\$0	\$0	\$0	\$0
Escrowed Horse Purse				\$921,415	\$921,415	\$0	\$921,415	\$921,415
TX Horsemen's Partnership Purse				\$0	\$0	\$0	\$0	\$0
THP Escrow Horse Purse				\$133,545	\$133,545	\$0	\$133,545	\$133,545
Texas Bred			\$247,914	\$173,688	\$421,601	\$0	\$421,601	\$421,601
State Tax			\$265,731	\$277,938	\$543,669	\$0	\$543,669	\$543,669
Hub Fee				\$321,180	\$321,180	\$0	\$321,180	\$321,180
Simulcast Fee			\$639,489	\$971,419	\$1,610,908	\$0	\$1,610,908	\$1,610,908
Racetracks	<u>\$1,466,741</u>	<u>\$3,718,888</u>	<u>\$4,001,034</u>	<u>\$1,503,918</u>	<u>\$10,690,581</u>	<u>\$5,185,630</u>	<u>\$5,504,951</u>	<u>\$6,971,692</u>
Total Commissions	\$1,889,913	\$3,949,058	\$5,982,019	\$4,803,352	\$16,624,342	\$5,838,971	\$10,785,371	\$12,675,284
Breakage	\$23,321	\$0	\$40,012	\$67,930	\$131,263	\$23,321	\$107,942	\$131,263

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

\$8,679,430 Total Export-Interstate Handle - Out of state locations wagering on Texas greyhound racetracks
\$46,590,821 Total Import-Interstate Handle - Texas greyhound racetracks wagering on out of state racetracks
-\$37,911,392 Net LOSS of wagering dollars in Texas as a result of simulcasting at Texas greyhound racetracks

TEXAS RACING COMMISSION 2013 ANNUAL REPORT

SUMMARY OF ALL TEXAS HORSE TRACKS JANUARY 1, 2103 THRU DECEMBER 31, 2013

	Column 1 Live On-Track	Column 2 Live Export	Column 3 Simulcast Same-Species	Column 4 Simulcast Cross- Species	Column 5 Sum of 1-4 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	187	n/a	2,136	2,695	5,018	187	4,831	5,018
# of Performances	187	n/a	28,762	13,127	42,076	187	41,889	42,076
Attendance	721,362	n/a	544,565	0	1,265,927	721,362	544,565	1,265,927
Net Handle	\$27,572,139	\$102,655,143	\$200,343,594	\$30,522,104	\$361,092,979	\$130,227,282	\$230,865,698	\$258,437,836
Horse Purse	\$2,058,772	\$1,472,602	\$14,527,219	\$381,133	\$18,439,726	\$3,531,374	\$14,908,352	\$16,967,124
Greyhound Purse				\$177,670	\$177,670	\$0	\$177,670	\$177,670
TTA Purse					\$0	\$0	\$0	\$0
TQHA Purse					\$0	\$0	\$0	\$0
TGA Purse				\$1,500,804	\$1,500,804	\$0	\$1,500,804	\$1,500,804
Escrowed Horse Purse					\$0	\$0	\$0	\$0
TX Horsemen's Partnership Purse					\$0	\$0	\$0	\$0
THP Escrow Horse Purse					\$0	\$0	\$0	\$0
Texas Bred	\$146,997		\$1,478,008	\$277,628	\$1,902,633	\$146,997	\$1,755,637	\$1,902,633
State Tax			\$2,003,014	\$381,133	\$2,384,147	\$0	\$2,384,147	\$2,384,147
Hub Fee				\$406,153	\$406,153	\$0	\$406,153	\$406,153
Simulcast Fee			\$8,105,111	\$863,776	\$8,968,887	\$0	\$8,968,887	\$8,968,887
Racetracks	<u>\$3,491,604</u>	<u>\$2,395,537</u>	<u>\$16,386,348</u>	<u>\$2,992,447</u>	<u>\$25,265,936</u>	<u>\$5,887,141</u>	<u>\$19,378,795</u>	<u>\$22,870,399</u>
Total Commissions	\$5,697,373	\$3,868,139	\$42,499,700	\$6,980,744	\$59,045,956	\$9,565,512	\$49,480,444	\$55,177,816
Breakage	\$194,572	\$0	\$744,588	\$51,748	\$990,908	\$194,572	\$796,335	\$990,908

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

\$97,798,527	Total Export-Interstate Handle - Out of state locations wagering on Texas horse racetracks
<u>\$223,614,382</u>	Total Import-Interstate Handle - Texas horse racetracks wagering on out of state racetracks
-\$125,815,855	Net LOSS of wagering dollars in Texas as a result of simulcasting at Texas horse racetracks

TEXAS RACING COMMISSION 2013 ANNUAL REPORT

SUMMARY OF ALL TEXAS RACETRACKS JANUARY 1, 2103 THRU DECEMBER 31, 2013

	Column 1 Live On-Track	Column 2 Live Export	Column 3 Simulcast Same-Species	Column 4 Simulcast Cross- Species	Column 5 Sum of 1-4 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	483	n/a	3,582	4,035	8,100	483	7,617	8,100
# of Performances	483	n/a	41,045	24,876	66,404	483	65,921	66,404
Attendance	808,328	n/a	674,921	728	1,483,977	808,328	675,649	1,483,977
Net Handle	\$36,038,115	\$115,779,876	\$226,906,439	\$52,786,683	\$431,511,113	\$151,817,991	\$279,693,122	\$315,731,237
Horse Purse	\$2,058,772	\$1,472,602	\$14,527,219	\$427,191	\$18,485,784	\$3,531,374	\$14,954,410	\$17,013,182
Greyhound Purse	\$423,172	\$230,170	\$827,852	\$311,157	\$1,792,350	\$653,341	\$1,139,009	\$1,562,181
TTA Purse	\$0	\$0	\$0	\$160,353	\$160,353	\$0	\$160,353	\$160,353
TQHA Purse	\$0	\$0	\$0	\$160,353	\$160,353	\$0	\$160,353	\$160,353
TGA Purse	\$0	\$0	\$0	\$1,500,804	\$1,500,804	\$0	\$1,500,804	\$1,500,804
Escrowed Horse Purse	\$0	\$0	\$0	\$921,415	\$921,415	\$0	\$921,415	\$921,415
TX Horsemen's Partnership	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
THP Escrow Horse Purse	\$0	\$0	\$0	\$133,545	\$133,545	\$0	\$133,545	\$133,545
Texas Bred	\$146,997	\$0	\$1,725,922	\$451,316	\$2,324,234	\$146,997	\$2,177,238	\$2,324,234
State Tax	\$0	\$0	\$2,268,745	\$659,072	\$2,927,816	\$0	\$2,927,816	\$2,927,816
Hub Fee	\$0	\$0	\$0	\$727,333	\$727,333	\$0	\$727,333	\$727,333
Simulcast Fee	\$0	\$0	\$8,744,600	\$1,835,195	\$10,579,795	\$0	\$10,579,795	\$10,579,795
Racetracks	<u>\$4,958,345</u>	<u>\$6,114,425</u>	<u>\$20,387,382</u>	<u>\$4,496,364</u>	<u>\$35,956,517</u>	<u>\$11,072,770</u>	<u>\$24,883,746</u>	<u>\$29,842,092</u>
Total Commissions	\$7,587,286	\$7,817,197	\$48,481,719	\$11,784,096	\$75,670,298	\$15,404,483	\$60,265,815	\$67,853,101
Breakage	\$217,893	\$0	\$784,600	\$119,678	\$1,122,171	\$217,893	\$904,278	\$1,122,171

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

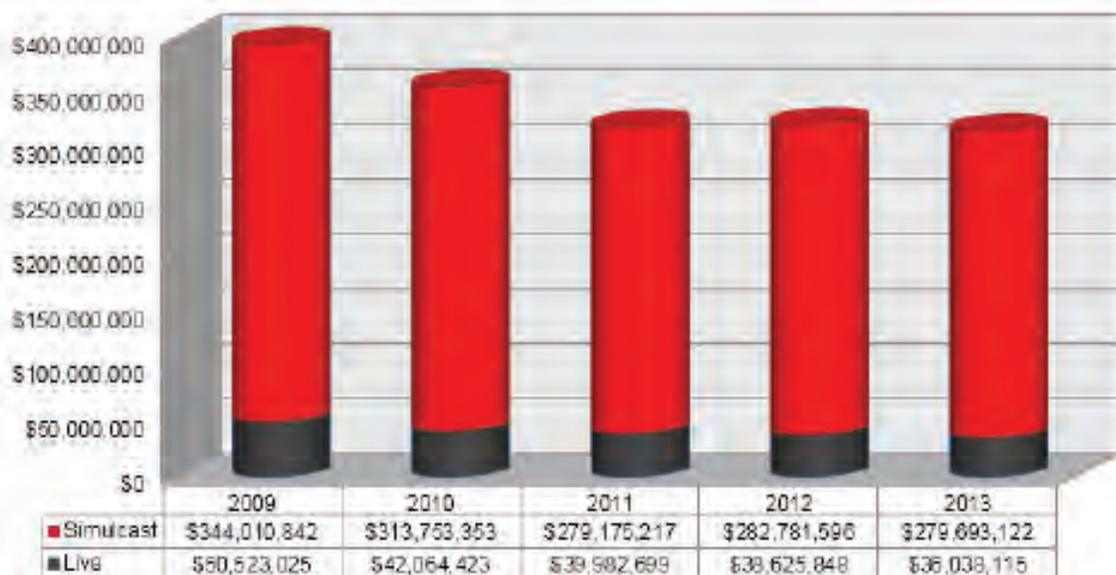
\$106,477,956 Total Export-Interstate Handle - Out of state locations wagering on Texas racetracks
\$270,205,203 Total Import-Interstate Handle - Texas racetracks wagering on out of state racetracks
~~-\$163,727,247~~ Net LOSS of wagering dollars in Texas as a result of simulcasting

TEXAS RACING COMMISSION 2013 ANNUAL REPORT

FIVE-YEAR OVERVIEW OF PARI-MUTUEL RACING GREYHOUND & HORSE TRACKS COMBINED

	2009	2010	2011	2012	2013
# of Active Tracks	8	8	7	8	8
Handle On-Track:					
Live	\$50,523,025	\$42,064,423	\$39,982,699	\$38,625,848	\$36,038,115
Simulcast	\$344,010,842	\$313,753,353	\$279,175,217	\$282,781,596	\$279,693,122
TOTAL	\$394,533,867	\$355,817,776	\$319,157,916	\$321,407,444	\$315,731,238
Live Performances	578	567	506	464	483
# of Simulcast Signals Taken	61,264	59,418	59,354	62,793	65,921
Purses Paid	\$33,634,795	\$28,440,346	\$26,947,152	\$27,559,441	\$26,931,778
State Tax	\$3,591,738	\$3,290,455	\$2,928,134	\$2,959,439	\$2,927,816
Tx Bred \$	\$4,323,299*	\$3,843,854**	\$3,390,338	\$3,458,027	\$3,385,136
Attendance	2,140,925	1,716,877	1,531,200	1,493,715	1,483,977

ON-TRACK HANDLE GREYHOUND & HORSE COMBINED

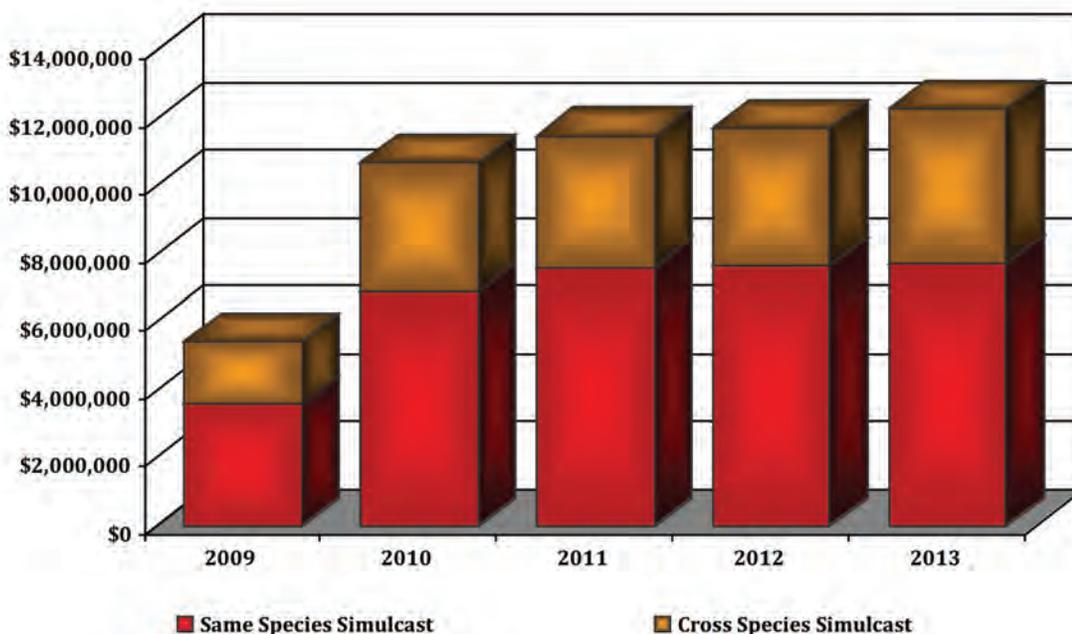


TEXAS RACING COMMISSION 2013 ANNUAL REPORT

GREYHOUND RACETRACK GULF COAST RACING

	2012	2013	% Change
Live On-Track Handle	\$0	\$0	N/A
Import Same Species Simulcast	\$7,666,696	\$7,710,555	0.57%
Import Cross Species Simulcast	\$4,043,172	\$4,577,541	13.22%
Total On-Track Handle	\$11,709,867	\$12,288,097	4.94%
Total Export Handle	\$0	\$0	N/A
Total Wagered on GCR	\$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	5,992	5,848	-2.40%
Total Attendance	39,048	41,925	7.37%
Total # of Simulcast Signals Taken	10,030	9,946	-0.84%
Total Attendance	254,776	205,308	-19.42%

2009-2013
GULF COAST RACING



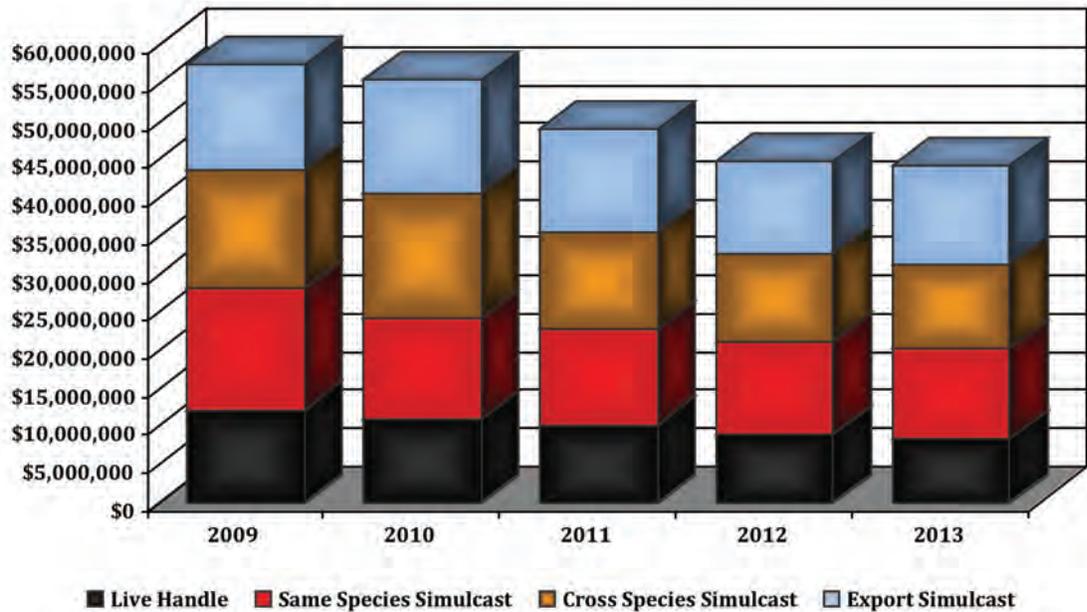
*Corpus Christi Greyhound Race Track ceased pari-mutuel operations on December 31, 2007. Under new ownership, Gulf Coast Racing resumed pari-mutuel operations on July 3, 2009.

TEXAS RACING COMMISSION 2013 ANNUAL REPORT

GREYHOUND RACETRACK GULF GREYHOUND PARK

	2012	2013	% Change
Live On-Track Handle	\$9,063,558	\$8,426,195	-7.03%
Import Same Species Simulcast	\$12,211,354	\$11,733,030	-3.92%
Import Cross Species Simulcast	\$11,480,267	\$11,006,457	-4.13%
Total On-Track Handle	\$32,755,179	\$31,165,682	-4.85%
Total Export Handle	\$12,061,661	\$13,124,733	8.81%
Total Wagered on GULF	\$21,125,219	\$21,550,928	2.02%
Average Value per Point	\$72.11	\$64.93	-9.96%
Average Purses Paid/Performance	\$11,492	\$9,910	-13.77%
Total Purses Paid	\$3,114,338	\$2,923,309	-6.13%
Total Live Performances	271	295	8.86%
Total # of Simulcast Signals Taken	8,097	7,928	-2.09%
Total Attendance	137,343	121,274	-11.70%
Total # of Simulcast Signals Taken	10,880	11,044	1.51%
Total Attendance	684,801	744,555	8.73%

2009-2013
GULF GREYHOUND PARK

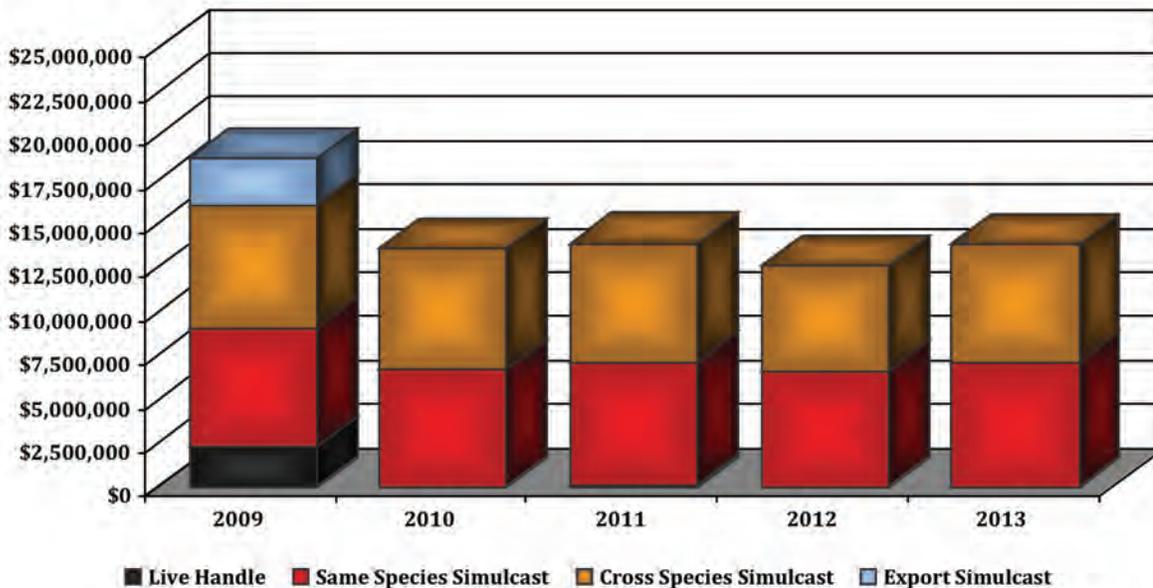


TEXAS RACING COMMISSION 2013 ANNUAL REPORT

GREYHOUND RACETRACK VALLEY RACE PARK

	2012	2013	% Change
Live On-Track Handle	\$0	\$39,781	N/A
Import Same Species Simulcast	\$6,662,064	\$7,119,261	6.86%
Import Cross Species Simulcast	\$5,995,719	\$6,680,581	11.42%
Total On-Track Handle	\$12,657,783	\$13,839,623	9.34%
Total Export Handle	\$0	\$0	N/A
Total Wagered on VGP	\$0	\$39,781	N/A
Purses Paid/Race	\$0.00	\$10,000	N/A
Average Purses Paid/Performance	\$0	\$100,000	N/A
Total Purses Paid	\$0	\$100,000	N/A
Total Live Performances	0	1	N/A
Total # of Simulcast Signals Taken	10,331	10,256	-0.73%
Total Attendance	49,619	54,851	10.54%
Total # of Simulcast Signals Taken	10,030	9,946	-0.84%
Total Attendance	254,776	205,308	-19.42%

2009-2013
VALLEY RACE PARK



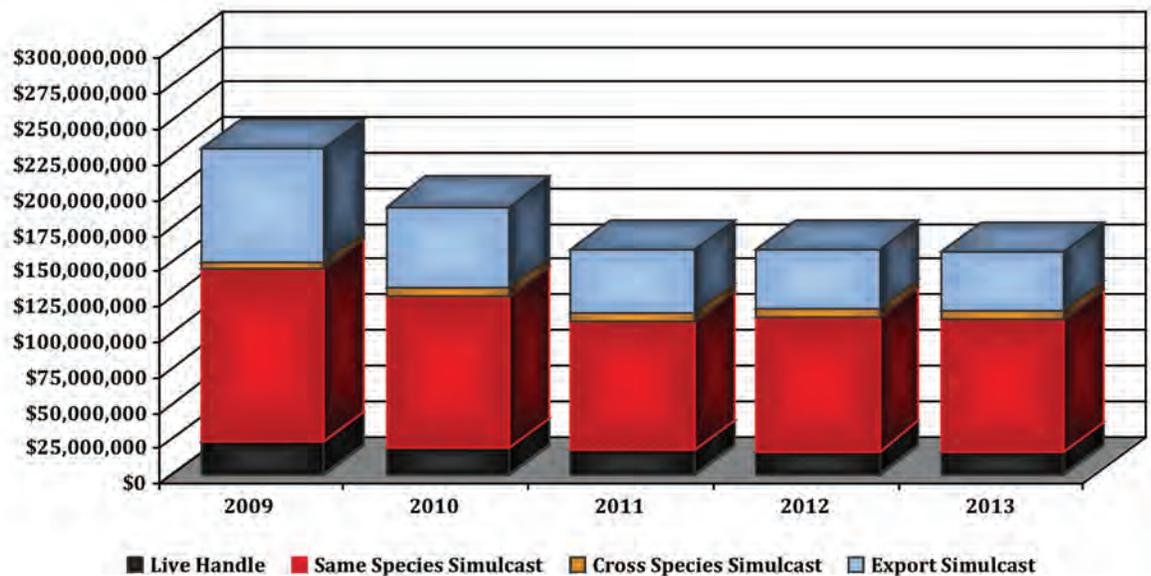
**Valley Race Park did not request live race dates for 2010.

TEXAS RACING COMMISSION 2013 ANNUAL REPORT

CLASS 1 HORSE RACETRACK LONE STAR PARK

	2012	2013	% Change
Live On-Track Handle	\$17,055,759	\$15,930,857	-6.60%
Import Same Species Simulcast	\$94,834,151	\$94,112,862	-0.76%
Import Cross Species Simulcast	\$5,439,821	\$5,634,402	3.58%
Total On-Track Handle	\$117,329,731	\$115,678,120	-1.41%
Total Export Handle	\$41,462,759	\$41,234,385	-0.55%
Total Wagered on LSP	\$58,518,518	\$57,165,241	-2.31%
Average Purses Paid/Quarter Horse	\$134,149	\$118,555	-11.62%
# of Quarter Horse Race Dates	25	26	4.00%
Average Purses Paid/Thoroughbred	\$143,952	\$143,835	-0.08%
# of Thoroughbred Race Dates	52	50	-3.85%
Total Purses Paid	\$11,060,311	\$10,498,097	-5.08%
Total Live Performances	77	76	-1.30%
Total # of Simulcast Signals Taken	10,880	11,044	1.51%
Total Attendance	684,801	744,555	8.73%

2009-2013
LONE STAR PARK AT GRAND PRAIRIE

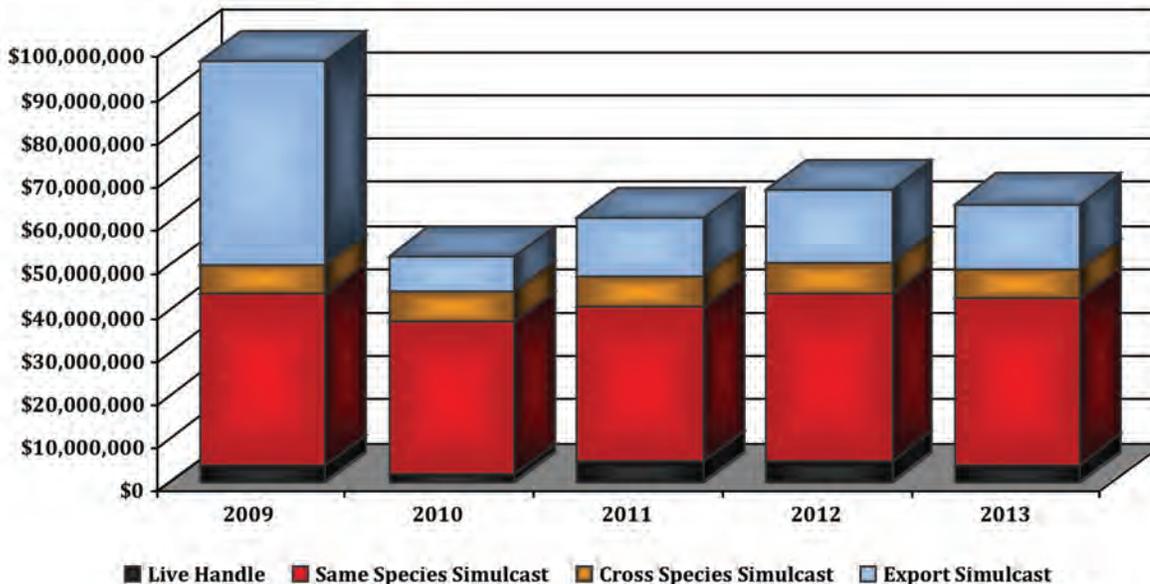


TEXAS RACING COMMISSION 2013 ANNUAL REPORT

CLASS 1 HORSE RACETRACK RETAMA PARK

	2012	2013	% Change
Live On-Track Handle	\$4,957,145	\$4,149,433	-16.29%
Import Same Species Simulcast	\$38,609,599	\$38,279,475	-0.86%
Import Cross Species Simulcast	\$6,933,117	\$6,640,046	-4.23%
Total On-Track Handle	\$50,499,861	\$49,068,955	-2.83%
Total Export Handle	\$16,819,225	\$15,071,804	-10.39%
Total Wagered on RETA	\$21,776,371	\$19,221,237	-11.73%
Average Purses Paid/Quarter Horse	\$88,051	\$97,819	11.09%
# of Quarter Horse Race Dates	22	20	-9.09%
Average Purses Paid/Thoroughbred	\$118,010	\$99,442	-15.73%
# of Thoroughbred Race Dates	26	26	0.00%
Total Purses Paid	\$5,159,280	\$4,697,624	-8.95%
Total Live Performances	48	46	-4.17%
Total # of Simulcast Signals Taken	10,030	9,946	-0.84%
Total Attendance	254,776	205,308	-19.42%

2009-2013
RETAMA PARK

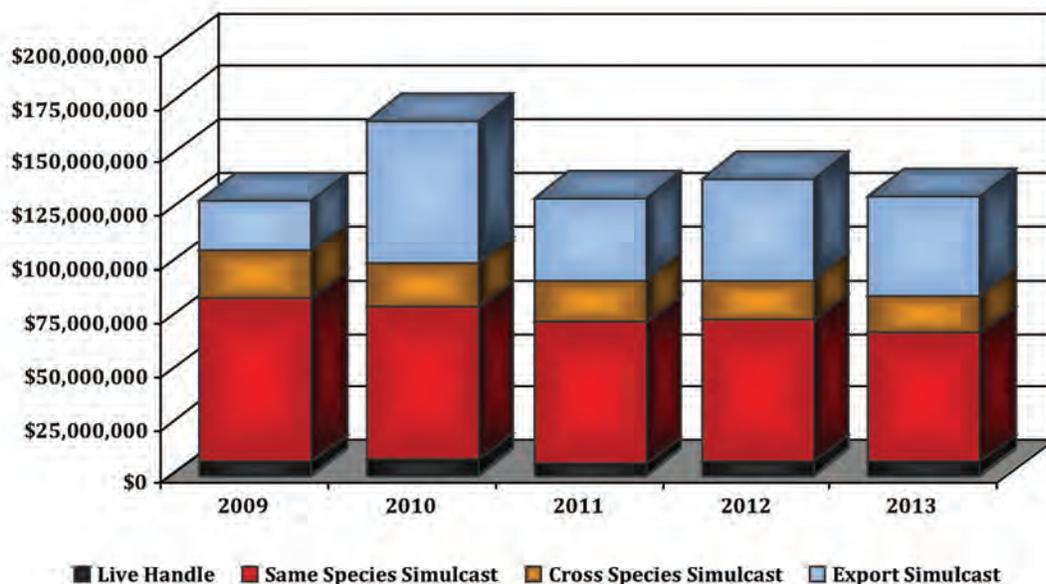


TEXAS RACING COMMISSION 2013 ANNUAL REPORT

CLASS 1 HORSE RACETRACK SAM HOUSTON RACE PARK

	2012	2013	% Change
Live On-Track Handle	\$6,257,257	\$6,192,318	-1.04%
Import Same Species Simulcast	\$66,486,490	\$60,718,411	-8.68%
Import Cross Species Simulcast	\$18,856,443	\$17,705,804	-6.10%
Total On-Track Handle	\$91,600,190	\$84,616,533	-7.62%
Total Export Handle	\$47,065,429	\$46,348,955	-1.52%
Total Wagered on SHRP	\$53,322,686	\$52,541,272	-1.47%
Average Purses Paid/Quarter Horse	\$90,694	\$98,472	8.58%
# of Quarter Horse Race Dates	27	24	-11.11%
Average Purses Paid/Thoroughbred	\$156,758	\$164,197	4.75%
# of Thoroughbred Race Dates	31	33	6.45%
Total Purses Paid	\$7,548,196	\$8,034,078	6.44%
Total Live Performances	58	57	-1.72%
Total # of Simulcast Signals Taken	13,966	13,552	-2.96%
Total Attendance	313,266	302,079	-3.57%

2009-2013
SAM HOUSTON RACE PARK

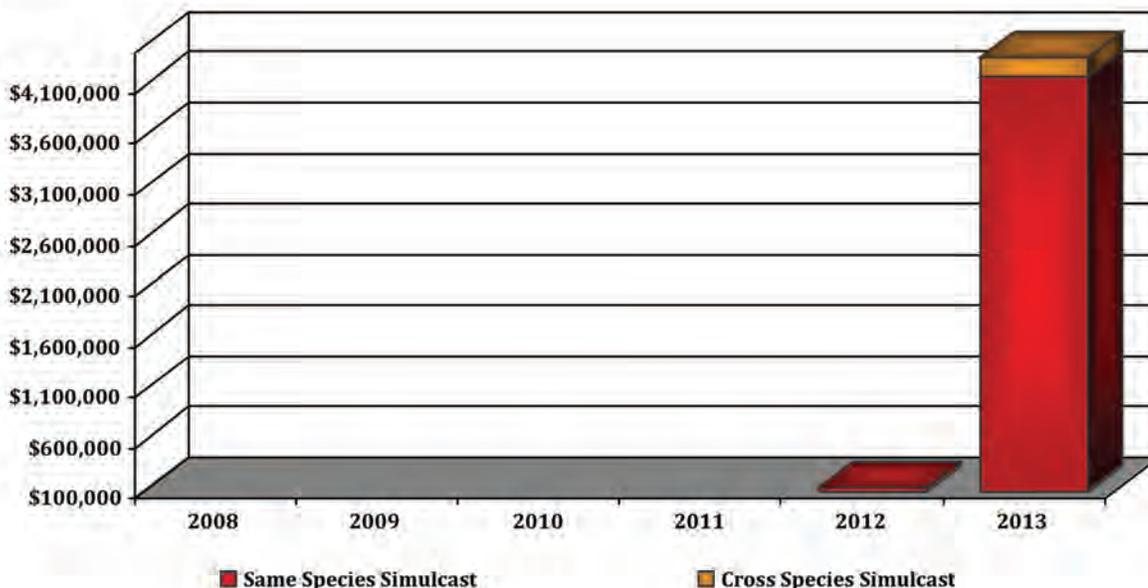


TEXAS RACING COMMISSION 2013 ANNUAL REPORT

CLASS 2 HORSE RACETRACK SADDLE BROOK JOCKEY CLUB*

	2012	2013	% Change
Live On-Track Handle	\$0	\$0	0.00%
Import Same Species Simulcast	\$144,909	\$4,195,100	100.00%
Import Cross Species Simulcast	\$0	\$176,267	0.00%
Total On-Track Handle	\$144,909	\$4,371,367	100.00%
Total Export Handle	\$0	\$0	0.00%
Total Wagered on SBP	\$0	\$0	0.00%
Average Purses Paid/Quarter Horse	\$0	\$0	0.00%
Average Purses Paid/Thoroughbred	\$0	\$0	0.00%
Average Purses Paid/Minor Breed	\$0	\$0	0.00%
# of Mixed Race Dates	0	0	0.00%
Total Purses Paid	\$0	\$0	0.00%
Total Live Performances	0	0	0.00%
Total # of Simulcast Signals Taken	146	4,000	2639.73%
Total Attendance	N/A	N/A	0.00%

2009-2013
SADDLE BROOK JOCKEY CLUB



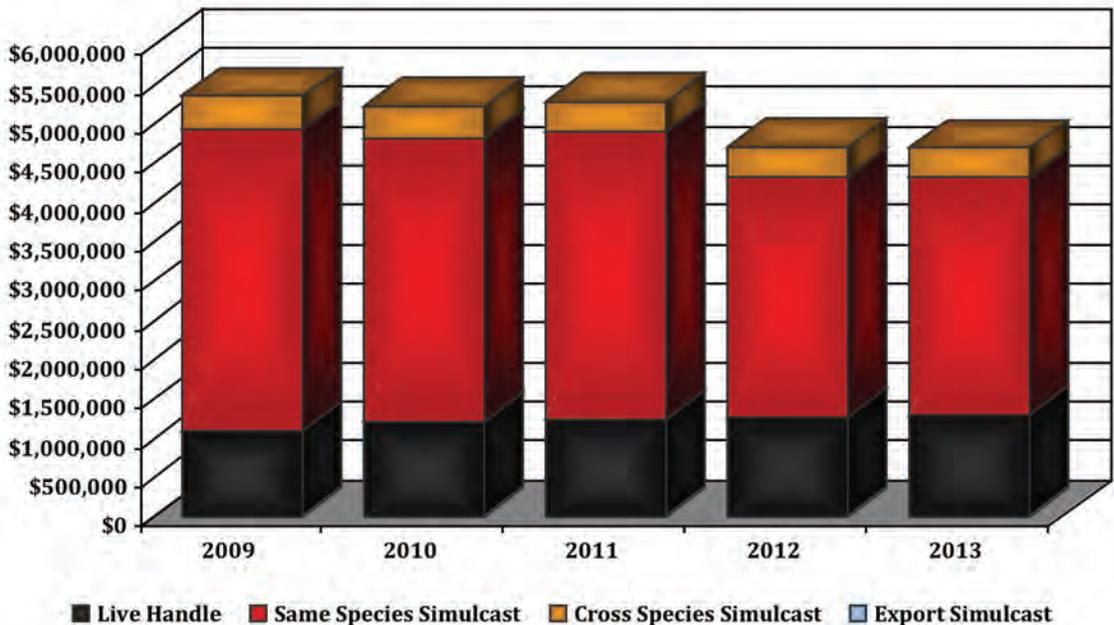
*Saddle Brook Jockey Club (Saddlebrook Park) commenced pari-mutuel operations on December 13, 2012.

TEXAS RACING COMMISSION 2013 ANNUAL REPORT

CLASS 3 HORSE RACETRACK GILLESPIE COUNTY FAIR & FESTIVALS ASSOCIATION

	2012	2013	% Change
Live On-Track Handle	\$1,292,129	\$1,299,531	0.57%
Import Same Species Simulcast	\$3,056,384	\$3,037,746	-0.61%
Import Cross Species Simulcast	\$361,411	\$365,585	1.15%
Total On-Track Handle	\$4,709,924	\$4,702,862	-0.15%
Total Export Handle	\$0	\$0	0.00%
Total Wagered on GCF	\$1,292,129	\$1,299,531	0.57%
Average Purses Paid/Quarter Horse	\$66,866	\$65,189	-2.51%
Average Purses Paid/Thoroughbred	\$18,600	\$21,429	15.21%
# of Mixed Race Dates	8	8	0.00%
Total Purses Paid	\$677,316	\$678,670	0.20%
Total Live Performances	8	8	0.00%
Total # of Simulcast Signals Taken	3,351	3,347	-0.12%
Total Attendance	14,862	13,985	-5.90%

2009-2013
GILLESPIE COUNTY FAIR & FESTIVAL ASSOCIATION



TEXAS RACING COMMISSION 2013 ANNUAL REPORT

KEY AGENCY STATISTICS: SUMMARY OF FY 2013 FINANCIAL DATA

Source: Annual financial Reports	FY 2012	FY 2013	CHANGE +/- %
REVENUES:			
Federal Pass-through Revenue	\$0.00	\$1,870.50	100.00%
Legislative Appropriations	\$0.00	\$0.00	0%
Licenses, Fees & Permits	\$5,614,278.41	\$3,783,637.02	-32.61%
Interest & Other Investment Income	\$17,566.33	\$72,368.84	311.97%
Other Revenues	\$3,344,730.06	\$3,301,376.62	-1.30%
TOTAL REVENUES	\$8,976,574.80	\$7,159,252.98	-20.25%
EXPENDITURES:			
Salaries & Wages	\$2,642,430.10	\$2,837,643.86	7.39%
Payroll Related Costs	\$817,196.01	\$899,318.52	10.05%
Professional Fees & Services	\$116,076.60	\$146,359.83	26.09%
Travel	\$149,083.97	\$142,053.61	-4.72%
Materials & Supplies	\$154,858.65	\$99,835.60	-35.53%
Communications & Utilities	\$88,512.56	\$114,267.15	29.10%
Repairs & Maintenance	\$74,039.34	\$60,198.22	-18.69%
Rentals & Leases	\$113,232.09	\$96,863.68	-14.46%
Printing, Reproduction & Publications	\$1,029.89	\$26,713.42	2493.81%
Claims & Judgments	\$26,887.50	\$0.00	-100.00%
Distributions to Others	\$3,652,277.80	\$3,501,748.75	-4.12%
Depreciation Expense	\$0.00	\$0.00	0%
Capital Outlay	\$20,818.38	\$26,778.45	28.63%
TOTAL EXPENDITURES	\$7,856,442.89	\$7,951,781.09	1.21%
EXCESS REVENUES OVER EXPENDITURES	\$1,120,131.91	(\$792,528.11)	-170.75%
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/Loan Repayment	(\$1,500,000.00)		-100.00%
Agency 556, Fund 001, Equine Research	(\$59,163.70)	(\$59,251.57)	0.15%
TOTAL OTHER FINANCING SOURCES/(USES)	(\$1,559,163.70)	(\$59,251.57)	-96.20%
NET GAIN/LOSS FROM OPERATIONS	(\$439,031.79)	(\$851,779.68)	94.01%
BEGINNING FUND BALANCE	\$2,334,153.39	\$1,895,121.60	-18.81%
Adjusting entry to fund balance:			
Funds in Suspense	\$75,000.00	\$40,000.00	-46.67%
Restatements	\$0.00	\$0.00	0%
After AFR deadline	\$0.00	\$0.00	0%
BEGINNING FUND BALANCE - RESTATED	\$1,970,121.60	\$1,083,341.92	-45.01%
Capital Assets & Long Term Liability Adjustments	\$0.00	\$0.00	0%
ENDING FUND BALANCE	\$1,970,121.60	\$1,083,341.92	-45.01%

TEXAS RACING COMMISSION 2013 ANNUAL REPORT

KEY AGENCY STATISTICS: SUMMARY OF FY 2013 PERFORMANCE MEASURE DATA

FY 2013 KEY MEASURES	TARGET	ACTUAL	% OF TARGET
Number of Horse Racetracks Regulated	10	10	100%
Number of Greyhound Racetracks Regulated	3	3	100%
Average Regulatory Cost per Racetrack	\$30,599	\$28,881	94%
Number of Racetrack Inspections	79	77	97%
Number of Texas-bred Awards	12,500	10,500	84%
Number of Occupational Licenses Suspended or Revoked	147	121	82%
Number of Investigations Completed	175	148	85%
Percentage of Investigations Resulting in Disciplinary Action	95.00%	93.33%	98%
Percentage of Licensees with No Recent Violations	95.00%	97.32%	102%
Number of Race Animals Inspected Prior to Participating in a Race	50,000	46,158	92%
Percentage of Race Animals Injured or Dismissed from Racetracks	0.35%	0.33%	94%
Number of New Occupational Licenses Issued	3,000	2,150	72%
Number of Occupational Licenses Renewed	6,000	4,574	76%
Average Regulatory Cost per Licensee	\$53.28	\$20.02	38%
Average Time (minutes) Required to Issue a New Occupational License	20.00	10.8	54%
Percentage of Compliance Audits Passed	95.00%	99.79%	105%
Total Pari-Mutuel Handle (in millions)	\$338.75	\$317.86	94%
Total take to the State Treasury from Pari-mutuel Wagering (in millions)	\$3,116,500	\$2,945,760	95%

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APPENDIX A. DEPARTMENT OF PUBLIC SAFETY REPORT

TEXAS DEPARTMENT OF PUBLIC SAFETY

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COMMISSION
A. CYNTHIA LEON, CHAIR
CARIN MARCY BARTH
STEVEN P. MACH
RANDY WATSON

January 06, 2014

Dr. Robert Schmidt, Chairman
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 Chairman Schmidt,

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 2013.

CRIMINAL ACTIVITY AND CRIME TRENDS

Today, Texas faces far more insidious threats than it has in the past, to include ruthless Mexican cartels, violent transnational and statewide gangs, high-threat criminals such as sex offenders who prey upon children, domestic terrorists, and international terrorist organizations that seek to destroy us and our way of life.

In 2013, the Department was committed to enhancing its resources regarding Homeland Security in order to continue to protect Texas from increasingly dangerous criminal and terrorism threats. To accomplish this goal, the Department concentrated its resources on criminal organizations and transnational gangs involved in criminal enterprises such as drug trafficking, human trafficking, vehicle theft, and other types of major criminal activity. The Texas-Mexico border region contains distinctive and complex security challenges that impact not only local areas, but also metropolitan areas across the United States. The continued violence along the border and the multi-billion dollar drug and human smuggling businesses posed the most serious threat to Texas and the nation. Efforts to curtail the border violence continued to be effective due to the growing partnerships cultivated with local, state, and federal agencies in Texas. This multi-agency collaboration contributed to numerous successes in 2013 through extensive investigations regarding high-risk criminals and predatory criminal gangs.

TEXAS RACING COMMISSION 2013 ANNUAL REPORT

Dr. Robert Schmidt, Chairman
January 06, 2014
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Additionally, the increasing number of identity theft and other fraud schemes, aided by rapidly changing technology, continued to plague law enforcement agencies at all levels of government. Law enforcement officials continued to work to protect citizens who have fallen victim to these types of criminal activities.

The reportable crime index for 2013 will not be available until late 2014.

ILLEGAL GAMBLING

Illegal gambling involving 8-liner businesses continued to be an issue, reflected by the number of referrals received by local and state officers this past year. Gambling related to animals, such as dog fights and cockfights, is known to occur and challenge law enforcement, predominantly in the rural areas and the inner metropolitan city neighborhoods of Texas.

Unsanctioned horse racing at non pari-mutuel tracks, or “brush tracks,” continued to occur in both metropolitan and rural areas in Texas. Racing authorities and racing interests are certain these unsanctioned tracks have an adverse impact on the legitimate pari-mutuel tracks and the racing industry in Texas, both operationally and economically. While unsanctioned horse racing is an issue, using covert operations to identify individuals involved in illegal activities at these tracks is difficult due to the familiarity the participants have with each other. Moreover, the erratic scheduling of these operations and the undisclosed rural locations further hindered investigations by law enforcement officers. The Department continues to coordinate with local and state law enforcement agencies in an effort to reduce and eliminate these illegal businesses.

Sincerely yours,

Thomas Ruocco, Assistant Director
Criminal Investigations Division



Wynn Reynolds, Major
Criminal Investigations Division

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in compliance with the State Depository Law
and are available for public use through the
Texas State Library
and other state depository libraries.

This publication is also available on the
Racing Commission's website at
<http://www.txrc.texas.gov>

Note: Except where otherwise indicated, information in this report is for
calendar year 2013 and has not been audited.



— TEXAS —
RACING COMMISSION

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