Texas Racing Commission

Executive Secretary's Report
Class 2 Racetrack License Application
In Hidalgo County

VALLE DE LOS TESOROS

March 14, 2007

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Introduction

This report is prepared pursuant to Section 303.8 of the Rules of Racing (Rules), which requires the Executive Secretary to review all applications for racetrack licenses and prepare a report for the Commissioners. The Texas Racing Commission (TXRC or Commission) posted notice in the January 28, 2005, Texas Register to open the application period for a Class 2 racetrack license in Hidalgo County for sixty days. The application period ran from April 1, 2005, to May 31, 2005. On May 27, 2005, Valle de los Tesoros, Ltd., (Tesoros or VDLT) submitted an application for a Class 2 racetrack in Hidalgo County, Texas.

After agency staff review, the Executive Secretary sent notice to VDLT on August 17, 2005, indicating its application was complete. Staff visited and inspected the proposed site in conjunction with the substantive review of the application. Agency staff sent a request for clarification regarding various aspects of the application to VDLT on December 4, 2006, and VDLT submitted its clarifications to TXRC on January 4, 2007.

Referrals to the State Office of Administrative Hearings

There are certain instances when the Commission is required to refer matters to the State Office of Administrative Hearings (SOAH). Under Texas law, a case becomes contested under the Administrative Procedures Act (APA) only where another law, in this case the Texas Racing Act (TRA or the "Act"), requires that the agency treat it as contested.

The Texas Racing Act is quite clear as to when a contested case is required. Under Section 3.15 of the Texas Racing Act, "[i]f the Commission proposes to suspend, revoke, or refuse to renew a person's license, the person is entitled to a hearing conducted by the State Office of Administrative Hearings." Likewise, under Section 6.06 of the Act, the Commission must provide notice and a hearing

before refusing to issue a racetrack license or revoking or suspending a license. However, the Act does not require or imply that the agency must refer a case to SOAH before *granting* a license.

The Rules implement these requirements and charge the Executive Secretary with the initial responsibility of determining whether to refer an application to the State Office of Administrative Hearings. Under Rule § 307.5, for each application that the Executive Secretary proposes should be denied, the application must be referred to SOAH. However, the Rules also permit the Executive Secretary to bring an application directly to the Commission for consideration. In making the determination, the Executive Secretary must consider the expressed support and opposition to the application.

The Executive Secretary has brought an application directly to the Commission on at least one prior instance. In 2002, the Commission considered an application by El Primero Fair Association for a Class 3 racetrack license in Webb County. After discussion, the Commission took no action, which resulted in a referral of the application to SOAH. El Primero withdrew its application thereafter.

In the case of Valle de los Tesoros, Ltd., the Executive Secretary has considered the application and the documents attached to this report and finds no reason to deny the application. In addition, the Executive Secretary has considered the overwhelming amount of support that has been expressed in favor of VDLT by local elected officials, the local business community, and individuals. (See Appendix G.) In view of these factors, and the factors described below, the Executive Secretary recommends granting Valle de los Tesoros a Class 2 horse racetrack in McAllen, Hidalgo County, Texas.

Standards for Issuing a Racetrack License

The Texas Racing Act, TEX. REV. CIV. STAT. ANN. ART. 179e (Vernon Supp. 2006) governs the issuance of racetrack licenses. The Rules of Racing as provided in

16 TEX. ADMIN. CODE ("TAC") §§ 307 and 309 detail the process and the standards that are to be utilized in the licensing process.

Under section 6.04 of the Act, the Commission may issue a license if: the applicant is qualified; the conduct of the race meetings at the proposed track and location will be in the public interest; the proposed racetrack complies with all zoning laws; the proposed racetrack complies with this Act and the rules adopted by the Commission; and it finds by clear and convincing evidence the applicant will comply with all criminal laws of Texas.

Section 6.06 of the Act sets out the grounds for denial, revocation and suspension of a racetrack license. After notice and a hearing, if the Commission has reasonable grounds to believe that any of the seventeen factors listed in § 6.06 exist, the Commission may refuse to issue a racetrack license, as well as revoke or suspend a license.

The Eleven Factors

In addition to the threshold qualification issues described above, TRA Section 6.04 lists eleven factors the Commission may review in determining whether to grant a license. Those factors are:

(1) the applicant's financial stability;

(2) the applicant's resources for supplementing the purses for races for various breeds;

(3) the location of the proposed track;

(4) the effect of the proposed track on traffic flow;

(5) facilities for patrons and occupational licensees;

(6) facilities for race animals;

(7) availability to the track of support services and emergency services;

(8) the experience of the applicant's employees;

(9) the potential for conflict with other licensed race meetings;

(10) the anticipated effect of the race meeting on the greyhound or horse breeding industry in this state; and

(11) the anticipated effect of the race meeting on the state and local economy from tourism, increased employment, and other sources.

Financial Stability and Resources for Supplementing Purses

The applicant has the financial wherewithal to successfully build and operate a racetrack. VDLT is a limited partnership comprised of one general partner and thirteen limited partners. (See Appendix A.) VDLT proposes to fund its project totally from equity contributions from its partners. VDLT's partners would bridge any fiscal gaps at the racetrack and the partners have sufficient resources to fund and sustain a racetrack for the first few years and supplement the purses for various breeds. There have been no fluctuations in the ownership percentages since the filing of the application. The Department of Public Safety investigation revealed that every VDLT partner has the financial means to complete his or her intended financial investment.

Track Location

The proposed site is suitable for a racetrack. It is located at 10th Street and Dicker Road, just south of the McAllen city limits in a semi-rural area. (See Appendix D) The majority of the land surrounding the proposed site is cultivated farmland, and none of the adjacent land is used for livestock. There are a few nearby businesses, examples of which include a sports and entertainment complex, used clothing businesses, import/export warehouses, a convenience store, and a ¼ mile oval dirt racetrack for stockcars and go-karts. There are no churches or schools within one-half mile of the proposed site, and only one single-family home. (See Appendix B.)

The site is approximately 500-1000 yards away from the fever tick quarantine zone in Hidalgo County; the VDLT site itself is not currently in a quarantine zone or under any type of quarantine. The fever tick quarantine zone is set forth in the

Texas Administrative Code, Title 4, Part 2, Chapter 41, Rule § 41.21. The Hidalgo County tick zone parallels and runs the length of the land bordering the southern most portion of FM Highway 1926 and then runs east along US Highway 281 to Cameron County.

According to the tick experts who consulted on the Webb County applications, Dr. Drummond and Dr. Clymer, if the land surrounding the site is cultivated or commercially developed, there is a lower risk for tick infestation or quarantine. The land adjacent to the site is cultivated farmland and is not used as pastureland to feed or raise cattle. The potential for a tick quarantine exists at any track if an animal is hauled in with a single fever tick. It is impossible to guarantee any site as pest-free.

Effect on Traffic Flow

The roads currently serving the VDLT site are adequate to support the additional traffic brought by a horse racetrack. The site is bound by two thoroughfares in Hidalgo County. The site is bordered by Dicker Road to the south and 10th Street to the east. Dicker Road is a two-lane undivided highway, and 10th Street is a four-lane divided highway with a center turn lane. The intersection at Dicker and 10th is signalized. VDLT's traffic study concluded that the roadways as they currently exist are sufficient to support the projected capacity of the racetrack facility. Engineers at the Texas Department of Transportation (TXDOT) analyzed VDLT's traffic study and determined that the traffic volumes, growth rates assumed, and annual average daily traffic volumes estimated by the applicant are reasonable. (See Appendix C.)

Facilities for Patrons and Occupational Licensees

The facilities proposed by VDLT for patrons and occupational licensees are suitable. The site is located on 200 acres just south of the McAllen city limits. The applicant intends to use 125 acres for the race park proper and will retain the remaining 75 acres for future development, which would include a restaurant,

night club, bowling alley, and other entertainment oriented businesses. (See Appendix D.)

The grandstand will provide views of live racing and accommodate 1,035 people. Bleacher seating at the apron will provide room for 175 patrons. While these areas will not be air conditioned, VDLT proposes to conduct live racing from February 23 through April 1. According to meteorological data from the National Oceanic and Atmospheric Administration, the average high temperature for McAllen in February is 69.8 degrees, and the average high in April is 78.4. (See Appendix H.) Therefore, the lack of air conditioning will not be an impediment for patrons or occupational licensees during the majority of live racing days. VDLT has estimated that the interior air-conditioned simulcast area will have 25,000 square feet and will seat 350 people. A lighted asphalt parking lot accommodating 1,200 vehicles will be located near the simulcast building. There will be 25 Amtote terminals and 15 self-service wagering machines. See attached site plan.

The site currently has access to electrical power; however, water and sewer lines will need to be installed. The closest water connection is approximately ½ mile north of the site. The facility could tap into sewer lines located west of the site along 23rd Street or to lines located just south of Dicker Road. The expense to connect to water and sewer lines has been factored into the pro forma development costs. The overall development cost of the land and facilities as proposed in the initial application is estimated to be $23 million.

Facilities for Race Animals

The facilities proposed by VDLT for race animals is sufficient to ensure the health, safety and welfare of the race animals. There will be 13 horse barns with 56 stalls per barn, for a total of 728 stalls. This meets the requirements of Rule § 309.243, which requires 720 stalls for this facility based on the number of races per week proposed by Tesoros. In addition, the stakes, pre-race, and paddock areas will each house 12 covered and ventilated stalls, and the test barn will

have 6 stalls. The stalls will be constructed of steel and be 11'x10' in dimension with a 10' shed row in front of the stalls. The track will be designed by Joe King, a prominent racetrack designer, and will include a 7 furlong, 7/8 mile oval racetrack, which will be 80 feet wide.

Availability of Support Services and Emergency Services

The proposed site is appropriately close to fire stations, EMS, hospitals, and veterinary services. An emergency ambulance service is located less than ½ mile away and could arrive on scene within four to eight minutes. The estimated travel time to the nearest hospital (four miles away) is roughly ten to fifteen minutes. VDLT will utilize Mission Veterinary Hospital which is located eight miles from the proposed site.

Experience of Employees

The proposed management staff has shown it has the skill and the knowledge to effectively run a racetrack facility. VDLT will use Retama's Entertainment Group (REG) to operate the facility. Bryan Brown, current Chief Executive Officer of Retama Park, will serve as the CEO and General Manager. Steve Ross, who has been the Director of Simulcasting for Retama Group since 1994, will direct the simulcast activities. Doug Vair, Director of Publicity and Marketing for Retama Group since 1995, will handle publicity. Lisa Medrano, Chief Financial Officer of Retama Group since 1995, will serve in the same capacity for the racetrack. A mutuel manager has not been selected at this time. The members of the management team are licensed and in good standing with the Commission.

Potential for Conflict with Other Licensed Race Meetings

The applicant proposes one live mixed meet per year that will span 18 days. The meet will run from February 23 to April 1, with live racing on Fridays, Saturdays, and Sundays. The mixed meet will consist of 3 thoroughbred, 7 quarter horse, and 2 other types of races per day. Post time will be 1:30 p.m. on Fridays and

12:30 p.m. all other days. While the proposed live schedule would overlap with the current 2007 live racing schedules at Manor Downs and Sam Houston Race Park, the Commission would review and approve the actual race dates awarded. Simulcasting will be conducted year-round, except Christmas Day.

Anticipated Effect on Greyhound or Horse Breeding Industry and on the State & Local Economy

VDLT will have a positive impact on the state and local economy. The estimated total cost for the proposed site is $23 million, which includes over $9 million for the land and over $13 million for construction. Accounting for both the direct and indirect results of this investment, the applicant projects that the first year impact to the local economy will be worth approximately $91,000,000 and 1,200 jobs. Once operational, the facility will have an annual budget of approximately $4.2 million, of which $1.4 million will be spent on salaries and wages. VDLT will pay approximately $440,000 in real estate taxes to local governments, and an additional $18,000 in sales and admission taxes. Through the 1% tax on its simulcast handle, VDLT will contribute approximately $400,000 annually to the state's general revenue fund.

VDLT will have a positive impact on the horse breeding industry. VDLT projects paying $2.5 million annually in purses and awards to horse owners and trainers. These funds will translate into jobs for grooms, veterinarians, feed suppliers, farmers, and other track-related jobs. VDLT will also have a positive impact by increasing public interest in the industry. The applicant forecasts that the average live attendance will be 2,401 per day, and that the average simulcast attendance will be 524 patrons per day. The per capita live handle is estimated at $52.00 per patron and the per capita simulcast handle is forecasted at $171.55 per betting patron. Sammy Jackson, Deputy Director of Finance and Regulatory Control, has reviewed these forecasts and found them to be reasonable. (See Appendix E.)

It is uncertain what effect the proposed facility will have greyhound breeding. On one hand, simulcast wagering at VDLT on greyhound tracks will generate $375,000 annually for use as greyhound purses. On the other hand, VDLT will have an uncertain affect on Valley Greyhound Race Park (VRP). VRP is located in Harlingen, roughly 40 miles east of McAllen. VRP hired a private consultant to perform an economic analysis of the potential impact of the horse track on Valley Race Park. (See Appendix F.) The assessment forecasted a 38% decrease in revenue and handle which would result in a negative cash flow for VRP over time. The study suggested that ultimately VRP might be forced to close its doors if it is unable to generate sufficient revenue to cover its operating costs.

Compliance with Texas Racing Act and Rules

The application as initially presented and subsequently clarified complies with the Act and the Rules of Racing.

Compliance with Zoning Requirements

The VDLT site is located just outside the McAllen city limits in an area that is not presently zoned. The site and adjacent property is currently being used primarily as cultivated farmland.

Compliance with Criminal Laws

The applicant is in compliance with all criminal laws at this time. However, the same issue under the Texas Alcoholic Beverage Code that arose in the Webb County application is present in this application. The LaMantia family, one of the significant interest holders in the LRP Group partnership, owns a beer distributorship. It is unlawful for an individual or entity to own an interest in more than one tier in the alcoholic beverage industry in Texas, the three tiers being: manufacturing, distributing, and retailing. for example, a beer distributor may not also be a manufacturer or retailer or even own an interest in the land or fixtures of those tiers. The same is true of a manufacturer or retailer – they may not own an interest in the other two tiers. LRP Group will be required to negotiate an

agreement with the Texas Alcoholic Beverage Commission (TABC) in order to sell alcoholic beverages at the facility.

Conclusion

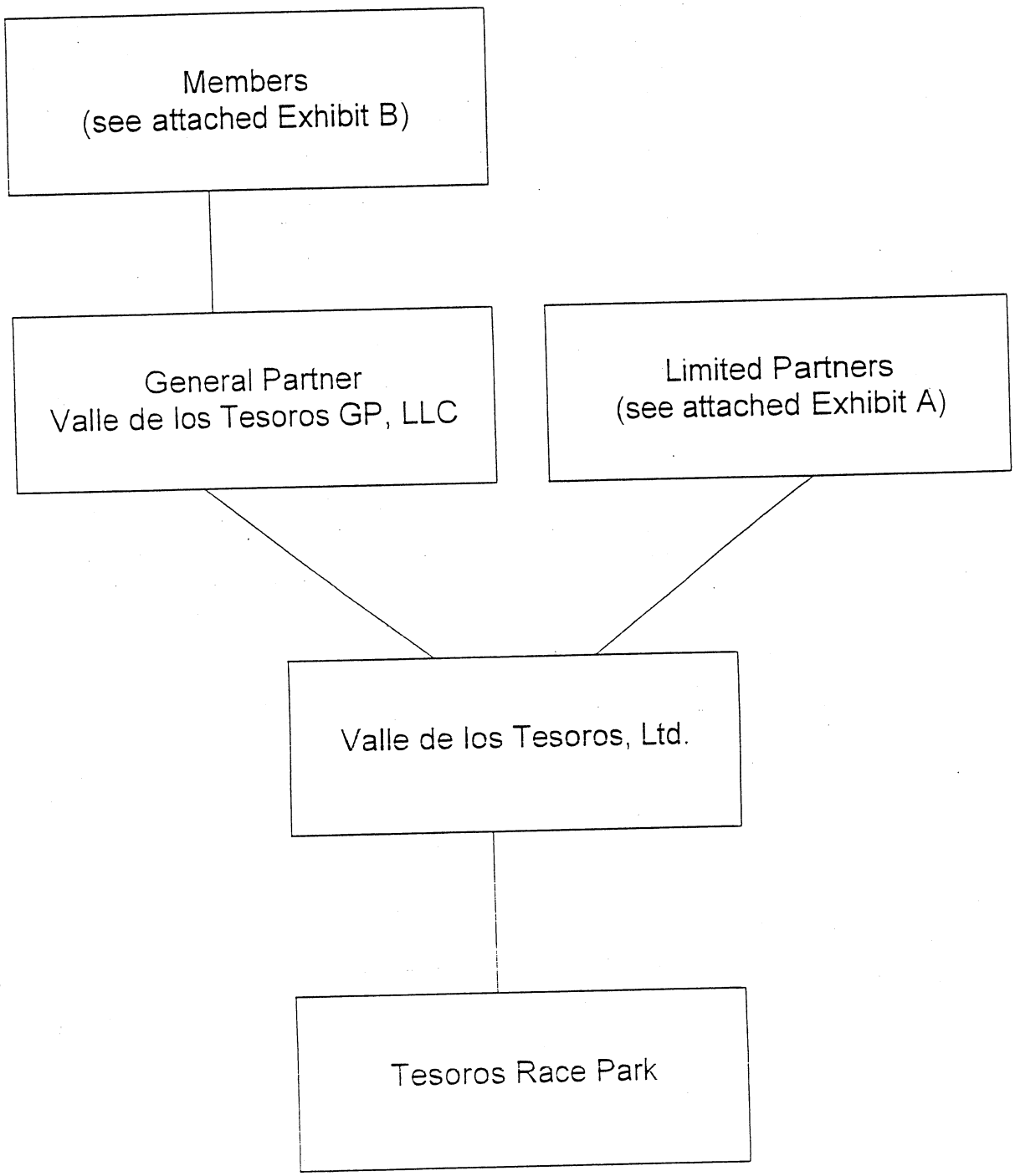
VDLT has adequately addressed the concerns raised by agency staff in its clarifications submitted in January of 2007. The applicant has demonstrated that it meets the minimum qualifications to receive a license and has demonstrated it is qualified to perform the duties required by a licensee. The REG management team is licensed and in good standing with the Commission has shown it has the skill and the knowledge to effectively run the facility in McAllen.

The population and economy of South Texas continue to grow at a rapid pace. Given the overwhelming support for the racetrack in Hidalgo County, the growing number of horsemen in South Texas, and the expansion of the economy along the Border Region, it appears the proposed facility in McAllen has an excellent opportunity for success. (See Appendix G.)

VDLT has the potential to cultivate a strong international patron base, create a significant number of jobs, promote Texas-bred horses and racing opportunities, and have an overall positive impact on the horse breeding and racing industry in Texas. The LaMantia family has demonstrated a proven ability to successfully market to the border community and marketing expertise will be essential to the success of the racetrack. Given the factors listed above, agency staff recommends granting VDLT a Class 2 horse racetrack in McAllen, Hidalgo County, Texas.

Appendix A – Organizational Documents

Valle de los Tesoros, Ltd. Organizational Chart



Valle de los Tesoros, Ltd.

Summary of Limited Partnership

Partner Name	Interest*
Hidalgo Muy Buena Suerte, Ltd.	38.37%
Straus 2003 Irrevocable Trust	4.46%
Christopher Hall	2.66%
Thomas R. Johnson	1.11%
Charles W. Graham, DVM	4.04%
George A. Wolff	3.20%
Silver Creek Racing, Ltd.	4.04%
Larry J. Martin	13.73%
Douglas B. Vair	0.72%
Robert Johnson	3.33%
Gordon R. Johnson	3.33%
Bryan P. Brown	0.55%
Nick Serafy, Jr.	19.47%
GP, VDLT	1.00%

*All percentages derived from the initial application

Valle de los Tesoros GP, LLC

Summary of Limited Liability Company

Partner Name	Interest*
Hidalgo Muy Buena Suerte, Ltd.	38.76%
Straus 2003 Irrevocable Trust	4.50%
Christopher Hall	2.68%
Thomas R. Johnson	1.12%
Charles W. Graham, DVM	4.08%
George A. Wolff	3.23%
Silver Creek Racing, Ltd.	4.08%
Robert Johnson	3.36%
Gordon R. Johnson	3.36%
Bryan P. Brown	0.56%
Larry J. Martin	13.87%
Nick Serafy, Jr.	19.67%
Douglas B. Vair	0.73%
GP, VDLT	1.00%

*All percentages derived from the initial application

Hidalgo Muy Buena Suerte, Ltd.

Summary of Partners' Percentage Interest

Partner Name	Interest*
General Partner	
Apuesta Hidalgo, LLC	1.00%
Limited Partners	
Joseph V. LaMantia, Jr.	4.99%
Joseph V. LaMantia, III	28.01%
Verna Ann Peisen, Trustee of the Val Peisen Management Trust	28.01%
Gregory LaMantia	4.99%
Stephen LaMantia	28.01%
Anthony LaMantia	4.99%

*All percentages derived from the initial application

Appendix B – Land Uses within ½ Mile

DAVIS
EQUITY REALTY

OFFICE • RETAIL • INDUSTRIAL

May 20, 2005

Mr. Greg LaMantia
3900 N. McColl Rd.
McAllen, TX. 78501

Dear Greg,

The following is a list of different types of land uses located within ½ mile of the proposed site located at the northwest corner of Dicker Rd. and South 10th Street, in the McAllen ETJ.

Dodge Arena – A $20 million 6,800 seat multi purpose sports & entertainment complex

El Tigre Convenience Store

Two Import- Export businesses

Rio Grande Speedway – A ¼ mile outdoor dirt racetrack, seating approx. 500

Several parcel used for truck trailer storage

Several used auto parts dealers

Two small heavy equipment yards

Three ropa usada (used clothing) businesses

One auto auction dealer

One cold storage warehouse

One single family residence

One (seasonal) fireworks stand

Please let me know if you need any additional information regarding this site,

Dale Davis

2300 W. Pike Blvd., Suite 200 • Weslaco, TX 78596
Ph. 956-969-8648 • Fax 956-968-4574 • www.davisequity.com

Appendix C – Texas Department of Transportation Letter

Texas Department of Transportation

P O BOX 149217 • AUSTIN, TEXAS 78714-9217 • (512) 486-5000

December 1, 2006

Received TxRC

DEC 11 2006

File: TPP (T)
486-5100

Ms. Rhonda Fritsche
Texas Racing Commission
P.O. Box 12080
Austin, Texas 78711-2080

Dear Ms. Fritsche:

In response to your request dated October 9, 2006, we have reviewed the report for the proposed track in Hidalgo County. The traffic volumes collected, growth rates assumed and Annual Average Daily Traffic (AADT) volumes estimated appear to be reasonable.

The Traffic Operations Division (TRF) reviewed the traffic impact analysis for the Hidalgo County development located at the intersection of State Highway 336 and Dicker Drive in McAllen. The traffic volumes in this study appear reasonable; however, TRF was unable to verify the connection spacing of the three driveways in the absence of a detailed site plan.

If you have any further questions, please contact Mark Hodges with projected traffic issues at 416-3122 or Brian Stanford with traffic operation issues at 416-3122.

Sincerely,

James L. Randall

James L. Randall, P.E.
Director, Transportation
Planning and Programming

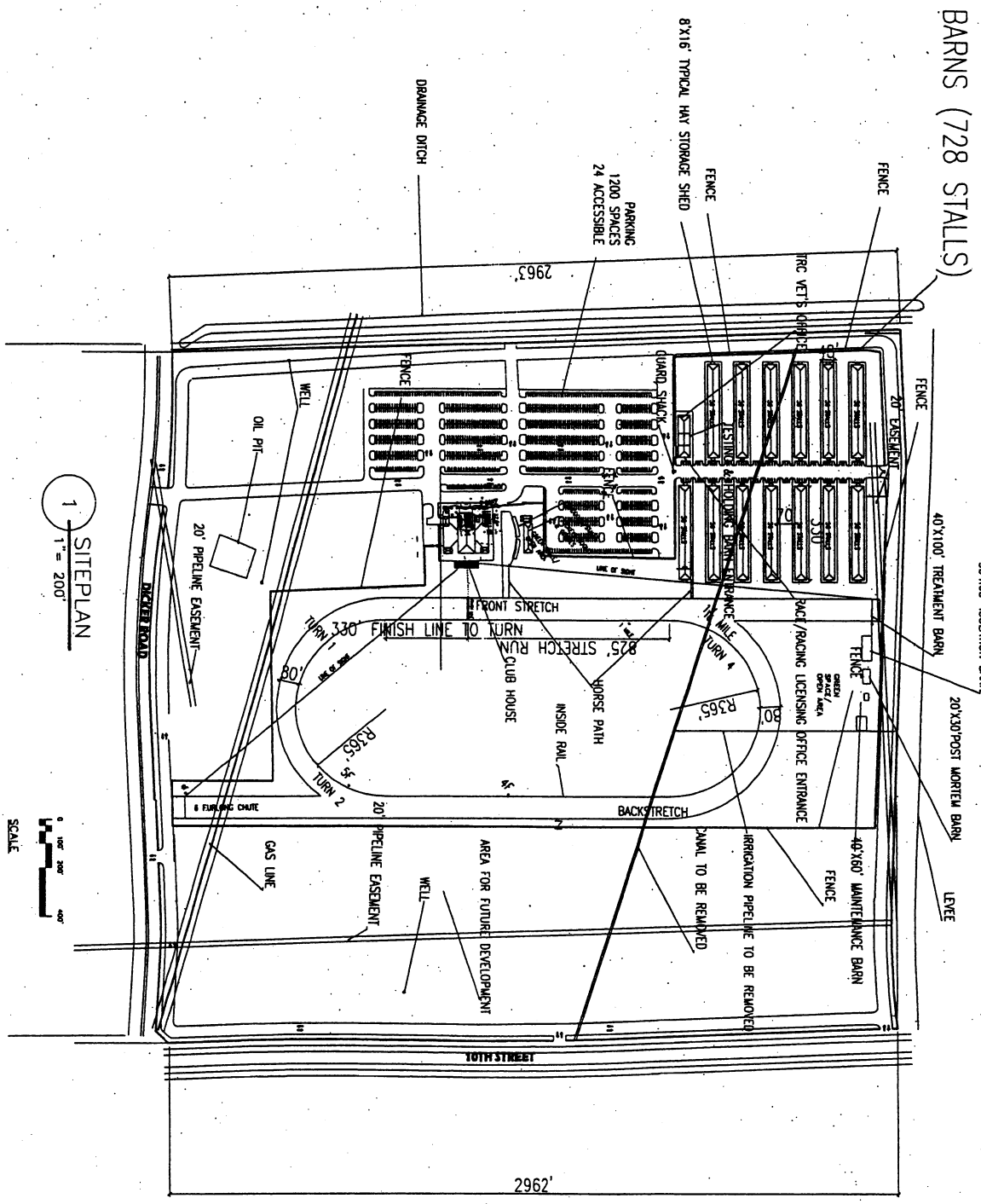
cc: Carlos Lopez, P.E., Director, Traffic Operations Division, TxDOT
Brian Stanford, Traffic Operations Division, TxDOT
Mark Hodges, Transportation Planning and Programming Division, TxDOT

Appendix D – Site Plans and Map

Received TxRC

JAN 04 2007

EXHIBIT A



CAVAZOS & ASSOCIATES
ARCHITECTS

SHEET TITLE SITE PLAN

HIDALGO RACE TRACK
HIDALGO , TEXAS

Date: JAN 3 2007
Sheet: A1.0

D-1

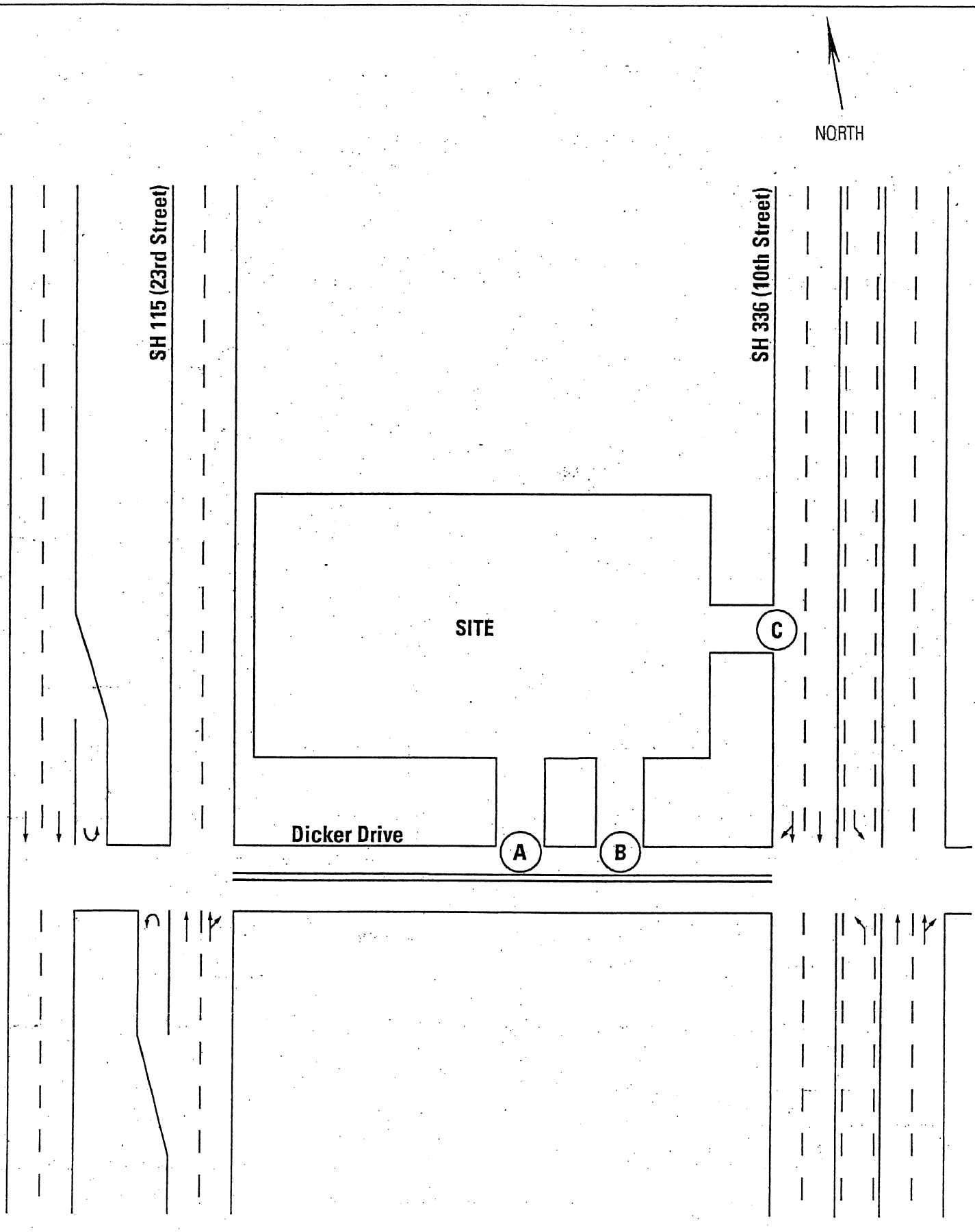


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FIGURE 2
CONCEPTUAL

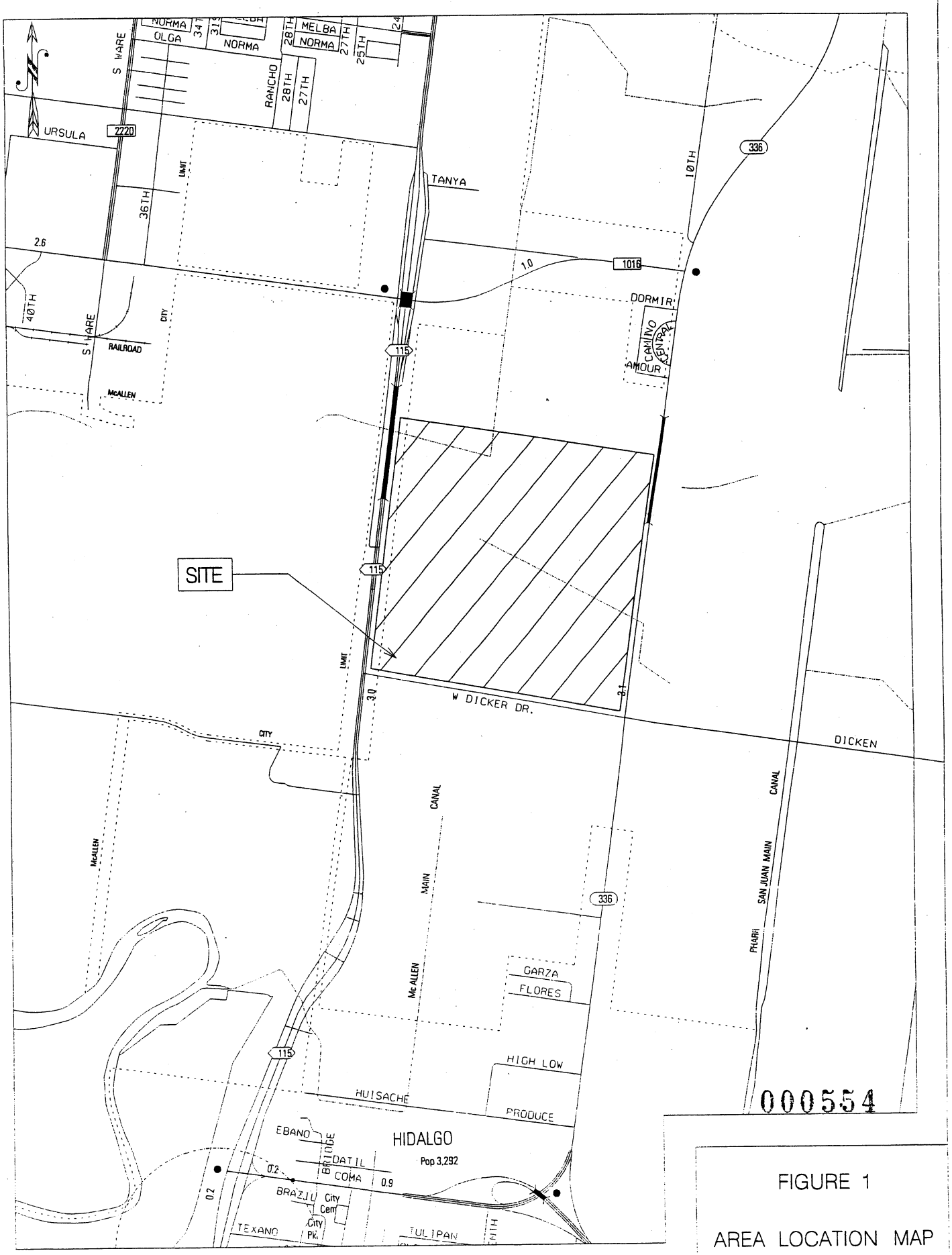

FIGURE 1

AREA LOCATION MAP

Appendix E – Financial Review

Texas Racing Commission
P. O. Box 12080
Austin, Texas 78711-2080
Phone: (512) 833-6699
Fax: (512) 833-6907

MEMO

DATE: March 7, 2007

TO: CHARLA ANN KING
MARK FENNER
RHONDA FRITSCHE

FROM: SAMMY JACKSON
DEPUTY DIRECTOR FOR FINANCE & REGULATORY CONTROL

SUBJECT: DEPARTMENTAL REVIEW OF VALLE DE LOS TESOROS, LTD.

As requested, my staff and I reviewed the following sections of the license application submitted by Valle de los Tesoros, Ltd.: financial forecast; simulcast operations; totalisator operations; and totalisator contracts.

I base my opinion of these particular sections of the application on my education and experience. I have a degree in accounting from McNeese State University in 1987 and I have over 25 years of experience in the industry. In addition to my 19 years in racing regulation, I have also worked as an accountant and Assistant Comptroller for a racetrack and served in an advisory capacity role to the Louisiana Horsemen's Benevolent & Protective Association on purse audit concerns and simulcast issues.

Financial Forecast
It is my opinion that the financial forecasts submitted in the application are reasonable. I analyzed the revenues and expenses presented in the application, which have been projected for a five-year period. My analysis consisted of comparing the applicant's projections to actual performance results of horse racetracks operating in Texas. I compiled the comparison into a single report labeled Exhibit SJ-1, attached to this review. I also calculated some key racetrack financial ratios to determine the soundness of the applicant's projections.

Attendance
The first item I analyzed was projected attendance. The applicant projected in the first year of operation, 43,222 in attendance over 18 live race days and 190,665 in attendance over 364 simulcast race days. These projections result in an average per day live attendance of 2,401 and an average per day simulcast attendance of 524. The applicant's average attendance figures are comparable

to those of existing horse racetracks operating in Texas, therefore I believe that the attendance figures are reasonable. (See Exhibit SJ-1, Average Attendance Per Race Day).

In each of the fouryears after the first year of operation, the applicant's live attendance and simulcast attendance increases by approximately 4.6%, while the race days remain the same. Although this is not a trend that could be substantiated by reviewing actual performance data from the other racetracks operating in Texas, the fact that this is a new market to live pari-mutuel horse racing may aid in achieving these projections.

I calculated a ratio of average attendance to the population of the metropolitan geographical area to assist in my analysis of the attendance projections.

The ratio of average attendance to the population of the metropolitan geographical area is calculated by dividing the average attendance figures by the population of the metropolitan geographical area. For this purpose, the metropolitan geographical area did not consist of any population outside the United States borders. Based on the attendance figures provided in the application and a metropolitan geographical area of 904,690, I computed a live average attendance to population ratio of .2654% and a simulcast average attendance to population ratio of 0.0579%. (See Exhibit SJ-2, page 6).

However, these ratios are considerably higher, 30.01% and 93.00% respectively, than the highest ratios calculated for the other horse racetracks operating in Texas. (See Exhibit SJ-1, Average Attendance to Population).

Because of this considerable variance, I calculated these ratios again using a metropolitan geographical area inclusive of the area surrounding Reynosa, Mexico's population of 750,000. (See Exhibit SJ-3, Reynosa) Based on the attendance figures provided in the application and a combined metropolitan geographical area of 1,654,690, I computed a live average attendance to population ratio of 0.145% and a simulcast average attendance to population ratio of 0.032%. These ratios are more in line with what was calculated for the other horse racetracks operating in Texas, but with a slight variance: (28.92%) and 6.67% respectively. (See Exhibit SJ-1, Average Attendance to Population).

After reviewing the ratio of average attendance to population, it is my opinion that the applicant is counting on a portion of their attendance to come from across the United States border. Additionally, I believe that these ratios become more realistic after using the adjusted metropolitan geographical area figure of 1,654,690. Since this application has keyed upon simulcast wagering to make up approximately 85.02% (calculated pursuant to data provided by the applicant) of the pari-mutuel handle, it is my opinion that the simulcast attendance and handle are critical to the success of this application. Additionally, it is my opinion that the ratio of simulcast attendance to population may be more attainable if the

applicant has management in place that understands the market desires and needs of an American/Mexican border community.

Handle

The second item I analyzed was handle. The application anticipates in the first year of operation, $2.25 million in live on-track handle, $5.85 million in live export handle over 18 live race days, and $37.86 million in same species simulcast handle and cross species simulcast handle over 364 simulcast race days. The live projections result in an average live on-track handle of $124,862 per race day and an average live export handle of $325,000 per race day. The simulcast projections result in an average same species and cross species simulcast handle of $104,055 per race day.

Comparing the applicant's average handle figures to those of existing racetracks operating in Texas indicates that the handle figures are reasonable. (See Exhibit SJ-1, Average Handles Per Race Day).

In each of the four years after the first year of operation, the applicant's live on-track handle and simulcast handle increases by approximately 4.6%, while the race days remain the same. Although this is not a trend that could be substantiated for each of the different handle types by reviewing actual performance data from the other racetracks operating in Texas, the fact that this is a new market to pari-mutuel horse racetrack in Texas may aid in achieving these projections.

I calculated a Per Capita Wager ratio to assist in my analysis of the applicant's handle projections. The Per Capita Wager ratio is calculated by dividing the applicant's projected handle by the projected attendance; thus, providing the per capita wager by a patron attending the races. The per capita wager for the applicant's initial year of operation is $171.55 per on-track attendance. This amount is 17.15% below the highest per capita wager ratio and 5.67% above the lowest per capita wager ratio of the horse racetracks currently operating in Texas. (See Exhibit SJ-1, Per Capita Wagers). Additionally, the per capita amounts stay static for each projected year of operation. This is unusual in the pari-mutuel industry because typically, as the players mature, the per capita wagers tend to increase.

With the applicant's projected per capita amounts being well within the range of the current operating Texas horse racetracks and the per capita staying static over the five years of projections, it is my opinion that these ratios demonstrate that the applicant's handle projections are reasonable.

Projected Revenues and Expenses

The third item I analyzed was the applicant's projected revenue and expenses. The pari-mutuel revenue streams break down into live on-track, live export, simulcast same species, and simulcast cross species revenue. These revenue streams have been reported with all statutory expenses and contractual purse

expenses removed. By reporting revenues in this manner, the applicant has only debt service and daily operational expenses to offset against revenues. Based on my history and racetrack knowledge, I believe all projected revenues and expenses are reasonable.

I calculated three ratios to assist in my analysis of the applicant's revenue projections. I calculated the average revenue returned to the racetrack per $1 wagered for live on-track wagers, live export wagers, and simulcast same species and cross species wagers.

The average revenue returned to the racetrack per $1 wagered ratios are calculated by dividing the projected revenue by the projected handle source of that revenue stream, providing the percentage of $1 wagered that is revenue to the racetrack.

Based on the projections provided within the application, I computed a $0.1288 revenue stream on a $1 live on-track wager; a $0.0173 revenue stream on a $1 live export wager; and a $0.1179 revenue stream on a $1 simulcast same species or cross species wager.

The ratios for revenue returned to the racetrack per $1 live on-track wager and per $1 live export wager are consistent with those calculated for the other horse racetracks operating in Texas. The ratio for revenue returned to the racetrack per $1 simulcast same species or cross species wager is approximately 32.47% higher than that of the highest ratio calculated for the other horse racetracks operating in Texas. After further review, I determined that the applicant reported the simulcast same species and cross species revenue *inclusive* of the simulcast contract fee due the sending racetrack. After adjusting the revenue stream ratio on a $1 simulcast same species or cross species wager by ($.03) to $0.0879, the ratio is consistent with those calculated for the other horse racetracks operating in Texas. (See Exhibit SJ-1, Average Revenue to Association Per $1 Wagered).

It is my conclusion and opinion that the projected revenues are reasonable because the applicant's projections of revenue returned to the racetrack per $1 wagered are consistent with those of other horse racetracks operating in Texas. (See Exhibit SJ-1, Average Revenue to Association Per $1 Wagered).

Simulcast Operations

It is my opinion that the simulcast operations/plans submitted in the application are consistent with racetracks that are successful in North America.

I reviewed the number of days of operation per week and per calendar year, the number and variety of simulcast signals to be offered to the wagering public, and the layout and size of the simulcast facility. It is my opinion that the simulcast operations/plans are reasonable as they are comparable to Texas' other racetracks' operations Totalisator Operations and Contracts

Carol Olewin, Compliance Audit Administrator for the Commission, reviewed the totalisator operations and the proposed contract with AmTote International. She reviewed AmTote International's compliance history and vendor license status. She reports that the totalisator operations/contract submitted in the application is consistent with other totalisator contracts approved by the Commission. (Please note that the contract included within the application expired on December 31, 2006.) It is my opinion that the totalisator operations and contract is reasonable.

Valle de los Tesoros, Ltd.

Pari-Mutuel Data Projections
For 5 Calendar Years

		Year 1	Year 2	Year 3	Year 4	Year 5
Attendance:						
	Live	43,222	45,232	47,335	49,536	51,840
	Simulcast	190,665	199,531	208,809	218,519	228,680
Race Days:						
	Live	18	18	18	18	18
	Simulcast	364	364	364	364	364
Handles:						
	Live On-Track	2,247,523	2,352,055	2,461,425	2,575,882	2,695,660
	Live Export	5,850,000	5,850,000	5,850,000	5,850,000	5,850,000
	Simulcast-SS	31,058,481	32,701,123	34,221,725	35,813,035	37,478,341
	Simulcast-XS	6,817,715	6,935,695	7,258,205	7,595,711	7,948,912
Track Revenue:						
20.93%	Live On-Track	289,481	302,945	317,032	331,774	347,201
2.75%	Live Export	101,351	101,351	101,351	101,351	101,351
20.52%	Simulcast-SS	4,465,124	4,672,679	4,889,959	5,117,342	5,355,298
22.64%	Simulcast-XS					
Key Statistical Information						
	Population	904,690	904,690	904,690	904,690	904,690
	Per Capita Income	9,500	9,500	9,500	9,500	9,500
Per Capita Wagers:						
	Live On-Track	$52.00	$52.00	$52.00	$52.00	$52.00
	Live Export	n/a	n/a	n/a	n/a	n/a
	Simulcast-SS	$163.89	$163.89	$163.89	$163.89	$163.89
	Simulcast-XS	$34.76	$34.76	$34.76	$34.76	$34.76
	On-Track	$171.55	$171.55	$171.55	$171.55	$171.55
Average Handles Per Race Day:						
	Live On-Track	$124,862	$130,670	$136,746	$143,105	$149,759
	Live Export	$325,000	$325,000	$325,000	$325,000	$325,000
	Simulcast-SS	$85,325	$89,838	$94,016	$98,387	$102,962
	Simulcast-XS	$18,730	$19,054	$19,940	$20,867	$21,838
Average Revenue to Association Per $1 Wagered:						
	Live On-Track	12.88%	12.88%	12.88%	12.88%	12.88%
	Live Export	1.73%	1.73%	1.73%	1.73%	1.73%
	Simulcast-SS	11.79%	11.79%	11.79%	11.79%	11.79%
	Simulcast-XS					
Per Capita Wagers to Per Capita Income:						
	Live On-Track	0.55%	0.55%	0.55%	0.55%	0.55%
	Live Export	n/a	n/a	n/a	n/a	n/a
	Simulcast-SS	1.73%	1.73%	1.73%	1.73%	1.73%
	Simulcast-XS	0.37%	0.37%	0.37%	0.37%	0.37%
	On-Track	1.81%	1.81%	1.81%	1.81%	1.81%
Average Attendance Per Race Day:						
	Live	2,401	2,513	2,630	2,752	2,880
	Simulcast	524	548	574	600	628
Average Attendance to Population:						
	Live	0.2654%	0.2778%	0.2907%	0.3042%	0.3183%
	Simulcast	0.0579%	0.0606%	0.0634%	0.0664%	0.0694%

Lone Star Park
Pari-Mutuel Data
For the Last 5 Calendar Years

	1999	2000	2001	2002	2003
Attendance:					
Live	845,086	831,386	809,489	776,001	739,015
Simulcast	382,481	370,083	354,824	374,415	363,585
Race Days:					
Live	106	106	107	103	103
Simulcast	311	334	361	363	363
Handles:					
Live On-Track	60,717,053	55,923,873	52,393,818	50,608,096	45,073,091
Live Export	163,537,090	148,986,197	167,705,736	163,175,493	155,126,197
Simulcast-SS	183,304,923	183,037,647	166,591,928	177,867,868	164,462,338
Simulcast-XS	0	3,489,809	10,938,891	8,530,977	7,411,489
Track Revenue:					
Live On-Track	7,731,451	7,124,201	6,760,039	6,560,301	5,838,487
Live Export	2,936,308	2,839,995	3,147,282	3,091,096	3,117,009
Simulcast-SS	14,853,242	15,161,352	13,793,661	14,552,289	13,537,985
Simulcast-XS	0	352,847	1,149,334	941,689	819,497
Key Statistical Information:					
Population	5,221,801	5,221,801	5,221,801	5,221,801	5,221,801
Per Capita Income	26,906	26,906	26,906	26,906	26,906
Per Capita Wagers:					
Live On-Track	$71.85	$67.27	$64.72	$65.22	$60.99
Live Export	n/a	n/a	n/a	n/a	n/a
Simulcast-SS	$479.25	$494.59	$469.51	$475.06	$452.34
Simulcast-XS	$0.00	$9.43	$30.83	$22.78	$20.38
On-Track	$198.79	$201.80	$197.48	$206.02	$196.76
Average Handles Per Race Day:					
Live On-Track	$572,802	$527,584	$489,662	$491,341	$437,603
Live Export	$1,542,803	$1,405,530	$1,567,343	$1,584,228	$1,506,080
Simulcast-SS	$589,405	$548,017	$461,473	$489,994	$453,064
Simulcast-XS	$0	$10,449	$30,302	$23,501	$20,417
Average Revenue to Association Per $1 Wagered:					
Live On-Track	12.73%	12.74%	12.90%	12.96%	12.95%
Live Export	1.80%	1.91%	1.88%	1.89%	2.01%
Simulcast-SS	8.10%	8.28%	8.28%	8.18%	8.23%
Simulcast-XS	#DIV/0!	10.11%	10.51%	11.04%	11.06%
Per Capita Wagers to Per Capita Income:					
Live On-Track	0.267%	0.250%	0.241%	0.242%	0.227%
Live Export	n/a	n/a	n/a	n/a	n/a
Simulcast-SS	1.781%	1.838%	1.745%	1.766%	1.681%
Simulcast-XS	0.000%	0.035%	0.115%	0.085%	0.076%
On-Track	0.739%	0.750%	0.734%	0.766%	0.731%
Average Attendance Per Race Day:					
Live	7,973	7,843	7,565	7,534	7,175
Simulcast	1,230	1,108	983	1,031	1,002
Average Attendance to Population:					
Live	0.153%	0.150%	0.145%	0.144%	0.137%
Simulcast	0.024%	0.021%	0.019%	0.020%	0.019%

Retama Park
Pari-Mutuel Data
For the Last 5 Calendar Years

	1999	2000	2001	2002	2003
Attendance:					
Live	266,994	266,020	288,345	230,398	193,633
Simulcast	176,045	156,411	160,945	197,020	200,556
Race Days:					
Live	82	85	88	82	72
Simulcast	364	365	362	364	364
Handles:					
Live On-Track	12,052,061	12,271,881	11,130,691	9,196,253	7,596,059
Live Export	61,883,941	62,424,916	67,397,161	57,476,508	41,881,843
Simulcast-SS	56,503,533	59,941,105	59,404,320	54,894,853	49,068,434
Simulcast-XS	11,915,836	10,701,077	9,237,958	8,183,070	7,333,913
Track Revenue:					
Live On-Track	1,557,088	1,584,148	1,436,640	1,188,714	975,579
Live Export	1,169,606	1,148,571	1,224,557	1,055,953	762,564
Simulcast-SS	4,651,853	5,005,058	5,003,718	4,645,663	4,177,519
Simulcast-XS	1,345,657	1,186,865	963,856	850,537	764,523
Key Statistical Information:					
Population	1,592,383	1,592,383	1,592,383	1,592,383	1,592,383
Per Capita Income	21,237	21,237	21,237	21,237	21,237
Per Capita Wagers:					
Live On-Track	$45.14	$46.13	$38.60	$39.91	$39.23
Live Export	n/a	n/a	n/a	n/a	n/a
Simulcast-SS	$320.96	$383.23	$369.10	$278.63	$244.66
Simulcast-XS	$67.69	$68.42	$57.40	$41.53	$36.57
On-Track	$181.64	$196.28	$177.55	$169.09	$162.35
Average Handles Per Race Day:					
Live On-Track	$146,976	$144,375	$126,485	$112,149	$105,501
Live Export	$754,682	$734,411	$765,877	$700,933	$581,692
Simulcast-SS	$155,229	$164,222	$164,100	$150,810	$134,803
Simulcast-XS	$32,736	$29,318	$25,519	$22,481	$20,148
Average Revenue to Association Per $1 Wagered:					
Live On-Track	12.92%	12.91%	12.91%	12.93%	12.84%
Live Export	1.89%	1.84%	1.82%	1.84%	1.82%
Simulcast-SS	8.23%	8.35%	8.42%	8.46%	8.51%
Simulcast-XS	11.29%	11.09%	10.43%	10.39%	10.42%
Per Capita Wagers to Per Capita Income:					
Live On-Track	0.213%	0.217%	0.182%	0.188%	0.185%
Live Export	n/a	n/a	n/a	n/a	n/a
Simulcast-SS	1.511%	1.805%	1.738%	1.312%	1.152%
Simulcast-XS	0.319%	0.322%	0.270%	0.196%	0.172%
On-Track	0.855%	0.924%	0.836%	0.796%	0.764%
Average Attendance Per Race Day:					
Live	3,256	3,130	3,277	2,810	2,689
Simulcast	484	429	445	541	551
Average Attendance to Population:					
Live	0.204%	0.197%	0.206%	0.176%	0.169%
Simulcast	0.030%	0.027%	0.028%	0.034%	0.035%

Sam Houston Race Park
Pari-Mutuel Data
For the Last 5 Calendar Years

	1999	2000	2001	2002	2003
Attendance:					
Live	419,215	422,155	454,804	422,921	438,403
Simulcast	297,402	262,939	214,318	247,692	209,542
Race Days:					
Live	134	136	129	127	127
Simulcast	364	365	362	364	364
Handles:					
Live On-Track	25,055,983	23,140,086	21,077,061	18,615,955	17,386,322
Live Export	208,709,521	201,945,465	190,007,008	188,940,030	173,423,436
Simulcast-SS	97,114,700	96,298,346	98,503,047	98,394,951	93,085,547
Simulcast-XS	23,319,896	25,929,156	25,952,314	29,264,649	23,691,643
Track Revenue:					
Live On-Track	3,275,369	3,021,201	2,725,087	2,402,079	2,252,447
Live Export	3,813,123	3,798,000	3,461,558	3,474,177	3,182,254
Simulcast-SS	8,060,245	8,220,035	8,450,415	8,388,535	8,028,434
Simulcast-XS	2,559,233	2,801,286	2,577,544	2,960,130	2,387,071
Key Statistical Information:					
Population	4,669,571	4,669,571	4,669,571	4,669,571	4,669,571
Per Capita Income	26,556	26,556	26,556	26,556	26,556
Per Capita Wagers:					
Live On-Track	$59.77	$54.81	$46.34	$44.02	$39.66
Live Export	n/a	n/a	n/a	n/a	n/a
Simulcast-SS	$326.54	$366.24	$459.61	$397.25	$444.23
Simulcast-XS	$78.41	$98.61	$121.09	$118.15	$113.06
On-Track	$203.02	$212.19	$217.50	$218.12	$207.06
Average Handles Per Race Day:					
Live On-Track	$186,985	$170,148	$163,388	$146,582	$136,900
Live Export	$1,557,534	$1,484,893	$1,472,923	$1,487,717	$1,365,539
Simulcast-SS	$266,799	$263,831	$272,108	$270,316	$255,730
Simulcast-XS	$64,066	$71,039	$71,691	$80,397	$65,087
Average Revenue to Association Per $1 Wagered:					
Live On-Track	13.07%	13.06%	12.93%	12.90%	12.96%
Live Export	1.83%	1.88%	1.82%	1.84%	1.83%
Simulcast-SS	8.30%	8.54%	8.58%	8.53%	8.62%
Simulcast-XS	10.97%	10.80%	9.93%	10.12%	10.08%
Per Capita Wagers to Per Capita Income:					
Live On-Track	0.225%	0.206%	0.175%	0.166%	0.149%
Live Export	n/a	n/a	n/a	n/a	n/a
Simulcast-SS	1.230%	1.379%	1.731%	1.496%	1.673%
Simulcast-XS	0.295%	0.371%	0.456%	0.445%	0.426%
On-Track	0.765%	0.799%	0.819%	0.821%	0.780%
Average Attendance Per Race Day:					
Live	3,128	3,104	3,526	3,330	3,452
Simulcast	817	720	592	680	576
Average Attendance to Population:					
Live	0.067%	0.066%	0.076%	0.071%	0.074%
Simulcast	0.017%	0.015%	0.013%	0.015%	0.012%

Manor Downs
Pari-Mutuel Data
For the Last 5 Calendar Years

	1999	2000	2001	2002	2003
Attendance:					
Live	28,330	29,256	7,871	27,970	20,809
Simulcast	46,991	43,507	48,849	41,689	41,554
Race Days:					
Live	29	29	15	28	22
Simulcast	263	266	309	310	309
Handles:					
Live On-Track	2,314,882	2,459,711	587,905	1,978,049	1,427,253
Live Export	0	402,383	0	0	0
Simulcast-SS	18,546,642	19,690,261	20,990,792	20,398,448	18,705,203
Simulcast-XS	3,652,773	3,706,233	4,495,879	4,259,715	3,469,777
Track Revenue:					
Live On-Track	293,410	311,232	74,364	250,988	180,829
Live Export	0	7,907	0	0	0
Simulcast-SS	1,484,296	1,655,185	1,786,645	1,732,562	1,600,536
Simulcast-XS	395,804	454,275	482,069	431,957	346,256
Key Statistical Information:					
Population	1,249,763	1,249,763	1,249,763	1,249,763	1,249,763
Per Capita Income	23,669	23,669	23,669	23,669	23,669
Per Capita Wagers:					
Live On-Track	$81.71	$84.08	$74.69	$70.72	$68.59
Live Export	n/a	n/a	n/a	n/a	n/a
Simulcast-SS	$394.68	$452.58	$429.71	$489.30	$450.14
Simulcast-XS	$77.73	$85.19	$92.04	$102.18	$83.50
On-Track	$325.46	$355.35	$459.71	$382.38	$378.47
Average Handles Per Race Day:					
Live On-Track	$79,824	$84,818	$39,194	$70,645	$64,875
Live Export	$0	$13,875	$0	$0	$0
Simulcast-SS	$70,520	$74,024	$67,931	$65,801	$60,535
Simulcast-XS	$13,889	$13,933	$14,550	$13,741	$11,229
Average Revenue to Association Per $1 Wagered:					
Live On-Track	12.67%	12.65%	12.65%	12.69%	12.67%
Live Export	n/a	1.97%	n/a	n/a	n/a
Simulcast-SS	8.00%	8.41%	8.51%	8.49%	8.56%
Simulcast-XS	10.84%	12.26%	10.72%	10.14%	9.98%
Per Capita Wagers to Per Capita Income:					
Live On-Track	0.345%	0.355%	0.316%	0.299%	0.290%
Live Export	n/a	n/a	n/a	n/a	n/a
Simulcast-SS	1.668%	1.912%	1.815%	2.067%	1.902%
Simulcast-XS	0.328%	0.360%	0.389%	0.432%	0.353%
On-Track	1.375%	1.501%	1.942%	1.616%	1.599%
Average Attendance Per Race Day:					
Live	977	1,009	525	999	946
Simulcast	179	164	158	134	134
Average Attendance to Population:					
Live	0.078%	0.081%	0.042%	0.080%	0.076%
Simulcast	0.014%	0.013%	0.013%	0.011%	0.011%

US Metropolitan Area Population: 1990-2000

Rank	Metropolitan Area	April 1, 2000	April 1, 1990	Change	Percent
1	New York--Northern New Jersey--Long Island, NY--NJ--CT--PA CMSA	21,199,865	19,549,649	1,650,216	8.4%
2	Los Angeles--Riverside--Orange County, CA CMSA	16,373,645	14,531,529	1,842,116	12.7%
3	Chicago--Gary--Kenosha, IL--IN--WI CMSA	9,157,540	8,239,820	917,720	11.1%
4	Washington--Baltimore, DC--MD--VA--WV CMSA	7,608,070	6,727,050	881,020	13.1%
5	San Francisco--Oakland--San Jose, CA CMSA	7,039,362	6,253,311	786,051	12.6%
6	Philadelphia--Wilmington--Atlantic City, PA--NJ--DE--MD CMSA	6,188,463	5,892,937	295,526	5.0%
7	Boston--Worcester--Lawrence, MA--NH--ME--CT CMSA	5,819,100	5,455,403	363,697	6.7%
8	Detroit--Ann Arbor--Flint, MI CMSA	5,456,428	5,187,171	269,257	5.2%
9	Dallas--Fort Worth, TX CMSA	5,221,801	4,037,282	1,184,519	29.3%
10	Houston--Galveston--Brazoria, TX CMSA	4,669,571	3,731,131	938,440	25.2%
11	Atlanta, GA MSA	4,112,198	2,959,950	1,152,248	38.9%
12	Miami--Fort Lauderdale, FL CMSA	3,876,380	3,192,582	683,798	21.4%
13	Seattle--Tacoma--Bremerton, WA CMSA	3,554,760	2,970,328	584,432	19.7%
14	Phoenix--Mesa, AZ MSA	3,251,876	2,238,480	1,013,396	45.3%
15	Minneapolis--St. Paul, MN--WI MSA	2,968,806	2,538,834	429,972	16.9%
16	Cleveland--Akron, OH CMSA	2,945,831	2,859,644	86,187	3.0%
17	San Diego, CA MSA	2,813,833	2,498,016	315,817	12.6%
18	St. Louis, MO--IL MSA	2,603,607	2,492,525	111,082	4.5%

19	Denver--Boulder--Greeley, CO CMSA	2,581,506	1,980,140	601,366	30.4%
20	Tampa--St. Petersburg--Clearwater, FL MSA	2,395,997	2,067,959	328,038	15.9%
21	Pittsburgh, PA MSA	2,358,695	2,394,811	(36,116)	-1.5%
22	Portland--Salem, OR--WA CMSA	2,265,223	1,793,476	471,747	26.3%
23	Cincinnati--Hamilton, OH--KY--IN CMSA	1,979,202	1,817,571	161,631	8.9%
24	Sacramento--Yolo, CA CMSA	1,796,857	1,481,102	315,755	21.3%
25	Kansas City, MO--KS MSA	1,776,062	1,582,875	193,187	12.2%
26	Milwaukee--Racine, WI CMSA	1,689,572	1,607,183	82,389	5.1%
27	Orlando, FL MSA	1,644,561	1,224,852	419,709	34.3%
28	Indianapolis, IN MSA	1,607,486	1,380,491	226,995	16.4%
29	San Antonio, TX MSA	1,592,383	1,324,749	267,634	20.2%
30	Norfolk--Virginia Beach--Newport News, VA--NC MSA	1,569,541	1,443,244	126,297	8.8%
31	Las Vegas, NV--AZ MSA	1,563,282	852,737	710,545	83.3%
32	Columbus, OH MSA	1,540,157	1,345,450	194,707	14.5%
33	Charlotte--Gastonia--Rock Hill, NC--SC MSA	1,499,293	1,162,093	337,200	29.0%
34	New Orleans, LA MSA	1,337,726	1,285,270	52,456	4.1%
35	Salt Lake City--Ogden, UT MSA	1,333,914	1,072,227	261,687	24.4%
36	Greensboro--Winston-Salem--High Point, NC MSA	1,251,509	1,050,304	201,205	19.2%
37	Austin--San Marcos, TX MSA	1,249,763	846,227	403,536	47.7%
38	Nashville, TN MSA	1,231,311	985,026	246,285	25.0%
39	Providence--Fall River--Warwick, RI--MA MSA	1,188,613	1,134,350	54,263	4.8%
40	Raleigh--Durham--Chapel Hill, NC MSA	1,187,941	855,545	332,396	38.9%
41	Hartford, CT MSA	1,183,110	1,157,585	25,525	2.2%
42	Buffalo--Niagara Falls, NY MSA	1,170,111	1,189,288	(19,177)	-1.6%
43	Memphis, TN--AR--MS MSA	1,135,614	1,007,306	128,308	12.7%
44	West Palm Beach--Boca Raton, FL MSA	1,131,184	863,518	267,666	31.0%
45	Jacksonville, FL MSA	1,100,491	906,727	193,764	21.4%
46	Rochester, NY MSA	1,098,201	1,062,470	35,731	3.4%
47	Grand Rapids--Muskegon--Holland, MI MSA	1,088,514	937,891	150,623	16.1%
48	Oklahoma City, OK MSA	1,083,346	958,839	124,507	13.0%

49	Louisville, KY--IN MSA	1,025,598	948,829	76,769	8.1%
50	Richmond--Petersburg, VA MSA	996,512	865,640	130,872	15.1%
51	Greenville--Spartanburg--Anderson, SC MSA	962,441	830,563	131,878	15.9%
52	Dayton--Springfield, OH MSA	950,558	951,270	(712)	-0.1%
53	Fresno, CA MSA	922,516	755,580	166,936	22.1%
54	Birmingham, AL MSA	921,106	840,140	80,966	9.6%
55	Honolulu, HI MSA	876,156	836,231	39,925	4.8%
56	Albany--Schenectady--Troy, NY MSA	875,583	861,424	14,159	1.6%
57	Tucson, AZ MSA	843,746	666,880	176,866	26.5%
58	Tulsa, OK MSA	803,235	708,954	94,281	13.3%
59	Syracuse, NY MSA	732,117	742,177	(10,060)	-1.4%
60	Omaha, NE--IA MSA	716,998	639,580	77,418	12.1%
61	Albuquerque, NM MSA	712,738	589,131	123,607	21.0%
62	Knoxville, TN MSA	687,249	585,960	101,289	17.3%
63	El Paso, TX MSA	679,622	591,610	88,012	14.9%
64	Bakersfield, CA MSA	661,645	543,477	118,168	21.7%
65	Allentown--Bethlehem--Easton, PA MSA	637,958	595,081	42,877	7.2%
66	Harrisburg--Lebanon--Carlisle, PA MSA	629,401	587,986	41,415	7.0%
67	Scranton--Wilkes-Barre--Hazleton, PA MSA	624,776	638,466	(13,690)	-2.1%
68	Toledo, OH MSA	618,203	614,128	4,075	0.7%
69	Baton Rouge, LA MSA	602,894	528,264	74,630	14.1%
70	Youngstown--Warren, OH MSA	594,746	600,895	(6,149)	-1.0%
71	Springfield, MA MSA	591,932	587,884	4,048	0.7%
72	Sarasota--Bradenton, FL MSA	589,959	489,483	100,476	20.5%
73	Little Rock--North Little Rock, AR MSA	583,845	513,117	70,728	13.8%
* 74	McAllen--Edinburg--Mission, TX MSA	569,463	383,545	185,918	48.5%
75	Stockton--Lodi, CA MSA	563,598	480,628	82,970	17.3%
76	Charleston--North Charleston, SC MSA	549,033	506,875	42,158	8.3%
77	Wichita, KS MSA	545,220	485,270	59,950	12.4%
78	Mobile, AL MSA	540,258	476,923	63,335	13.3%

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79	Columbia, SC MSA	536,691	453,331	83,360	18.4%
80	Colorado Springs, CO MSA	516,929	397,014	119,915	30.2%
81	Fort Wayne, IN MSA	502,141	456,281	45,860	10.1%
82	Daytona Beach, FL MSA	493,175	399,413	93,762	23.5%
83	Lakeland--Winter Haven, FL MSA	483,924	405,382	78,542	19.4%
84	Johnson City--Kingsport--Bristol, TN--VA MSA	480,091	436,047	44,044	10.1%
85	Lexington, KY MSA	479,198	405,936	73,262	18.0%
86	Augusta--Aiken, GA--SC MSA	477,441	415,184	62,257	15.0%
87	Melbourne--Titusville--Palm Bay, FL MSA	476,230	398,978	77,252	19.4%
88	Lancaster, PA MSA	470,658	422,822	47,836	11.3%
89	Chattanooga, TN--GA MSA	465,161	424,347	40,814	9.6%
90	Des Moines, IA MSA	456,022	392,928	63,094	16.1%
91	Kalamazoo--Battle Creek, MI MSA	452,851	429,453	23,398	5.4%
92	Lansing--East Lansing, MI MSA	447,728	432,674	15,054	3.5%
93	Modesto, CA MSA	446,997	370,522	76,475	20.6%
94	Fort Myers--Cape Coral, FL MSA	440,888	335,113	105,775	31.6%
95	Jackson, MS MSA	440,801	395,396	45,405	11.5%
96	Boise City, ID MSA	432,345	295,851	136,494	46.1%
97	Madison, WI MSA	426,526	367,085	59,441	16.2%
98	Spokane, WA MSA	417,939	361,364	56,575	15.7%
99	Pensacola, FL MSA	412,153	344,406	67,747	19.7%
100	Canton--Massillon, OH MSA	406,934	394,106	12,828	3.3%
101	Saginaw--Bay City--Midland, MI MSA	403,070	399,320	3,750	0.9%
102	Salinas, CA MSA	401,762	355,660	46,102	13.0%
103	Santa Barbara--Santa Maria--Lompoc, CA MSA	399,347	369,608	29,739	8.0%
104	Shreveport--Bossier City, LA MSA	392,302	376,330	15,972	4.2%
105	Lafayette, LA MSA	385,647	344,953	40,694	11.8%
106	Beaumont--Port Arthur, TX MSA	385,090	361,226	23,864	6.6%
107	York, PA MSA	381,751	339,574	42,177	12.4%
108	Corpus Christi, TX MSA	380,783	349,894	30,889	8.8%

109	Reading, PA MSA	373,638	336,523	37,115	11.0%
110	Rockford, IL MSA	371,236	329,676	41,560	12.6%
111	Provo--Orem, UT MSA	368,536	263,590	104,946	39.8%
112	Visalia--Tulare--Porterville, CA MSA	368,021	311,921	56,100	18.0%
113	Biloxi--Gulfport--Pascagoula, MS MSA	363,988	312,368	51,620	16.5%
114	Davenport--Moline--Rock Island, IA--IL MSA	359,062	350,861	8,201	2.3%
115	Appleton--Oshkosh--Neenah, WI MSA	358,365	315,121	43,244	13.7%
116	Peoria--Pekin, IL MSA	347,387	339,172	8,215	2.4%
117	Huntsville, AL MSA	342,376	293,047	49,329	16.8%
118	Hickory--Morganton--Lenoir, NC MSA	341,851	292,409	49,442	16.9%
119	Reno, NV MSA	339,486	254,667	84,819	33.3%
*120	Brownsville--Harlingen--San Benito, TX MSA	335,227	260,120	75,107	28.9%
121	Montgomery, AL MSA	333,055	292,517	40,538	13.9%
122	Springfield, MO MSA	325,721	264,346	61,375	23.2%
123	Eugene--Springfield, OR MSA	322,959	282,912	40,047	14.2%
124	Macon, GA MSA	322,549	290,909	31,640	10.9%
125	Fort Pierce--Port St. Lucie, FL MSA	319,426	251,071	68,355	27.2%
126	Huntington--Ashland, WV--KY--OH MSA	315,538	312,529	3,009	1.0%
127	Killeen--Temple, TX MSA	312,952	255,301	57,651	22.6%
128	Fayetteville--Springdale--Rogers, AR MSA	311,121	210,908	100,213	47.5%
129	Fayetteville, NC MSA	302,963	274,566	28,397	10.3%
130	Utica--Rome, NY MSA	299,896	316,633	(16,737)	-5.3%
131	Evansville--Henderson, IN--KY MSA	296,195	278,990	17,205	6.2%
132	New London--Norwich, CT--RI MSA	293,566	290,734	2,832	1.0%
133	Savannah, GA MSA	293,000	258,060	34,940	13.5%
134	Tallahassee, FL MSA	284,539	233,598	50,941	21.8%
135	Erie, PA MSA	280,843	275,572	5,271	1.9%
136	Columbus, GA--AL MSA	274,624	260,860	13,764	5.3%
137	South Bend, IN MSA	265,559	247,052	18,507	7.5%
138	Anchorage, AK MSA	260,283	226,338	33,945	15.0%

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139	Ocala, FL MSA	258,916	194,833	64,083	32.9%
140	Binghamton, NY MSA	252,320	264,497	(12,177)	-4.6%
141	Charleston, WV MSA	251,662	250,454	1,208	0.5%
142	Fort Collins--Loveland, CO MSA	251,494	186,136	65,358	35.1%
143	Naples, FL MSA	251,377	152,099	99,278	65.3%
144	Lincoln, NE MSA	250,291	213,641	36,650	17.2%
145	San Luis Obispo--Atascadero--Paso Robles, CA MSA	246,681	217,162	29,519	13.6%
146	Duluth--Superior, MN--WI MSA	243,815	239,971	3,844	1.6%
147	Portland, ME MSA	243,537	221,095	22,442	10.2%
148	Lubbock, TX MSA	242,628	222,636	19,992	9.0%
149	Odessa--Midland, TX MSA	237,132	225,545	11,587	5.1%
150	Roanoke, VA MSA	235,932	224,477	11,455	5.1%
151	Wilmington, NC MSA	233,450	171,269	62,181	36.3%
152	Johnstown, PA MSA	232,621	241,247	(8,626)	-3.6%
153	Green Bay, WI MSA	226,778	194,594	32,184	16.5%
154	Asheville, NC MSA	225,965	191,774	34,191	17.8%
155	Yakima, WA MSA	222,581	188,823	33,758	17.9%
156	Gainesville, FL MSA	217,955	181,596	36,359	20.0%
157	Amarillo, TX MSA	217,858	187,547	30,311	16.2%
158	Lynchburg, VA MSA	214,911	193,928	20,983	10.8%
159	Waco, TX MSA	213,517	189,123	24,394	12.9%
160	Merced, CA MSA	210,554	178,403	32,151	18.0%
161	Longview--Marshall, TX MSA	208,780	193,801	14,979	7.7%
162	Fort Smith, AR--OK MSA	207,290	175,911	31,379	17.8%
163	Clarksville--Hopkinsville, TN--KY MSA	207,033	169,439	37,594	22.2%
164	Chico--Paradise, CA MSA	203,171	182,120	21,051	11.6%
165	Springfield, IL MSA	201,437	189,550	11,887	6.3%
166	Myrtle Beach, SC MSA	196,629	144,053	52,576	36.5%
167	Houma, LA MSA	194,477	182,842	11,635	6.4%
168	Laredo, TX MSA	193,117	133,239	59,878	44.9%

169	Richland--Kennewick--Pasco, WA MSA	191,822	150,033	41,789	27.9%
170	Cedar Rapids, IA MSA	191,701	168,767	22,934	13.6%
171	Lake Charles, LA MSA	183,577	168,134	15,443	9.2%
172	Lafayette, IN MSA	182,821	161,572	21,249	13.2%
173	Elkhart--Goshen, IN MSA	182,791	156,198	26,593	17.0%
174	Medford--Ashland, OR MSA	181,269	146,389	34,880	23.8%
175	Champaign--Urbana, IL MSA	179,669	173,025	6,644	3.8%
176	Mansfield, OH MSA	175,818	174,007	1,811	1.0%
177	Tyler, TX MSA	174,706	151,309	23,397	15.5%
178	Las Cruces, NM MSA	174,682	135,510	39,172	28.9%
179	Fargo--Moorhead, ND--MN MSA	174,367	153,296	21,071	13.7%
180	Sioux Falls, SD MSA	172,412	139,236	33,176	23.8%
181	Fort Walton Beach, FL MSA	170,498	143,776	26,722	18.6%
182	Topeka, KS MSA	169,871	160,976	8,895	5.5%
183	Burlington, VT MSA	169,391	151,506	17,885	11.8%
184	St. Cloud, MN MSA	167,392	148,976	18,416	12.4%
185	Bellingham, WA MSA	166,814	127,780	39,034	30.5%
186	Tuscaloosa, AL MSA	164,875	150,522	14,353	9.5%
187	Redding, CA MSA	163,256	147,036	16,220	11.0%
188	Barnstable--Yarmouth, MA MSA	162,582	134,954	27,628	20.5%
189	Benton Harbor, MI MSA	162,453	161,378	1,075	0.7%
190	Yuma, AZ MSA	160,026	106,895	53,131	49.7%
191	Charlottesville, VA MSA	159,576	131,107	28,469	21.7%
192	Jackson, MI MSA	158,422	149,756	8,666	5.8%
193	Joplin, MO MSA	157,322	134,910	22,412	16.6%
194	Lima, OH MSA	155,084	154,340	744	0.5%
195	Athens, GA MSA	153,444	126,262	27,182	21.5%
196	Wheeling, WV--OH MSA	153,172	159,301	(6,129)	-3.8%
197	Bryan--College Station, TX MSA	152,415	121,862	30,553	25.1%
198	Janesville--Beloit, WI MSA	152,307	139,510	12,797	9.2%

199	Parkersburg--Marietta, WV--OH MSA	151,237	149,169	2,068	1.4%
200	Bloomington--Normal, IL MSA	150,433	129,180	21,253	16.5%
201	Jacksonville, NC MSA	150,355	149,838	517	0.3%
202	Terre Haute, IN MSA	149,192	147,585	1,607	1.1%
203	Eau Claire, WI MSA	148,337	137,543	10,794	7.8%
204	Panama City, FL MSA	148,217	126,994	21,223	16.7%
205	Santa Fe, NM MSA	147,635	117,043	30,592	26.1%
206	Monroe, LA MSA	147,250	142,191	5,059	3.6%
207	Decatur, AL MSA	145,867	131,556	14,311	10.9%
208	Rocky Mount, NC MSA	143,026	133,235	9,791	7.3%
209	Florence, AL MSA	142,950	131,327	11,623	8.9%
210	Punta Gorda, FL MSA	141,627	110,975	30,652	27.6%
211	Pueblo, CO MSA	141,472	123,051	18,421	15.0%
212	Wichita Falls, TX MSA	140,518	130,351	10,167	7.8%
213	Jamestown, NY MSA	139,750	141,895	(2,145)	-1.5%
214	Yuba City, CA MSA	139,149	122,643	16,506	13.5%
215	Dothan, AL MSA	137,916	130,964	6,952	5.3%
216	State College, PA MSA	135,758	123,786	11,972	9.7%
217	Columbia, MO MSA	135,454	112,379	23,075	20.5%
218	Greenville, NC MSA	133,798	107,924	25,874	24.0%
219	Steubenville--Weirton, OH--WV MSA	132,008	142,523	(10,515)	-7.4%
220	Texarkana, TX--Texarkana, AR MSA	129,749	120,132	9,617	8.0%
221	Billings, MT MSA	129,352	113,419	15,933	14.0%
222	Altoona, PA MSA	129,144	130,542	(1,398)	-1.1%
223	Waterloo--Cedar Falls, IA MSA	128,012	123,798	4,214	3.4%
224	La Crosse, WI--MN MSA	126,838	116,401	10,437	9.0%
225	Dover, DE MSA	126,697	110,993	15,704	14.1%
226	Abilene, TX MSA	126,555	119,655	6,900	5.8%
227	Alexandria, LA MSA	126,337	131,556	(5,219)	-4.0%
228	Wausau, WI MSA	125,834	115,400	10,434	9.0%

229	Florence, SC MSA	125,761	114,344	11,417	10.0%
230	Glens Falls, NY MSA	124,345	118,539	5,806	4.9%
231	Rochester, MN MSA	124,277	106,470	17,807	16.7%
232	Sioux City, IA--NE MSA	124,130	115,018	9,112	7.9%
233	Flagstaff, AZ--UT MSA	122,366	101,760	20,606	20.2%
234	Albany, GA MSA	120,822	112,561	8,261	7.3%
235	Bloomington, IN MSA	120,563	108,978	11,585	10.6%
236	Sharon, PA MSA	120,293	121,003	(710)	-0.6%
237	Williamsport, PA MSA	120,044	118,710	1,334	1.1%
238	Muncie, IN MSA	118,769	119,659	(890)	-0.7%
239	Grand Junction, CO MSA	116,255	93,145	23,110	24.8%
240	Auburn--Opelika, AL MSA	115,092	87,146	27,946	32.1%
241	Lawton, OK MSA	114,996	111,486	3,510	3.1%
242	Decatur, IL MSA	114,706	117,206	(2,500)	-2.1%
243	Goldsboro, NC MSA	113,329	104,666	8,663	8.3%
244	Sheboygan, WI MSA	112,646	103,877	8,769	8.4%
245	Anniston, AL MSA	112,249	116,034	(3,785)	-3.3%
246	Hattiesburg, MS MSA	111,674	98,738	12,936	13.1%
247	Iowa City, IA MSA	111,006	96,119	14,887	15.5%
248	Sherman--Denison, TX MSA	110,595	95,021	15,574	16.4%
249	Danville, VA MSA	110,156	108,711	1,445	1.3%
250	Jackson, TN MSA	107,377	90,801	16,576	18.3%
251	Sumter, SC MSA	104,646	102,637	2,009	2.0%
252	San Angelo, TX MSA	104,010	98,458	5,552	5.6%
253	Gadsden, AL MSA	103,459	99,840	3,619	3.6%
254	St. Joseph, MO MSA	102,490	97,715	4,775	4.9%
255	Cumberland, MD--WV MSA	102,008	101,643	365	0.4%
256	Kokomo, IN MSA	101,541	96,946	4,595	4.7%
257	Lawrence, KS MSA	99,962	81,798	18,164	22.2%
258	Grand Forks, ND--MN MSA	97,478	103,181	(5,703)	-5.5%

259	Missoula, MT MSA	95,802	78,687	17,115	21.8%
260	Bismarck, ND MSA	94,719	83,831	10,888	13.0%
261	Owensboro, KY MSA	91,545	87,189	4,356	5.0%
262	Elmira, NY MSA	91,070	95,195	(4,125)	-4.3%
263	Bangor, ME MSA	90,864	91,629	(765)	-0.8%
264	Lewiston--Auburn, ME MSA	90,830	93,679	(2,849)	-3.0%
265	Dubuque, IA MSA	89,143	86,403	2,740	3.2%
266	Rapid City, SD MSA	88,565	81,343	7,222	8.9%
267	Pittsfield, MA MSA	84,699	88,695	(3,996)	-4.5%
268	Pine Bluff, AR MSA	84,278	85,487	(1,209)	-1.4%
269	Victoria, TX MSA	84,088	74,361	9,727	13.1%
270	Jonesboro, AR MSA	82,148	68,956	13,192	19.1%
271	Cheyenne, WY MSA	81,607	73,142	8,465	11.6%
272	Great Falls, MT MSA	80,357	77,691	2,666	3.4%
273	Corvallis, OR MSA	78,153	70,811	7,342	10.4%
274	Pocatello, ID MSA	75,565	66,026	9,539	14.4%
275	Casper, WY MSA	66,533	61,226	5,307	8.7%
276	Enid, OK MSA	57,813	56,735	1,078	1.9%

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Reynosa

From Wikipedia, the free encyclopedia

Reynosa is a primarily industrial city in the Mexican state of Tamaulipas. Reynosa is located at 26.08° N 98.28° W (http://tools.wikimedia.de/~magnus/geo/geohack.php?params=26.08_N_98.28_W_), across the Rio Grande (Río Bravo) from McAllen in the U.S. state of Texas. Although official government figures estimated in 2003 the population of Reynosa at around 450,000 people and as of 2006 is estimated to be 750,000 many officials and local press challenge the number and place it well above the million of citizens. The agriculture that grows there include Corn, cotton and fruit.

The metropolitan area of Reynosa is home to many maquiladoras, whose products are distributed internationally. Many companies around the world have focused on the Reynosa and McAllen, Texas area because of the opportunity for trade. Reynosa is connected to McAllen by two bridges: McAllen-Hidalgo-Reynosa International Bridge and the Pharr-Reynosa International Bridge. A third one, Anzalduas Bridge, will soon be completed. These bridges help to facilitate international trade. Because of all of the international bridges; the city receives a lot of traffic from other cities in northern Mexico.

In recent years, Reynosa has seen an increase in its population as thousands of workers from different parts of the country, most notably from the State of Veracruz, seek better work opportunities in the city's maquiladora sector, and oil industry.

Radio Stations

- **XERDO 1450Khz *"La Radio 1450"* [1] (http://www.radioavanzado.com/)**
- **XHMLS 91.3Mhz *"EXA FM"*"** [2] (http://www.radioavanzado.com/) [3] (http://www.exafm.com.mx/)

External links

[4] (http://www.radioavanzado.com/) Broadcast Radio **"Grupo Radio Avanzado"** [5] (http://www.elmananarey.com.mx/) Newspaper "El mañana"
[6] (http://www.reynosa.gob.mx/) reynosa.gob.mx
[7] (http://www.reynosalite.com/) reynosaLite.com

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TEXAS RACING COMMISSION
P. O. Box 12080
Austin, TX 78711-2080
(512) 833-6699
Fax (512) 833-6907

Date: January 4, 2007

To: Rhonda Fritsche, Legal Counsel

From: Sammy Jackson, Deputy Director

RE: Class 2 Racetrack License Application for Hidalgo County

Per your memo of October 3, 2006, I have completed the review of the Financial Forecasts, Simulcast Operations, Totalisator Operations and Totalisator Contract for Valle de los Tesoros, Ltd. The following are my findings:

Section III Finances:

A. Fiscal Documents: All necessary documents have been submitted and appear to be in order.
B. General Fiscal Information: All necessary documents have been submitted and appear to be in order.
C. Construction, Renovation and Operation of Racetrack Facilities: All necessary documents have been submitted and appear to be in order.

Section IV Operations:

A. Live Race Dates: Applicant described adequately the type of live race meeting planned each year.
B. Simulcasting: Applicant described adequately the proposed simulcasting plans including days of the week, number of signals per day and proposed sending and receiving racetracks.
C. Management: Applicant identified each individual who will be responsible for the operations of the racetrack except for the Mutuel Manager.
D. Concessions: Applicant does intend to contract with a concessions company to provide concessions service to the racetrack. A completed contract was provided.
E. Totalisator Contract: Applicant identified AmTote as the totalisator provider. A completed contract was provided. However, the contract expires on December 31, 2006.

Other Key Assumptions:

	Forecast	Breakeven	Industry High	Industry Low
Avg. Live Attendance	2,401	1,011	7,175	946
Avg. Simulcast Attendance	524	187	1,002	134
Per Capita Live	$ 52.00	$ 52.00	$68.59	$39.23
Per Capita Simulcast	$198.65	$198.65	$452.34	$244.66
Per Capita On-Track	$171.55	n/a	$207.06	$162.35

Appendix F – Valley Race Park's

Impact Study of Hidalgo County Class II Track

Impact Study of Hidalgo County Class II Track:
Harlingen, Texas

Prepared For:
Valley Race Park, Inc.

August 2005

Prepared by:
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Executive Summary

The Innovation Group was engaged to provide an evaluation of the impact that a proposed Class II horse racetrack located in Hidalgo County, Texas would have on the existing live and simulcast wagering at Valley Race Park (VRP).

The proposed Class II horse racetrack, a/k/a Tesoros Race Park, would be located about five miles south of McAllen, Texas, just off of highway 336. The facility would provide a standard 7/8 mile oval racetrack, grandstand and bleacher seating, a clubhouse with food and beverage offerings, a simulcast facility seating 350 persons and adequate stables.

The proposed facility is in close proximity to one of the main population centers providing business to VRP. It would attract racing customers who would otherwise patronize VRP. Therefore, VRP is forecasted to experience sharply lower admissions and a significant decline in handle. The chart below illustrates the forecasted impact of the proposed Class II horse racing facility in Hidalgo County.

Valley Race Park Impact Summary (000's)

	Baseline	Impact	Adjusted	% Change
Handle:				
Live Racing	2,702	(768)	1,935	-28%
Same Species Simulcast	8,696	(3,530)	5,167	-41%
Cross Species Simulcast	8,265	(4,233)	4,033	-51%
Export	2,670	-	2,670	0%
Total	**22,334**	**(8,530)**	**13,804**	**-38%**
Revenues:				
Gross Wagering Commissions	4,466	(1,724)	2,742	-39%
Food & Beverage	767	(271)	496	-35%
Admissions, Programs & Other	358	(127)	231	-35%
Total	**5,591**	**(2,122)**	**3,469**	**-38%**

Source: The Innovation Group

Due to the high cost of operating a live greyhound track, a certain level of revenue is necessary to produce positive operating cash flow. The forecasted loss in revenue noted above would cause a significant deficit in operating cash flow (EBITDA). Since positive operating cash flow is necessary to sustain an operation for any length of time, **VRP would likely be forced to close in this operating environment.**

The closing of VRP would be consistent with the outcome in a similar competitive situation in Texas' racing past. Bandera Downs in Bandera, Texas was forced to close just months after Retama Park in Selma, Texas opened in April 1995. The facts with regard to market demographics and distance between tracks are similar. Due to the often-struggling racing industry in Texas, it is difficult for almost any market to support more than one racetrack offering a similar product. This is particularly true for a relatively small market such as the McAllen-Harlingen area.

The Innovation Group evaluated the existing VRP operation and market potential. Specifically, we analyzed the population and demographics in the market relative to VRP's 2004 results to generate participation rates and handle per admission statistics for the different types of wagering. Then we assessed the impact of the proposed Hidalgo County facility on these statistics for each type of wagering. Lastly, market share allocation estimates were developed for VRP versus the proposed facility.

Valley Race Park

Valley Race Park (VRP) is a full-service greyhound racing facility in Harlingen, Texas. The facility was first opened for business in 1990 by Ladbroke Racing Corporation, but closed in September 1995 due to weak financial results. This facility was the only racetrack operating in the area at the time of the closure. The operation was subsequently bought by a wholly-owned subsidiary of Sam Houston Race Park, and reopened on March 17, 2000, under the name of Valley Race Park.

VRP sits on about 80 acres of land, including 15 acres of lighted parking with a capacity for 1,300 cars. According to management, the parking area is never fully utilized. The approximately 91,000 square feet of building space encompasses 2 levels, with many segregated areas catering to different customer needs. The main level has a large tiered section for viewing live racing called the Grandstand area. This area is segregated into open seating, a reserved seating section with individual seats or tables with a monitor for a fee, and a restaurant area called Brindles with reserved table seating also with a monitor. In addition, the main level has a non-smoking area with monitors, a seating area primarily for simulcast customers, a banquet room for 130 guests called the Arroyo Suite, and a very nice high roller room. The high roller room is a secluded suite offering private viewing, food and beverage service, and requires an invitation for entrance. The main level is also well equipped with food and beverage service, as well as a gift shop and an arcade. The mezzanine level has another banquet facility called the Director's Suite with full view of the racetrack. This very private room can accommodate 60 guests and is complete with a private teller and full bar. The second level houses The Top of the Park, a carpeted banquette area seating 250 persons. This room also has a full view of the racetrack, a private teller, full bar, and is perfect for trade shows, conferences, and other corporate events. Also on the second level are rooms for the judges, camera equipment, and other racing necessities.

VRP appears well maintained and is very clean. There have been many improvements over the last several years to enhance customer satisfaction. However, the facility is also larger than necessary for the current level of business, making it operationally inefficient. In addition, the facility was designed primarily for the viewing of live racing, as cross-species simulcasting was not legalized until 1997. Therefore, in today's operating environment, further improvements to better accommodate the simulcast customer would be beneficial.

VRP is located in southeast Texas in the Rio Grande Valley (Valley) on the southern edge of the city of Harlingen. The race park is easily accessible using Ed Carey Drive. The racetrack is situated less than 2 miles off of Highway 83, the major interstate running through Harlingen. The

area is primarily undeveloped, therefore traffic congestion is minimal. Ingress and egress characteristics are also good with no difficult turns or directional problems. Ed Carey Drive runs from the race park directly into the heart of Harlingen.

Area Demographics

Harlingen is one of 3 major cities which define the Rio Grande Valley area, the second being McAllen about 35 miles to the west, and the third is Brownsville about 25 miles to the southeast. McAllen and Brownsville are right on the US and Mexico border. The 3 cities are connected by Highway 83, a 4-lane interstate currently under renovation in many parts. Harlingen and Brownsville are the primary population centers in Cameron County, while McAllen and various surrounding smaller cities make up Hidalgo County. Cameron County, in which VRP resides, is the smaller of the 2 counties with a population of 363,100 (2003). Hidalgo County has about 635,000 residents. The population of both counties includes a high percentage of persons with Hispanic origin. Hidalgo County is over 88% Hispanic and Cameron County is 85%, compared to only 32% for Texas as a whole.

The population of the Valley tends to swell in the winter months as people living in the northern states seek warmer weather. They are often referred to as the "Winter Texans". They typically stay in one of the estimated 500 RV and trailer parks in the Valley, providing over 68,000 spaces. Others prefer living in low cost rental property in the area. By some accounts, the Winter Texans number over 100,000.

In analyzing the market demographics for this region, The Innovation Group evaluated the population residing within 50 miles of Valley Race Park in 2 segments--a 0-25 mile ring and a 25-50 mile ring. The 50-mile radius was sufficient to capture all meaningful population centers residing in the Valley. The area to the north and west of the Valley is sparsely populated. The Mexican border is to the south, with the Gulf of Mexico to the east. In addition, the 50-mile radius captured nearly all the database customers, excluding out-of-town visitors. The database customers reflect those enrolled in the Horse and Hound Club, established to grant promotional awards to frequent customers.

Based on 2004 estimates, roughly 1.022 million people reside within 50 miles of VRP. Nearly half or 499,300 live within a 25-mile radius. The inner ring generally captures the Harlingen/Brownville Metropolitan Statistical Area (MSA) and some of the smaller cities in eastern Hidalgo County. The 25-50 mile adds the McAllen/Edinburg/Mission MSA to the west.

Harlingen Area Total Population

Ring	2000	2004	2009	A.A.G. 2000-2004	A.A.G. 2004-2009
0-25 miles	462,027	499,336	546,479	1.96%	1.82%
25-50 miles	457,176	523,281	604,424	3.43%	2.93%
Area Total/A.A.G.	919,203	1,022,617	1,150,903	2.70%	2.39%
Texas	*20,851,820*	*22,406,324*	*24,331,303*	1.81%	1.66%
National	*281,421,906*	*292,936,668*	*307,115,866*	1.01%	0.95%

Source: MapInfo; Claritas; The Innovation Group

The proportion of the Valley population over the age of 21 (Gamer) is relatively small when compared to Texas and the nation. For the 0-25 mile and 25-50 mile rings the over 21 population is 303,600 and 318,500, respectively, or 61% of the total. The figure for Texas and the nation is 68% and 71%, respectively.

Harlingen Area Population Over 21 Years Old

Ring	2004	% Of Total Population	2009	% Of Total Population	A.A.G. (Pop>21)
0-25 miles	303,629	60.81%	336,134	61.51%	2.05%
25-50 miles	318,465	60.86%	372,222	61.58%	3.17%
Area Total/A.A.G.	622,094	60.83%	708,356	61.55%	2.63%
Texas	*15,141,311*	67.58%	*16,602,770*	68.24%	*1.86%*
National	*206,679,917*	70.55%	*218,311,998*	71.08%	*1.10%*

Source: MapInfo; Claritas; The Innovation Group

Estimated Gamer population growth rates are quite strong in this region. The 0-25 mile ring is expected to grow a total of 11% over the next 5 years or about 2% per year. The 25-50 mile ring higher shows even stronger growth at 17% for the 5-year period or about 3% per year. The resulting increase in Gamer population in the Valley area is 86,300 over the 5-year period. Part of the growth is due to migration from various northern states that visit as Winter Texans and then decide to stay.

Average Annual Household Income ("AAHI"), although on the rise, is currently well below the statewide and national average. The income levels for households living within 25 miles of VRP are approximately $37,700, 38% below the statewide average. The 25-50 mile ring, which incorporates McAllen, shows moderately better at $42,100 still 31% below the statewide average.

Harlingen Area Average Annual Household Income

Ring	2000	2004	2009	A.A.G. 2000-2004	A.A.G. 2004-2009
0-25 miles	$34,716	$37,697	$41,948	2.08%	2.16%
25-50 miles	$37,619	$42,061	$47,455	2.83%	2.44%
Area Total/A.A.G.	**$36,144**	**$39,908**	**$44,814**	**2.51%**	**2.35%**
Texas	$54,412	$61,211	$69,812	2.99%	2.66%
National	$56,644	$63,301	$71,731	2.82%	2.53%

Source: MapInfo; Claritas; The Innovation Group

Mexico Impact

There are two Mexican cities with significant population which border the Valley area. The first is Matamoros which lies adjacent to Brownsville and is link to Harlingen (25 miles to the north) by interstate 83. The second is Reynosa, which lies about 10 miles south of McAllen. The available demographic data with regard to these cities is unreliable. It is generally thought that the impact of these population centers on racing statistics at VRP is slight. Residents of these cities generally do not have the expendable funds to participate in race wagering. Regarding the impact on this analysis, persons living in Reynosa would generally patronize the proposed facility (Tesoros Race Park), and currently do not have a strong presence at VRP. Persons living in Matamoros would likely continue to patronize VRP due to the long drive-time to the proposed facility.

Labor and Industry Statistics

The economy in the Rio Grande Valley has been thriving over the last ten years, in part due to the North American Free Trade Agreement (NAFTA). Thanks to NAFTA, the area economy has converted from a predominately agricultural base to one with more of a manufacturing presence. Between 1995 and 2003, employment shot up 25%, while annual building permits and retail sales are estimated to have doubled. The strong economy is most noticeable in the McAllen and Brownsville area, which both lie in close proximity to the Mexican border. The concept of cross-border companies is working in the area as labor from the south combines with support facilities on the US side.

Nonetheless, unemployment rates in the Rio Grande Valley are high in comparison to Texas and the nation as a whole, although somewhat typical for border regions. According to the Bureau of Labor Statistics (April 2005), Cameron County's unemployment rate was 8.0%, while neighboring Hidalgo County showed 8.5%, both well above the statewide average of 5.5%. The situation has stabilized over the last several years as the following chart shows unemployment topping out in 2003 at 10.9%:

Market Labor Statistics – Harlingen / Brownsville MSA

	Labor Force	Employment	Unemployment	Rate
2000	131,056	119,363	11,693	8.9%
2001	134,274	121,548	12,726	9.5%
2002	140,485	126,233	14,252	10.1%
2003	144,518	128,757	15,761	10.9%
2004	145,253	130,604	14,949	10.3%

Source: Bureau of Labor Statistics

Employment growth is strong, with total employment rising in each of the last ten years. The average growth rate from 1995 to 2000 was a healthy 3.6%, slowing to 1.7% over the last 5 years. The Brownsville – Harlingen MSA ranked fourth out of 26 Texas metropolitan areas in terms of job growth from 1990 – 2004. Some of the top growth areas are Professional and Business Services (+4.2%), Education and Health Services (+2.7%), and Leisure and Hospitality (+2.3%). The following chart shows employment by category:

Non-Farm Employment by Category

Category	Employment	% of Total
Construction & Mining	4,700	3.9%
Manufacturing	7,900	6.6%
Trade & Transportation	23,100	19.3%
Information	1,400	1.2%
Financial Activities	4,800	4.0%
Professional & Business	7,600	6.4%
Educational & Health	26,500	22.2%
Leisure & Hospitality	12,200	10.2%
Other Services	4,100	3.4%
Government	27,200	22.8%
Total	**119,500**	**100.0%**

Source: Bureau of Labor Statistics

The Harlingen area is characterized by government related jobs and the health care industry. They also show a strong presence in trade and transportation due to their close proximity to the Mexican border. They recently lost one of their more prominent employers – Fruit of the Loom. Road construction in the area is helping with job growth with various projects currently underway. The following chart illustrates some of the larger employers in the Harlingen area:

Harlingen's Largest Employers

Employer	Sector	# Employees
Harlingen CISD	Education	2,444
Valley Baptist Medical Center	Hospital	1,723
Echo Star	Call Center	1,086
Vicki Roy Home Health	Health Serv	878
City of Harlingen	Government	546
Texas State Tech College	Education	541
Dept of State Health Serv	Health Serv	410
Harlingen Medical Center	Health Serv	395
H-E-B Food Stores	Grocery	359
Advanced Call Center Tech	Call Center	353

Source: Real Estate Center website

The Brownsville area employment picture is also weighted towards government and health care, although they do have more of a manufacturing presence. Again, this is due to their location on the Mexican border. The next chart shows the larger employers in the Brownsville area.

Brownsville's Largest Employers

Employer	Sector	# Employees
Brownsville School District	Education	6,125
University of TX – Brownsville	Education	1,628
Cameron County	Government	1,550
City of Brownsville	Government	1155
Wal-Mart	Retail	885
Convergys Corp	Call Center	850
Brownsville Medical Center	Health Serv	808
Valley Regional Medical	Health Serv	724
AMFELS	Manufacturing	706
Trico Technologies	Manufacturing	675

Source: Real Estate Center website

Impact of Proposed Racetrack

Project Description – Tesoros Race Park

Based on the application filed by Valle de los Tesoros, Ltd. ("VDLT") on May 27, 2005, the Class II horse racetrack will be located on a 200 acre site in Hidalgo County, about five miles south of McAllen, Texas. The site lies off of highway 336, several miles north of the International Bridge leading into Mexico. The application outlines a facility with a standard 7/8 mile dirt racetrack, a 1,035-seat grandstand, bleacher seating for 175 people on the apron, and a 25,000 square foot simulcast building holding 350 people. The application outlines two food stands and one bar. The finish work in the clubhouse appears to be basic, featuring ceramic tile, painted CMU block walls, and incandescent lighting. The grandstand is expected to have aluminum bleachers and a metal canopy roof. The facility will provide 1,200 parking spaces on a lighted, asphalt parking lot. Since the majority of the horses will be shipped in for their race, the facility is proposed to have only 13 horse barns, each containing 56 stalls. The area includes tack rooms, a receiving barn, a test barn and a holding barn.

The racetrack anticipates running about 18 live race days per year, generally from late February through the end of March. A race day is expected to contain 3 thoroughbred and 7 quarter horse races. The simulcast operation is expected to operate year-around (except for Christmas), featuring races from all major racetracks around the country.

Site Review

The proposed site is located between McAllen to the north and the city of Hidalgo to the south on highway 336. The site is only three miles north of the International Bridge leading into Mexico. It is accessible via highway 83, then south on highway 336 for about five miles. Although a final determination has not been made, the 200 acre parcel is assumed to have no site constraints that would limit parking or access.

Methodology

The goal of the market study was to determine the impact of the proposed horse racetrack on Valley Race Park handle and subsequently revenue.

Projecting handle at racetracks is difficult given the variations between tracks in terms of product and facility quality, racing type, and the number of live race days offered. It is, therefore, appropriate that a number of techniques be employed to verify the reasonableness of the estimates. In this case, we first reviewed the regional competitors in the pari-mutuel industry in an attempt to establish some relationships at the track level between track performance and the surrounding market and, by comparison, provide an estimate of the potential handle the track could expect. Then, we analyzed several markets where both a greyhound track and a horse track operate. Our goal was to accumulate statistics in markets where both types of racing are present. Lastly, and most importantly, we analyzed the Valley market as it exists today. We assessed the current relationship between handle and the population demographics in the Valley market. With the relationship between market demographics and handle established, we estimated the impact of the new competition on these statistics for each type of wagering at VRP. The amount of handle (total wagered) from each type of race option is the key determinant in forecasting revenue.

The general formula for calculating handle in a market is as follows:

Adult Population times Participation Rate = Admissions
Admissions times Handle per Admission = Total Handle

Additionally, we broke the Valley market into 4 discernable segments based on the 0-25 mile and 25-50 mile rings extending out from VRP and the proposed facility. The variables noted above were estimated for each of the population segments and each type of wagering. Once total handle was calculated, a market share allocation model was used to divide the handle between VRP and the proposed facility.

Regional Track Comparisons

We analyzed the relevant statistics for the Texas racing industry in order to establish a reasonable range for various parameters such as handle per race day, handle per admission, and certain other ratios comparing live to simulcast wagering.

2004 Texas Racing Statistics (000's)

	Greyhounds				Horses				
	Corpus Christi	Gulf	Valley	Total	Lone Star	Retama Park	Sam Houston	Manor Downs	Total
Total Admissions	158	312	114	**582**	1,067	343	719	57	**2,186**
Performances:									
Live	397	446	195	**1,038**	82	39	167	18	**307**
Simulcast (same)	3,991	5,360	6,132	**15,483**	5,979	5,889	7,729	3,687	**23,284**
Cross-Species	2,120	4,241	4,361	**10,722**	1,827	3,189	5,841	1,999	**12,856**
Export	397	446	195	**1,038**	82	39	167	-	**289**
Total	6,905	10,493	10,883	**28,281**	7,972	9,156	13,904	5,704	**36,736**
Handle:									
Live	$ 7,969	$ 23,481	$ 3,162	**$ 34,612**	$ 56,687	$ 4,545	$ 19,432	$ 1,250	**$ 81,913**
Simulcast (same)	$ 8,011	$ 20,628	$ 8,640	**$ 37,279**	$ 174,117	$ 46,727	$ 92,380	$ 18,661	**$ 331,884**
Cross-Species	$ 4,811	$ 18,394	$ 7,616	**$ 30,820**	$ 7,582	$ 6,440	$ 25,162	$ 3,225	**$ 42,409**
Export	$ 13,236	$ 29,352	$ 3,543	**$ 46,131**	$ 243,993	$ 26,443	$ 173,735	$ -	**$ 444,171**
Total	$ 34,027	$ 91,855	$ 22,961	**$ 148,842**	$ 482,378	$ 84,155	$ 310,708	$ 23,136	**$ 900,377**
On-Track Handle	$ 20,790	$ 62,503	$ 19,417	**$ 102,711**	$ 238,386	$ 57,712	$ 136,973	$ 23,136	**$ 456,206**
On-Track Handle / Admission	$ 132	$ 201	$ 173	**$ 177**	$ 223	$ 168	$ 190	$ 407	**$ 209**
Handle / Race Day:									
Live	$ 20.1	$ 52.6	$ 16.2	**$ 33.3**	$ 683.0	$ 116.5	$ 116.4	$ 69.4	**$ 266.8**
Simulcast (same)	$ 2.0	$ 3.8	$ 1.4	**$ 2.4**	$ 29.1	$ 7.9	$ 12.0	$ 5.1	**$ 14.3**
Cross-Species	$ 2.3	$ 4.3	$ 1.7	**$ 2.9**	$ 4.1	$ 2.0	$ 4.3	$ 1.6	**$ 3.3**
Export	$ 33.3	$ 65.8	$ 18.2	**$ 44.4**	$ 2,939.7	$ 678.0	$ 1,040.3	NA	**$ 1,536.9**
Handle Ratios:									
Same to Cross	1.7	1.1	1.1	**1.2**	23.0	7.3	3.7	5.8	**7.8**
Export to Live	1.7	1.3	1.1	**1.3**	4.3	5.8	8.9	NA	**5.4**

Source: Texas Racing Commission 2004 Annual Report

The Texas horse and greyhound racing industry has generally shown weak results over the last several years, with a couple of exceptions. Live horse on-track handle increased 15% in 2004 thanks almost solely to a banner year at Lone Star Park. Lone Star showed a 26% increase in live horse racing handle helped by record setting wagering on the Breeders' Cup Races, offsetting a slight decline in admissions. Live horse race handle in Texas, excluding Lone Star results, was down slightly for 2004.

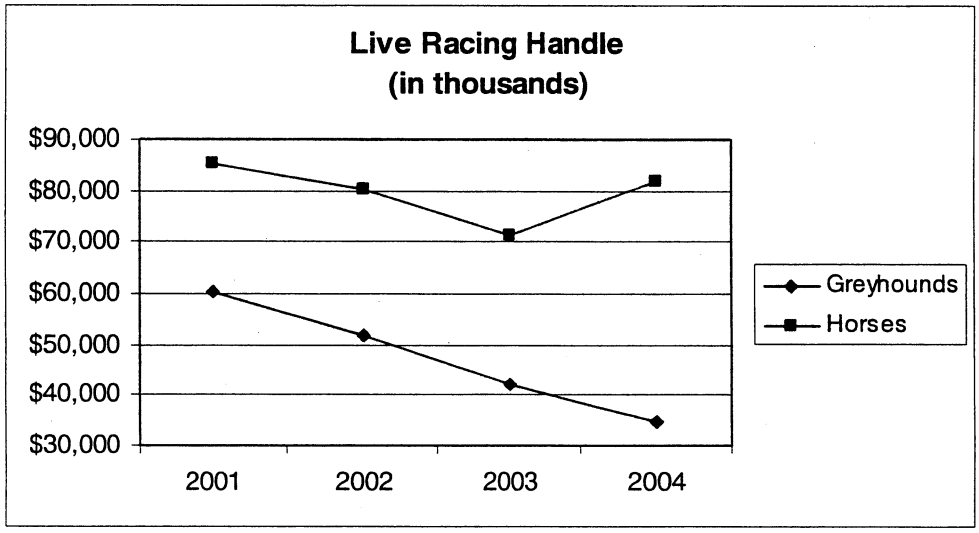
Live greyhound handle continues to disappoint, falling 18% in 2004 on the heels of 19% drop last year. Gulf greyhound, just outside of Houston, led the live greyhound results lower, showing double digit declines in both attendance and live handle, as they compete in the Houston market

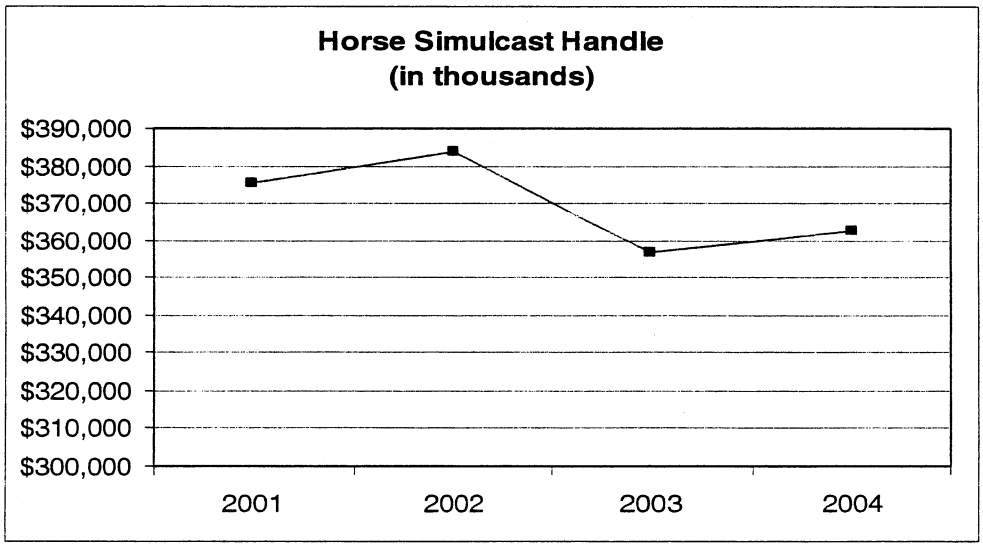
with Sam Houston Race Park. Corpus Christi and Valley Race Park also posted double-digit declines in live greyhound handle of 15% and 10%, respectively.

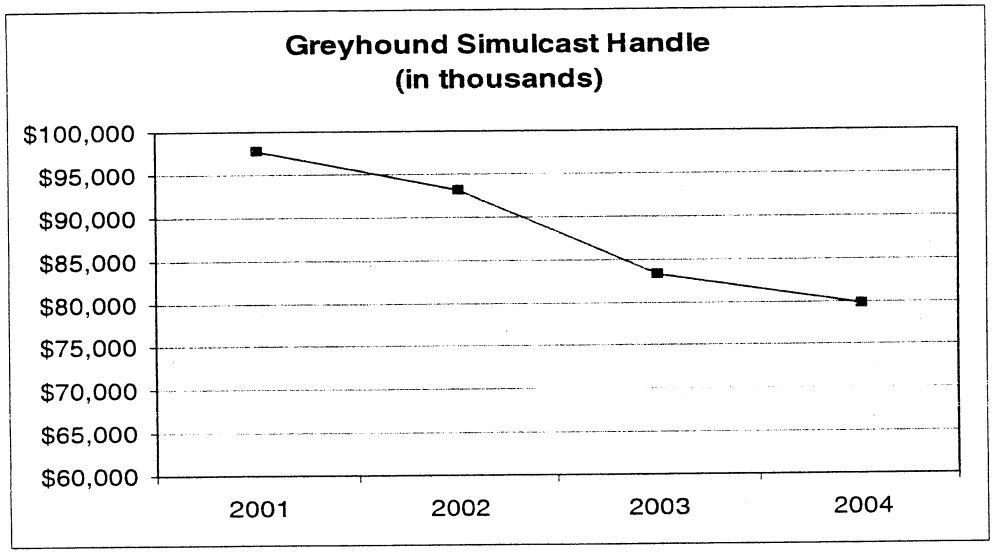
The horse racing simulcast market continues to show stability, rising 2% in 2004. Again, Lone Star led the way with a 6% increase, offsetting a 5% decline at Retama Park. VRP was the only greyhound track to show an increase in horse simulcast handle.

Greyhound simulcast handle did not fair as well, falling 4% in 2004, although an improvement when compared to the 11% decline in 2003. Sam Houston Race Park captured market share in this category from Gulf Greyhound, showing a 6% rise in greyhound simulcast handle. All three of the greyhound racetracks showed a moderate decline in greyhound simulcast handle.

The following graphs depict various handle trends in Texas racing:







Markets with Live Greyhounds and Horses

The chart below exhibits Handle per Gamer Population segregated by live and simulcast racing for various markets. The data reflects markets with both live greyhound racing and live horse racing in close proximity. The analysis shows that due to the different market characteristics, the range for Handle per Gamer Population is wide. Also displayed on the chart are the projected figures for VRP. These figures fall well within the range established by the other markets for Handle per Gamer Population.

Also evident is the disparity in Handle per Gamer Population between greyhounds and horses. The Handle per Gamer Population for horses was 82% higher for live wagering, and 264% higher for simulcast wagering. The figures definitely support our conclusion which shows a significant impact to VRP handle when a racetrack featuring horses opens in the same market.

Markets with Greyhounds and Horses - 2004 Pari-Mutuel Racing

	Houston, TX		Tucson, AZ		Miami, FL		Revere & Boston, MA		
	Gulf Greyhound (Greyhound)	Sam Houston (Horse)	Tucson Greyhound Park (Greyhound)	Rillito Park Raceway (Horse)	Flagler Greyhound Park (Greyhound)	Calder Race Course (Horse)	Wonderland Greyhound Park (Greyhound)	Suffolk Downs (Horse)	**Pro Forma Valley Race Park**
Handle:									
Live	$23,481	$19,432	$6,622	$806	$7,444	$44,766	$9,365	$17,767	$1,769
Simulcast	$39,022	$117,541	$14,892	$0	$4,813	$91,964	$39,762	$136,653	$8,916
Total	**$62,503**	**$136,973**	**$21,514**	**$806**	**$12,257**	**$136,730**	**$49,127**	**$154,420**	**$10,685**
Handle / Gamer Pop:									
Live	$ 6.51	$ 5.39	$ 9.92	$ 1.21	$ 2.11	$ 13.89	$ 1.98	$ 3.87	$ 2.50
Simulcast	$ 10.81	$ 32.57	$ 22.31	N/A	$ 1.37	$ 28.53	$ 8.41	$ 29.76	$ 12.59
Total	$ 17.32	$ 37.96	$ 32.24	$ 1.21	$ 3.48	$ 42.42	$ 10.39	$ 33.63	$ 15.08

Gamer Pop. (50 miles)	3,608	3,608	667	667	3,523	3,223	4,727	4,592	708

Innovation Group: The Innovation Group; Texas Racing Commission; Arizona Racing Commission; Florida Dept. of Pari-Mutuel Wagering; Mass. State Racing Comm.

Valley Race Park Market

Within a 50-mile radius of the VRP resides an estimated 1.022 million people of which 622,000 are over the age of 21 (2004). From this, the following assumptions and/or conclusions are drawn in relation to the different types of wagering:

Live Racing

The live racing schedule at VRP runs generally from mid-November through early April. There were 195 live performances (encompassing approximately 100 calendar days) in 2004, which included encore and doubleheader performances. Live racing handle is expected to decline in 2005 due in part to fewer live performances when compared to 2004. Although the calendar race days are expected to be similar, VRP dropped the encore performances during the 2004 / 2005 live racing season, due to a lack of available greyhounds.

- Based on the number of live racing admissions in 2004, the participation rate for the 0-50 mile ring was 10.9%. This figure includes the impact of the Winter Texans, estimated to contribute about 10,500 live admissions, adding 1.7% to the participation rate. The participation rate segregated by the 0-25 mile and 25-50 mile rings was 12.0% and 6.5%, respectively, roughly a 2:1 ratio. The segregated participation rates were based on an analysis of VRP's customer database information. The database customers reflect those enrolled in the Horse and Hound Club, established to grant promotional awards to frequent customers. Using this information, The Innovation Group was able to calculate the average visitation rate by zip code. The results showed that the visitation rate was roughly 2:1 for customers coming from Harlingen (the epicenter of the 0-25 mile ring) compared to McAllen, which lies outside of 0-25 ring yet within 0-50 mile ring.
- Based on the live racing handle in 2004 of $3.2 million, total live handle per admission was $47. This figure is somewhat understated as simulcast customers often enter the park during the live racing sessions. We estimate that the handle per admission for the 25-50 mile ring was moderately higher than the 0-25 mile ring due to higher Average Annual Household Income (AAHI) and a longer drive-time.

Simulcast Racing

VRP operates simulcast racing 364 days a year (closed on Christmas). They receive signals for both same species (greyhounds) and cross species (horses). The number of simulcast signals received in 2004 was 10,501, from about 50 different tracks. Simulcast handle is expected to show a moderate increase in 2005, with cross species handle (horses) leading the way with an 8% increase versus a slight increase for same species handle.

- Based on the number of simulcast admissions in 2004, the participation rate for the 0-50 mile ring was 7.2%. The participation rate segregated by the 0-25 mile and 25-50 mile rings was 9.5% and 5.0%, respectively, slightly less than a 2:1 ratio. Again, the customer database information, noted above, was used to calculate average visitation rates by zip code. The correlation between the number of visits and travel distance was used to segregate the participation rates between the rings.
- The same species and cross species simulcast handle per admission was $193 and $170, respectively, again moderately higher in the 25-50 mile ring compared to the 0-25 mile ring.

Export Handle

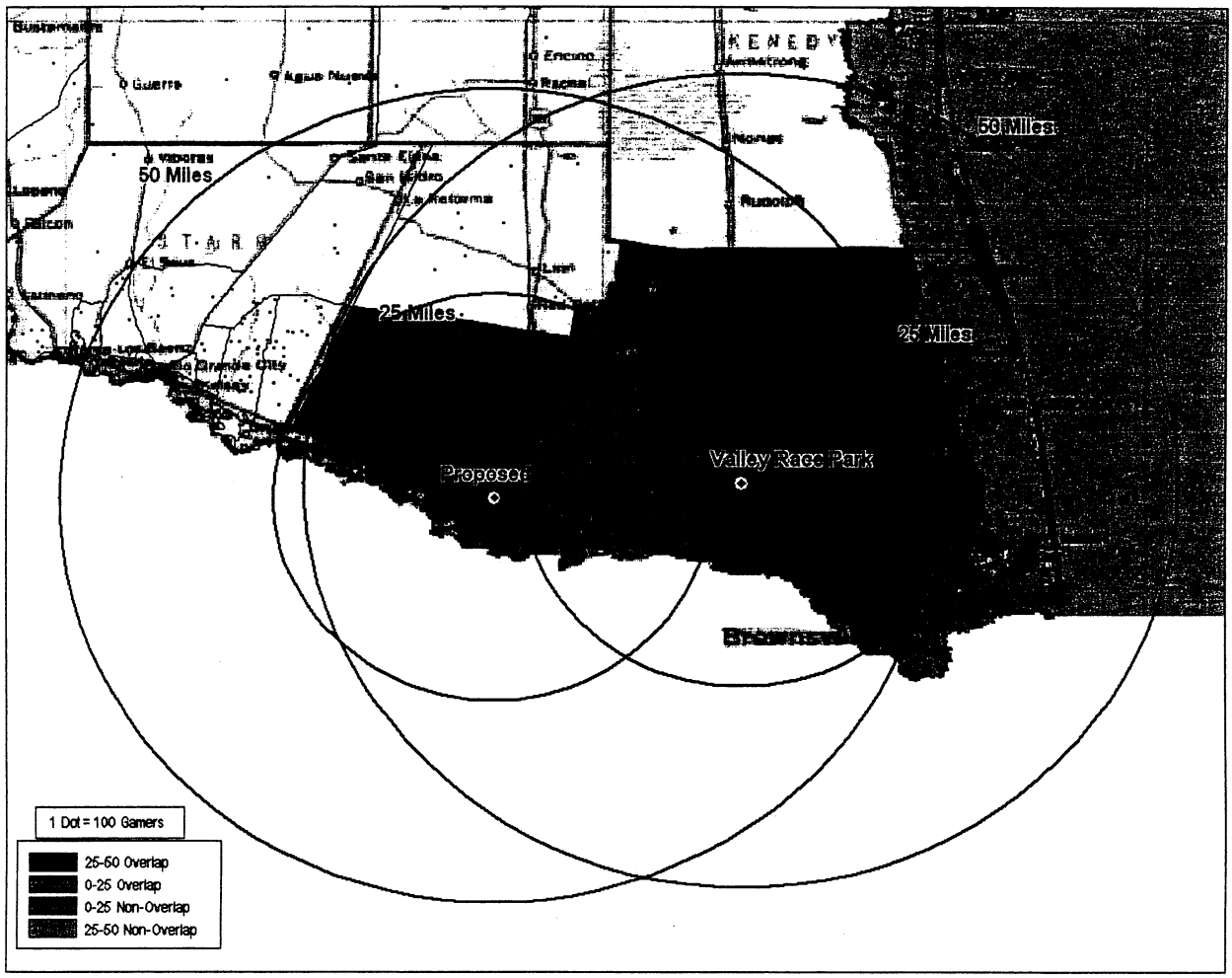
VRP exports its greyhound signal for each live performance to most all the tracks in Texas and many other tracks around the nation. VRP receives a fee based on the amount wagered on their races at the other tracks. VRP's net commission rate on export handle was about 2.7%. Export handle at VRP was down 13% in 2004 due in part to a few tracks outside of Texas dropping their signal. Total handle on the exported races in 2004 was $3.6 million, an average of $18,200 per live performance. Export handle is again expected to decline in the current year on fewer live performances.

Impact Analysis

Based on conversations with the management of VRP, we used 2005 estimated handle as the baseline for forecasting the impact of the proposed facility. We assumed that VRP handle would be stable from 2005 through 2008, the year the proposed facility is assumed to open. Additionally, based on the application filed, the proposed new Class II horse racing facility in Hidalgo County will be located approximately 40 highway miles and about 30 direct miles from VRP, situated just south of the McAllen / Edinburg population centers, between McAllen and the city of Hidalgo.

As a result, the Gamer population overlap in the 0-25 mile market rings (pink shade) was 142,800, 43% of VRP's total 0-25 mile ring. When analyzing the 0-50 mile ring, the overlap encompasses about 90% of the VRP market area in terms of population, excluding only the southern half of Brownsville. The Innovation Group contends that each aspect of the business will be affected differently by the new competition. Please reference the following map in conjunction with the impact analysis:

Valley Race Park Market Map – Market Overlap with Dot Density



Live Racing Impact

Live racing will be impacted less significantly than simulcast wagering because VRP offers a unique live product when compared to the proposed facility; greyhounds versus horses. In addition, VRP's live race schedule in terms of race days will be roughly five times longer than what is anticipated for the new horse facility. VRP conducts live racing on roughly 100 calendar days, while we assumed about 20 live race days for the proposed facility. Nonetheless, the live racing handle will be negatively impacted as patrons in the proposed facility's primary market (blue shade) will, to some extent, switch to live horse racing for their live racing entertainment. This will also occur, but to a lesser extent, in the overlap portion of the 0-25 mile rings (pink shade).

Participation Rate Impact

It is anticipated that the live racing participation rate for the Valley market will increase due to the introduction of a new, unique live racing product. In addition, live racing will now be more accessible to a new population segment in the Valley, mainly the McAllen/ Edinburg/Mission MSA. We calculated the pro forma participation rates by weighting the individual greyhound and horse participation rates against the number of annual live racing performances for each product. The greyhound participation rates were based on the statistics gathered from the current VRP operation, discussed earlier in the report. The horse participation rates reflect the greyhound rates factor higher, based on an analysis that shows higher participation rates for live horse racing. The base rates were then adjusted to take into consideration the travel time to VRP and the proposed facility.

Handle per Admission Impact

We assumed live handle per admission would not change materially from current levels. This determination was based on the consistency between live handle per admission at Valley Race Park, featuring greyhounds, and Sam Houston Race Park, featuring horses.

Market Share Allocation

After calculating the pro forma live handle figure using the adjusted participation rates and handle per admission, the total is then allocated to the competing properties.

The first step in assessing market share was to establish a market share baseline between the competing properties, assuming travel time is not a factor. For the population segments, the baseline is adjusted to reflect the different travel distance relationships between the competing properties.

Again, we looked to the Houston market examining the live racing market share between Gulf Greyhound and Sam Houston Race Park. The analysis showed that despite the fact that Gulf Greyhound conducts 73% of the live racing performances in the market, they only capture 55% of the live handle. We assumed that the same relationship would hold in the Valley market as VRP will have a similar market share advantage in terms of live racing performances. The baseline market share for VRP was set at 65% as they will conduct 83% of the live racing performances.

For the population segment furthest from the proposed facility (yellow shade), we estimate that VRP will capture 92% of the live racing handle. Again the baseline is adjusted to fit the travel distance scenario for this population segment. This segment is outside of the proposed facility's 0-50 mile ring.

We estimate that VRP will capture 88% of the live handle in their primary market (green shade), which includes Harlingen, San Benito and the northern section of Brownsville. The high market share reflects both proximity of the population to VRP and the market share advantage in terms of live racing performances.

For the overlap of the 0-25 mile rings (pink shade), we estimate that VRP will capture 65% of the live business. The 65% figure reflects the baseline calculated above, as these patrons reside equidistant from the competing properties. Again, VRP's advantage regarding the longer live racing schedule more than offset the inherently popularity advantage with horses. We note that the proposed horse racetrack will likely have the market share advantage when the live performances run head-to-head.

Regarding the proposed facility's primary market (blue shade), we estimate VRP will capture only about 34% of the live business. The Gamers in this area will be reluctant to drive the extra distance despite the benefits of the longer live racing schedule and unique product.

Simulcast Racing Impact

The impact on VRP's simulcast business will be more severe. VRP does not have a totally unique product to offer, although they do strive to update the facility to enhance the experience for the customer. In addition, they will be at a competitive disadvantage in terms of the newness of the proposed facility.

Participation Rate Impact

It is anticipated that simulcast participation rates will increase in the Valley market as a competitive simulcast product becomes more accessible to a segment of the population in the Valley market. Since simulcast racing schedules will be similar between the competing properties, the participation rates between market segments are estimated based primarily on travel distance. The pro forma participation rate estimates were based on the current statistics in the VRP market, as identified earlier, adjusted to reflect the proximity of the proposed facility to the McAllen/Edinburg/Mission MSA.

For the segment furthest away from the proposed facility (yellow shade), the participation rate was unchanged. This segment is outside of the proposed facility's 0-50 ring, and by definition, not affected by the proposed facility.

For VRP's primary market (green shade), the participation rate was increased slightly to reflect accessibility to a newer simulcast product.

For the 0-25 mile overlap segment (pink shade), the participation rate was again increased to reflect accessibility to a newer simulcast product.

For the proposed facility's primary market (blue shade), the participation rate was adjusted sharply higher. The starting point for the estimate was the current participation rate for VRP's primary market of 8.3%, again adjusted higher for the newness factor.

Handle per Admission Impact

The Innovation Group estimated that simulcast handle per admission in total will remain consistent with current results in the Valley market. These figures were discussed during the analysis of the VRP market. However, we do expect a shift towards higher horse simulcast handle per admission relative to greyhound simulcast per admission. Statistics gathered from other racing markets clearly show a higher horse handle per admission, compared to greyhound handle per admission, in markets where both greyhound and horse racetracks compete. For instances, the Houston market (combining Gulf Greyhound and Sam Houston Race Park) shows simulcast horse handle per admission about 160% higher than greyhound handle per admission. Although at the track level, the greyhound track still shows a higher greyhound handle per admission by 12%, while the horse racetrack shows 267% premium in horse handle per admission. These ratios were incorporated in our pro forma analysis of simulcast handle per admission in the Valley market.

Market Share Allocation

Again, the first step in assessing market share is to establish a market share baseline between the competing properties, assuming travel time is not a factor. Criteria such as the size, design features, the amenities package, and product offering need to be compared between the projects. The analysis is somewhat subjective, but can be quantified to some extent by comparing figures such as total capital investment, finish level per square foot and product preference statistics. Once the baseline is established, market share is assigned to each market segment based on the relationship of the travel distance between the competing properties.

In determining VRP's baseline simulcast market share our goal was to establish a relationship in terms of simulcast product offered. Based on the application filed, Tesoros Race Park, the simulcast products appear to be similar, although, Tesoros will have an advantage in terms of newness. We estimated that proposed facility will capture 65% of the simulcast market when drive-time is not a factor.

Then we adjusted the baseline assuming that a greyhound track would have the advantage in terms of the greyhound simulcast handle, likewise the horse track would have the advantage with regard to the horse simulcast handle.

For the population segment furthest from the proposed facility (yellow shade), we estimate that VRP will capture 95% of the greyhound simulcast racing handle and 88% of the horse simulcast handle. This segment is outside of the proposed facility's 0-50 mile ring.

We expect VRP to also retain a high percentage of the simulcast business in their home market area (green shade), primarily Harlingen, San Benito and Brownsville. These markets are outside of the proposed facilities 0-25 mile ring. We estimate that VRP will capture 90% of the greyhound simulcast handle and 80% of the horse simulcast handle. The rates are high because, notwithstanding the newer facility, VRP offers a high quality simulcast product in a friendly environment.

Regarding the market area where the 0-25 mile rings overlap (pink shade), we estimate that the market share will reflect the baseline market share calculated above.

Regarding the proposed facility's exclusive market (blue shade), primarily the McAllen and Edinburg areas, we expect near total capture of those customers by the proposed facility. There would be a lack of incentive for the simulcast racing customers in this area to drive the extra distance to visit VRP. The only exception would be the greyhound simulcast customer looking for more of a greyhound presence. We estimate that VRP will capture only 15% of the greyhound simulcast handle and 3% of the horse simulcast handle.

Export Handle Impact

The Innovation Group does not believe that export handle will be materially affected by the new competition. The new facility will only be exporting a limited number of live horse racing performances. The handle on VRP's exports is likely coming from people interested in greyhound racing. There are moderately fewer greyhound signals available around the country when compared to horse signals.

Pari-mutuel Revenues

The racetrack handle generates pari-mutuel revenues based on the "Take-Out" percentages outlined in Texas racing law and shown below. The "Take-Out" is the percent held back by the racetrack operator, with the balance being returned to the public. The weighted average "Take-Out" in 2004 for each type of wagering was 22.6% for live, 25.2% for same species simulcast, and 23.5% for cross species simulcast. From the Take-Out, the track operators must pay state taxes, purses, certain fees and money to fund breeders programs. Gross pari-mutuel commission revenue is calculated by taking handle less the amount returned to the public. Below is a schedule outlining the "Take-Out" and various racetrack obligations, by handle type, for the state of Texas.

Take-Out and Racetrack Obligations at Texas Racetracks

	Live	Same Species Simulcast	Cross Species Simulcast (TX Tracks)	Cross Species Simulcast (Non-TX Tracks)
Take-Out (% of handle):				
Win, Place, Show	**18.0%**	**16.0%**	**18.0%**	**17.0%**
Exacta, Quinella, Doubles	**21.0%**	**22.0%**	**21.0%**	**20.5%**
Trifecta, Superfecta, Pic-3	**25.0%**	**22.0%**	**25.0%**	**25.0%**
Racetrack Obligations:				
State Taxes *	Escalated (a)	1.0%	1.25%	1.25%
Greyhound Purses *	4.7%	Set by Contract	Set by Contract	Set by Contract
Horsemen's Purses *	NA	NA	5.5% - 6.0%	6.5% - 7.0%
TxRC Fee	$550 / Performance	$245 / Day	$245 / Day	$245 / Day
Hub Fee *	NA	NA	NA	1.5%
Host Track Fee *	NA	3% Avg	3% Avg	3% Avg
Breeding Programs *	NA	1%	1%	1%

* % of handle

(a) The tax rate begins at 1% for wagers > $100 million and <= $200 million, and ends at 5% for wagers > $500 million. VRP pays no state taxes for live racing due to their level of live handle.

Source: Texas Racing Commission 2004 Annual Report

Conclusion

Based on the analysis above, it is likely that Valley Race Park would be forced to discontinue operations due to financial difficulties if a Class II horse racetrack opened in nearby Hidalgo County. The impact on handle and revenues at VRP is expected to be significant. The proposed facility is situated in a heavily populated area, tapping into nearly two-thirds of the Valley's Gamer population with regard to its primary market. The proposed facility would also have a competitive advantage with a newer facility.

The loss in revenue would cause a significant deficit in operating cash flow (EBITDA). Due to the high cost of operating a live greyhound track, a certain level of revenue is necessary to produce positive operating cash flow. Currently, Valley Race Park is not generating revenues sufficient to cover operating costs. Positive operating cash flow is necessary to sustain an operation for any length of time. VRP would be ill advised to stay open in this operating environment. The Innovation Group estimates regarding the impact on handle and revenues are outlined on the following page:

Valley Race Park Impact Summary (000's)

		Baseline	Impact	Adjusted	% Change
Handle:					
Live Racing		2,702	(768)	1,935	-28%
Same Species Simulcast		8,696	(3,530)	5,167	-41%
Cross Species Simulcast		8,265	(4,233)	4,033	-51%
Export		2,670	-	2,670	0%
	Total	**22,334**	**(8,530)**	**13,804**	**-38%**
Revenues:					
Gross Wagering Commissions		4,466	(1,724)	2,742	-39%
Food & Beverage		767	(271)	496	-35%
Admissions, Programs & Other		358	(127)	231	-35%
	Total	**5,591**	**(2,122)**	**3,469**	**-38%**

Source: The Innovation Group

Disclaimer

Certain information included in this report contains forward-looking estimates, projections and/or statements. The Innovation Group has based these projections, estimates and/or statements on our current expectations about future events. These forward-looking items include statements that reflect our existing beliefs and knowledge regarding the operating environment, existing trends, existing plans, objectives, goals, expectations, anticipations, results of operations, future performance and business plans.

Appendix G – Listing of Letters of Support and Opposition

LETTERS OF SUPPORT AND OPPOSITION TO THE HIDALGO COUNTY / VALLE DE LOS TESOROS RACETRACK APPLICATION

LETTERS OF SUPPORT

Greg LaMantia (Packet of Support Letters)	September 25, 2006
Rep. Patrick B. Haggerty, El Paso	September 20, 2006
Adam Lara, Chair, McAllen Hispanic Cmbr. Cm. (Resolution)	September 19, 2006
Ramiro Rodriguez, Mayor, Palmhurst (Resolution)	September 19, 2006
Joe Sanchez, Mayor, Weslaco (Resolution)	September 19, 2006
Craig Lewis, Chair, McAllen Chamber of Comm. (Resolution)	September 19, 2006
John Franz, Pres, Tx. Municipal Facilities Corp. (Resolution)	September 19, 2006
Joe Vera, Pres., Hidalgo Economic Development (Resolution)	September 19, 2006
Ed Vela, Chair, Hidalgo Chamber of Comm. (Resolution)	September 19, 2006
Richard Cortez, City of McAllen (Resolution)	September 13, 2006
John Franz, Mayor, City of Hidalgo (Resolution)	September 12, 2006
Ernie Williams, McAllen Econ. Development Corp. (Resoltn)	September 11, 2006
Rep. Ryan Guillen, Rio Grande City	September 6, 2006
Sylvia Handy, pres., Hidalgo Co. Comm. Court (Resolution)	September 6, 2006
Larry Dittburner, Chair, Rio Grande Valley Ptrnshp (Resoltn)	September 5, 2006
Sen. Kel Seliger, Amarillo/Midland/Big Spring	August 28, 2006
Rep. Robert Puente, San Antonio	August 22, 2006
Rep. Richard Raymond, Laredo	August 21, 2006
Rep. Carlos Uresti, San Antonio	August 19, 2006
Rep. Jose Menendez, San Antonio	August 19, 2006
Sen. Juan "Chuy" Hinojosa, McAllen	August 18, 2006
Rep. Trey Fischer, San Antonio	August 14, 2006
Rep. Yvonne Toureilles, Alice/Beeville	August 9, 2006
Rep. Tracy King, Batesville	August 7, 2006
Sen. Eddie Lucio, Jr., Brownsville	August 3, 2006
Rep. Eddie Lucio, III, Brownsville	August 3, 2006
Rep. Juan Escobar, Kingsville	August 3, 2006
Rep. Aaron Pena, Edinburg	August 3, 2006
Rep. Armando Martinez, Weslaco	August 3, 2006
Rep. Kino Flores, Palmview	August 3, 2006
Rep. Veronica Gonzales, McAllen	August 3, 2006
Rep. Ryan Guillen, Rio Grande City	August 3, 2006
Rep. Rene Oliveira, Brownsville	August 3, 2006
Rep. Abel Herrero, Corpus Christi	August 3, 2006
David Rogers, Jr., 1st National Bank Group, Edinburg	November 8, 2005
Ramon Garcia, Hidalgo County Judge	August 18, 2005
Cynthia Sakulenzki, McAllen Hispanic Chamber	August 17, 2005
Rafael Vela, Brownsville	July 8, 2005
Manuel Vela, Harlingen	July 5, 2005
Michael Swetnam, Swetnam Insurance Comp.	July 5, 2005

Greg and Juanita Gutierrez, Gutierrez Grocery, Cameron Co.	June 24, 2005
Isidro Soto, Valley Intl. Airport, Harlingen	June 20, 2005
Joseph Kenney, Cobbleheads Bar and Grill, Brownsville	June 20, 2005
Kevin Dyer, Boog A Dee Boos Burgers N Brew, Cameron Co.	June 20, 2005
Mrs. Arturo Lopez, A&V Lopez Supermarket, Brownsville	June 20, 2005
Brent Carter, Harlingen	June 20, 2005
Junior Gonzalez, GM Southwest Airlines in Cameron Co.	June 20, 2005
Juan Garcia, Garcia Service Station, Cameron Co.	June 20, 2005
Johnny Cabreera, Knights of Columbus, Cameron Co.	June 20, 2005
Reynaldo Castillo, Tuti's Restaurant, Cameron Co.	June 20, 2005
Sarah Larson, Buffalo Wild Wings, Brownsville	June 20, 2005
Gary Williams, Sr., Gordon's Bait and Tackle, Brownsville	June 15, 2005
Samuel Smith, Bennigan's Restaurant, Cameron Co.	June 13, 2005

LETTERS OF OPPOSITION

A Group of 8 Greyhound Kennel Operators/Trainers based at Valley	December 12, 2006
City of Harlingen, Resolution No. 05R-20	September 22, 2006
Barbara and Larry Brown, Harlingen	November 4, 2005
Marc Longoria, Harlingen Hispanic Chamber (Resolution)	July 25, 2005
Valley Race Park, (Rex), Andrews Kurth	June 20, 2005
Diane Whiteley, Texas Greyhound Association, Lorena	June 13, 2005
Marie McDermott, Harlingen Area Chamber (Resolution)	March 27, 2005
Diane Whiteley, Texas Greyhound Association, Lorena	August 12, 2004
Rick Rodriguez, Mayor of Harlingen	August 11, 2004
Bob Bork, Valley Race Park, Harlingen	August 10, 2004

LETTERS WITH A REVISED POSITION

Diane Whiteley, Texas Greyhound Association, Neutral Position	November 10, 2006

LETTERS ASKING FOR STATUS UPDATE (ALL EXPRESS SUPPORT)

Rep. Tracy King, Eagle Pass	August 31, 2005
Rep. Armando Martinez, Weslaco	August 30, 2005
Sen. Eddie Lucio, Jr., Edinburg	August 25, 2005
Sen. Juan "Chuy" Hinojosa, Corpus Christi	August 25, 2005
Rep. Ryan Guillen, San Diego (East of Laredo)	August 25, 2005
Rep. Aaron Pena, Jr., Edinburg	August 25, 2005
Rep. Vilma Luna, Corpus Christi	August 25, 2005
Steve Ahlenius, McAllen Chamber of Commerce	August 15, 2005
Richard Cortez, Mayor of McAllen	August 10, 2005
Mike Allen, McAllen Economic Development Corp.	August 8, 2005
Also included: TxRC's responses to each writer above	*September 7, 2005*

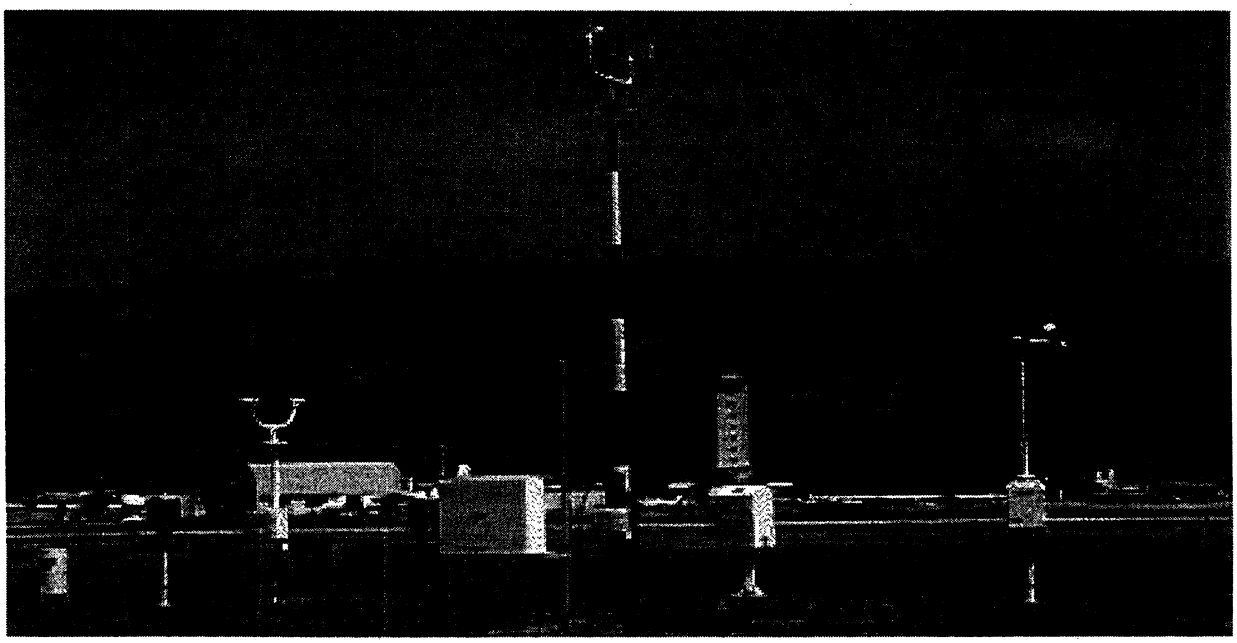
LETTERS OF SUPPORT FILED WITH THE APPLICATION

Form Letters from members of South Texas Horsemen	April 29, 2005
Antonio Flores	
Ellen Flores	
Emory C....	
Frank Caros	
Homer Garza	
J. Henk	
Johnnie Goodman	
Jose Flores	
Jose Flores (different signature)	
Jose Ramos	
Juan Garza III	
Paz Garza	
Randy Edison	
Rodego Vallego	
Roel Benavides	
Carlos Cardoza, President, Hidalgo ISD	January 12, 2005
Sylvia Hatton	January 6, 2005
Ramon Garcia, Hidalgo County Judge	December 27, 2004
Carlos I. Garza	December 21, 2004
Rudy Villareal, Mayor, City of Alamo	December 17, 2004
Ramiro Silva, Mayor, City of Edcouch	December 15, 2004
Antonio Barco, Mayor, City of Elsa	December 14, 2004
O.D. Emery, Mayor, City of Progreso Lakes	December 14, 2004
Ricardo Morales, Mayor, City of Donna	December 14, 2004
Joel Quintanilla, Mayor, City of Mercedes	December 14, 2004
Omar, Vela, Mayor, City of Progreso	December 14, 2004
Carlos Perez, Mayor, City of La Villa	December 14, 2004
Joe M. Flores	December 14, 2004
Leo Montalvo, Mayor, City of McAllen	December 13, 2004
Marcos Barrera, Commissioner, City of McAllen	December 13, 2004
Aida Ramirez, Commissioner, City of McAllen	December 13, 2004
Carlos I Garza, Mayor Pro Tem, City of McAllen	December 13, 2004
Ric Godinez, Commissioner, City of McAllen	December 13, 2004
Cynthia Sakulenzki, McAllen Hispanic Chamber	December 13, 2004
Oscar L. Garza, Jr., Hidalgo County Commissioner	December 12, 2004
Sylvia S. Handy, Hidalgo County Commissioner	December 10, 2004
Juan D. Salinas III, Hidalgo County Clerk	December 8, 2004
John David Franz, Mayor, City of Hidalgo	December 7, 2004
Hector "Tito" Palacios, Commissioner	December 3, 2004
Sen. Juan "Chuy" Hinojosa, Corpus Christi	November 30, 2004
Sen. Eddie Lucio, Jr. Edinburg	November 30, 2004
Bill Summers, CEO of Rio Grande Valley Partnership	November 24, 2004
Mike Allen, CEO of McAllen Economic Development Corp.	August 2, 2004

Appendix H – Meteorological Information

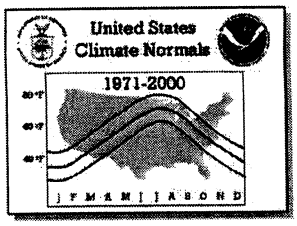
CLIMATOGRAPHY OF THE UNITED STATES NO. 81

Monthly Station Normals of Temperature, Precipitation, and Heating and Cooling Degree Days 1971 - 2000



41 TEXAS

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
NATIONAL ENVIRONMENTAL SATELLITE, DATA, AND INFORMATION SERVICE
NATIONAL CLIMATIC DATA CENTER
ASHEVILLE, NC



CLIMATOGRAPHY OF THE UNITED STATES NO. 81

Monthly Normals of Temperature, Precipitation, and Heating and Cooling Degree Days
1971-2000

TEXAS

NOTES

Product Description:
This Climatography includes 1971-2000 normals of monthly and annual maximum, minimum, and mean temperature (degrees F), monthly and annual total precipitation (inches), and heating and cooling degree days (base 65 degrees F). Normals stations include both National Weather Service Cooperative Network and Principal Observation (First-Order) locations in the 50 states, Puerto Rico, the Virgin Islands, and Pacific Islands.

Abbreviations:

No. = Station Number in State Map
COOP ID = Cooperative Network ID (1:2=State ID, 3:6=Station Index)
WBAN ID = Weather Bureau Army Navy ID, if assigned
Elements = Input Elements (X=Maximum Temperature, N=Minimum Temperature, P=Precipitation)
Call = 3-Letter Station Call Sign, if assigned
MAX = Normal Maximum Temperature (degrees Fahrenheit)
MEAN = Average of MAX and MIN (degrees Fahrenheit)
MIN = Normal Minimum Temperature (degrees Fahrenheit)
HDD = Total Heating Degree Days (base 65 degrees Fahrenheit)
CDD = Total Cooling Degree Days (base 65 degrees Fahrenheit)
Latitude = Latitude in degrees, minutes, and hemisphere (N=North, S=South)
Longitude = Longitude in degrees, minutes, and hemisphere (W=West, E=East)
Elev = Elevation in feet above mean sea level
Flag 1 = * if a published *Local Climatological Data* station
Flag 2 = + if WMO Fully Qualified (see *Note* below)

HIGHEST MEAN/YEAR = Maximum Mean Monthly Value/Year, 1971-2000
MEDIAN = Median Mean Monthly Value/Year, 1971-2000
LOWEST MEAN/YEAR = Minimum Mean Monthly Value/Year, 1971-2000
MAX OBS TIME ADJUSTMENT = Add to MAX to Get Midnight Obs. Schedule
MIN OBS TIME ADJUSTMENT = Add to MIN to Get Midnight Obs. Schedule

Note: In 1989, the World Meteorological Organization (WMO) prescribed standards of data completeness for the 1961-1990 WMO Standard Normals. For full qualification, no more than three consecutive year-month values can be missing for a given month or no more than five overall values can be missing for a given month (out of 30 values). Stations meeting these standards are indicated with a '+' sign in Flag 2. Otherwise, stations are included in the normals if they have at least 10 year-month values for each month and have been active since January 1999 or were a previous normals station.

Map Legend: Numbers correspond to 'No.' in Station Inventory; Shaded Circles indicate Temperature and Precipitation Stations, Triangles (Point Up) indicate Precipitation-Only Stations, Triangles (Point Down) indicate Temperature-Only Stations, and Hexagons indicate stations with Flag 1 = *.

Computational Procedures:

A climate normal is defined, by convention, as the arithmetic mean of a climatological element computed over three consecutive decades (WMO,1989). Ideally, the data record for such a 30-year period should be free of any inconsistencies in observational practices (*e.g.*, changes in station location, instrumentation, time of observation, *etc.*) and be serially complete (*i.e.*, no missing values). When present, inconsistencies can lead to a non-climatic bias in one period of a station's record relative to another, yielding an "inhomogeneous" data record. Adjustments and estimations can make a climate record "homogeneous" and serially complete, and allow a climate normal to be calculated simply as the average of the 30 monthly values.

The methodology employed to generate the 1971-2000 normals is not the same as in previous normals, as it addresses inhomogeneity and missing data value problems using several steps. The technique developed by Karl *et al.* (1986) is used to adjust monthly maximum and minimum temperature observations of conterminous U.S. stations to a consistent midnight-to-midnight schedule. All monthly temperature averages and precipitation totals are cross-checked against archived daily observations to ensure internal consistency. Each monthly observation is evaluated using a modified quality control procedure (Peterson *et al.*,1998), where station observation departures are computed, compared with neighboring stations, and then flagged and estimated where large differences with neighboring values exist. Missing or discarded temperature and precipitation observations are replaced using a weighting function derived from the observed relationship between a candidate's monthly observations and those of up to 20 neighboring stations whose observations are most strongly correlated with the candidate site. For temperature estimates, neighboring stations were selected from the U.S. Historical Climatology Network (USHCN; Karl *et al.* 1990). For precipitation estimates, all available stations were potential neighbors, maximizing station density for estimating the more spatially variable precipitation values.

Peterson and Easterling (1994) and Easterling and Peterson (1995) outline the method for adjusting temperature inhomogeneities. This technique involves comparing the record of the candidate station with a reference series generated from neighboring data. The reference series is reconstructed using a weighted average of first difference observations (the difference from one year to the next) for neighboring stations with the highest correlation with the candidate. The underlying assumption behind this methodology is that temperatures over a region have similar tendencies in variation. If this assumption is violated, the potential discontinuity is evaluated for statistical significance. Where significant discontinuities are detected, the difference in average annual temperatures before and after the inhomogeneity is applied to adjust the mean of the earlier block with the mean of the latter block of data. Such an evaluation requires a minimum of five years between discontinuities. Consequently, if multiple changes occur within five years or if a change occurs very near the end of the normals period (*e.g.*, after 1995), the discontinuity may not be detectable using this methodology.

The monthly normals for maximum and minimum temperature and precipitation are computed simply by averaging the appropriate 30 values from the 1971-2000 record. The monthly average temperature normals are computed by averaging the corresponding monthly maximum and minimum normals. The annual temperature normals are calculated by taking the average of the 12 monthly normals. The annual precipitation and degree day normals are the sum of the 12 monthly normals. Trace precipitation totals are shown as zero. Precipitation totals include rain and the liquid equivalent of frozen and freezing precipitation (*e.g.*, snow, sleet, freezing rain, and hail). For many NWS locations, indicated with an '*' next to 'HDD' and 'CDD' in the degree day table, degree day normals are computed directly from daily values for the 1971-2000 period. For all other stations, estimated degree day totals are based on a modification of the rational conversion formula developed by Thom (1966), using daily spline-fit means and standard deviations of average temperature as inputs.

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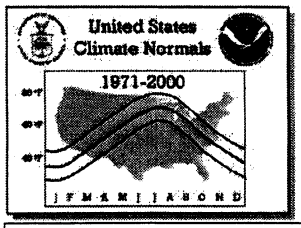

CLIMATOGRAPHY OF THE UNITED STATES NO. 81

Monthly Normals of Temperature, Precipitation, and Heating and Cooling Degree Days

1971-2000

TEXAS

No.	Station Name	Element	NORMALS STATISTICS JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	ANNUAL
344	MARATHON	HIGHEST MEAN	49.6	55.3	60.3	67.1	76.5	80.4	81.3	79.6	77.0	70.3	60.8	51.4	81.3
		MEDIAN	45.1	47.8	54.9	62.3	70.1	75.2	76.7	75.6	70.8	62.8	52.7	46.5	61.8
		LOWEST MEAN	39.5	42.1	49.8	56.1	65.7	72.2	73.3	70.8	66.0	54.3	45.1	41.0	39.5
		HIGHEST MEAN YEAR	1999	2000	1974	1972	1996	1980	1980	1977	1977	1998	1998	1984	1980
		LOWEST MEAN YEAR	1985	1978	1987	1973	1976	1987	1976	1971	1974	1976	1976	1976	1985
		MIN OBS TIME ADJUSTMENT	0.7	1.0	-0.1	-0.4	-0.4	-0.3	-0.3	-0.3	-0.2	-0.4	-0.4	0.6	
		MAX OBS TIME ADJUSTMENT	0.2	0.3	0.3	0.3	0.3	0.2	0.1	0.0	0.0	-0.1	0.0	0.2	
345	MARFA # 2	HIGHEST MEAN	45.9	50.3	58.2	63.1	74.4	79.8	78.9	76.7	73.9	63.0	54.2	47.2	79.8
		MEDIAN	41.7	44.7	51.6	58.3	67.2	73.6	74.5	72.8	68.2	60.1	49.4	42.2	58.7
		LOWEST MEAN	36.5	41.0	46.1	52.4	63.0	70.2	70.7	68.8	63.5	54.2	42.9	38.0	36.5
		HIGHEST MEAN YEAR	2000	2000	1974	1989	1996	1980	1980	1977	1977	1998	1999	1984	1980
		LOWEST MEAN YEAR	1985	1984	1987	1983	1976	1979	1975	1971	1991	1976	1976	1997	1985
		MIN OBS TIME ADJUSTMENT	0.7	1.0	-0.1	-0.4	-0.4	-0.3	-0.4	-0.3	-0.2	-0.4	-0.4	0.6	
		MAX OBS TIME ADJUSTMENT	0.2	0.3	0.3	0.3	0.3	0.2	0.1	0.0	0.0	-0.1	0.0	0.2	
346	MARLIN 3 NE	HIGHEST MEAN	55.9	60.9	66.8	71.6	80.2	85.4	88.4	87.3	83.5	72.2	64.9	58.6	88.4
		MEDIAN	49.1	53.7	60.7	67.3	74.3	80.5	84.0	83.6	79.1	70.0	58.6	51.6	67.8
		LOWEST MEAN	39.4	44.1	55.3	62.2	69.1	78.1	80.9	80.2	73.9	61.8	51.2	41.4	39.4
		HIGHEST MEAN YEAR	1990	1976	1974	1999	1996	1998	1998	1977	1977	1971	1973	1984	1998
		LOWEST MEAN YEAR	1979	1978	1996	1973	1979	1973	1976	1992	1974	1976	1976	1983	1979
		MIN OBS TIME ADJUSTMENT	-1.2	-1.1	-1.0	-0.6	-0.5	-0.3	-0.2	-0.3	-0.5	-0.7	-1.3	-1.1	
		MAX OBS TIME ADJUSTMENT	-1.5	-1.9	-2.4	-1.8	-1.4	-0.8	-0.7	-0.8	-1.1	-1.3	-1.6	-1.5	
347	MARSHALL	HIGHEST MEAN	53.9	55.3	62.3	68.9	76.4	83.6	87.5	86.0	81.0	68.2	61.7	54.0	87.5
		MEDIAN	44.4	48.0	56.8	63.1	70.8	78.2	81.7	81.2	75.5	64.7	53.8	46.3	63.5
		LOWEST MEAN	34.0	38.0	51.8	57.8	66.3	75.0	79.2	77.4	68.8	56.1	46.1	36.5	34.0
		HIGHEST MEAN YEAR	1990	2000	1974	1981	1996	1998	1998	2000	1998	1971	1989	1984	1998
		LOWEST MEAN YEAR	1979	1978	1980	1983	1976	1974	1972	1992	1974	1976	1976	1983	1979
		MIN OBS TIME ADJUSTMENT	0.8	1.0	-0.1	0.0	-0.3	-0.2	-0.2	-0.2	-0.3	-0.4	0.5	0.5	
		MAX OBS TIME ADJUSTMENT	0.3	0.4	0.3	0.3	0.2	0.2	0.1	0.0	-0.1	-0.1	0.0	0.2	
348	MASON	HIGHEST MEAN	51.7	56.1	63.3	70.1	77.6	83.9	85.8	84.1	82.1	70.6	60.7	54.3	85.8
		MEDIAN	46.1	49.2	57.4	65.2	71.6	78.6	81.9	81.1	75.7	66.2	55.8	48.2	64.8
		LOWEST MEAN	36.7	39.2	50.5	59.8	69.1	74.9	77.6	76.0	68.8	57.9	46.8	38.2	36.7
		HIGHEST MEAN YEAR	1998	2000	1974	1972	1998	1998	1998	1999	1977	1979	1973	1984	1998
		LOWEST MEAN YEAR	1979	1978	1987	1997	1976	1983	1976	1971	1974	1976	1976	1983	1979
		MIN OBS TIME ADJUSTMENT	1.6	1.1	1.3	0.0	0.0	0.0	0.0	-0.1	-0.3	0.4	0.6	0.6	
		MAX OBS TIME ADJUSTMENT	0.3	0.4	0.4	0.3	0.3	0.2	0.1	0.0	-0.1	-0.1	0.0	0.1	
349	MATADOR	HIGHEST MEAN	47.0	53.2	57.4	67.4	76.3	84.5	87.9	85.2	79.9	67.8	58.0	46.9	87.9
		MEDIAN	40.5	45.1	51.9	61.1	69.0	77.5	81.8	80.5	73.3	63.2	51.2	43.8	61.5
		LOWEST MEAN	29.3	33.2	47.8	54.5	65.2	72.9	78.1	76.3	65.3	55.3	43.3	29.7	29.3
		HIGHEST MEAN YEAR	1989	1976	1974	1978	1996	1998	1980	1980	1998	1979	1999	1980	1980
		LOWEST MEAN YEAR	1979	1978	1998	1997	1976	1982	1975	1971	1974	1976	1972	1983	1979
		MIN OBS TIME ADJUSTMENT	1.6	1.1	1.3	-0.1	0.0	0.1	0.0	-0.2	-0.3	0.6	0.6	1.4	
		MAX OBS TIME ADJUSTMENT	0.3	0.4	0.4	0.3	0.3	0.2	0.1	0.0	-0.1	-0.1	0.0	0.2	
350	MATAGORDA 2	HIGHEST MEAN	59.6	62.6	67.7	73.1	79.2	84.0	85.8	86.4	83.6	75.3	69.6	64.1	86.4
		MEDIAN	54.0	56.4	62.1	69.1	75.7	81.4	83.4	83.8	80.0	73.0	63.5	56.9	69.7
		LOWEST MEAN	45.1	46.4	57.1	65.2	72.2	78.9	81.6	80.4	76.0	64.3	53.7	46.2	45.1
		HIGHEST MEAN YEAR	1989	2000	2000	1991	1996	1990	1996	1993	1980	1984	1973	1984	1993
		LOWEST MEAN YEAR	1978	1978	1996	1983	1976	1973	1976	1973	1979	1976	1976	1989	1978
		MIN OBS TIME ADJUSTMENT	0.7	1.0	1.1	0.0	0.1	-0.2	0.0	-0.1	-0.2	-0.3	0.5	0.5	
		MAX OBS TIME ADJUSTMENT	0.2	0.3	0.3	0.2	0.2	0.1	0.1	0.0	-0.1	-0.1	0.0	0.1	
351	MATHIS 4 SSW	HIGHEST MEAN	61.0	66.4	69.6	76.3	82.7	87.0	87.4	86.7	84.8	76.5	70.5	63.9	87.4
		MEDIAN	54.5	58.7	65.8	71.7	77.7	81.5	83.9	84.5	80.5	73.6	64.7	57.7	70.8
		LOWEST MEAN	46.7	48.8	60.3	67.2	72.5	79.5	80.0	81.5	75.0	64.0	54.0	46.3	46.3
		HIGHEST MEAN YEAR	2000	2000	2000	1972	1989	1998	1998	1997	1977	2000	1994	1984	1998
		LOWEST MEAN YEAR	1977	1978	1996	1997	1976	1993	1976	1973	1974	1976	1976	1989	1989
		MIN OBS TIME ADJUSTMENT	0.8	1.1	1.1	0.0	0.1	0.0	0.0	-0.1	-0.2	0.3	0.5	0.5	
		MAX OBS TIME ADJUSTMENT	0.2	0.3	0.3	0.2	0.2	0.1	0.1	0.0	-0.1	-0.1	0.0	0.1	
353	MCALLEN	HIGHEST MEAN	65.5	69.8	74.3	78.4	83.4	88.3	88.7	88.7	85.4	78.2	74.3	65.9	88.7
		MEDIAN	59.1	62.9	69.4	74.4	79.6	83.5	85.2	85.5	82.3	76.1	67.9	60.6	73.5
		LOWEST MEAN	51.3	53.8	64.0	69.7	75.7	81.1	80.3	82.9	78.6	66.8	60.5	49.5	49.5
		HIGHEST MEAN YEAR	2000	2000	2000	1999	2000	1998	1998	1997	1985	1972	1973	1984	1998
		LOWEST MEAN YEAR	1985	1978	1996	1997	1992	1979	1976	1973	1979	1976	1976	1989	1989
		MIN OBS TIME ADJUSTMENT	1.6	1.8	1.7	0.7	0.7	0.5	0.3	0.2	0.2	0.7	1.0	1.2	
		MAX OBS TIME ADJUSTMENT	0.2	0.3	0.3	0.2	0.2	0.1	0.0	0.0	-0.1	-0.1	0.0	0.1	
354	MCALLEN MILLE	HIGHEST MEAN	68.0	71.4	75.4	80.5	85.7	90.1	90.8	89.3	85.6	79.0	74.1	68.9	90.8
		MEDIAN	60.9	64.4	70.9	75.9	80.3	84.0	85.9	86.3	82.9	76.7	68.3	62.1	74.5
		LOWEST MEAN	52.2	56.2	65.4	71.8	76.7	81.8	81.1	82.7	78.6	68.5	58.7	51.1	51.1
		HIGHEST MEAN YEAR	1998	2000	2000	1999	1998	1998	1998	1997	1997	1972	1973	1984	1998
		LOWEST MEAN YEAR	1977	1978	1987	1997	1992	1973	1976	1973	1984	1976	1976	1989	1989
		MIN OBS TIME ADJUSTMENT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
		MAX OBS TIME ADJUSTMENT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	