

Dallas, As In D-O-L-L-A-R-S

By Anne Lang

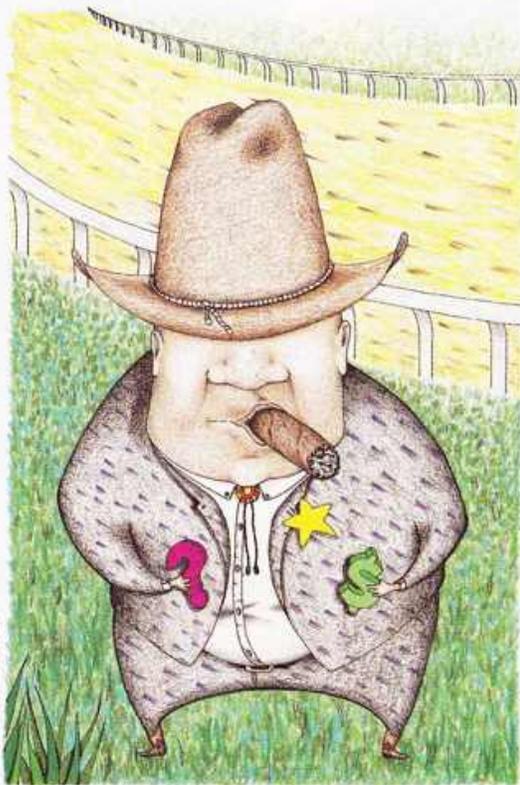
The unbridled expressions of joy and relief displayed by the recent recipients of a license to build a major track in one of the nation's few untapped, premier racing markets may soon give way to other emotions, which these days are sadly more familiar to horsemen in this neck of the woods: frustration, anger, and disbelief.

Following placement of the final piece in the framework for a full-scale racing industry in Texas comes the likelihood of further delays caused by the threat of various legal actions—a process that has become correlative to the sanctioning of the state's largest tracks. When the Texas Racing Commission voted on Oct. 2 to award a Class I license to developers of the \$97-million Lone Star Jockey Club, the Dallas/Fort Worth area became the last of Texas' three approved metropolitan centers (along with Houston and San Antonio) to tout the addition of a major-league track in its future.

But to describe that future—with all the rosy images it evokes of a thriving, intrastate racing circuit offering first-rate horses competing at first-rate facilities—as uncertain, even at this seemingly pivotal point in time, would be a gross understatement. Although the involved parties may fervently wish otherwise, peace has yet to settle over the Lone Star State, where the gunslingers of a previous era who settled their differences in shoot-outs at high noon have been replaced by attorneys duking it out with rapid-fire legalese in the courtrooms.

Here's how the modern system works with regard to racing commission issues: Filing a motion for rehearing is the first legal step available to opponents after a final order is signed by Lone Star principals and commissioners. The drafting of that order could take up to several weeks.

Once the final order is signed, opponents have 20 days to file their motions for rehearing. The commission then has 25 days to act on those motions, and if they fail to take action, the motions are denied. Opponents then have 30 days



to file appeals in state district court. After that, the process can drag out for months, even years, before final judgments or settlements are reached.

One of three losing candidates for the North Texas license was R. D. Hubbard's \$96-million Midpoint Racing, which, like Lone Star Jockey Club, planned to construct a track on a site in Grand Prairie—a small town located halfway between Dallas and Fort Worth. Midpoint attorney Walter Cardwell said his group will definitely file a motion for rehearing.

"The commission has made, in our judgment, a terrible mistake," Cardwell said. "They gave it to an applicant who's going to build a track on top of a couple of garbage dumps." Cardwell was referring to

the environmental status of the Lone Star site, part of which sits above two old sanitary landfills that Midpoint engineers claim contain hazardous wastes.

"Their site is a train wreck," Cardwell insisted. "They can't really raise any money until the environmental problems are solved, and until the appeals disappear. The commission ignored the hearing examiner's statements that Lone Star had the worst site. It's the craziest thing I've ever seen."

"We'd like (the commissioners) to realize that they've given the license to an applicant who can't build it, to format the motion for rehearing to reconsider their action, and ultimately award the license to Midpoint."

Dallas' proposed \$109-million Pinnacle Park didn't stand much of a chance going into the final rounds, since the commission had repeatedly declined to accept changes in track ownership and management that were made after the deadline for filing applications. Pinnacle Park attorney Dean Davis said his group still feels that in rejecting the revisions, the commission was in violation of its own rules as well as the conditions of the Texas Racing Act.

It is primarily on that basis, Davis said, with the hope that a judge would demand the commission re-open the application process to allow amendments from everyone, that Pinnacle Park, which had lined up the Santa Anita Operating

Company to manage the track, will also file a motion for rehearing.

Class II Trinity Meadows near Fort Worth, which was seeking an upgrade to Class I status, had the advantage of hearing examiner Dudley McCalla's recommendation prior to the panel vote. Some industry observers had predicted that Trinity Meadows, which has been up and running as a fairly successful mid-size track for two years, and one of the Grand Prairie applicants would each receive a Class I license.

Trinity Meadows vice president Jimmy Bradley said the possibility of filing a motion for rehearing "is under contemplation." However, if the final outcome of the legal disputes is that Lone Star maintains its position as the sole Class I licensee for North Texas, Bradley said Trinity Meadows will make an effort to cooperate with the larger track.

De Francis' involvement

One person who might be glad to hear such soothing words right now is Preston Carter, who with James Muselman is one of Lone Star's major partners. (As chairman of the board and president, respectively, each is a 44.5% shareholder.) But Carter insists the impending lawsuits don't bother him, vowing that preliminary track construction will begin, regardless of any litigation.

An ambitious 22-month construction period (starting Oct. 2) has been projected, and the partners have already authorized their construction team to go forward, Carter said. Site preparation will include digging trenches for drainage and building 16-foot levees to prevent flooding from the nearby Trinity River. Actual ground-breaking is slated to take place within the next few weeks, and "you'll probably see heavy equipment out there in about 90 days."

The financing for these early activities will be available as needed from \$20 million in capital raised by the New York investment firm of Donaldson, Lufkin & Jenrette, Carter said. Another \$10 million in equity committed by 21 Lone Star investors, who collectively comprise a 1% interest in the track, can also be drawn upon now, he said.

While the bulk of Lone Star's funding will come from \$65 million in bond revenue generated by a half-cent sales tax passed by Grand Prairie citizens earlier this year, the tax cannot go into effect until all license appeals have been dismissed. There will be another \$2 million collected from the sale of the land to the Grand Prairie Sports Facilities Development Corp., the non-profit entity that will own the track and lease it to Lone Star.

Acting as Lone Star's management consultants (with a combined 10% interest) are Joe De Francis and Martin Jacobs, officers in the Maryland Jockey Club, which operates Pimlico and Laurel racetracks.

"They're going to help us get it set up, start it, operate it, and run it," Carter said of the role of De Francis and Jacobs in the Lone Star operation. "(But) Jimmy and I are going to control everything. The Texans are going to control this situation. That's why we won the license."

From his office at Laurel, De Francis agreed that his and Jacobs' jobs will "basically be to assist in developing a team of managers to operate the track, and help them oversee the operation once the track is in place. I would hope and expect that the decisions will be made by consensus between my group and Preston and Jim. I don't look to gain power relative to other people on our team."

De Francis emphasized that his and Jacobs' involvement

in Maryland would not be changing.

"We will not be day-to-day, on-site managers at Lone Star," De Francis explained.

De Francis also stated his primary goal in Texas.

"I think one of the most important things is developing a close working relationship with the horsemen's groups as quickly as possible, and involving the horsemen as much as possible with our business so that they understand the economic forces that we, as track management, respond to," he said. "It's unfortunate that in many states, and to a certain extent in Maryland, there is almost an institutional distrust of track management by the horsemen. (It is) an apprehension that somehow management, in pursuing its own objectives, will be acting in the worst interest of horsemen."

The other Class I licensees

What was intended to provide an incentive for investors in Class I tracks, lowering of the state's 5% share of track handle to 1% on a sliding scale basis, fell short of generating the necessary funds from private investors. So like Lone Star, Texas' first two Class I licensees—the developers of Sam Houston Race Park near Houston and Retama Park near San Antonio—are now relying on the sale of tax-free municipal bonds to bankroll their respective ventures.

In September, a non-profit racing authority board was created in Harris County (Houston) to oversee the sale of tax-free municipal bonds to fund the \$80-million Sam Houston Race Park. (Harris County will own the track.) Kirwin Drouet, the track's

executive vice president, said it was decided at a recent authority board meeting that outside legal and accounting expertise would be solicited.

"Once that happens, our group will sit down with those experts and we'll work on hammering out a deal (to issue the bonds)," Drouet said. "I really don't expect any hitches."

However, Drouet said the completion date "has slipped a little bit. Instead of opening on Jan. 2 of 1994, we're still hopeful our opening will take place in the first quarter of that year." Ground-breaking, Drouet predicts, will occur in January of 1993.

Drake Leddy is a consultant for Retama Park, a planned \$60-million track working with the city of Selma (which will own the track) to issue \$70 million in tax-free municipal bonds. Leddy said that for the past eight weeks, the Retama partners have been working with feasibility consultants, and recently received a satisfactory final feasibility report.

"Now we're working toward getting a guaranteed maximum price on our stadium facility," Leddy said. "That will lead to an assurance among bond holders that there won't be a cost overrun."

Leddy said ground-breaking is scheduled for late this year or early next year, to be followed by a 12- to 16-month construction period.

Both Leddy and Drouet said they were pleased a North Texas Class I licensee has been named.

Leddy said he hoped the appeals process wouldn't drag out too long, or it could adversely affect all the Class I developers.

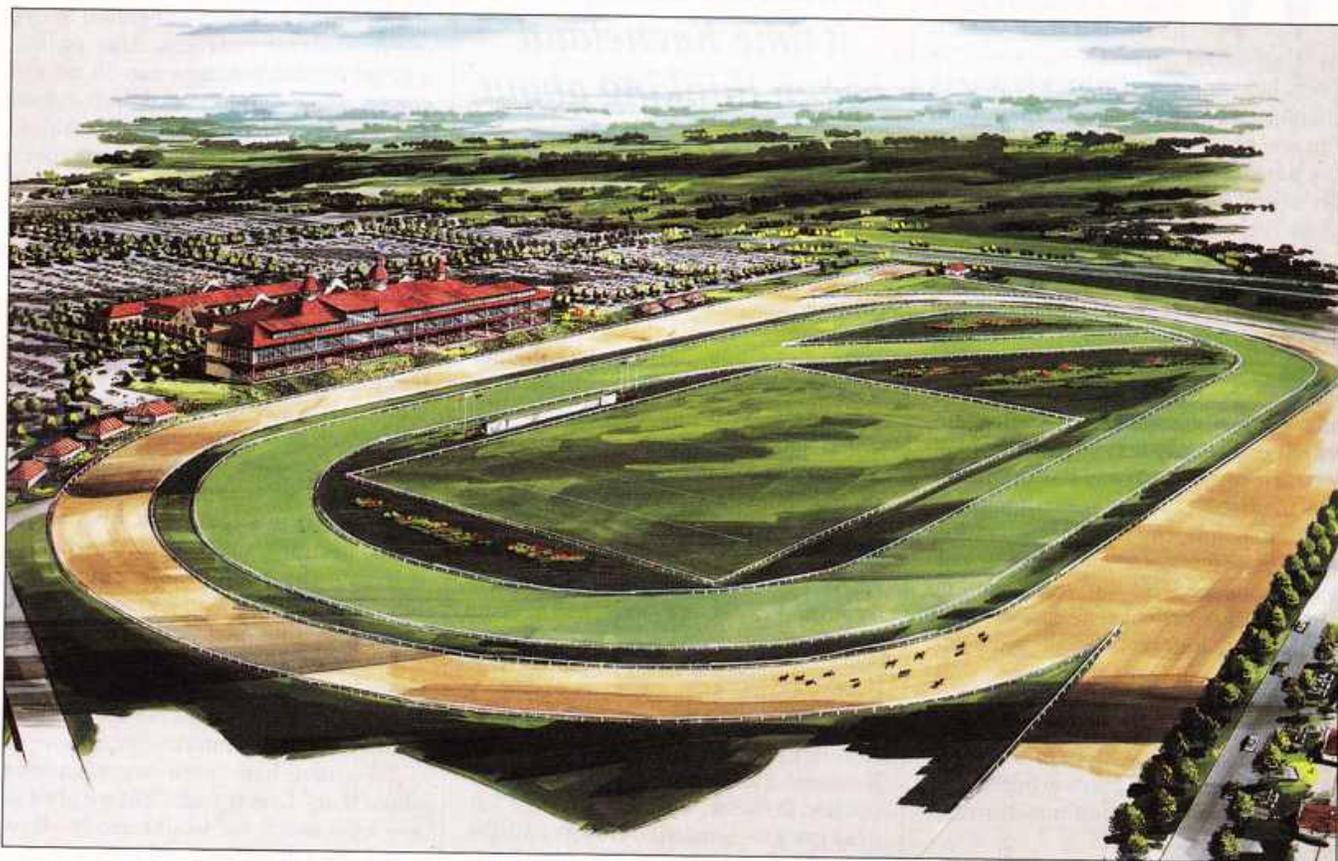
"The sooner we can get the issue in Dallas resolved, the better it is for all three venues," he said. "The three Class I tracks need to get together and agree on racing dates. That's been difficult up to now, because not all the players have been known. All of this is going to impact the simulcast market as well." ■





Lone Star Jockey Club received the Class I license for the Dallas/Fort Worth area

A STAR IS BORN



Architectural rendering of Lone Star Park, with polo grounds in the infield

By Anne Lang

In voting the Dallas/Fort Worth Class I license to the Lone Star Jockey Club, the Texas Racing Commission bypassed the recommendation of its own hearing officer and the desire of one of the state's most powerful racing men. The commission's horse section on Oct. 2 voted 4-1 in favor of Lone Star, one of four candidates competing for the coveted North Texas license. The losing applicants were R. D. Hubbard, whose Midpointe Racing had targeted a site near Lone Star's;

Pinnacle Park, proposed for Dallas; and Trinity Meadows, an existing Class II track near Fort Worth that hearing officer Dudley McCalla said should receive Class I status.

"I'm overjoyed," exclaimed Dallas developer Preston Carter, who heads Lone Star with oilman James Musselman. "But I'm not at all surprised. We've got the superior management, the superior financing, and the superior people. We've got it all."

Carter's enthusiasm was understandable. While Lone Star entered the final showdown as a solid contender, Hub-

bard appeared to be the odds-on favorite. And while McCalla's proposal for Trinity Meadows was met with shock and disapproval in the Texas horse industry, his advice in previous matters had been faithfully adhered to by the racing panel.

The longest of longshots was Pinnacle Park, the principals of which had tried unsuccessfully to alter their application in recent months to reflect new ownership. The commission's refusal to acknowledge the changes rendered Pinnacle Park's bid virtually futile. The Dallas group's only hope was that com-

missioners at the Oct. 2 meeting would opt not to choose a licensee—voting instead to reopen the application process to accept revisions from everyone.

For a few tense moments during the climax of the meeting, it looked like the Pinnacle group would get its wish. The vote came at the conclusion of a four-hour session, during which final pitches were made by all the candidates, as well as city leaders from Grand Prairie (the town chosen by both Lone Star and Midpointe for building their respective tracks). The standing-room-only crowd of 250 license hopefuls and their associates, Texas horsemen, civic supporters, and members of the media waited in tense silence for the voting to commence.

Commissioner Hugh Fitzsimons made a motion to grant the license to Midpointe. No second was offered. Robert Holt's subsequent motion to uphold McCalla's recommendation to grant the license to Trinity Meadows also died for lack of a second. John Sharp confidently threw out two motions, each calling for two Class I licenses to be granted: the first motion for Lone Star and Trinity Meadows (no second), and the second motion for Midpointe Racing and Trinity Meadows. No second.

At this point, what had started as a low buzz of worried whispers among observers was developing into more of a general growl. The crowd, which had been waiting for this moment since pari-mutuel's passage in 1987 and now sensed the increasing likelihood of a stalemate, was poised to explode.

Then in stepped veterinarian Glenn Blodgett, chairman of the day's proceedings, with a motion to grant the license to Lone Star. Anne Dunigan Wilson immediately piped up with a second, and a rapid roll-call vote resulted in a single dissention by Holt. Lone Star's entourage of 25 or so erupted into cheers and whoops, and the meeting was adjourned.

Beating a hasty retreat with his supporters in tow was Hubbard, who would only say he was "very disappointed" with the outcome. "I felt we had the best application, and that's a fact," he said.

In the end, what finally appeared to give the \$97-million Lone Star proposal the edge over \$96-million Midpointe was the predominance of longtime Texans on the Lone Star roster. Hubbard, who has controlling interests in tracks

in California, Kansas, and New Mexico, had been particularly criticized by opponents for his out-of-state racing interests.

Although Hubbard offered no comment on whether or not his group would file a protest suit, an attorney for the \$109-million Pinnacle Park vowed that his group would head straight for the courthouse. Trinity Meadows officials



Preston Carter Jr.



James Musselman

lawsuit involving Lone Star principal Joe De Francis and others in the Maryland Jockey Club (of which he is president). De Francis assured the panel that the matter is "a dead issue."

Lone Star officials emphasized their commitment to "get going right away," projecting a construction period of 22 months. The group is aided substantially by a half-cent increase in the sales tax passed by the citizens of Grand Prairie earlier this year which will generate as much as \$65 million in revenue to help build the track.

The \$65 million would fund the bulk of the track. Another \$20 million would be raised by the investment firm of Donaldson, Lufkin & Jenrette. The principal owners propose putting up \$10 million of their own money, of which \$7.5 million has been raised. Another \$2 million would come from the sale of the land to the local sports authority, for a total of \$97 million.

Joe Straus, a partner in Retama Park, a Class I track planned for the San Antonio area, said that he felt the selection of a North Texas licensee would make the \$70 million in bonds needed to finance his project "more sellable."

"We are looking forward to working with them," Straus said of Lone Star. "They're all good people. We're anxious to discuss the formation of a circuit to ensure that everyone gets treated fairly."

The down-home, Texas-flavored testimony of Lone Star shareholder Clarence Scharbauer, who with his wife Dorothy owns all-time leading money-earner Alysheba, prompted commissioner Fitzsimons to endorse Lone Star after his motion for Midpointe failed. The well-respected horseman stressed the importance of Texans being in charge of a Texas track.

"I know everyone in there," Scharbauer said of the Lone Star group. "I just want honest, first-class racing in Texas. And if my name is associated with it, I'll make sure it's first-class and honest, right out there on the table for everyone to see."

Scharbauer decided to invest \$500,000 in Lone Star after seriously contemplating going in with his old friend Hubbard. After the meeting, he said he might consider moving Alysheba to stand at his new North Texas farm in "four, five, or six years. If they get enough good mares in Texas, we may just bring him." ■

Lone Star Jockey Club

Principals: James Musselman, Preston Carter, Lucille Murchison, Pam Phillips, Myrna Rheudasil, Joseph De Francis, Martin Jacobs, Mrs. Bo P. Crossen, Mr. and Mrs. Basil Georges, William I. Leo.

Location: Grand Prairie, Texas (between Dallas and Fort Worth), 315 acres.

Specifications: \$97-million facility, three-level grandstand, with 11,136 seats, grandstand capacity 28,607, maximum facility capacity 50,000. Polo field to be located in infield.

Racetrack: 1½-mile dirt track (seven-furlong and 550-yard chutes), seven-furlong turf course (nine-furlong infield chute).

Stable capacity: Initial space for 1,440 horses, with room eventually for 240 more.

Live racing: Expected to request 96-to-135 Thoroughbred dates, 85 Quarter Horse dates

Earliest completion: Late 1994, pending financing.

expressed regret at having lost, adding that they expect their track will continue to thrive as a Class II facility. They did not publicly share any plans to take legal action.

The Lone Star spirit

In the final arguments, during which track attorneys and officials basically reiterated points they had made during lengthy license hearings conducted last June, objections resurfaced concerning Lone Star's principals' lack of experience in running a racetrack, and to environmental problems with the Lone Star track site, part of which sits atop a sanitary landfill. Also questioned was a