

MINUTES

OREGON RACING COMMISSION JUNE 18, 1999

The Oregon Racing Commission met on Friday, June 18, 1999, in the Arts and Crafts building on the Josephine County fairgrounds. The meeting was called to order at 9:00AM. Commissioners in attendance were Steve Walters, Chair; Tom Towslee, Richard Reid and David Price. Vice Chair Laura Fine was excused. Agenda items were discussed in the following order with resulting actions:

1. Approval of May 20, 1999, Minutes

Chairman Steve Walters requested that the minutes be changed to reflect the ending of the meeting at 1:59 PM.

ACTION: MOTION(Reid)
VOTE:

Approve minutes with addition of ending time for meeting.
4 Aye, 0 Nay, 1 Excused

2. OTBA Request for Payment of Owner Bonuses and Breeder Awards for New Portland Meadows Race Meet.

Ursula Gibbons requested approval to disburse OTBA monies for owner bonuses on July 9, 1999.

ACTION: MOTION(Price)
VOTE:

Approve disbursement of OTBA owner bonuses and breeder awards.
4 Aye, 0 Nay, 1 Excused

3. TVG Hub Application and Hub Issues

Chairman Steve Walters suggested that all concerns and policy issues be addressed at this point before approving the TVG Hub application.

At that time the 4 TVG representatives described the corporate structure, technology platforms, compulsive gaming interdictions, distribution, business model, and income projections. Steve Walters asked for further discussion re: ownership of TVG, safeguards for compulsive gaming, effect of TVG Hub on the cannibalization of local live audience. Tom Towlsee asked for elaboration re: financial projections, audience, cable issues and saturation points of tracks offered. David Price asked if the marketing model would be applicable to include greyhound racing. Steve Barham asked about legal definitions of the timing of bets and about the distribution take out.

After this Steve Walters invited the public to air its concerns. Representatives from Youbet.com, Ladbroke and Greenwood Racing, Inc came to the table. At this point, Steve Walters asked to include in the minutes that his law firm had given advice to Youbet.com and this could be a potential conflict.

The representative from Greenwood Racing asked that the commission delay its approval on the hub application for 30 to 60 days until other parties interested in doing business as a hub in Oregon could present their

business models. The representative from Ladbroke Racing, Inc. also asked the commission to delay approving TVG's application and stressed the issue of anticompetitiveness regarding the exclusivity contracts between TVG and the 21 tracks which comprise over 50% of the US handle. The representative from Youbet.com also wanted the same delay in approval and added that it also was interested in a hub in Oregon as well as adding that Youbet.com was PC based and showed international racing.

At this time Chair Steve Walters called for a 5 minute recess at 11 AM. The meeting reconvened at 11:17 AM.

At this time representatives for MGP and NPM came to the table. All were in agreement that the TVG hub could only be beneficial for racing and for Oregon and recommended immediate approval. Larry Campbell representative for NPM asked to know how TVG would announce its financial breakeven status, added that he would like Oregon to be the "home of hubs" and that the anticompetitiveness issues would take years to resolve and that Oregon tracks cannot afford to wait.

At this time Steve Walters invited TVG to respond to raised concerns. The CEO of TVG clarified the financial breakeven point, the antitrust issues, business models, economies of scale, and source market compensation.

Steve Walters asked the public if they would like to add anything. The representative from Ladbroke Racing, Inc. restated his antitrust violations and his concern with the exclusivity contracts. Greenwood Racing Inc. stated that we still only have temporary rules and we are rushing to approve a license.

Steve Walters asked TVG what damage would they suffer if the commission delayed their approval. TVG responded that delay would have a major negative impact as they plan to launch July 1.

Steve Walters asked if there was a motion to delay the application of the TVG hub.

ACTION: MOTION(Reid)
VOTE:

Move not to postpone action on the TVG hub application for 30 to 60 days.
4 Aye, 0 Nay, 1 Excused

Steve Walters then said he saw no reason to delay but would need to deliberate with counsel. He saw no antitrust issues. We should start background checks on the principle staff. The application would only be accepted upon successful completion of said background checks. Steve Barham recommended that the bond amount be \$250,000, to be reviewed quarterly and added to incrementally as TVG accounts expanded. He also added that background checks are currently in progress and are expected to be finished in early to mid July. No personnel have been hired by the hub yet, but that he thought it would be handled like the officials for racing licenses for the summer race circuit. If there should be any problems with licensing employees that it would be referred to the commission. Steve Barham also recommended delegation to the Executive Director of any action regarding emerging technology changes.

He also stated that he intends to have ORC staff audit TVG's operation on site and asked that the site plan include office space be available and a mutual manager terminal be made available to the auditor. He also recommended that the Executive Director approve what tracks come on and off line as in simulcasting.

ACTION: MOTION(Towslee) Approve the license submitted by TVG including the delegations suggested Steve Barham.

At this point Steve Walters spoke to the audience saying that he fully intended to vote in favor of this motion. That all involved have worked very hard on this application. That it is common to delegate administrative tasks to the Executive Director in order to keep things moving forward. That the application will not be considered final until the background checks are performed and found absolutely clean. He said that TVG is responsible and professional and that is important to our governor. Responsible gaming and source marketing are important aspects of this application. That the commission is not locking into place any operational model. If other interested parties have good or better models, great. That exclusivity was the most volatile issue, but that was between TVG and the tracks with which it made these contracts. That is was an excellent application and that he supported approval along the conditions set forth. That it was a happy day for racing in Oregon. He further stated that he would love to see Oregon be hub headquarters for the USA.

Commissioner Towlsee added that it was appropriate that the commission was taking this action in Grants Pass as the hub money would provide funding for the fair racing.

VOTE: 4 Aye, 0 Nay, 1 Excused

4. Multnomah Greyhound Park Update

Carl Wilson reported that all handles at MGP were down except simulcast horse wagering which was up 11%. Oregon handle was down 3.9%, and exports were down 2.7%. Live racing was the most critical as it was down 15%. At this point he expressed his appreciation for the approval of the TVG hub application. He added that weekends were OK but that weekdays were slow. MGP was considering a change in marketing to address this issue. MGP had taken a survey regarding how people heard about MGP and the results showed that billboard advertising is not effective and so will be discontinued, that the money will be shuffled to TV and radio which scored higher in the survey. The good news is that the track surface is the best in years, no complaints from trainers or breeders. The races have been clean in terms of spills and jams. That construction is on or ahead of schedule. That the compound buildings are coming along. Completion is estimated for August 1. There are no plans for the old compound yet.

5. Request by Multnomah Greyhound Park for Commission Consideration

Carl Wilson handed out the attached schedule change. MGP wants to go back to a 5 days a week schedule. Customers have been vocal about having the Sunday matinee races back. MGP proposed adding Sunday matinees from June 27 through Labor Day and eliminating the Monday evening performances. The number of racing days and races would stay

the same as on their approved application. Steve Walters asked for clarification regarding the off track betting establishments (OTB). It was explained that all OTBs took MGP's broadcast of live racing. That MGP sent the off track sites a calendar with all scheduled racing 2 weeks in advance. All customers of any particular OTB know what races on which they will be able to wager. That only on Monday nights are OTBs able to opt out of simulcasting certain races.

Carl Wilson and Steve Walters both agreed that they would like to continue a discussion re: OTBs making decisions about airing content aimed at their client's preferences.

ACTION: MOTION(Towslee) Approve a revised racing schedule for MGP which would eliminate Mondays and add Sunday matinees.

VOTE: 4 Aye, 0 Nay, 1 Excused

6. Legislative Update

Steve Barham reported that SB 229 passed the senate and was assigned to a committee in the house.

7. Request by OQHRA to Distribute Oregon Bred Breeder and 1% Owners' Bonus from 1998-99 New Portland Meadows Race Meet

Dave Nelson requested that the OQHRA be allowed to disburse the Oregon Bred and Owner's monies. Steve Barham recommended approval.

ACTION: MOTION(Towsee) Approve disbursement of OQHRA Oregon Bred Breeder and 1% Owners Bonus monies.

VOTE: 4 Aye, 0 Nay, 1 Excused

8. Off Track Sites Resolution

Tom Towslee reported that 229 did pass the senate. This would limit off track betting sites. He agreed with the Governor's office that the commission would adopt a resolution that would be shared with the Governor and the legislature regarding gaming. That the ORC would go on record and not approve any more than 5 additional OTB sites. This would limit Oregon to a total of 25 off track wagering establishments. This way the commission can say they have addressed the issue. On behalf of New Portland Meadows, Dave Nelson stated they endorse the proposal of 5 added OTBs as presented by Commissioner Towslee, however, they would prefer the wording to say that the commission would go back to the governor for approval rather than going back to the legislature for approval, which would intimate another piece of legislation.

ACTION: MOTION(Reid) Adopt resolution that accepts only 5 more OTBs in Oregon limiting the number to 25.

VOTE: 4 Aye, 0 Nay, 1 Excused

There being no further business, the meeting was adjourned at 12:52 PM.