

MINUTES

OREGON RACING COMMISSION APRIL 19, 2001

The Oregon Racing Commission met on Thursday, April 19, 2001, at 1:30 p.m. for their regular meeting in Room 140 of the Portland State Office Building located at 800 NE Oregon Street, Portland, OR. Commissioners in attendance were Tom Towslee, Chair Pro Tem, Lisa Metcalf, DVM, and Jeff Gilmour. Steve Walters, Chair; and Laura Fine, Vice Chair, were excused. Agenda items were discussed in the following order with resulting actions:

1. Approval of March 15, 2001, Minutes

ACTION: MOTION(Gilmour) Approve minutes as submitted.
VOTE: 3 Aye, 0 Nay, 2 Excused

2. Eastern Oregon Livestock Show 2001 Race Meet Application - June 8, 9 and 10

Steve Barham recommended approval.
ACTION: MOTION(Gilmour) Approve race meet application and delegate authority to the executive director to approve any changes in race meet officials.
VOTE: 3 Aye, 0 Nay, 2 Excused

3. Harney County Fair Request for 2001 Race Dates - September 8 and 9

Steve Barham reported the dates requested were in their normal racing window and recommended approval.
ACTION: MOTION(Gilmour) Approve race dates request subject to timely submission of an application for issuance of a race meet license and approval of that application by the commission.
VOTE: 3 Aye, 0 Nay, 2 Excused

4. Request by Jody R. Davidson for Reinstatement of License

Jody Davidson was present to answer questions. Steve Barham recommended against reinstatement of his license based on his extensive history of noncompliance with the rules of racing resulting in suspensions and revocations. Mr. Davidson stated he had just buried his father and he needed to get back to work. He said he was wanting to work in other states, but in order to do that he had to have his license in Oregon reinstated first. Chair Pro Tem Towslee suggested that Mr. Davidson's request be tabled until the May meeting.
ACTION: MOTION(Gilmour) Table Mr. Davidson's request for reinstatement to the May commission meeting.
VOTE: 3 Aye, 0 Nay, 2 Excused

5. Distribution of Hub Revenue Request

Steve Barham directed the commissioners to the memo in their packets which outlined a distribution of the hub funds to the various summer race meet operators. The distribution of these funds was agreed upon and submitted by the summer race meets. Mr. Barham recommended approval.
ACTION: MOTION(Gilmour) Approve distribution of hub funds as submitted.
VOTE: 3 Aye, 0 Nay, 2 Excused

6. Oregon Greyhound Association 2001-2002 Budget

Jack Bennett was present to answer questions. Commissioner Gilmour had some questions about some of the administration expenses and Commissioner Metcalf asked for an explanation of the breakdown of the adoption program. Steve Barham recommended approval.

ACTION: MOTION(Metcalf) Approve OGA 2001-2002 budget.
VOTE: 3 Aye, 0 Nay, 2 Excused

7. Oregon Greyhound Breeders Association 2001-2002 Budget

ACTION: MOTION(Metcalf) Steve Barham recommended approval.
VOTE: 3 Aye, 0 Nay, 2 Excused

8. New Portland Meadows Reports

Regarding the projects update, Mike Dorough reported the manure handling facility is fully operational and the bunkers are no longer being used.

Regarding the race meet, Mr. Dorough stated their total handle is down 6%, with horse simulcasting up 1% and greyhound simulcasting down 3%. Their attendance is up 3.6%.

Steve Barham brought up the matter of handling account balances from New Portland Meadows during the transition period to a new track operator. Mr. Barham had prepared a memo outlining his recommended actions listed by account name.

ACTION: MOTION(Gilmour) Approve the actions as outlined in Mr. Barham's memo.
VOTE: 3 Aye, 0 Nay, 2 Excused

9. Review of Youbet.com Draft Application for Multi-Jurisdictional Simulcasting and Interactive Wagering Totalizator Hub License

Following is a transcript of the discussion on this agenda item.

Luniewski: Good afternoon, Mr. Chair, members of the commission. Ron Luniewski, chief operating officer, Youbet.com. I'm here to answer any questions you have regarding our application.

Towslee: First of all, we need to point out here that we're not approving this license today. You've asked to do that next month, is that it? Are there any questions of Mr. Luniewski? In your application you mention new bettors and the need to be, you know, and it looks to me from, without getting into detail of the confidential aspects of your application... Tell me a little bit more about these new bettors and where you think they're going to come from. Let me say before... I'm asking that because in previous hub applications we've seen some very rosy numbers regarding new bettors and the revenue these new bettors are going to generate. I'm curious where, if you have some source of new bettors that perhaps the other hub applicants haven't been able to find.

Luniewski: To answer your question indirectly first and then directly, we've been now doing this probably longer than anybody in terms of account wagering interactive hub. We've been up since June '98 and last year a public traded company but we've reported 98 million dollars wagering with approximately 16,000 subscribers. Approximately a year ago, Mr. Chair, we did a survey to our subscriber base, probably more like 15 months ago, where 20 percent of that population said they'd never been to a racetrack or not been to a racetrack more than twice. What we believe occurs is that on the internet, as you've heard the story, that there's a lot of horse racing and pari-mutuel betting in general that is really missing the bottom end baby boomers, X generation, for a variety of reasons and the internet is a media that's transparent to that. So, we think what we've accomplished to a certain degree is take the game pari-mutuel racing, horse racing in our case, and make it fun and compelling to these folks in a media that they're used to and then go after the niche market such as fantasy sports bettors. There's eight million people on the internet today playing fantasy sports. Most of them bought them in baby boomer, X generation...

Towslee: By fantasy sports you mean...

Luniewski: Fantasy baseball, ...baseball team and then you score bases on steals, homeruns, etc., and you go in and you market your product to them. Now, we all know that horse racing's a very steep learning curve, but those guys are statistical in nature and they think they're smarter than everybody and everybody can (unintelligible) similar to horse racing. So we go after those folks in terms of handicapping contests and things like that. That's how we reach the new bettor. In our application, though, hopefully we're pretty clear that our focus is the existing market along with the new bettor. We see that rate, we haven't done the survey like I said for about 15 months, staying about the same. My guess it would be running about the same. So in essence we are attracting 20 percent of our subscribers are brand new to horse racing. We're introducing them to the sport.

Towslee: Any other questions? I must commend you. I see here that under your Oregon racing you include horse racing from Portland Meadows and from the fairs.

Luniewski: Sure.

Towslee: Alright!

Luniewski: Well, one of the things that we find is that this comes under the notion of distribution. A lot of the tracks that traditionally have been considered, for lack of a better word, lower end tracks do quite well on our system because of the time of day they run or they're running full fields where some of the larger aren't running full fields anymore and bettors like going to those tracks because it's like a virtual racetrack. They can now go to a fair in Oregon where it's kind of neat for people to go there and see it.

Towslee: Mr. Barham?

Barham: I guess I would first of all let the commission know that about a year or thereabouts ago, I may be a little wrong on the time, there was activity before by Youbet.com to get licensed in Oregon, and Steve Roden and I went down there and looked at their technology. At that point we both came away I think with agreement that their technology and the way they were doing their business would meet the technical aspects of what we would normally review. I state that simply to put it before the commission. I don't see a need for us to go back down and revisit them. I think any improvement they've made is probably just been that, an improvement, and I really don't feel compelled to do that; however, if the commission wants us to go down and check over and see what they're doing again we'd do that. This is a little out of step from what we've had on the other applicants.

Towslee: You were at that demonstration you gave to me and Commissioner Price two years ago, and basically we're talking about the same system, correct?

Luniewski: Yes, yes we are. I should note at that point we had a CD installation and now we have a browser-based product that does not require the CD anymore.

Towslee: Right. Well, since then we have two new commissioners and a third one coming. Is it possible to make that same presentation available to them?

Luniewski: Absolutely. I believe to most of the commissioners I have extended that invitation. I'll follow up on that to make sure it occurs between this meeting and next meeting.

Towslee: If you're so inclined I encourage you to look at it.

Barham: The application on page 19 talks about source market arrangements. I simply say that so that it's on the record that they are looking at that. Other than that, if there's no commission, commissioners don't have any further questions, I'd suggest we just put the application on the agenda for next meeting. By that time the background investigations should be done that are currently in process, and I would urge everybody to take advantage of the offer to actually look and see how the system works.

Metcalf: I have one question about the underage gambling before we move on here. I've read what you have in here but I still don't see how you prevent against underage gambling, how you prevent kids who are the ones who are so often using this internet access who obviously have access to their parents' social security numbers, driver's license numbers, whatever. How do you prevent, how do you know that you have someone using this who's over 21?

Luniewski: Well, that's a difficult subject on the internet, and we do what we can given that it is virtual and we do require driver's license, social security number, a background check, and then we request you to send an e-mail ID,

we e-mail back to you your user ID password, and that's what we can do. We are in the process of putting out other parental controls because really where, what we want to do like most places is educate parents in what they need to do to insure their kids don't do it because it's very difficult if the parent doesn't help you in the household to stop a kid from taking your wallet and doing all that stuff. So view the next line is to begin to educate our subscribers, the parents. You can see that's in the application we've started to put those parental controls in.

Metcalfe: And how much of a problem has this been so far in other...

Luniewski: None. We've not had one problem with it.

Towslee: Just for the record, Ron, you did kind of send us the settlement agreement with Los Angeles County. Could you run through that briefly for us just for the record, and also how the situation in Oregon is different from the situation you faced in California?

Luniewski: Sure. Mr. Chair, first off it's important to note that we are, along with only one other entity out of our competitors, the only people not taking residents out of California. Everybody else is. We were investigated on two charges of aiding and abetting, and frankly, we were, I felt as though we were more penalized because we happened to have our business running in the state of California as opposed to not in the state of California. The first had to do with that we were transmitting a wagering transaction to somebody, that being the license entity in the state of Pennsylvania, at the time it was Ladbroke, and according to California law because we were receiving a commission to that, a law that was established in the 1930s that we may have been in violation of that law. Where we ended is that no one admitted any wrongdoing and there was a civil settlement; as part of that agreement we agreed not to take California residents. That's where we ended up. And the second law that we were investigated was a very similar 1930s bookmaking law. It's important to note that that was the L.A. district attorney's office. Mr. Garcetti was not the state of California.

Towslee: Very good. And the situation in Oregon, you do not have those same problems if you were to move your, same issues if you were to move your operation here?

Luniewski: No, Mr. Chair, because in the state of Oregon you guys have regulations and laws that allow hub operations to occur and accept wagers. We view you as similar to what we're doing in Pennsylvania.

Towslee: Any other questions? Do we need a motion?

Barham: Nope.

Towslee: Very good.

Luniewski: Mr. Chair, thank you.

Towslee: Thank you.

10. NTRA Services, LLC Hub Operations Update

Roger Nyquist reviewed with the commission their first quarter 2001 Oregon hub activity report.

11. Final Orders by Default

a. Alan Murray (two orders)

ACTION: MOTION(Gilmour) Approve both Final Orders by Default for Mr. Murray as submitted.

VOTE: 3 Aye, 0 Nay, 2 Excused

b. Anthony Canady

ACTION: MOTION(Metcalfe) Approve Final Order by Default for Mr. Canady as submitted.

VOTE: 3 Aye, 0 Nay, 2 Excused

12. Legislative Update

Steve Barham directed the commission's attention to a handout which listed bills he is currently tracking.

SB 755 was put in by Sen. Metsger dealing with internet gambling and use of credit cards. An amendment was added to the bill which included the exemption of activities licensed by the Oregon Racing Commission. It passed the senate and is in the house waiting for a hearing. Mr. Barham went on to say the other bills didn't appear to be going anywhere other than HB 5037, the agency budget bill, which is through the house and has had second reading in the senate.

13. MGP/OGA Adoption Group Endorsement Policy

Steve Barham stated the adoption program is basically the responsibility of Multnomah Greyhound Park and the Oregon Greyhound Association. In having done such an extraordinary job in operating the program along with the assistance of the adoption groups, it has been nationally recognized by the National Greyhound Association as a model to emulate. In their efforts to continue to make improvements in the program, MGP and the OGA implemented a written adoption group endorsement policy. While they do not need commission approval on this policy, Mr. Barham stated it was at his suggestion that the policy be placed on the commission agenda for commission endorsement. Letters of support of the policy were received from two of the adoption groups, Homes for Hounds and Greyhound Pets of America/Emerald Pacific Chapter.

Carl Wilson, MGP, came forward to respond to a question by Chair Pro Tem Towslee regarding wording in the policy that an adoption group not being in opposition of the greyhound racing industry. Mr. Wilson responded by saying it is difficult if MGP/OGA as administrators of the program to work with a group that is opposed to the industry entirely. The groups and their volunteers are asked not necessarily to be supportive, but are asked to be neutral toward the industry as a whole. Commissioner Metcalf stated there are too many people involved in what they consider to be ethical treatment of animals. If, however, the adoption groups cannot support the industry, the commission doesn't want them thinking they're doing something good when actually they have no idea what they're getting into. In saying that, she supported that the adoption groups must not be in opposition to the industry. Mr. Wilson stated they encouraged the adoption groups to avoid the use of the word "rescue" because nobody has to rescue a greyhound in the state of Oregon. Gayle Shriver, HFH, spoke to the item dealing with sterilization by stating it is very critical that dogs are either spayed or neutered prior to being placed into their adoptive homes. She also thanked MGP, the breeders and owners for making this program possible for the adoption groups.

On behalf of the commission Chair Pro Tem Towslee congratulated MGP and the OGA for all the great work they have done. Steve Barham recommended the commission endorse the policy.

ACTION: MOTION(Metcalf)
VOTE:

Endorse the adoption group endorsement policy.
3 Aye, 0 Nay, 2 Excused

14. Josephine County Fair 2001 Race Meet Application - June 16, 17, 23, 24, 30; July 1, 4, 7 and 8

Al Westhoff stated JCF had actually been approved for a potential of 16 days of racing, however, the application is for only 9 days of racing. Steve Barham recommended approval.

ACTION: MOTION(Metcalf) Approve race meet application and delegate authority to the executive director to approve the one remaining race meet official and any changes in race meet officials.

VOTE: 3 Aye, 0 Nay, 2 Excused

15. Magna Entertainment Corp. 2001-2002 Race Dates Request for Portland Meadows

Scott Daruty, Vice President & General Counsel, and Ronald Volkman, Director, Magna Entertainment Corporation, presented their request for live race dates for Portland Meadows commencing on October 18, 2001 and concluding on April 27, 2002. Simulcasting would commence on October 17, 2001 and conclude on April 28, 2002. Mr. Daruty also provided the commission with some background on Magna Entertainment and that they have an arrangement with Tom Moyer to run the racing operations at Portland Meadows. He then gave a brief overview of their long range goals for the continuation of horse racing in Oregon. Steve Barham stated since the commission has a letter of intent between Mr. Moyer and Magna Entertainment regarding the operation of Portland Meadows, he recommended the commission approve the race dates request subject to the receipt of an executed lease and the receipt and approval of an application for issuance of a race meet license by the commission.

ACTION: MOTION(Gilmour) Approve the race dates request subject to the receipt of an executed lease and the receipt and approval of an application for issuance of a race meet license by the commission.

VOTE: 3 Aye, 0 Nay, 2 Excused

There being no further business, the meeting was adjourned.