

# NATIONAL NEWS

Friday, May 26, 1995 DAILY RACING FORM

## IN BRIEF

### Texas likely to get OTBs

AUSTIN, Texas - Off-track betting - considered by many to be the ultimate salvation of Texas' struggling racing industry - moved one step closer to reality on Tuesday when a bill that would mandate OTB parlors received tentative approval by the Texas Senate. The measure was scheduled for a final Senate vote on Wednesday and, if approved again, will proceed to the House for a possible vote this weekend. (House members also tentatively endorsed the bill in an earlier vote.)

Under the proposed legislation, up to 40 OTB parlors could be established in Texas - a maximum of five facilities for each of the state's five horse tracks and

three dog tracks. All OTB sites would have to be located within a 75-mile radius of a sanctioned pari-mutuel track, and in counties where pari-mutuel wagering was approved.

The bill would permit "cross-species" simulcasting (allowing both greyhound and horse racing signals to be received at all locations), but a local-option vote would be required in the home county of each track and OTB parlor before cross-species simulcasting could be conducted.

Also included in the bill's current wording: automatic teller machines on track premises, and on-site sales of state lottery tickets.

- Anne Lang

DAILY RACING FORM Saturday, May 27, 1995

## TEXAS

### OTB bill gets Senate OK

AUSTIN, Texas - Legislation that would allow off-track betting in Texas received final Senate approval on Thursday, with the bill scheduled to go back to the House either later that day or early Friday. If the House approves the bill as amended, it will go straight to the governor's desk for a signature.

One of the amendments that was added between the initial House and Senate approval requires a local-option vote on cross-species (greyhounds and horses) simulcasting in all counties where on-track and off-track betting is conducted.

If there is any disagreement with the bill as amended, a conference committee will meet to formulate a compromise version. The deadline for submitting a final altered version is midnight on Saturday.

- Anne Lang

Thursday, June 1, 1995 DAILY RACING FORM

## TEXAS

### OTB measure dies in House Dealt a two-year setback

By ANNE LANG

Special to Daily Racing Form

AUSTIN, Texas - The somewhat troubled Texas racing industry will have to struggle along for at least another two years without the aid of off-track betting. A measure that would have allowed two OTB parlors per track (within a 75-mile radius of each) died on Memorial Day weekend, which marked the final days of the 1995 Texas Legislature.

Earlier in May, the bill had gained first-round approval in both the Senate and House. Upon its return to the Senate, an amendment was added that would have required approval by the host track, horsemen's group and/or state breed associations before greyhound simulcasting could be conducted at horse tracks and at each track's respective OTB sites. (Greyhound facilities would have had to approve receiving horse racing signals, as well.)

Other added provisions called for automatic teller machines on track premises, and on-site sale of state lottery tickets.

Back in the House, the bill's changes were not unanimously accepted, which led to the formation of a conference committee (consisting of an equal number of lawmakers from both chambers). A compromise version was submitted to the House shortly before the midnight deadline on May 28 - but effectively died as the result of a filibuster.

"This is definitely a setback for all of us," said Dr. Steve Hicks, second vice president of the Texas Thoroughbred Association. "I hope the failed OTB bill doesn't kill progress on Lone Star Jockey Club (a planned large-scale track in the Dallas/Fort Worth area).

"I'm also concerned about breeders who might want to get out of the business - if breeding activity starts falling off, it's going to have a negative impact on a major grass-roots element of the industry.

"But the Texas picture certainly isn't all bad. Things are looking up at Sam Houston Race Park, with greatly increased purses. And Retama Park's handle should continue to improve as local bettors become more familiar with wagering. We shouldn't lose hope for survival."

## NATIONAL NEWS

### IN BRIEF

## Retama to cut purses

SAN ANTONIO - Just a month after opening, Retama Park officials are expected to announce a purse cut of at least 10 percent. Initial daily purse distribution was set at \$72,000, but handle figures have failed to meet projections through the first 16 days of the 111-day meet.

The track has averaged around \$550,000 bet per race day on its live and simulcast cards. Bob Quigley, president of the track has said Retama has lost about \$300,000 since opening and needs to average close to \$700,000 to

meet projections.

Management is also discussing cutting back its five-day raceweek and lowering purses on its \$1.7 million stakes schedule.

This meet is considered to be a pivotal one if the envisioned three-track Class 1 Texas circuit is to become a reality.

Partially because of Sam Houston Race Park's troubles (see related story below), plans have been delayed for building a third Class 1 track, Lone Star Park, near Dallas-Fort Worth.

- Anne Lang

## Sam Houston hearing in limbo

Acting on behalf of several state agencies, the Texas attorney general's office on Monday filed a motion to transfer to Texas the bankruptcy proceedings of Sam Houston Race Park. The hearings currently are scheduled to take place in Delaware this summer.

Sam Houston's leaders have said they filed for bankruptcy (on April 17) in Delaware because the Houston-based track's bondholders all are based in the East. On May 1, Texas racing commissioners agreed to hold off taking sides on the issue until the attorney general issued an opinion, which

subsequently came in the form of the motion - filed this week on behalf of the racing commission, the Texas Comptroller of Public Accounts and the Texas Employment Commission.

Asked if track executives will agree to move the proceedings to Texas, Sam Houston president James Noteware replied: "No, we're going to leave that decision in the hands of the court."

The motion, which has been consolidated with the motion of Pearson's group, is scheduled for a May 16 hearing in Delaware bankruptcy court. - Anne Lang

## Sam Houston case sent to Texas

A Delaware judge Tuesday ruled that bankruptcy proceedings for Sam Houston Race Park will take place in Houston instead of the originally designated state of Delaware.

In April, Sam Houston officials filed for bankruptcy in Delaware since the track's bondholders all are located in the East. But a group of Sam Houston's limited partners and former management team members subsequently filed for a motion for a change of venue to Texas.

Once the order is signed, Sam Houston leaders have 10 days in which to appeal the ruling.

- Anne Lang

## SAM HOUSTON

# Change of venue requested for bankruptcy

By ANNE LANG

Special to Daily Racing Form

AUSTIN, Texas - Sam Houston Race Park's bankruptcy proceedings, tentatively scheduled to take place this summer in Delaware, will instead be held in Texas - if a group of the track's limited partners and former managers have their way.

In the same Delaware court where current track leaders filed for bankruptcy on April 17, a group that includes former Sam Houston vice president of operations Ken Pearson, former general manager James Murphy and former management team member Robert Levy has filed a lawsuit requesting either a change of venue or a dismissal of the bankruptcy proceeding. A second filing for a change of jurisdiction was made by former Sam Houston president Robert Harter and former partners John McMullen and Gerald Holzman.

"We are outraged that they would try to ram this through the courts in Delaware," Pearson told members of the Texas Racing Commission at its open meeting on Monday. "Sam Houston Race Park is a Texas limited partnership, (track general partner) Maxxam Corp. is a Texas company, and all the involved racing regulatory agencies are in Texas. It only makes sense to hold the proceedings here, where the people who stand to win or lose from the outcome can closely monitor the situation."

Pearson's statements followed a presentation by Sam Houston president and general manager James Noteware, and track vice president for legal affairs Byron Wade, who explained that all of the approximately 35 Sam Houston bondholders are based on the East Coast. "We settled on Delaware for the bankruptcy

filing because (the East) is where the bondholders, our primary creditors, preferred to have it."

Pearson's intent was to convince commissioners to pass a resolution asking the Delaware judge for a change of venue or an outright dismissal. But commission staff counsel Paula Carter advised the panel to delay taking action on the issue until an opinion is submitted by the Texas attorney general, whose staff has promised to deliver a memo on the matter "as quickly as possible."

Noteware and Wade outlined the present status and goals for the future of Sam Houston, which opened in April 1994. Due largely to revenue and attendance figures that fell drastically short of projections, the track slipped increasingly deeper into debt during its first 12 months - resulting in the decision to seek bankruptcy protection under Chapter 11.

Wade said a debt restructuring plan, which has been agreed to "in principle" by about 78 percent of the bondholders, has resulted in several compromises - the most significant of which is a 50 percent reduction (to \$37 million) of the principal, with no cash interest to be paid for six years. Bondholders will receive more bonds in lieu of cash.

Bondholders further agreed, in principle, to a \$10 million package to be paid by Maxxam and the limited partners, if they wish, that includes a cash infusion of \$5.8 million, \$2.5 million for adjacent land acquisition at the track site, and a standby note of \$1.7 million.

"I don't know who's going to put up the money," Wade said. But a subsidiary of Maxxam, he stated, has guaranteed to pay whatever portion isn't contributed by the limited partners - even the entire \$10 million, if necessary.



PEARSON: Wants bankruptcy proceedings moved to Texas.

What the bondholders would receive, in turn, includes a one-third percent equity holding in the track, and the right to participate in any future Houston-based, Maxxam-related gaming ventures (such as a casino, if Texas laws eventually are changed to allow casino gambling). Also, Maxxam would defer its management fee until the third interest payment is made in full.

As for the roughly 21 percent of bondholders who didn't participate in the negotiations, Wade said, "It's not necessarily that they don't agree (with the restructuring plan), it's just that they didn't show up at the meetings."

A May 22 hearing date has been set for disclosure statements, and "our expectation is that by the time the thoroughbred meet starts in September - and maybe even before the quarter horse meet starts in July - we will have emerged from bankruptcy, be restructured, and be on our way down the road," Wade said. "Meanwhile, we've got a plan that

will ensure live racing will go on."

The track will apply incoming cash toward general operations, he added, and will make an effort to keep current on monies owed to horsemen, the state and accounts payable.

Noteware, who said Sam Houston has operated within its budget since January, stressed that "our operations have not been affected by the bankruptcy proceedings. We're not actually out of the woods, but considering where we've been, I'm very pleased with where we're going. We've been working smarter, doing more with less, and we've renewed our credibility with our bondholders."

Alluding to some negative press that has appeared, regarding Noteware's lack of racetrack experience, the subject said: "I plead guilty to (the lack of experience). But the continued criticism is insulting." He pointed out that numerous management-level Sam Houston staffers have extensive racetrack training and experience. "We're continuing to build our team, and we have many plans for the future."

On the revenue front, Noteware said he was pleased that the track's 109-day live thoroughbred meet that closed on April 2 with increased per capita wagering in the low \$70s and increased average daily attendance of 3,500. In two weeks of simulcasting since then, he added, Sam Houston has been handling a weekly average of \$1.7 million and has averaged 1,000 in daily attendance. The live quarter horse meet (which starts July 14) is expected to offer daily overnight purses in the \$22,000-\$29,000 range. Purses for the thoroughbred meet, which begins Sept. 28, will be at least that high, if not more, Noteware said.

"We've got a commitment to con-

sistent purse growth," he said, adding: "Our goals include offering a little less racing. This past year, we raced live during 10 out of 12 months, which means very little buildup and excitement for the fans. Also, we want to continue to promote simulcasting, fan education, patron service and better scheduling. Our biggest problem hasn't been inept marketing; it's been the cloud of doubt hanging over our future."

That future could remain cloudy indefinitely if the groups attempting to move the track's bankruptcy proceedings hold firm on their mission. And a change of venue isn't the only issue being challenged. Pearson, who filed in Delaware as part of Sam Houston Bond Group Ltd. (which represents \$6 million of the \$75 million bond package), refutes much of what Wade and Noteware said at the commission meeting.

While agreeing that these lawsuits could cause a significant delay in Sam Houston's reorganization progress, which in turn could adversely affect the current financing efforts of the Dallas/Fort Worth area's Lone Star Jockey Club, Pearson said: "Sure, we all want to see this resolved quickly. But this didn't have to happen. None of us expected to get 100 cents on the dollar, but to just get stiffed - for them to say, 'Sorry, you guys are out, your investments are worthless' - that's just unacceptable."

"So whether they want to hurry up or not, it isn't going to happen. We can tie this up in court for years, and we will. We are dead serious. We all want to see Lone Star get built, but if (new San Antonio track) Retama Park's numbers continue to hold up, then that will definitely help Lone Star - no matter what happens with Houston."