

MEETING MINUTES

OREGON RACING COMMISSION

January 17, 2008

The Oregon Racing Commission met on Thursday, January 17, 2008 at 1:30 p.m. in Room 1A of the Portland State Office Building located at 800 NE Oregon Street, Portland, Oregon. Commissioners in attendance were Chair Kerry Johnson, Vice Chair Stan Robson, Chris Dudley, and Charles Williamson. The governor has not yet appointed an individual for the vacant commissioner position created when Lisa Metcalf resigned on November 19, 2007.

Agenda items were discussed in the following order with resulting actions:

1. Approval of Agenda

The commissioners had no additions or changes to the agenda.

2. December 20, 2007 Meeting Minutes

ACTION: MOTION (Dudley) Approve minutes as submitted.

VOTE: 4 Aye, 0 Nay

3. Race Date Requests for 2008

a. Grants Pass Downs – Josephine County Fair

b. Eastern Oregon Livestock Show

c. Crooked River Roundup

d. Tillamook County Fair

e. Harney County Fair

ACTION: MOTION (Robson) Approve the race dates as requested.

VOTE: 4 Aye, 0 Nay

4. Racing 2 Day, LLC 2007- 2008 Application for Multi-Jurisdictional Simulcasting and Interactive Wagering Totalizator Hub License

Ben Hayes, Attorney, and Vincent Caldwell, Principal, of Racing 2 Day were present to answer questions. Information and discussions included the following:

They will not offer computer robotic wagering or a rebate program.

The international operating plan would be updated on a country by country basis and requested that the Executive Director be given the authority to approve those updates.

⇒ Gordon Tallman, ORC Supervisor of Account Wagering Hubs, stated that if the commission approved the application today it would be a conditional approval upon the following requirements being met: completion of all background checks; receipt of the active \$50,000 bond; verification of the segregated account for customer funds; installation of necessary equipment at the call center, US Off-track, and the Amtote Hub; testing of the operating and tote systems and

reports on their testing progress prior to launch; verification of their operating account and sufficient start up funds; and a source market agreement with Portland Meadows.

→ In response to Commissioner Dudley's question about the players' accounts, Executive Director Randy Evers provided clarification that Racing 2 Day had been very cooperative and had provided the information about the bank accounts and the account numbers so that, should the need arise, the ORC would have access to the players' account trust fund and would be able to verify that the money was there and consistent with the number of players that were betting. He added that based on the information Racing 2 Day had provided, the ORC had a much better assurance that the players' trust money was protected.

⇒ In response to Chair Johnson's questions, Mr. Hayes provided that if the commission approved their conditional license today that they would begin entering into contract agreements with the tracks named in the application. He also verified that they would only accept wagers from customers who reside in states that allowed pari-mutuel wagering.

⇒ Executive Director Evers recommended approval of the application once the conditions outlined by Mr. Tallman had been met and approved by the executive director.

ACTION: MOTION (Robson): Approve the application as submitted once all conditions as outlined had been met and approved by the executive director.

VOTE: 4 Aye, 0 Nay

5. AmWest Entertainment, LLC 2007- 2008 Application for Multi-Jurisdictional Simulcasting and Interactive Wagering Totalizator Hub License

Nelson Clemmens, CEO and Founder, and Amanda Anderson, Simulcast Administrator, of AmWest Entertainment were present to answer questions. Information and discussions included the following:

Offered to provide the ORC office with an administrative terminal which would allow the commission to track and monitor the wagers per player, per day. In addition to a player tracking system, they also have a wager recording system.

They will not offer computer robotic wagering, but will offer player rewards.

⇒ Gordon Tallman, ORC Supervisor of Account Wagering Hubs, stated that the commission's approval of the application today

would be conditional upon AmWest meeting the following requirements prior to launch: establish a call center in Oregon that meets all of the ORC standards; receipt of an active \$50,000 bond; verification of the segregated account for customer funds and ORC access to the account info directly from the bank; installation of necessary United Tote Hub equipment at the call center; testing of the operating and tote systems and reports on their testing progress; verification of their operating account and sufficient start up funds; and a source market agreement with Portland Meadows.

- ⇒ In response to Chair Johnson's questions, Mr. Clemmens explained that emailed and faxed wagers were a more limited way of transmitting wagers to the tellers versus the telephone and that those wagers had to be made in advance. He also verified that they would only accept wagers from customers who reside in states that allowed pari-mutuel wagering.

- ⇒ When Chair Johnson asked about the rebating program, Mr. Clemmens explained that the rebates were primarily governed by the rates that the tracks charged. Chair Johnson explained that the commission did not currently have a policy on rebating and was, therefore, hesitant to approve the rebate part of the application. She added that the commission intended to address this issue and computer robotic wagering in March.

- ⇒ Executive Director Evers, prior to recommending approval of the application, stated: "I've learned a little bit about ADW's and I'm kind of looking to the audience. Oregon's been doing this for quite a few years now and I think it's been an emerging technology and an emerging way of wagering. I think it's time for the new commissioners and the executive director to kind of step back and take a look at where we are today and see if any changes are appropriate. The two things that I often hear in a variety of venues are: computerized robotic wagering and rebating. We do not have a policy right now. We have companies that do computerized robotic wagering and we have companies that do anything from what I would call, almost a customer loyalty kind of a reward to fairly significant rebating. I think we do need to come back in March and my plan, I think the commissioners are going to find this out, is to really dedicate the March meeting to education about ADW's including a tour of a couple of ADW's in Oregon in the morning and then coming and having a good discussion about rebating, computerized robotic wagering, where the players' trust account should reside, in state or out of state, and how much actual business activity should be physically in the state of Oregon. I think those are all policy questions. That said, we do have companies that offer rebating programs today. This application goes through June 30th. I think you could approve

this application today and then as we develop our policy when all those applications come back the first of July, hopefully, we would have a policy in place and we can apply that to everyone equally. So, saying that, I would recommend approval of the application as long as the conditions are met to the approval of the executive director.”

- ⇒ In response to Commissioner Dudley and Commissioner Williamson’s questions, Mr. Clemmens confirmed that the rebates were paid out of the company’s profits.
- ⇒ Gordon Tallman, Supervisor of Account Wagering Hubs explained that the account wagering companies licensed in Oregon primarily use the term player rewards versus rebate. “Rebate kind of got to be a dirty word in the industry at one point in time and to a degree there’s still that perception. Nonetheless, player rewards are based on the dollars wagered by the customer just as a rebate is. The difference is, though, that a rebate, because it is dealing with a higher volume player, is often a much greater percentage of that take out than what a player rewards typically would be.”

ACTION: MOTION (Robson) Approve the application as submitted once all conditions as outlined had been met and approved by the executive director.

VOTE: 4 Aye, 0 Nay

6. Allocation of Hub Funds for 07- 09 Biennium

Hub fund request applications were submitted to the commission by the five summer fair meets, the Oregon Greyhound Association, the Oregon HBPA, the Oregon Quarter Horse Racing Association, and the Oregon Thoroughbred Owners and Breeders Association, Inc. Additional information and discussions regarding those requests were as follows:

1) Summer Fair Meets – Jerry Underwood, Manager of Tillamook County Fair, and Carol Morgan, Program & Administrative Coordinator for the Oregon Racing Commission, were present to answer questions.

Ms. Morgan provided a history of the allocation of Hub funds: The ADW’s came to Oregon at a time when the summer fairs that held race meets were financially struggling. Hub funds were then allocated to help support those fairs which would also aid the live racing industry in Oregon and help the fair meet communities. To date, the Hub funds have been utilized to assist the fair meets by providing the funding for the following: purse supplements, video and photo finish, jockey incentive program, summer racing secretary, portion of jockey insurance, up to \$2,000/day towards purses when matched by the community.

Mr. Underwood spoke on behalf of the five summer fairs and explained that they had met last Saturday at the Oregon Fairs Convention in Salem and that they were all very appreciative of the commission’s support over

the past few years. Last year, all five fairs had one of their best meets ever. He stated that they all understood that there were only so many dollars and they recognized that when the commission distributed those funds that the primary importance was the survival of live racing in Oregon for everyone, not just the summer meets. He explained that while Tillamook was requesting funding to assist in the re-building of their grandstand, which had been condemned and then torn down in September, he asked that the commission distribute the funds to keep all of the race meets operating. He added that if some of the fixed costs could continue to be covered, they would find other ways to fund the capital improvements.

The fair meets requested the following fixed costs:

Crooked River Roundup - \$95,460

Eastern Oregon Livestock Show - \$58,795

Harney County Fair - \$46,495

Josephine County Fair - \$224,685

Tillamook County Fair - \$63,895

Also requested, were the ORC's continued funding of the \$35,000 jockey incentive program, possibly increased to \$40,000, and the \$52,000 jockey insurance premium.

2) Oregon HBPA – Jim Fergason, President and Dick Cartney, Executive Director were present to answer questions.

The summer stabling and training program at Portland Meadows was a very important program for the Oregon horsemen. When the commercial race meet ended, the horsemen needed a place to go as many did not race outside of Oregon and there were very few other track facilities available that could meet their needs for training. The first request of \$72,917.50 was for the summer stabling at Portland Meadows in 2007, which was already spent, and the second request of \$75,000 was for the summer stabling at Portland Meadows for 2008. To date, Portland Meadows had not agreed to open the barn area for the horsemen to use this year.

The other funds requested were for programs that benefited the fair meets, primarily Grants Pass, as follows:

Matching Fund Incentive of \$2,000 Per Day – Requested that the ORC fund \$5,000 and the OHBPA would match that \$5,000 so that each fair could receive \$2,000 to go toward a special stakes race.

Shipping to Grants Pass Program – Requested \$6,000 for 2008 and \$6,000 for 2009 with the horsemen covering the balance of the expense. The distance and cost of shipping to Grants Pass was an issue for the horse owners and this program was created to assist them with their expenses and to keep the Grants Pass race meet successful. Anyone was eligible to receive the funds as long as they were located 35 miles

away from the track and their horse would race at the meet.

Portland Meadows 2008-2009 Race Meet – Requested \$240,000 for purse supplements based on 600 races run at Portland Meadows at \$400 per race.

Portland Meadows Stakes Supplements – Requested \$40,000 to go toward the Portland Meadows Mile, \$25,000, and the Portland Meadows Derby, \$15,000.

- ⇒ In response to Commissioner Dudley's questions about the summer stabling program, Mr. Cartney stated that with the help of the hub funds, the horsemen's cost to stable a horse at Portland Meadows was \$2.50 per day, per horse, which was about \$75.00 per month. He explained that it had been his experience that if the cost went up, people started leaving. He added that on average, there were 200 horses stabled there during the summer over the last few years. He stated that the summer stabling program also benefited some of the fair meets, particularly Grants Pass, Prineville and Tillamook, because it allowed the horses to be at a training center so that they were ready and available to ship to and from the other fair meets. Mr. Cartney further explained that if Portland Meadows did not agree to open the barn area to the horsemen this year, Grants Pass might open their barn area early and possibly cover some of that expense; Grants Pass can house about 300 horses.
- ⇒ Mr. Ferguson added that if Portland Meadows did not open for training this summer, it wouldn't be profitable for the horse owners to keep their horses because they wouldn't be able to get them ready to race; many of the horses would be sold.
- ⇒ When Commissioner Dudley asked for a clarification on the order of importance for the funds requested, Mr. Cartney responded that the priority would be purse supplements for Portland Meadows 2008-2009 Race Meet, the summer stabling program, the shipping and stakes supplements for the fairs, and then the funds for the Portland Meadows Mile and the Derby.

3) Oregon Quarter Horse Racing Association – Jackie Phillips, Chairman, and Leah Nelson, Executive Secretary, were present to answer questions.

Ms. Nelson stated, "We are requesting funds that are targeted towards maintaining and building live racing at Portland Meadows and the summer fair meets. This request is aimed directly at creating better purses for horsemen because without adequate purse structure, racetracks do not have an attractive product to attract the public and

horsemen don't have an incentive to breed, raise and own quality horses."

Reviewed the application previously submitted to the commission that requested funds for purse enhancements, cash bonus programs, specific stakes races run from October of 2007 to June 2009, and an insurance premium partial payment for the Triple Crown Race in 2008.

Items that required the commission's immediate commitment were the purse enhancements and Oregon Bred Cash Bonus for Portland Meadows for January to March 2008, the Oregon Bred Cash Bonus for the summer race meets, the stakes races for Grants Pass, the first quarter 2008 overnight handicap races, the Triple Crown insurance premium partial payment, and the \$5,000 for the Far West Futurity in the fall of 2008. The total request was for \$58,400.

4) Oregon Thoroughbred Owners & Breeders Association, Inc. – Gay Welliver, President, Ursula Gibbons, Executive Director, and Brandy Stoeckinger, New Executive Director, were present to answer questions.

Ms. Welliver stated, "I don't envy you. You are all in the unenviable position of determining the allocation of a finite amount of money between the horsemen's groups that are all deserving and desperately in need. Those of us asking for funds come as individual groups, but our common goal is the racing in the state of Oregon. It needs to survive for all of us and so we are codependent on each other to a degree. With that said, I ask that you don't put the cart before the horse. Without horses, there's no horse racing. Simulcasting and satellite wagering have drastically reduced the breakage and handle that by statute, statutes supported the breeders and the owners in this state. The declining foal crops prove that things are getting more and more difficult for the breeders to stay in the business. Everyone depends on the horses. Horses come from breeders. It takes half a second to make a wager; it takes half a second to print a lottery ticket; it takes three years to make a two year old race horse. With that thought in mind, the Oregon Thoroughbred breeders have come up with some innovative ideas to stimulate the breeding industry and to help keep the whole industry alive in this state."

Requested funding in \$60,000 quarterly allotments with details of how the funds would be used, including the following: breeder award supplements for the 2007-2008 Portland Meadows Meet; a new Oregon-bred Foal Incentive Program; purse supplements, owner bonus and breeder awards for the 2008 summer fair meets; and for the 2008-2009 Portland Meadows Race Meet: matching nomination fees for purses of OTOBA sponsored stakes races, increased purses for the Oregon-bred races, increased purses for the OTOBA sponsored stakes races, a sale bonus match, a 10% purse increase for each overnight Oregon-bred race, and a matching nomination fee for the OTOBA stallion stakes race.

Chair Johnson explained that she had appointed a sub-committee which would be chaired by

Commissioner Robson and made up of members including herself and Executive Director Evers to deal with these hub requests. The funds would be allocated at the February commission meeting.

Commissioner Robson stated, "Again, being new to this budget process, it's been one of frustration in the short time that we've had it. The only other time we've dealt with it was our very first meeting – we got thrown a heck of a hard ball in that it was bittersweet in not having monies that were promised to divvy up. With the requests that are going on now, we're still a quarter of a million dollars short meeting all of the requests so far.

We're hoping to generate a different philosophy, if you want to call it that, in setting things down to where you're going to know what to expect. This bit about maybe something's going to come down the road or if something happens this is going to come down the road. I don't think it's fair to any of your organizations to have that wonder as to what's going to be here and what's not going to be here. Unfortunately, we're going through this process. There is going to have to be some hard decisions – there are some hard decisions to be made to come into compliance with that \$250,000 shortfall. But, we'll try to make that as soft as we can so that we hope that we can work it to prioritizing things.

I think the industry itself needs to look at prioritization as to really what do you need to move the industry on. I've heard some really good comments today, but I've also heard some things that give me some question as to where are your priorities in being able to really enhance horse racing in Oregon. I think that what happens sometimes that maybe two or three years in a row you're giving these particular funds to fund a particular project or process that isn't really strongly horse racing related. And, it becomes an expectation, kind of a culture gets developed and an expectation for certain funding lines. Excuse me for the analogy, but I was on the Lottery Commission for four years and that very thing happened there. A culture was allowed to develop where as an expectation that certain funds were going to come in. And then - that was a twelve year period - and then all of a sudden when new contracts were let out, significant cuts were made.

We're trying to put together something that's legitimate for horse racing and you folks. Certainly, we're going to be contacting you as to some of the direction that we need to go. But, just to throw money different ways, that was very frustrating to me in October. We were throwing a quarter here and a dime there and a nickel here and a lot of it didn't make sense. It was just trying to fulfill promises that were made in the past. Prioritization certainly is going to be the key right now. I think that there are some funded areas that need to be looked at significantly, that we can be better stewards of the money by looking at these things and maybe eliminating some of the expectations that have happened in the past, but be progressive in trying to make horse racing go where it should go.

Bear with us. It's going to take us this month to hash through things to come back in February with some strong recommendations or with Director Evers direction, too, we'll have some recommendations to go forward with approving this budget. Now, I understand with one organization needing to have some answers today. I don't know how we want to address that. It puts us in a hard spot when one gets some attention, but I also understand that you do have an immediacy in having to know where you're at so you can move forward."

⇒ Leah Nelson, Executive Secretary, Oregon Quarter Horse Racing Association, requested a commitment of \$3,000 for the partial payment of

the insurance premium for the Triple Crown race. She explained that it should have been purchased last month. In response to Commissioner Williamson, she agreed that it would also be very important to also receive the purse enhancements for the Portland Meadows January to March races in the amount of \$11,200.

ACTION: MOTION (Williamson) Approve the requested \$14,200 for the insurance premium and the purse enhancements.

VOTE: 4 Aye, 0 Nay

Vice Chair Robson stated, "I just wanted to make it clear that even though we really, really want to be fair here, I do want to say there are no sacred cows, unfortunately. We are going to have to be fair across the board and that's what are drive will be. Please bear with us that we're going to do the best we can to make this as comfortable as we can."

7. Portland Meadows Race Meet Report

Will Alempijevic, Director of Wagering and Guest Services, Portland Meadows, and Jerry Kohls, Manager of Racing/Racing Secretary, Portland Meadows, were present to answer questions. Information and discussions included the following:

Oregon all product on-track wagering was up almost four percent and the OTB network was up six percent compared to last year at this time. Total wagering on Portland Meadows races only (which includes other jurisdictions betting on PM products) were up with an overall average of \$452,000 per race day; up 26.51%.

As of Sunday, they had run 377 races compared to last year's 353 races; the average field size of 7.58 compared to 7.53; currently have 725 horses on the grounds compared to last year's 749 horses; daily average purse pay-out gross was \$48,793, last year's was \$43,000; up 13%.

At this time, the commission entered into executive session and upon their return continued the meeting with the next agenda item:

8. Confirmation of Next Commission Meeting – February 13, 2008

All commissioners indicated that they would be present at the Wednesday, February 13, 2008 meeting. Chair Johnson announced that the commission intended to hold this year's August meeting in Tillamook, Oregon.

9. Direct Staff to File Permanent Rules on OAR 462, Division 160 (24 Hours Prior to Post)

ACTION: MOTION (Robson) Staff to file permanent rules on OAR 462, Division 160, 24 hours prior to post.

VOTE: 4 Aye, 0 Nay

10. Public Comment

⇒ Roger Nyquist, of Albany, Oregon, requested that the approval of the AmWest Entertainment, LLC Hub License Application reflect that it was not precedent setting regarding the direct cash rebating policy and that it was only temporary.

ACTION: MOTION (Williamson) The approval of the AmWest application in regards to rebating was not a precedent setting allowance and could be changed upon a policy review scheduled for March which would be reflected in the requirements for all ADW license renewals due in June.

VOTE: 4 Aye, 0 Nay

⇒ Leah Nelson requested permission to distribute the 2007 Breeders Awards to those owners whose Oregon Bred horses earned money at the 2007 summer race meets.

ACTION: MOTION (Williamson) Approve the distribution of the 2007 Breeder Awards.

VOTE: 4 Aye, 0 Nay

There being no further business, the meeting was adjourned.