

MINUTES

OREGON RACING COMMISSION

June 7, 2007

The Oregon Racing Commission met on Thursday, June 7, 2007 at the Eastern Oregon Livestock Show Club House located in Union, Oregon. Commissioners in attendance were Chair Jeff Gilmour, Vice Chair Todd Thorne and via telephone, Kerry Johnson and Julianne Davis. Commissioner Lisa Metcalf was excused.

Nate Jacob, EOLS Director & Mutuel Manager, welcomed the Commission and all attendees to Union and the 100th Annual Eastern Oregon Livestock Show.

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

1. May 17, 2007 Minutes

ACTION: MOTION (Thorne) Approve minutes as submitted.

VOTE: 4 Aye, 0 Nay, 1 Excused

2. Tillamook County Fair Summer Race Meet Officials, Take Outs, and Bute & Lasix

ACTION: MOTION (Thorne) Approve application as submitted with authority delegated to Interim Executive Director Gordon Tallman to approve any changes in officials.

VOTE: 4 Aye, 0 Nay, 1 Excused

3. Sub-Committee Update Reports

No updates.

4. Executive Director Search Update

Tabled until next meeting.

5. Confirmation of Next Commission Meeting – July 19, 2007

Commissioner Thorne stated that he may not be able to attend, but all other Commissioners would be at the July meeting.

6. Legislative Updates

Dick Cartney, Executive Director, Oregon HBPA, provided an update on the following:

a) **Senate Bill 439**, 24 hour medication rule, passed both the Senate and the House Committee and is waiting to be signed by the House Speaker and the Senate President before going to the Governor.

⇒ Interim Executive Director Tallman added that the bill was signed by the Senate President on June 5th, 2007.

b) **Senate Bill 441**, one-third hub fund money, remains with the Ways and Means Committee.

c) **Senate Bill 747**, the cash voucher bill, was signed by the Governor approximately a week ago.

7. OTOBA Request for Approval to Pay Out Oregon Bred Thoroughbred Owners' Bonus and Breeder Awards Earned During 2006-2007 Portland Meadows Race Meet

Ursula Gibbons, Executive Director, OTOBA, and Gay Welliver, Vice President, OTOBA, were present to answer questions. Information and discussions included the following:

The final reports will be submitted to the Interim Executive Director very soon. Oregon Breds earned over 1.35 million in purses this past race meet. The owner bonus to pay out was the same as last year. The percentage

Requested approval to use \$20,000 that was previously provided from Hub Funds to supplement purses during the 2006-2007 Portland Meadows Race Meet, but have \$20,000 remaining. They would like to add the \$20,000 to the owner bonus pool that will be paid out. They also offered Grants Pass approximately \$1,000 to supplement any will also supplement any Oregon Bred races that they're able to fill, and if they don't that money would also be added to the owner bonus also.

Three options were presented:

1. Straight payment of the owner bonus according to statute.
2. Payment of the owner bonus plus the \$20,000 from purse supplement money not used during the 2006-2007 Portland Meadows Race Meet.
3. Payment of the owner bonus plus the Hub fund purse supplements requested by the Joint Horsemen Committee last September that the Commission agreed to pay out as long as the money was available. The funds, \$45,360 before paying out the owner bonus and breeder awards in July.

⇒ Interim Executive Director Tallman recommended approval of option one, the standard payout, and option two, which involved money that was already paid out. However, he did not recommend pursuing option three at this time as there is no way of knowing if and when the funds will be available.

ACTION: MOTION (Thorne) Approve option two for disbursement for the Oregon Bred Thoroughbred Owners' Bonus and Breeder Awards and to delegate authority for the final numbers to the Interim Executive Director.

VOTE: 4 Aye, 0 Nay, 1 Excused

At this time, the Commission entered into Executive Session and upon their return continued the meeting with the following agenda item:

8. AmericaTab, Ltd. 2007-2008 Application for Multi-Jurisdictional Simulcasting and Interactive Wagering Totalizator Hub License

Ben Hayes, representing AmericaTab, Ltd, was present to answer questions. Information and discussions included the following:

There were no major changes to the application or the operating agreement.

⇒ In response to Vice Chair Thorne's questions, Mr. Hayes verified that they have a separate account dedicated for the players' monies; that

they had a source market agreement in place with Portland Meadows; and that pari-mutuel wagering is legal in the states where they have customers; and that

⇒ In response to Commissioner Johnson's concern, Mr. Hayes stated that they have no plans to utilize robotic wagering.

⇒ Gordon Tallman, Interim Executive Director, recommended approval of the Hub license application.

ACTION: MOTION (Thorne) Approve application as submitted.

VOTE: 4 Aye, 0 Nay, 1 Excused

9. Churchill Downs Technology Initiatives Company dba Twin Spires 2007-2008 Application for Multi-Jurisdictional Simulcasting and Interactive Wagering Totalizator Hub License

Brad Blackwell, Vice President, Twin Spires was present to answer questions. Information and discussions included the following.

The Commission approved their first application in March, 2007 which was in compliance with all of the new Hub rules. This application was essentially the same.

They had a bond in place; had a source market agreement with Portland Meadows; and pari-mutuel wagering is legal in the states where they have customers.

⇒ Commissioner Johnson asked if they had plans to use robotic wagering to which Mr. Blackwell replied that they did not.

ACTION: MOTION (Johnson) Approve application as submitted.

VOTE: 4 Aye, 0 Nay, 1 Excused

10. International Racing Group (IRG) 2007-2008 Application for Multi-Jurisdictional Simulcasting and Interactive Wagering Totalizator Hub License

Lonny Powell, Vice President of Public Affairs, Youbet.com; Lou Tavano, General Manager, IRG; and Michael Robertson, Manager of Regulatory Affairs, Youbet.com were present to answer questions. Information and discussions included the following:

There were no major changes to the application or the operating agreement.

They had a bond; a segregated customer account; a source market agreement in place with Portland Meadows and the horsemen; and pari-mutuel wagering is legal in the states where they have customers.

⇒ Gordon Tallman, Interim Executive Director, provided that, in compliance with the new Hub rules, IRG will have a business office located in the State of Oregon by July 1, 2007.

They did offer a limited line of computerized robotic wagering (CRW), but it did not access the tote directly.

- ⇒ Interim Executive Director Gordon Tallman explained that IRG had been allowed to have a testing period and a very limited number of customers utilizing robotic wagering and that IRG has agreed to not expand nor add any additional CRW customers until the Commission had an opportunity to adopt some rules regarding computerized robotic wagering.
- ⇒ In response to Chair Gilmour's request for a clarification, Mr. Powell explained that the customer didn't access the tote feed directly as they used to do in the old classic definition of CRW, but had to go through an interface.
- ⇒ Chair Gilmour asked how the wager is monitored, to which Mr. Tavano explained: "A multi-layered system in between the customer and the tote, we have, actually, two servers through which the wagers go through. One is a server at which the account holder, the amount of the wager, the race and all of the technical data is verified. And then, the wager then passes through a second server in the central computer servers that are located adjacent to the central computer in Woodland Hills [CA], the Yobet facility, where the wager is then channeled to, and I'm not a technologist, channeled to the appropriate line into the tote."

→ Interim Executive Director Tallman added: "It's in essence set up very similar, if I'm not mistaken, to the same way that other Yobet customers' wagers are processed with regard to how it's linked and how it's sent on to the tote."

Mr. Tavano further stated: "It's a system that is monitored every moment that wagers are processing through the system into the pools at the track by live technicians who are experienced in the programming of the system."

→ Mr. Powell added: "All of the information involved and access is provided to ORC. Gordon has had the most experience with it. We've had two on-site visits by ORC staff and we don't conduct it unless we have the host track approval. We're the first ones, to our knowledge, that have either asked for host track approval or even disclosed this activity which goes on throughout the country in virtually every pool. But, that was something we chose to do when we came before the ORC a year or two ago."

Mr. Tavano explained: "I was just going to complete something Lonny had brought up. And that is: Since the test began, some 15 or 16 months ago, we've received the written consent of 57 individual tracks into which to conduct this robotic wagering. So, it's been a pretty uniformly accepted model; well received by the tracks."

- ⇒ In response to Vice Chair Thorne's question about whether the new CRW interface could prevent bettors from allegedly dumping last minute bets into a pool, thus changing the odds of that pool, Mr. Tavano replied:

“The interface being used does not specifically prevent any timing which is at the option of the computer robotic wagerer. But, our wagerers, - you know, we’ve been asked twice about late odds changes in the 15 months that we’ve been operating the system and in each time we’ve cooperated with the regulatory authority and they were unable to determine that anything that IRG was doing had anything to do with the late odds changes. As a practical matter, it serves none of our robotic wagerers any benefit to do business in that manner. The one that I’m familiar with that takes place down on the island, they have a program that channels the wagers across the technology into the pools over an expanded period of time, specifically to avoid any late odds changes that would adversely affect.”

⇒ → Mr. Powell added: “If I might, Commissioner Thorne, a little tip of the hat has to go to the tote industry in that the totes have advanced enough over the last few years. In particular, that late odds changes, whether they relate to CRW or just pool mergers, and changes of odd cycles have all been improved dramatically because of the emphasis on that on the tote end of the business.”

⇒ In response to Commissioner Johnson’s question as to whether the tracks that are utilizing CRW’s have the approval of the regulatory bodies that govern them, Tavano replied: “I can only assume that the tracks in granting their approval are acting in compliance and in conformity with the regulations that govern them.”

→ Mr. Powell added, “I can shed some light on it just from having been, also, a formal regulatory person. Is there’s virtually – hardly any states in the country have any rules one way or the other, when it comes to CRW, but when it comes to the matter of a simulcast approval, anytime Youbet’s used as a simulcast outlet, or whether it be, you know, Hollywood Park as a race track or a New York OTB, the track that is doing that contract, it is expected of them to have whatever necessary regulatory approval they need as well as horsemen’s approval. That’s how simulcasting and simulcast contracts work.”

→ Interim Executive Director Tallman further added: “I would hazard a guess that other states operate in a similar manner to Oregon with regard to simulcast contracts. We do review them, so the notification in the simulcast contract that CRW will be taking place should certainly be known to the regulators if they are in fact reviewing the simulcast contracts.”

ACTION: MOTION (Thorne) Approve application as submitted with the understanding that that they will not expand nor add any additional CRW customers until the Commission has adopted rules regarding computerized robotic wagering.

VOTE: 4 Aye, 0 Nay, 1 Excused

11. Youbet.com, Inc. 2007-2008 Application for Multi-Jurisdictional Simulcasting and Interactive Wagering Totalizator Hub License

Lonny Powell, Vice President of Public Affairs, Youbet.com; Lou Tavano, General Manager, IRG; and Michael Robertson, Manager of Regulatory Affairs, Youbet.com were present to answer questions. Information and discussions included the following:

There were no material changes to the application or the operating agreement and they have abided by all the new rules, including having a call center here in Oregon.

They were the first and only ADW to engage with Racing Commissioners International to put another layer of monitoring on the internet wagering and plan to expand that monitoring into the telephonic wagering.

For the first time in Youbet history, all Youbet and IRG handle are now going through the State of Oregon through their United Tote Hub; they no longer split the handle between Oregon and California.

They had a bond; a segregated customer account; a source market agreement in place with Portland Meadows and the horsemen; and pari-mutuel wagering is legal in the states where they have customers.

⇒ In response to Vice Chair Throne's question regarding restrictions on clients with respect to their cancellation limits, Mr. Powell responded: "Right. In certain areas, if a customer makes a lot of betting changes, especially if their betting either into small pools or they're a large bettor, it sometimes could have an impact on the odds at a race track which is really in nobody's best interest, it happens. It happens all the time in the racing business, but as an ADW we've looked at it as part of our responsibility. And, when Oregon was first forming, as I understand it, this whole ADW situation that was one of the concerns with ADW being so knew is – are we going to see pool fluctuations all the time. So, what we do is we have race cancellation procedures that can either be agreed upon with race tracks or regulators, if they want to get involved, or we internally police ourselves so if we have a customer that has a habit of making late changes with their wagers, we'll either remove that ability for them to do race cancel or we'll counsel them a time or two and if they still continue to do it on an on-going basis, quite honestly, we'll just shut them down. It's just a little extra protective measure that we think's important to have out there."

⇒ Gordon Tallman, Interim Executive Director, recommended approval of the application.

ACTION: MOTION (Thorne) Approve application as submitted.

VOTE: 4 Aye, 0 Nay, 1 Excused

12. XpressBet, Inc. 2007-2008 Application for Multi-Jurisdictional Simulcasting and Interactive Wagering Totalizator Hub License

Gene Chabrier, Director of Regulatory Affairs, XpressBet, and Gregg

Scoggins, Representative, XpressBet, were present to answer questions. Information and discussions included the following:

There were no major changes to the application or the operating agreement except to implement changes required by the new Hub rules.

They had a source market fee arrangement with Portland Meadows and pari-mutuel wagering is legal in all the states where they have customers.

They were in the process of creating a separate segregated trust account for their customers which will be in place on or before July 1, 2007.

They did not conduct robotic wagering.

ACTION: MOTION (Thorne) Approve the application as submitted with authority delegated to Interim Executive Director Tallman to verify that the segregated trust account is in place with documentation provided to the Commission by July 1, 2007.

VOTE: 4 Aye, 0 Nay, 1 Excused

13. Portland Meadows 2007-2008 Race Meet Application

The following is a transcript of this agenda item:

Yuzik: Dwayne Yuzik, Portland Meadows, Chair Gilmour, Commissioners, Kelly, Gordon, good afternoon. I'd like to first state that it was a real pleasure dealing with all the ADW's that have been granted their application and coming to source market agreements. It was basically a phone call with each of the ADW's and it worked just fine.

Tallman: We appreciate everyone's efforts in making sure that those agreements were in place before we came to the meeting today.

Gilmour: Be the first time.

Yuzik: And, say that it was a great pleasure. I forward, previously, to Gordon our race meet application. I've dropped off colored versions for your review and look forward to answering any questions that you may have.

Gilmour: Dwayne, is there any changes in your race application from the one of last year?

Yuzik: Yes. There is – the one change that wasn't listed last year to this year was the introduction of a new wager, pari-mutuel wager as listed in your administrative rules and that's Electronic 1-2-3 with Pick N. And saying that...

Gilmour: And, OTB's? I think you changed something there, didn't you?

Yuzik: Yes. There was the opportunity, basically, to – we're committed to showing the Oregon live signal from Portland Meadows if the particular location was open for business. We have found that a few of our OTB obligation – OTB locations are marginal at best. Primarily, the reason that we do keep them open is for the benefit of the industry and the horsemen in the form of generating handle for purses. Two of the three, I can forward information to Gordon if he so wishes, demonstrating that they lost money in 2006 due to the fact of our reposition of race days. These locations traditionally were closed on Mondays, Tuesdays. We kept them open this past meet and they put us into a financial position that if we have to maintain there operating hours during live race days, particular the Mondays, Tuesdays, would probably put us in a situation to close them down. When it comes to promoting the

live racing within the state, you can look at the empirical information. We're talking, you know, less than 300 to 400 dollars per day on all products, and saying that, probably 10 percent to 20 percent of that wager was in Portland Meadows. On certain days, we were out there to meet the needs and promote horse racing within the state. Unfortunately, there isn't a consumer demand on those particular days at some locations.

Gilmour: Suppose you don't have any source marketing problems, do you?

Yuzik: No, sir.

Gilmour: Good. I'm trying to look at the bright side of some of this stuff, Dwayne. Okeydokey. Commissioner Thorne?

Thorne: The only think I have a question on is just the meet officials. There's "to be determined" in a couple of spots so I suppose that would be something to think about at some point along the line.

Yuzik: Yes. The outstanding meet officials, as per last year's, is seasoned employees and there is a change over from year to year and at this time we just haven't finalized them.

Gilmour: Okay. Gordon, do you have any comments at this time?

Tallman: I have nothing to add at this time.

Gilmour: Okay. The commission has two concerns about two issues that are in your application for the '07-'08 [application]. Instant Racing wagering and whether your off track wagering locations must be open to except wagers – wagers on all days Portland Meadows is offering live racing. The commission suggests that you may want to consider resubmitting an application that amend these two categories.

Yuzik: Can I make a comment?

Gilmour: Yes.

Yuzik: Obviously, we're dealing with the Electronic 1-2-3 Pick N – first I'll start with the OTB locations, I have no issue resubmitting with them being open and then if we deem that they're non-profit locations then we'll make a business decision at such, once again I'm just going to stress that's probably at the expense of the horsemen and purse pool. We don't have a financial upside or downside in these. So, if you want to take that into consideration. With regards to Electronic 1-2-3 Pick N, this wager has been listed as available wager, pari-mutuel wager within the administrative rules section. This wager utilized electronic wagering devices; electronic devices are used to facilitate all wagering listed in the administrative rules. Electronic - MEC Oregon Racing previously offered pari-mutuel Electronic 1-2-3 Pick N wagering at Portland Meadows, Multnomah Greyhound track. The Oregon Racing Commission approved this wager on two separate occasions. Once under, I believe, the current chairman and legal counsel and the past chairman and legal counsel at that particular time. MEC Oregon Racing has communicated many months ago that we are embracing upon capital program. This program is three weeks from completion. This project is now at 3.2 million dollar investment, once again, another investment in Oregon racing by MEC. For a consideration, if there seems to be any questions regarding grey game, of concern, I'd like to state that all devices would then be defined as a grey game which currently accept wagers from self-serve to tellers, which could be extended also to ADW's. MEC Oregon Racing currently employs more that a hundred full-time – a hundred and fifty full-time equivalent employees. This does not include any individuals from fellow stakeholders in the racing industry in Oregon. At this time MEC Oregon Racing will not resubmit or go forward without complete

approval of all components of our application.

Gilmour: I understand. At this time, I want to thank you, Dwayne, very much for your presentation. These are tough times for both the commission and Portland Meadows that we are going to have to defer final action at this time until some of the dust does settle. And that, your application as submitted will expire at the end of this month and it is our desire, I'm sure it will be your desire, to work together to resolve the issues of contention with your application at this time. Is there any disagreement among the commission members with deferring this license request at this time?

Thorne: No.

Gilmour: Then, it will be deferred.

Yuzik: Thank you.

End Transcript.

Commissioner Johnson's telephonic attendance was discontinued at this time.

14. Action on Final Order for Patrick Gleason

ACTION: MOTION (Thorne) Accept the Proposed Order as the Final Order

VOTE: 3 Aye, 0 Nay, 2 Excused

Initiate Rule Making on OAR 462-160-0140

ACTION: MOTION (Thorne) Initiate rule making on OAR 462-160-0140 to remove the portion that requires the payment of the testing by the licensee.

VOTE: 3 Aye, 0 Nay, 2 Excused

15. Public Comment

None.

There being no further business, the meeting was adjourned.