

MINUTES

OREGON RACING COMMISSION JANUARY 16, 2003

The Oregon Racing Commission met on Thursday, January 16, 2003, at 1:30 p.m. in Room 140 of the Portland State Office Building located at 800 NE Oregon Street, Portland, OR. Commissioners in attendance were Steve Walters, Chair; Lisa Metcalf, Jeff Gilmour and Todd Thorne. Tom Towslee was excused. Agenda items were discussed in the following order with resulting actions:

1. Approval of December 19, 2002, Minutes

ACTION: MOTION(Gilmour) Approve minutes as submitted.

VOTE: 4 Aye, 0 Nay, 1 Excused

2. Youbet.com Request to Change Bond Amount

Joe Hasson, Vice President of Business Development, and Rick Boonstra, General Manager of Youbet Oregon, were present to answer questions in response to their request to replace the \$250,000 irrevocable letter of credit with the PlayersTrust™ as financial security. If the request were to be approved by the commission Youbet.com would provide a letter of credit in the amount of \$25,000 to ensure payments to the commission. Chair Walters raised some questions regarding how the flow of monies would work if the requested changes were approved. Commissioner Thorne voiced concerns regarding how the trust account and operating account work. The purpose of the bond is to not only secure payments to the State of Oregon but also to secure payments of the winnings of customers to their accounts. The concern voice by Chair Walters and Commissioner Thorne is that it appears that by using the trust account as the security Youbet.com is basically using the customers' money to secure payments owed to the customers. Mr. Hasson said Youbet.com understands the commission's concerns and that they've tried to come up with a new process they feel is going to be critical for doing multi-jurisdictional account wagering given their sense of what's on the horizon in other states. Before going further, Chair Walters stated that he had previously recused himself from deliberations and action on issues related to Youbet.com because an attorney in his firm has been doing a small amount of work for Youbet.com. He said he recently had been advised that that creates a potential conflict for him and not an actual conflict which would disqualify him. The potential conflict can be resolved by announcing the potential conflict and the basis for it which then would allow him to deliberate and take action. Chair Walters stated that he does not do any work for Youbet.com and never has. He has also had his income from the law firm screened so that no fees from Youbet.com would ever go into his personal account. Having made his disclosure, Chair Walters said that was why he was participating in the discussion on this issue. Chair Walters stated the commission would really like to work with Youbet.com to resolve the problem. and perhaps the commission needs more information in order to do that. The commission has tried to create an environment in which the hub licensees can conduct their business without imposing requirements that are unreasonable. With Mr. Hasson having made the statement that

this is a national problem, it is something that definitely concerns the commission and that they would like to be able to work with Youbet.com to solve the problem in a way that makes sense for all of the hubs to conduct business. Chair Walters asked Mr. Hasson to provide the commission with information as to what he sees on the horizon with other states, what they are requiring and how what is done in Oregon affects the operations in other states. Chair Walters suggested Youbet.com staff meet with Steve Roden in order to help the commission to better understand the situation so that a satisfactory resolution to the problem described by Mr. Hasson can be reached.

3. Portland Meadows Update

Art McFadden stated in the request for the Portland Meadows 2003 race dates window at a previous meeting, the HBPA had been concerned that they were losing some of their time period. Mr. McFadden requested that this particular issue be set over to the February commission meeting. Greyhounds wagering is down 4.7%, which is a third of the total simulcast handle, and the horse handle is down 7.9%. The live handle is currently up 13.5% and the exports are up 52%. The export increase is due to the fact that they are into more tracks this year as compared to last. There is concern that the big bettors are staying at home instead of coming to the track as they have in the past. The VIP room is down in attendance and in handle. Mr. McFadden then gave a brief report on how the OTB sites are doing.

Chris Dragone stated he felt very positively about how well the live handle is doing and said it is due in large part to the horsemen and the product they are able to put out on the track. With the field sizes they have been having he is confident the Portland Meadows simulcast signal will continue to grow in markets like the Meadowlands, Philadelphia Park and Maryland. Regarding the track surface, Mr. Dragone said all reports are that it's good, however, they are planning on adding approximately 500 tons of material before February starts as a precautionary measure before weather conditions make it so they can't put it down. The signage on the main street is being refurbished and they are continuing with the landscaping around the parking lots and hurricane fences.

4. Update on Executive Director Search

Todd Thorne reported the primary interview process has been completed, and as of this morning four finalists have been selected. The next stage will be a final interview process, one that will give members of the industry and ORC staff the opportunity to meet the candidates. At the same time the commissioners will be conducting the final interviews in executive session in the ORC conference room. The sessions are tentatively scheduled for February 7, 2003, and will begin at 9:00 a.m. The candidates will rotate through each of the three rooms and will be in the format of a brief introduction by the candidates followed by a Q&A session. Facilitators will be present in the industry and staff rooms and will be compiling summary comments to convey to the commission to assist them in their decision-making process. Each session will run about one hour followed by 30 minutes for deliberations and provide feedback to the facilitators.

5. Status Report on Second Tier Hub Requests

Jeff Gilmour stated he and Tom Towslee have had a meeting of the sub-committee on the second tier hub requests and the recommendations of sub-committee will be presented at the February commission meeting for their approval.

6. Confirmation of Next Commission Meeting - February 20, 2003

All commissioners stated they will be present.

There being no further business, the meeting was adjourned.