

MINUTES

OREGON RACING COMMISSION MAY 15, 2003

The Oregon Racing Commission met on Thursday, May 15, 2003, at 1:30 p.m. in Room 140 of the Portland State Office Building located at 800 NE Oregon Street, Portland, OR. The meeting began with the conducting of a hearing on proposed rule changes. Commissioners in attendance were Steve Walters, Chair; Tom Towslee, Vice Chair; Lisa Metcalf, Jeff Gilmour and Todd Thorne. Agenda items were discussed in the following order with resulting actions:

1. Hearing on Proposed Amendment to OAR 462-220-0040

Members of the public or other interested persons were given the opportunity to present testimony regarding the proposed changes to the rule. Following the testimony, the hearing was closed. Chair Walters stated that later in the meeting the commission would act on the changes to the proposed rules, and that during that deliberation the commission would not take any further testimony.

2. Approval of April 17, 2003, Minutes

ACTION: MOTION(Metcalf) Approve minutes as submitted. Commissioner Gilmour stated that while he was not present for the April meeting, he would be voting in favor of the minutes.

VOTE: 5 Aye, 0 Nay

3. Crooked River Roundup 2003 Race Meet Application – July 9, 10, 11, and 12

Jodi Hanson stated the application was complete except for the naming of two officials as well as a stakes schedule.

ACTION: MOTION(Metcalf) Approve race meet application and delegate to the executive director authority to approve the stakes schedule and approval of the remaining officials.

VOTE: 5 Aye, 0 Nay

Prior to taking action on each of the four hub applications today, Chair Walters asked each of the hub applicants to address two topics: (1) The issue regarding integrity and security measures with respect to access to the wagering system following the Breeders' Cup Pick 6 situation, and (2) If they have any comments about the way the administrative rules in Oregon are working and where there are any rules that are inhibiting their business, whether there were any changes that could be made to enhance the hub business.

4. Americatab, Ltd. 2003-2004 Application for Multi-Jurisdictional Simulcasting and Interactive Wagering Totalizator Hub License

Todd Bowker was present to answer questions. He stated there were no changes from the operating plan which was approved for the current operating year. They are basically very happy with how their operating plan has been going which is why they didn't make any wholesale changes. Anything the commission would propose to do that would make it easier for them to do business would always be welcome. The limits they have established, i.e., velocity limits and the way deposits are handled, have worked very well for them. Occasionally a situation may occur where a pool

didn't get properly paid out due to technology or errors made by humans. From a public relations standpoint, any easing in that area from the commission might be of help to them because occasionally a situation arises where the hub needs to be able to take care of their customers. As far as minimum age is concerned, most race tracks have a minimum age of 18, so changing the minimum age for the hubs from 21 to 18 would be embraced by them. Mr. Bowker stated that dealing on a business level with this commission the members have always been understanding and very willing to look at the problems they have faced and tried to work out workable solutions for them. Having the opportunity to submit an operating plan as opposed to having regulations specifying particular requirements is a big advantage especially in a technology driven business. Regarding their security systems, they have analyzed their systems and without hesitation he stated he was very confident and comfortable with Amtote who is their tote provider. Their IVR system has been recorded from the first day of business as are the live telephone operator calls, and they have extensive log files on all bet transactions that are attempted through their system, successful or not. They are also very cognizant of the potential for money laundering and have checks and balances in place to alert them to actions which are questionable. Jodi Hanson recommended approval of the application.

ACTION: MOTION(Gilmour) Approve application submitted by Americatab, Ltd. for the fiscal year 2003-2004 to operate a multi-jurisdictional simulcasting and interactive wagering totalizator hub.

VOTE: 5 Aye, 0 Nay

5. The Racing Channel, Inc. 2003-2004 Application for Multi-Jurisdictional Simulcasting and Interactive Wagering Totalizator Hub License

John Dixon was present to answer questions. He stated they made very few changes from current operating plan. In response to a question from Chair Walters, Mr. Dixon said they have begun promoting the business plan which concentrates on the UK and other international wagering areas. A number of wagering operators have been signed up primarily in the UK, Germany and Austria as well as Belgium and France. The response has been very positive. Regarding the request from Chair Walters for input from the hub operators, Mr. Dixon stated the rules in Oregon are very user friendly. They would also like the flexibility to not have to refund all the bets on a race if there was a problem in order to try to keep customers as happy as possible. Changing the minimum limits would probably not make any difference to their business. Regarding the security issues all transactions placed via telephone are recorded. They do not currently use an IVR system. Transaction log files on electronic wagering are maintained which contains every transaction that happens and not just bets. They are constantly reviewing and upgrading their procedures in order to insure the complete system for wagering. Jodi Hanson recommended approval of the application.

ACTION: MOTION(Towslee) Approve application submitted by The Racing Channel, Inc. for the fiscal year 2003-2004 to operate a multi-jurisdictional simulcasting and interactive wagering totalizator hub.

VOTE: 5 Aye, 0 Nay

6. US Off-Track, LLC f/k/a/ Greyhound Channel, LLC 2003-2004 Application for Multi-Jurisdictional Simulcasting and Interactive Wagering Totalizator Hub License

Ben Hayes was present to answer questions. The only change in the application is the name from Greyhound Channel, LLC to US Off-Track, LLC. Mr. Hayes stated he wasn't really qualified to answer questions regarding the security systems since he wasn't involved in the operations. Pat Brennan, head of their information services, is one of the tops in his field and security is his utmost concern. Chair Walters asked that Mr. Hayes have Mr. Brennan write a letter to the commission confirming that their system has been examined and that he is satisfied with the security arrangements currently in place. Mr. Hayes stated he was not aware of any concerns about the current hub rules. Jodi Hanson recommended approval.

ACTION: MOTION(Thorne) Approve application submitted by US Off-Track, LLC f/k/a/ Greyhound Channel, LLC. for the fiscal year 2003-2004 to operate a multi-jurisdictional simulcasting and interactive wagering totalizator hub.

VOTE: 5 Aye, 0 Nay

7. Youbet.com 2003-2004 Application for Multi-Jurisdictional Simulcasting and Interactive Wagering Totalizator Hub License

Victor Gallo and Rick Boonstra were present to answer questions. Before discussing and taking action on this agenda item, Chair Walters again disclosed the potential conflict that his law firm has in the past and may still be doing work for Youbet.com. He himself has not been involved in the corporate work and his income has been screened from any fees received from Youbet.com. Having disclosed the conflict he can participate in the discussion and the action on this application. Mr. Gallo commented that in the application there was a request to in lieu of the bond a substitute with Players' Trust, and they were now asking that that issue be tabled for further discussion in the future and that the status quo be maintained with regard to their irrevocable letter of credit. Regarding rule changes they are interested in continuing the discussions regarding the bonding issues and flexibility in that regard. They do not have a particular concern with lowering the \$50 limit as well as the 21 year old age limit. On the integrity issues, they review their system continuously regarding security and integrity. When they perceive threats they put counter measures in place to address such threats. Transaction logs are maintained on all transactions whether they be wagering, funding, withdrawals, etc. Tapes are also kept of all the IVR wagers placed. Chair Walters touched on discussions they have had with Jodi Hanson on wanting them to provide a little more elaboration in the operating plan on their source market mitigation. Also, the request was made to tie in better the description of their problem gaming program with the material at the end of the application on the AWARE program. Jodi Hanson recommended approval.

ACTION: MOTION(Towslee) Approve application submitted by Youbet.com for the fiscal year 2003-2004 to operate a multi-jurisdictional simulcasting and interactive wagering totalizator hub.

VOTE: 5 Aye, 0 Nay

8. Portland Meadows End of Meet Report

Art McFadden reported there were 163 horses on the backside which is down from the projected number of 200. They expect to increase that number following the Crooked River Roundup race meet in July. In spite of the numbers they are in active training session this summer. When Grants

Pass starts they will have a lot of horses going back and forth from Portland Meadows to Grants Pass. At the end of their 2002-03 meet their total handle was up 16% from the previous year which Mr. McFadden felt was a result of Magna's efforts at exporting the Portland Meadows signal. The exports alone were up 172%. The Oregon handle, money wagered within the state, was down 1%. Jeff Grady reported they are hoping to open Portland's largest sports bar and operate 100% of the facility in the fall. They have plans for the grandstand as well as the mezzanine, there are some track lighting issues they are going to address, and the stewards will have a new stand. There are also some things on the backside that will be addressed.

9. Multnomah Greyhound Park Race Meet Report

Jeff Grady reported opening weekend did not go as well as they had hoped. They were down about 9% on the live handle. The exports are down a little but they are adding a few more tracks. They are planning on starting the instant racing on Tuesday, May 20th, and he invited everyone to come out. They will be starting with 20 machines.

10. Confirmation of Next Commission Meeting – June 20, 2003, in Grants Pass

Chair Walters and Commissioner Thorne will be present in person and Commissioner Gilmour will be present via telephone. Commissioner Metcalf will not be able to attend due to a scheduling conflict, and Commissioner Towslee has submitted his resignation from the commission to become effective following the end of the May 15, 2003 meeting.

(Commissioner Towslee requested a 10 minute break in order for the hub subcommittee to have a short meeting.)

11. Legislative Update

Jodi Hanson reported she, Carol Morgan and Jeff Gilmour met with the Ways and Means Subcommittee on SB 5540, the commission budget bill. The committee voted with a do pass to the full committee, so it looks like our budget is sound. All other bills on which reports have been made at previous meetings are pretty much in a holding pattern.

12. Action on Proposed Changes to Administrative Rules – OAR 462-220-0040

Commissioner Gilmour stated he would support the proposed rule with the modification that the sunset be continued for another twelve months. The provision would then sunset on June 30, 2004 unless readopted by the commission. Chair Walters supported the proposal stating the commission wants to work with all the hubs to make sure they have the business climate in which they can do business. His concern was with the dynamic nature of this industry with potential changes in the landscape in California and in other states this is an issue the commission may have to visit in more detail. Given developments in other states the commission needs to make sure they stay competitive on our hubs. This is something that needs to be watched very closely and maintain the ability to change as the market changes. Support Gilmour's motion to retain the rule and to move the sunset out one more year. Commissioner Towslee added a comment made by former Executive Director Steve Barham who said Oregon wouldn't have any problem getting the hubs; the problem would be keeping them. Over the last year we've seen how important the hubs are for the future of racing in Oregon. He went on to say he would hope that in the future the industry and particularly the hub operators and the commission would try to stay ahead of

the curve and make sure that the way we deal with hubs, the way that they are taxed, the way we collect revenue is an evolving type of regulatory environment. Maybe a tax is not the way to go. Maybe there's a limit as to how much the hubs should be expected to pay. Maybe there's a limit as to how much the state really needs for county fair meets and other parts of the industry. Raul Ramirez also suggesting inserting the word "subsection" following the word "Notwithstanding" in paragraph 2.

ACTION: MOTION(Gilmour) Approve the proposed rule with the modifications that the provision would sunset on June 30, 2004, unless readopted by the commission and inserting the word "subsection" following the word "Notwithstanding" in paragraph 2.

VOTE: 5 Aye, 0 Nay

13. Request from OGBA for Action by Commission on Behalf of James Munch

Chair Walters stated the commission had copies of a letter written by Vince Bruno explaining the reason for the request. Mr. Bruno stated the litter in question is in violation of the greyhound rules of racing as to whelping of a litter on a licensed farm. Mr. Munch has been out of the business for some time and failed to familiarize himself upon re-entry into the business in the established rules of greyhound racing. They are coming before the commission to request an exception to the rules. Chair Walters stated the rules are pretty clear on this subject and he personally can't see making exceptions. As there was no motion to take action on this request, the request died for lack of a motion.

14. Proposed Final Distribution of Tier 2 Hub Funds for 2003

Commissioner Towslee stated a listing of outstanding requests had been distributed to the commissioners. The subcommittee on the hub disbursements recommended all of the requests be funded with the exception of three which were listed under the OGBA request to replace funds for distemper outbreak, reimburse nonpayment of a loan and replacement of an old computer. While breeder awards requests were funded this year, he did recommend and encourage the commission to take a close look at breeder awards to determine if they are appropriate for the hub. Maybe the emphasis should be providing more funding for added purse money in the future.

ACTION: MOTION(Gilmour) Adopt the proposed final distribution of Tier 2 hub funds for 2003.

VOTE: 5 Aye, 0 Nay

15. Comments on Departure of Tom Towslee from The Commission

Chair Walters had one more item he wished to discuss briefly. Today is the last meeting for Tom Towslee who is taking a job with the Lottery Commission. Tom came on the Racing Commission seven years ago and didn't know much about racing. Chair Walters stated he has had the pleasure and the privilege of serving with him during these seven years and watch him commit himself to this commission and to this industry, to acquire a tremendous amount of knowledge and to play a critical role in the development of industry. We all know that the deal lets us have these sorts of distributions of money to this industry which is so critical for its survival was brokered by Commissioner Towslee. He and Commissioner Gilmour have devoted a great deal of time to meeting with people, attending hearings, to distribute these funds without which we would not have summer fair meets in Oregon. It's been a real privilege serving with Tom.

There being no further business, the meeting was adjourned.