

Washington Horse Racing Commission
Meeting Minutes
June 8, 2012

The meeting convened at 9:30 A.M. at the Auburn City Council Chambers, Auburn, Washington. Present were: Paul George, Chairman; Jeff Colliton, Commissioner; Dr. Bud Hallowell, Commissioner; Representative Joe Schmick, Ex-officio Member; Sharon Payant, Assistant Attorney General; Robert J. Lopez, Executive Secretary; and Patty Sorby, Confidential Secretary.

Item #1. Approval of the meeting minutes of March 9 and March 29, 2012.

Commissioner Colliton moved to approve the March 9, 2012 minutes as submitted. Commissioner Hallowell seconded the motion. Unanimously approved.

Chairman George moved to approve the March 29, 2012 minutes as submitted. Commissioner Hallowell seconded the motion. Unanimously approved.

Item #2. Commissioners' reports.

Chairman George said on April 21st he attended the opening of Sun Downs meet in Kennewick, Washington and said the meet was perhaps the last race meet to be held at Sun Downs. Chairman George said they had a very good meet for the six days scheduled. He said the association has an enormous increase in jockey insurance that need to be overcome. Chairman George said that Sun Downs is the core of quarter horse racing in Washington. Chairman George said he had spoken to Shorty Martin, Racing Secretary for the Class C race meets said Sun Downs was possibly planning to run next year. Chairman George said that hopefully we will be able to continue horse racing in Eastern Washington. He was really pleased how they came together and worked hard to continue racing in Eastern Washington.

Chairman George also announced that the Triple Crown hopeful "I'll Have Another" was scratched from Belmont this morning leaving no hope for a triple crown horse this year.

Commissioner Hallowell said he had attended the opening night at Emerald Downs and had seen worse weather on opening nights. He felt it was a good opening. Commissioner Hallowell also attended the funeral services for trainer Bud Klokstad. He also had an opportunity to meet with Emerald Downs veterinarians and Horsemen's Benevolent & Protective (HBPA) staff and Commission staff regarding the Commission's new testing protocol.

Commissioner Hallowell said he was included in discussions with the Muckleshoot Tribe regarding the construction of a horse facility and about different ideas regarding the use of the facility and the ability to give the youth of the Tribe another avenue to occupy their time; to teach commitment. The Tribe has expressed great interest in doing this.

Commissioner Colliton said that he and Doug Moore, Deputy Secretary, attended the 2012 Racing Commissioners International annual convention in Oklahoma City. He reiterated how vitally important it was that the WHRC attend meetings involving the industry, to be able to share ideas with other jurisdictions regarding marketing, it's important to share that information. The attendees were offered the opportunity to visit Remington Park during the meeting and he said it is a very nice facility. There were about eighty attendees representing most of the states with racing venues. Overriding all the discussions was the use/non-use of Lasix. He felt the discussion was very informative. Two out of three attendees were opposed to Lasix use. It is likely that in 2013 all graded two year old stakes races will prohibit the use of Lasix. Discussions on pre-race inspections, requiring detention stalls and violations were brought out regarding this. Whether or not this will become mandatory is unknown. Commissioner Colliton also stated the discussions regarding helmet use by assistant starters was deferred.

Commissioner Colliton thought that if trainers were to volunteer testing without penalty to give valid stats on this major medication discussion would be a possibility. Didn't know if was possible in Washington because of trainer's belief they would lose the competitive edge if they were to race without Lasix. Tracks that were represented at the convention say they're surviving by supplemented casinos or the Native Americans in some capacity, such as Racinos. Canterbury has been given \$84 million over the years by Native Americans. Mr. Moore said a discussion on the topic on the use of Clenbuterol was useful and that a lot of states are moving to lower thresholds or banning it completely, without valid research.

Commissioner Colliton said one of the complaints was about the board of the ARCI. The chairmanship rotates yearly but unless you are on the rotation you cannot get on it. If we aren't in attendance, there's no chance to even get on the board. It is necessary for the WHRC to send someone to the Saratoga Springs meeting and makes the motion to send staff to that meeting in July 2012.

Chairman George totally agreed with Commissioner Colliton. He said the board makes decisions that affect Washington. Chairman George seconded the motion, stating that we must participate and defend our positions. Commissioner Hallowell said he certainly doesn't see how anybody could object to our representation there. The WHRC is so far ahead in terms of regulations and procedures that they ought to be coming to us.

The motion was unanimously approved.

Item #3. Industry reports:

a. Emerald Downs:

Ron Crockett, President, Emerald Downs, reported the handle up 1.3 percent; attendance up 3.7 percent; but the grand total (which includes selling) was down 2.4 percent. He said this places them down about 1.9 or 2 percent for the year, but exceeds his projections. Mr. Crockett prepared a sheet that discusses wagers per starters. He said there were ten less races, through

June 3rd, 25 days into the meet. Live handle and satellite handle are up but selling is down. This will give you an idea of what affect the handle is going through.

Mr. Crockett had an article that details a rare agreement with Canterbury Downs and the Native American tribe in Minnesota. A ten year deal between the Shakopee Tribe and Canterbury Downs of \$75 million going to be used for purses and that will double their current purses. \$8.5 million will be used for joint marketing. Mr. Crockett said he was amazed by this and said if the article would have said \$7 million, he would have thought that was a lot. But \$75 million is shocking.

Mr. Crockett said there were currently 889 horses on the grounds at Emerald. Mr. Crockett also asked Mr. Moore to look into the speeding up the inquiry process. There seems to be a lot of time taken when an inquiry occurs and making post times fit with the sale of the signal this process must speeded up. These are going too long and the signal gets delayed and throws Emerald Downs way off for the simulcast sales. He would be very appreciative if you could look into this and speed this process up.

Chairman George commented that the Tribe dominates the gambling scene in Minnesota. He was amazed that when the compacts were first authorized in Washington, why the racing industry wasn't more involved. Somewhere in negotiations, some piece of that revenue should have been devoted to horse racing. The Yakima Nation gave \$700,000 to various non-profit entities this last year. Mr. Crockett said he suggested that the Class C race meets go to the Yakima Nation for support, but didn't know if they had done that.

a. WAHBPA

MaryAnn O'Connell, Executive Director reported for the HBPA. President Ron Maus was unable to attend. She said the election for new officers is in October and they're having a tough time finding a replacement for Mr. Maus. She and Commissioner Hallowell met with head of Education at the Muckleshoot Tribe. They currently have a high school curriculum waiting to go and she is waiting to see if they would want to go forward with a course on horses. She said she may be asked to go there and teach some of the courses and felt this would be a great opportunity and experience.

Ms. O'Connell said there is a meeting scheduled for June 20 with Labor & Industries (L&I), in which the WHRC and Legislative members are invited that will discuss L&I premiums prices for the Horse Industry Account; the need to lower expenses and raise purses; or have every trainer be their own employer and not have it tied to licensing. Washington has good insurance, but it is increasingly unaffordable.

On another subject having Lasix studied on a voluntary basis, would not be a loss of competitive edge for the trainers. The problem is that trainers are not willing to risk their horses and have their horse bleed out of their nose and have a greater chance of the horse stumbling and injuring itself. Lasix protects horses from injury or further injury. It's not about losing their competitive edge, it's all about the health of the horse.

Ms. O'Connell remarked regarding the Jockey Club entering into the medication discussions and felt that another organization trying to dictate medication rules without the science behind it, isn't right. This is the horsemen's purse money and that seems to be forgotten.

b. WTBOA

Dana Halvorson, President, WTBOA, said the next sale is the day after Labor Day, they have 130 yearlings, and nominations are due by June 20th. Mr. Halvorson said they are pleased with quality of the pedigrees for the sale horses. He said the Annual meeting is scheduled for July 21st a Saturday evening, 6:30 P.M. He stated the WTBOA is still solvent and everything's good at this time. Anne Sweet, mentioned that the Washington Thoroughbred Foundation which is non-profit, is struggling as well, they will be looking into developing some possible grant writing. But with limited staff it's hard to cover all bases.

Chairman George said the Yakama Nation had advertised and was encouraging people to sign up for grants that they have to offer. He said this seems to be worth looking into and filing an application. They do this every year and it's a huge event for the Yakima Nation.

Karla Laird, WTBOA board member, reminded Ms. Sweet to mention that August 5th is Washington Foundation Day. They will be offering scholarships for the industry and things like that.

Item #4. Industrial Insurance – Horse Industry Account – An update.

Mr. Lopez brought the Commissioners up to date with issues and problems regarding the Horse Industry Account. He confirmed the meeting that is to be held on June 20 at which discussions will be about the calculation of and consistent rising of the industrial insurance premiums. A number of possible solutions are going to be introduced to L&I that Mr. Lopez will be able to report on at the next meeting. Another issue had come up: Senator Hewitt's office staff raised an issue to the WHRC regarding jockey insurance at the Class C race meets. Mr. Lopez will be able to report more information on this also, at next meeting.

Chairman George said that with the assistance from Representative Schmick and his staff, maybe some resolution will come of this.

Item #5. Advance Deposit Wagering – TVG Annual License Renewal.

Mr. Lopez presented the renewal information. Mr. B.J. Cosson was present for TVG and would be available for any questions the Commissioners may have. Mr. Lopez reported on the advance deposit wagering that had been conducted through TVG in 2011-2012. Background checks had been conducted on the officers and directors revealing nothing to report. The license renewal fee was received. The bond remains in full force and effect. Emerald Downs and TVG agreement through March 31, 2013 has been executed and a copy is included in their submission. Mr. Lopez said the Oregon Racing Commission (ORC) no longer requires a \$5 million bond and this has been vacated. The ORC have relicensed TVG for five years and a copy of the license is also included in their submission. Mr. Lopez said staff recommends approval.

Commissioner Colliton asked about an incident that TVG experienced that allowed access to other members private information. Mr. Cosson said TVG had installed some new equipment and it enabled the ability to speed up their product and caused the system to go down momentarily which allowed some patrons to view other patrons information, but no social security numbers or other private information was allowed to be viewed. Account numbers and wagering was visible to some. The system was overwhelmed and caused and caused the system to crash. TVG was off line about forty minutes to protect customer's accounts. Approximately 3500 customers were impacted, 180 customers in Washington. No sensitive information was available to others. Customers responded with appreciation on TVGs response to the error.

Commissioner Colliton moved to approve the license renewal application by TVG. Commissioner Hallowell seconded the motion. Unanimously approved.

Mr. Crockett asked Mr. Cosson about the frustration Emerald Downs is experience with TVG. Emerald Downs' handle has eroded, and it appears to be impossible to meet what was promised in the Agreement. Mr. Crockett is distressed by the ads taking precedence over the races. Mr. Crockett said Sundays have no shot and would have expected at least one-third play, he said now it's become an ad deal, more than an Emerald Downs signal. He doesn't want to see the ads, racing is what he wants to see. TVG is not showing sixty percent of Emerald Downs live race card. The minute Hollywood Park came on, we knew we were sunk. Mr. Cosson said he would express Mr. Crockett's frustrations and take his message back and look into it.

Item #6. Hearing before the Commission:

a. Gerald Smith WHRC 2012-01.

Chairman George opened the hearing at 10:45 A.M. Chairman George introduced those present. Sharon Payant, Assistant Attorney General representing the Commission; Doug Moore, Deputy Secretary representing staff. Mr. Gerald Smith was present and not represented by counsel. Mr. Moore requested twelve exhibits be admitted. Mr. Smith had no objections and they were admitted. Testimony was taken from Mr. Ken Doll, Presiding Steward. Testimony was taken from Gerald Smith in his own behalf.

Chairman George concluded the hearing at 11:30 A.M. Reconvened at 11:39 A.M. It was the decision of the Commission with one Commissioner abstaining, to uphold the decision of the board of stewards. Chairman George closed the hearing.

BREAK. 11:39 AM. RECONVENED. 11:49 A.M.

Item #7. Equine Medication Testing – Move to Direct Instrumental Screening.

Mr. Lopez said that Truesdail Lab will begin testing samples submitted utilizing direct instrumental screening at no additional costs utilizing the current contract prices. Truesdail Lab will begin testing on June 8th. WHRC will be monitoring results throughout course of the year. For those substances with a threshold in urine, if they are detected during the instrumental

screening of blood, their concentration will be confirmed in urine before a violation will have occurred.

Item #8. Potential Agency – Request Legislation for 2013:

- a. Amend RCW 43.79A.040 and 67.16.280.

Mr. Lopez said this change would amend RCW 43.79A.040 subsection 4(b): removing language that states that earnings be credited to the Class C purse fund account. In RCW 67.16.280 section 1, removing language regarding investment earnings be retained in the WHRC operating account. Mr. Lopez said this is a “housekeeping” matter. Mr. Lopez said this oversight was initially discovered by the State Treasurer’s office.

Mr. Lopez said both OFM and State Treasurer approve this language.

Commissioner Colliton moved to approve the amendments to RCW 43.79A.040 and RCW 67.16.208. Commissioner Hallowell seconded the motion. Unanimously approved.

- b. New Racing Regulatory Compact.

Mr. Lopez said this compact language was brought before the WHRC at a previous meeting and has been around since the 2010 policy decision on whether to proceed with implementing the model rule legislation for the National Racing regulatory entity.

Commissioner Colliton moved to proceed with authorizing staff to continue to do staff work on the new Racing Regulatory Compact, but reserved final decision on whether to adopt until the August or September meeting. Commissioner Hallowell seconded the motion. Unanimously approved.

Item #9. Executive Secretary’s report:

- a. Wagering Recaps. (March, April & May 2012)

Mr. Lopez summarized the reports for March, April and May 2012; and the 2012 Sun Downs meet recap. Mr. Lopez said Sun Downs had a very good meet.

- b. Monthly financial statements (March, April & May 2012)

Mr. Lopez said the fund balance in March was \$687,621; in April \$682,299; and in May \$758,865. Mr. Lopez said the WHRC budget is doing well, revenue is down 3 percent from estimate but spending down 7.5 percent. The pari-mutuel handle is down 1.3 percent for the fiscal year since July 1; licensing is down 13% while the number of licensees for this racing season are down 20%. This reduction in the number of licensees is alarming.

Item #10. Any other business that may be properly brought before the Commission.

Mr. Lopez said the next meeting of the Commission is scheduled for August 10, 2012. An annual license fee review will be on the agenda and an adoption hearing dealing with rules regarding retirement of race horses.

Mr. Crockett said wagering beginning in 1996 through last week on other tracks, \$1.454 billion.
Mr. Crockett said the \$100 starter incentive was increased to \$125 for this year.

Meeting adjourned. 12:15 P.M.

Robert J. Lopez, Executive Secretary