

Washington Horse Racing Commission
Meeting Minutes
October 12, 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; Doug Moore, Deputy Secretary; Patty Sorby, Confidential Secretary. Robert J. Lopez, Executive Secretary absent.

Item #1. Approval of the meeting minutes of September 14, 2012.

Chairman George made a correction on page 4 of the minutes; to correct a grammatical error.

Commissioner Colliton moved to approve the minutes including the correction on page 4. Commissioner Hallowell seconded the motion. Unanimously approved.

Item #2. Commissioner's report.

Chairman George commented on reading the obituary of a long time horsemen that was in the Yakima paper.

Commissioner Colliton and Commissioner Hallowell had nothing to report.

Item #3. Industry Reports.

a. Emerald Downs.

Mr. Crockett updated the Commission on the financial situation since Emerald Downs live meet ended and spoke of the value of the horse industry to the state of Washington. Horse racing is a multi-million dollar industry in Washington.

Mr. Crockett went over the statistics of the finances based on attendance, satellites and selling of the signal.

Mr. Crockett asked Representative Schmick about the legislation limiting Emerald Downs to one satellite per county. Mr. Crockett inquired if it would be possible to amend that language to give a Class 1 race track the authority to have more than one satellite location per county.

Mr. Crockett stated the handle was off .1 percent of the total for the meet in comparison of last year.

Representative Schmick asked Mr. Crockett about the Portland Meadows meet. Mr. Crockett responded that Portland Meadows was off ten million on their predicted handle to date. Mr.

Crockett doesn't understand why Portland Meadows ran a summer meet and will be by the end of their meet in Mr. Crockett's opinion, off thirteen or fourteen million at the end in mid-December. Emerald Downs lost some starters to Portland Meadows but the ones that went to Portland Meadows were the horses that were not able to compete at Emerald Downs.

Mr. Crockett addressed the Advance Deposit Wagering (ADW) figures for Emerald Downs for the last seventeen years and said it shows that Emerald Downs is holding its own. Mr. Crockett presented a chart showing the division of the money.

Mr. Crockett also said Emerald Downs has spent \$55 million in costs to bring signals in for the bettors during the past seventeen years.

b. WHBPA.

Ron Maus, President, WHBPA. Mr. Maus thought Emerald Downs had a very successful season. Mr. Maus said the competition for the wagering dollar is driving the bottom line. The greatest concern is further erosion of the industry. This would be devastating to the horse industry. Mr. Maus stressed that they must protect against the further erosion somehow.

MaryAnn O'Connell updated the commissioners on Labor & Industries changes. She stated that the rates would be per horse per day and for the grooms, per month. She's received mixed reviews. She said the state of Washington has a great worker's compensation benefit, but it must be contained to make racing more affordable to owners and trainers to keep people in the industry. She said hopefully we are working toward that goal.

c. WTBOA.

Dana Halvorson, President, made the WTBOA report to the commission. Mr. Halvorson said he'd been traveling and gave the Commissioners a rundown on what is happening around the country. The WTBOA's major sale in September was down 2.9 percent. He said there was a thirty-four percent buy back on horses that didn't get sold. He said the Canadian sale the week after WTBOAs was a pretty good sale. The Canadian foal crop was only 210 foals total in British Columbia. Our anticipation is in the 400 range. The Keeneland September sale was up six percent, not one horse brought was less than \$2000 in that group and he said that was amazing. Mr. Halvorson said forty percent of the horses bought went out of the country though, to Russia, China, and Hong Kong. They were spending \$35,000 on these horses. The Barrett sale was up for the California breds. The WTBOA is the only one so far, that has taken a beating on their sale. Participation locally in our own state is disconcerting.

Commissioner Hallowell said there is the perception the foreign market won't buy United States' horses because we medicate. The sales out of the country is an indication that isn't the case anymore.

Item #4. Advance Deposit Wagering - XpressBet annual license renewal.

Doug Moore, Deputy Secretary presented the renewal application on behalf of XpressBet. Mr. Gene Chabrier of XpressBet was present to answer questions. Mr. Moore said that XpressBet was initially issued a license in November 2004. The WHRC received XpressBet's renewal application on September 11. XpressBet's bond is in full effect. The agreement between XpressBet and Emerald Downs is in place. There are no changes to XpressBet's plan of operation and no investigations are being conducted and no complaints have been received. Staff recommends approval.

Commissioner Colliton asked about the \$100,000 bet that was made and instantly reversed which skewed the odds and created a false payout on several bets that were placed and there was no time to change the wagers and that had created a lot of aggravated bettors and losing wagers. Mr. Chabrier explained that this was a new bettor to the XpressBet system; he has been limited on the amount of wagers he can place and is being schooled on how to utilize the system. Mr. Chabrier explained that he'd called Mr. Lopez and Mr. Crockett immediately when this incident occurred.

Commissioner Colliton moved to approve the license renewal for Advance Deposit Wagering for XpressBet.com. Commissioner Hallowell seconded the motion. Unanimously approved.

Five minute breaks. 10:50 A.M. Reconvened at 10:55 A.M.

Item #5. Meeting dates for 2013.

Mr. Moore read the proposed 2013 dates. He explained they are the 2nd Friday of the month with the exception of March, which will be the 3rd Friday. The April meeting will be in flux, depending on the opening of Emerald Downs.

Commissioner Colliton moved to approve the dates as submitted. Commissioner Hallowell seconded the motion. Unanimously approved.

Item #6. Industrial Insurance – Horse Industry Account – 2013 rates.

Mr. Moore provided the new rates and said this is a pay as you go Labor & Industries (L&I) premium. The training farms (new category) will change from a per horse, per stall premium to per employee per day premium. A memo explaining all the changes went out last Friday, to trainers licensed within last three years and current owners. The WHBPA has been working exhaustively on this and found this was the fairest way to assess premiums. This information was informational at this time and more will be coming on this at the next meeting.

Ms. O'Connell said she had been working with L&I and L&I is working with little historical injury data for grooms, exercise riders and pony people, the rates came out pretty fairly. Rates are high, but based on the numbers; the actuary did a good job coming up with the rates. Some will pay more and that's Ms. O'Connell's hardest job, trying to explain the true facts of the rates per trainer. It actually will be better with the new rates.

Representative Schmick asked Ms. O'Connell if she was comfortable with the outcome. She said it was good for the industry, but the rates are still too high.

Item #7. End of the meet reports.

a. Stewards' End of the meet report.

Ken Doll, WHRC Presiding Steward presented the end of the meet report for Emerald Downs 2012 meet.

Mr. Doll said that licensing amounts were down significantly. The new photo finish camera worked well and the ability through the internet allowing the photo finish photos to be uploaded to the Emerald Downs web site was well received.

Commissioner Colliton asked Mr. Doll about positive drug tests. He said there is a steady decline in drug use at the track.

Chairman George asked about licensees that were found with a positive test what happens to them. Mr. Doll explained the ability to have the licensee enroll in a rehab program in lieu of suspension of their license.

Mr. Doll also noted that the race office was doing a good job, but due to the lack of horses, double entries are troublesome for the trainers and agents. He felt this wasn't going to change and they would have to learn to work with that.

b. 2012 Equine Health and Safety report.

Dr. Sally Calkins, Equine Medical Director gave the 2012 report. Dr. Calkins reported that 2012 report on the 2012 Emerald Downs meet. Emerald Downs had five overages on permitted medications they were non-steroidal anti-inflammatory drugs (NSAIDs). Phenylbutazolidin, and Banamine, permitted medications, findings were that those were accidental and not an intentional overage. Two violations at the Class Cs meet this year.

Fatalities have gone down from 25 last year to 20 this year; eight in racing; four in training; four fractures and of that, only one was a humerus. She stated that years ago up to 9 were humerus; a cause was found, no training of the horse during the winter. The shows everyone is cooperating and watching this. Eight fatalities in the barn, three colic and five due to infections.

The WHRC began instrumental testing in June. This year was considered an education year to see how many drugs were being picked that were not showing in the past. All the testing was utilizing the blood and if found, quantitated in the urine to determine the level. Lab results are faster. Six post race samples that showed bleeder meds and a corticosteroid steroid were detected.

Dr. Calkins said with entries now a week out, trainers have plenty of time to get levels under control.

Dr. Calkins also said reminding the trainers to keep good history is working wonderfully.

Chairman George asked about the staff recommendations, were you disappointed that some of them were not adopted. Dr. Calkins said this is an unbelievable working group here, cooperation is working great. Dr. Calkins would still like to lower the Bute level and would still like to see that happen in order to make a level playing field.

Ms. O'Connell talked about corticosteroid steroids' what a good job our horsemen did to comply with the change in the testing and changed the withdrawal time. She said they are trying to establish an appropriate level.

Commissioner Colliton commented that the end of meet report could be brought up at the Symposium to show what's happening in Washington State, that there is a very positive trend in the state; we're on the right track and share this with them nationally.

Item #8. Executive Secretary's report.

a. Wagering recap.

Mr. Moore recapped the wagering at Emerald Downs for September by meet, year and day. He said it was down 1.8 percent, but much better than expected and agreed with Mr. Crockett that the live meet was down 2.4 percent.

Commissioner Colliton asked about the Class C purse account, that there would be about \$82,000 for 2013. Mr. Moore said yes, about.

b. Closing day Handicapping Contest recap.

Sophia Mangalee, Director of Marketing, Emerald Downs reported on the contest. She said there were 76 entries; \$1 to wager \$100 top. The winner would be going to the national handicapping contest in January in Las Vegas. Six people will be going this year.

c. Monthly Financial statements.

Mr. Moore went over the revenue, expenditures and fund balance. The fund balance seems to be about right, the expenses and revenues beginning with July were not accurate, whether due to the end of the biennium or exactly what, the figures didn't seem right. Mr. Moore said Mr. Lopez was working with our accounting staff to reconcile expenditures and revenues.

Mr. Moore said estimates to actual were down, revenue to actual down significantly with the employees taking opportunity to cash out unused annual leave. The fund balance at the end of September was \$552,000.

Item #9. Any other business that may be properly brought before the Commission.

Chairman George said the next meeting is on November 9th and the main topic will be L&I.

Meeting adjourned. 12:05 p.m.

Robert J. Lopez, Executive Secretary