

OKLAHOMA HORSE RACING COMMISSION

REGULARLY SCHEDULED MEETING August 13, 2009

MINUTES

CALL TO ORDER/ROLL CALL

Chairman Grimmatt called the August 13, 2009 Regularly Scheduled Meeting of the Commission to order at 9:35 a.m. in the Activity Center of Shepherd Mall, Oklahoma City, Oklahoma.

Commission members answering roll call were Commissioner Barkett, Commissioner Bollenbach, Commissioner Bowers, Commissioner Burton, Commissioner Grimmatt, and Commissioner Smicklas. Commissioner Goumaz was absent from the roll and Commissioner Savage were absent from the meeting. Mr. Leader, Commission Counsel, was present as well as the following Commission staff members: Mr. Constantin A. Rieger, Ms. Mary Ann Roberts, Ms. Sue Chappell, Mr. William Brogden, Mr. Mike Corey, Ms. Bonnie Morris and Ms. E J Brees. Approximately twenty-two other persons attended and signed the registry which is part of the record.

Chairman Grimmatt introduced new Commissioner Brandon Burton and relayed to others that Commissioner Becky Goumaz was delayed by traffic.

APPROVAL OF MINUTES

Commissioner Bowers moved to approve the drafted Minutes, as presented, from the June 18, 2009 Regularly Scheduled Commission Meeting. Commissioner Smicklas seconded the motion. The vote was as follows:

Aye: Mr. Bowers, Mr. Smicklas, Mr. Bollenbach, Mr. Carter, Mr. Grimmatt,
Abstain: Mrs. Barkett, Mr. Burton
Mrs. Goumaz was absent from the vote but arrived three minutes later.
Mr. Savage were absent from the meeting.
The motion passed with 5 ayes and 2 abstentions.

PROPOSED CORPORATE RESTRUCTURING OF CHEROKEE NATION ENTERPRISES, LLC

Cherokee Nation Enterprises, LLC, parent company of Will Rogers Downs, LLC, advised the Commission that it had changed its legal name to Cherokee Nation Entertainment, LLC and submitted the appropriate legal documents.

Mr. Bob Huffman, representing Cherokee Nation Entertainment, was present to answer questions.

Mr. Neal Leader, Commission Counsel, stated that the name change would not necessitate an update to the Waiver of Sovereign Immunity. However, he added that he would be recommending, when licenses are granted, that the Waivers be adjusted because of changes that have occurred in the last year in Indian Country Law.

Commissioner Bowers made a motion to authorize the Executive Director to amend the CY 2009 racing and gaming license Orders for Will Rogers Downs to reflect the new corporate name, Cherokee Nation Entertainment, LLC. Commissioner Bollenbach seconded the motion. The vote was as follows:

Aye: Mr. Bowers, Mr. Bollenbach, Mrs. Barkett, Mr. Burton, Mr. Carter,
Mrs. Goumaz, Mr. Smicklas, Mr. Grimmett
Mr. Savage were absent from the meeting.
The motion passed on an 8-0 vote.

RESTRUCTURING AND STOCK SALE PLAN BY GAMING LABORATORIES INTERNATIONAL, LLC WHICH HOLDS A CY 2009 INDEPENDENT TESTING LABORATORY LICENSE

Gaming Laboratories International, LLC [GLI] requested Commission approval of its restructuring plan to change from GLI, LLC to GLI Holdings, LLC as well as a stock sale plan. In a March 31, 2009 letter, GLI advised the Commission that Quadrangle Capital Partners [QCP] would acquire a 37.4% minority ownership interest in GLI Holdings, LLC, a newly created holding company which will own 100% of GLI, LLC and Worldwide Laboratories, LLC. Mr. William Brogden, Commission Gaming Agent, provided a June 24, 2009 memorandum, stating that there was no adverse information to report. Mr. Brogden was also present during the meeting to present his findings in person and answer questions.

Mr. Leader remarked that in the March 31, 2009 letter from GLI, a statement was made that they did not *believe* anyone owned more than 5% of the company. Mr. Leader requested that follow-up and verification confirm whether or not anyone else does own more than 5% so that background checks may be completed on those owners.

Commissioner Barkett made a motion to approve the corporate restructuring of Gaming Laboratories International, LLC to Gaming Laboratories International Holdings, LLC and advise GLI Holdings to report to the Commission about any new owner with 5% or more ownership of the LLC. Commissioner Carter seconded the motion. The vote was as follows:

Aye: Mrs. Barkett, Mr. Carter, Mr. Bollenbach, Mr. Bowers, Mr. Burton,
Mrs. Goumaz, Mr. Smicklas, Mr. Grimmitt
Mr. Savage were absent from the meeting.
The motion passed on an 8-0 vote.

REPORT ON THE STATUS OF THE MEC BANKRUPTCY AS IT PERTAINS TO THE OPERATIONS OF REMINGTON PARK

Mr. Scott Wells, President and General Manager of Remington Park, stated that on July 31, 2009, final bids were submitted by individuals interested in purchasing Remington Park. On August 10, 2009, a lead bidder was determined. Since that time a Stalking Horse Purchase Agreement was signed by Magna Entertainment Corporation with Global Gaming RP, a division of Global Gaming Solutions, LLC, a company owned in its entirety by the Chickasaw Nation. Mr. Wells stated that the auctioning process will not conclude until September 8, 2009. Mr. Wells added that the Thoroughbred Meet will begin as scheduled on August 21, 2009 and that Remington Park intends to run without interruption during the meet.

No action was taken.

PRELIMINARY CONSIDERATION OF CY 2010 RACING AND GAMING APPLICATIONS

By the June 1, 2009 deadline, the Commission received two renewal applications from Will Rogers Downs and Fair Meadows at Tulsa for organization licenses to conduct live racing and simulcasting in CY 2010 as well as gaming applications. As approved by the Commission, Remington Park submitted its racing and gaming applications on June 15, 2009, and Blue Ribbon Downs submitted its applications on August 3, 2009.

In the past, the Commission has determined that a full formal Public Hearing would be conducted only on original applications for organization and gaming licenses. On renewal applications, the Public Hearing is limited to a presentation by a racetrack representative followed by a question and answer period by Commissioners, Commission Counsel and Commission Staff.

The following is a summary of the race day applications received.

1. **Remington Park**

Remington Park, Inc. has applied to conduct two race meetings:

- a Quarter Horse, Paint and Appaloosa race meeting, 50 days in length, from March 5 through May 31, 2010 and
- a Thoroughbred race meeting, 67 days in length, from August 20 through December 12, 2010. In July 2009, Remington Park requested that Mondays be exchanged for Thursdays to increase its simulcasting opportunities.

2. **Backstretch, L.L.C. d/b/a Blue Ribbon Downs**

Blue Ribbon Downs has applied to conduct one race meeting:

- a Thoroughbred, Quarter Horse, Paint and Appaloosa race meeting, 52 days in length, from July 30 through November 27, 2010.

3. **Will Rogers Downs, L.L.C.**

Will Rogers Downs, L.L.C. has applied to conduct one race meeting:

- a Thoroughbred, Quarter Horse, Paint and Appaloosa race meeting, 44 days in length, from February 27 through May 22, 2010.

4. **Tulsa State Fair (Tulsa County Public Facilities Authority)**

The Tulsa State Fair (the Tulsa County Public Facilities Authority) has applied to conduct one fair race meeting:

- a Thoroughbred, Quarter Horse, Paint and Appaloosa fair race meeting at Fair Meadows at Tulsa, 34 race days in length, from June 3 through July 25, 2010.

The chart on the next page summarized the race days requested in the applications plus Remington Park's proposed changes.

Applicant	Race Meetings	Number of Live Race Days Requested	Time Frame (2010)
REMINGTON PARK, INC. Oklahoma City	Quarter Horse, Paint and Appaloosa	50 race days	3/5/10 – 5/31/10
	Thoroughbred	67 race days	8/20/10 – 12/12/10
Backstretch, L.L.C. d/b/a BLUE RIBBON DOWNS Sallisaw	Thoroughbred, Quarter Horse, Paint and Appaloosa	52 race days	7/30/10 – 11/27/10
WILL ROGERS DOWNS Will Rogers Downs, L.L.C. Claremore	Quarter Horse, Thoroughbred, Paint and Appaloosa	44 race days	2/27/10 – 5/22/10
TULSA STATE FAIR (Tulsa County Public Facilities Auth.) ¹ Fair Meadows at Tulsa	Quarter Horse, Thoroughbred, Paint and Appaloosa	34 race days	6/3/10 – 7/25/10

¹The full name is the Tulsa County Public Facilities Authority.

Because the issuance of organization licenses includes the allocation of live race dates, and because the Commission, in allocating race dates, attempts to avoid unnecessary overlap and simultaneous competition among racetracks, the Commission has determined that (1) information received regarding any particular application for an organization license is considered as part of the record regarding all of the applications for organization licenses and (2) that deliberations on all organization license applications should take place together.

The Commission authorized Mr. Rieger to contact racetrack personnel for additional information as needed to complete the processing of the Organization License racing and gaming applications.

PROPOSED OPENING OF THE PERMANENT RULEMAKING PROCESS TO CONSIDER PROPOSED RULE AMENDMENTS TO OHRC RULES OF RACING

Background

At the May 21, 2009 meeting, Commissioner Calvert asked that the Commission consider at its next meeting opening the permanent rulemaking process to consider proposed rule amendments in OHRC *Rules of Racing* to establish (1) the percentage of simulcast-in revenues at a racetrack and (2) the method to be used for distribution of breakage and unclaimed ticket proceeds at a racetrack.

The specific rules to be considered for amendment were:

- Rule 325:10-1-33, Horsemen's Purses, regarding the simulcast-in revenue split, and
- Rule 325:75-1-15, Distribution of Funds for Oklahoma-Bred Pari-Mutuel Races, regarding the distribution of breakage and unclaimed ticket proceeds.

As a starting point for discussion of these proposed rule amendments at the June 18, 2009 meeting, Commission Counsel, Mr. Neal Leader, proposed two options for considering amendments to each of the two rules.

At the June 18, 2009 meeting, the Commission opened the permanent rulemaking process for proposed amendments to Rule 325:75-1-15, Distribution of Funds for Oklahoma-Bred Pari-Mutuel Races, regarding the method of distribution to be used for breakage and unclaimed ticket proceeds and took no action on proposed rule amendments to Rule 325:10-1-33, Horsemen's Purses, in order to give Commission Staff time to develop proposed language options for consideration at the August 13, 2009 meeting.

Current Consideration

Mr. Neal Leader, Senior Assistant Attorney General and Commission Counsel, prepared a cover memo which included four options for Commission consideration of amending Rule 325:10-1-33, Horsemen's Purses, determining how to divide simulcast-in revenues between race meetings.

Commissioner Smicklas stated that, while he appreciated former Commissioner Calvert's idea in proposing a rule amendment to alleviate the yearly simulcast-in revenue distribution decisions, he saw several problems with it as listed: (1) Mr. Leader's first proposed option, a required agreement of the parties, would create a stalemate among the breeds; (2) Mr. Leader's second proposed option, a division based on a mixed, compromise formula of using 50% of a formula for Thoroughbreds and using 50% of another formula for Quarter Horses, would be rejected by the Thoroughbred breed; (3) he was concerned for the

Commission giving up its right to make the simulcast-in revenue distribution decision; (4) a rule amendment might seriously hinder the Commission from meeting the responsibilities to encourage agriculture and the breeding of horses, the growth and sustenance and development of live race, and generation of public revenue; and (5) passing the problem to the Legislature through the rulemaking process was not in the best interests of the industry, adding that the Legislature felt the Commission was best qualified to handle the issue. Commissioner Smicklas stated that, based on the belief that the Commission should not give away its right to determine the simulcast-in revenue when the parties are unable to reach agreement by the annual October 1 deadline, he made a motion to table the discussion for at least the balance of CY 2009. Commissioner Barkett seconded the motion. The vote was as follows:

Aye: Mr. Smicklas, Mrs. Barkett, Mr. Bollenbach, Mr. Bowers, Mr. Burton,
Mr. Carter, Mrs. Goumaz, Mr. Grimmert
Mr. Savage were absent from the meeting.
The motion passed on an 8-0 vote.

RECOMMENDATIONS FROM OKLAHOMA-BRED ADVISORY COUNCIL

The Oklahoma-Bred Advisory Council forwarded the following recommendations for Commission consideration:

1. **Added Money for Five Stakes Races at Blue Ribbon Downs' CY 2009 Race Meeting**

The Oklahoma Quarter Horse Racing Association and Blue Ribbon Downs submitted a June 25, 2009 joint request for added Oklahoma-Bred money for the following stakes races to be run during Blue Ribbon Downs' CY 2009 race meeting:

	Purse Supplements	Broodmare Awards	Stallion Awards	Total
<u>QUARTER HORSE STAKES RACES</u>				
Oklahoma-Bred Quarter Horse Futurity	\$10,000	\$ 6,800	\$ 3,200	\$20,000
Oklahoma-Bred Quarter Horse Derby	\$ 2,500	\$ 1,700	\$ 800	\$ 5,000
Oklahoma-Bred Quarter Horse Championship	\$ 2,500	\$ 1,700	\$ 800	\$ 5,000

	Purse Supplements	Broodmare Awards	Stallion Awards	Total
<u>PAIN AND APPALOOSA STAKES RACES</u>				
Lorelei Appaloosa and Paint Derby	\$ 2,500	\$ 1,700	\$ 800	\$ 5,000
<u>APPALOOSA STAKES RACE</u>				
Cricket Bar Futurity	\$ 2,500	\$ 1,700	\$ 800	\$ 5,000
Totals	\$20,000	\$13,600	\$ 6,400	\$40,000

The Advisory Council unanimously voted to recommend the funding level of \$40,000 from the Oklahoma Breeding Development Fund Special Account.

Commissioner Barkett made a motion to approve the recommend funding. Commissioner Bowers seconded the motion. The vote was as follows:

Aye: Mrs. Barkett, Mr. Bowers, Mr. Bollenbach, Mr. Burton, Mr. Carter,
Mrs. Goumaz, Mr. Smicklas, Mr. Grimmitt
Mr. Savage were absent from the meeting.
The motion passed on an 8-0 vote.

2. Remington Park's Funding Request for Televising the Oklahoma Classics

In a June 4, 2008 letter, Mr. Dale Day, Remington Park's Director of Racing Marketing-Communications, requested funding of \$30,000 in Thoroughbred funds to cover expenses of televising the CY 2009 Oklahoma Classics, a series of eight stakes races for Oklahoma-Bred Thoroughbreds, to be run on Saturday, September 26, 2009. Last year's televising costs totaled \$27,274.94. In his letter, Mr. Day stated that the funding would allow Remington Park to negotiate with broadcast television stations and Cox Communications Cable to carry the Oklahoma Classics and utilize a production truck for the preferred presentation of all horse racing from Remington Park on Classics night.

The Advisory Council voted to recommend the funding level of \$30,000 in Thoroughbred funds from the Oklahoma Breeding Development Fund Special Account.

Commissioner Barkett made a motion to approve the recommended funding level for the televising level of the Oklahoma Classics. Commissioner Smicklas seconded the motion. The vote was as follows:

Aye: Mrs. Barkett, Mr. Smicklas, Mr. Bowers, Mr. Bollenbach, Mr. Burton,
Mr. Carter, Mrs. Goumaz, Mr. Grimmatt
Mr. Savage were absent from the meeting.
The motion passed on an 8-0 vote.

**RECONSIDERATION OF FY-2010 PARI-MUTUEL AND GAMING AUDITING
CONTRACTS BETWEEN THE COMMISSION AND THE OFFICE OF STATE
AUDITOR AND INSPECTOR (SA&I)** [This Item was heard immediately after the
Minutes at the request of the State Auditor and Inspector.]

Background

At the March 26, 2009 meeting, the Commission approved the proposed auditing contracts between the Commission and the Office of State Auditor and Inspector for FY-2010 [July 1, 2009 through June 30, 2010]. The annual contracts included \$48,000 for the pari-mutuel contract and \$255,000 for the gaming contract. The approval was specifically conditioned upon the availability of adequate funding.

In May, the Commission received a FY-2010 appropriation reduction of 7%, or \$186,870. On July 1, 2009, Commission Staff advised Mr. Steve Burrage, the State Auditor and Inspector, that it recommended to the Commission that the two auditing contracts be reduced by \$25,250 as part of the Commission's efforts to absorb the 7% reduction. In response, Mr. Burrage asked that the Commission not reduce its FY-2010 auditing contracts.

Current Consideration

In relation to the Commission Staff's proposal that the two contracts be reduced by \$25,250, Mr. Burrage said that the Auditor's Office also received the same budget cuts as all other state agencies, including the most recent cut for August 2009. He said that the services provided by the Auditor's Office are provided on a break-even basis at this time. Mr. Burrage proposed that the OHRC reduce the contract with his agency by half [\$12,625] rather than the proposed \$25,250.

Mr. Rieger stated that the two contracts discussed at this meeting were approved at the March 26, 2009 Commission meeting. However, Mr. Rieger said he waited to sign the contracts because he had received word that the budget might be reduced in the future. Since that time he learned that the OHRC budget was cut by 7% for FY 2010 [which runs from July 1, 2009 through June 30, 2010] and amounted to approximately \$186,000. In addition, all state agencies were recently notified of a 5% [\$10,345.00] cut in funds for August, 2009, and advised that monthly budget cuts would probably continue. Mr. Rieger further stated that not all of the contracts the Commission is committed to may be subject to

any sort of negotiations, which is not the case regarding the State Auditor and Inspector's Office.

Commissioner Goumaz made a motion to reduce the gaming and auditing contracts with the Office of State Auditor and Inspector by \$12,625 due to agency budget reductions. Commissioner Bollenbach seconded the motion. The vote was as follows:

Aye: Mrs. Goumaz, Mr. Bollenbach, Mrs. Barkett, Mr. Bowers, Mr. Burton,
Mr. Carter, Mr. Smicklas, Mr. Grimmert
Mr. Savage were absent from the meeting.
The motion passed on an 8-0 vote.

CONSIDERATION OF THE FISCAL YEAR 2011 AGENCY BUDGET REQUEST PROPOSAL

The FY-2011 [July 1, 2010 through June 30, 2011] Agency Budget Request Proposal was submitted for Commissioners' consideration for approval. State agency budget requests for FY-2011 must be filed with the Office of State Finance, Legislative Staff and Cabinet Secretary by October 1, 2009.

Mr. Rieger stated that the critical priorities are to restore the budget cuts received and funding for the rising insurance premiums, the doubling of Worker's Comp premiums, Longevity payments, retirement contributions and employee travel. Other major areas of concern are the Agent job description, duties and compensations, the Executive Director's duties and compensations, funding to upgrade computer equipment, the addition of a License Clerk, pre-race veterinarians, Test Barn assistants, records management system, a mandatory annual audit, and funding for the increase in cost for the Pari-Mutuel Audit.

Commissioner Goumaz made a motion to accept the budget as presented. Commissioner Carter seconded the motion. The vote was as follows:

Aye: Mrs. Goumaz, Mr. Carter, Mrs. Barkett, Mr. Bollenbach, Mr. Bowers,
Mr. Burton, Mr. Smicklas, Mr. Grimmert
Mr. Savage were absent from the meeting.
The motion passed on an 8-0 vote.

CY 2010 COMMISSION MEETING DATES

Commission Staff recommended that the Commission consider scheduling eight monthly meetings in CY 2010 for the months of January, February, March, May, June, August, October and November. In the past, the meetings have been scheduled for the third Thursday of the month except for the months of January and March in which the meetings have been scheduled for the fourth Thursday of the month and August in which the meeting

has been scheduled for the second Thursday of that month. As such, the proposed CY 2010 meeting dates would be: January 28, February 18, March 25, May 20, June 17, August 12, October 21 and November 18.

Commissioner Carter made a motion to approve the proposed CY 2010 meeting dates. Commissioner Goumaz seconded the motion. The vote was as follows:

Aye: Mr. Carter, Mrs. Goumaz, Mrs. Barkett, Mr. Bollenbach, Mr. Bowers,
Mr. Burton, Mr. Smicklas, Mr. Grimmert
Mr. Savage were absent from the meeting.
The motion passed on an 8-0 vote.

EXECUTIVE SESSION TO DISCUSS ONGOING INVESTIGATIONS OF ILLEGAL ACTIVITIES AT RACETRACK OPERATIONS

Possible Executive Session

Pursuant to provisions of 25 O.S. § 307 (B)(4), the Commission may hold an Executive Session for confidential communications between the Commission and its attorney concerning ongoing investigations. Commission Counsel, Senior Assistant Attorney General Neal Leader, has advised that discussion in open session will seriously impair the ability of the Commission to conduct the ongoing investigation.

Commissioner Barkett made a motion that the Commission find that the discussion of these matters in open session, as advised by Commission Legal Counsel, would, seriously impair the ability of the Commission to proceed with the investigation of the illegal racetrack operations in the State, and that, based upon that finding, the Commission vote to go into Executive Session and include Mr. Rieger, Mr. Leader and Ms. Roberts. Commissioner Bowers seconded the motion. The vote was as follows:

Aye: Mrs. Barkett, Mr. Bowers, Mr. Bollenbach, Mr. Burton, Mr. Carter,
Mrs. Goumaz, Mr. Smicklas, Mr. Grimmert
Mr. Savage were absent from the meeting.
The motion passed on an 8-0 vote.

After the Executive Session, Commissioner Goumaz made a motion to return to Open Session. Commissioner Barkett seconded the motion. The vote was as follows:

Aye: Mrs. Goumaz, Mrs. Barkett, Mr. Bollenbach, Mr. Bowers, Mr. Burton,
Mr. Garter, Mr. Smicklas, Mr. Grimmert
Mr. Savage were absent from the meeting.
The motion passed on an 8-0 vote.

REPORTS

A report was provided to the Commission regarding the 8 Legislative Interim Studies currently being conducted by the Legislature. The 8 Interim Studies include 7 in the House and 1 in the Senate. Of those, 3 are related to the horse racing industry, 2 review consolidation of functions; 1 considers fiscal [purchasing] issues; and 2 concern employee benefits.

ANY MATTER NOT KNOWN ABOUT OR WHICH COULD NOT HAVE BEEN REASONABLY FORESEEN PRIOR TO POSTING THE AGENDA

There was no new business that could not have been foreseen prior to the posting of the agenda.

ANNOUNCEMENTS

On July 23, 2009, the Commission, through the Executive Director, approved Remington Park's request to amend its CY 2009 Thoroughbred race meeting's live race days by substituting Mondays for Thursdays, except for August 24, 2009, through December 14, 2009.

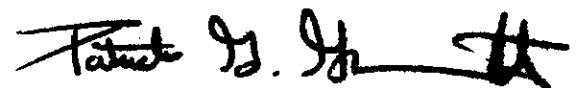
The Oklahoma Thoroughbred Association's annual awards program is scheduled for Saturday, August 15, 2009, at Remington Park. The Commission will present the 2008 Thoroughbred Oklahoma-Bred awards during the program.

The University of Louisville's Equine Industry Program is hosting a full accreditation school for those interested in being accredited as Stewards or Judges, November 11-18, 2009.

ADJOURNMENT

By acclamation, the Commission meeting was adjourned at 11:30 a.m.

Approved this 15th day of October, 2009.



Mr. Patrick Grimm, Chairman

On Behalf of the Commission:

ATTEST:



Constantin A. Rieger, Executive Director

CAR/ejb/9/25/09, 10/12/09, 10/15/09

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