

NORTH DAKOTA RACING COMMISSION
Live and Telephone Meeting
Bismarck Public Library, 515 N 5th Street, Room A, Bismarck, ND
Tuesday, October 18, 2011 – 11:00 a.m. (central time)

Call to Order: Chairman Jim Ozbun called the meeting to order at 11:05 a.m.

Present: Chairman Jim Ozbun, Commissioner Steve Hartman, Commissioner Tom Senftner and Commissioner Ray Trottier. Commissioner Andy Maragos was absent. The Governor has appointed Ray Trottier from Belcourt, ND as the new Commissioner, replacing Clarence Frederick, Belcourt, ND. Also present were Racing Commission Director, Winston E. Satran, Legal Counsel, Assistant Attorney General, Bill Peterson and Administrative Staff Officer, Helen Tessmann.

Others Present: J. Curtis Linnell, Janelle Mitzel, Scott A. Horst, Jad Breiner, Darrell Dorgan, Lee Bradford, Wes Heinert, Ron Klein, Leon Glasser, L.J. Harsche, Pete Davis, John Bubel, David Bernsen, Don Johnson, John Bracaglia, Bill Nye, Mike Cichy, Mark Thurman and Gail Hrdlicka.

AGENDA

1. **Approval of Minutes – July 12, 2011 Meeting**
2. **Mad Scramble Pool**
 - a. Director Satran – Report
 - b. David A. Bernsen – Public Statement
USTPO Patent Filing relating to Section 69.5-01-08-01 Paragraph 15. Mad Scramble Pool
3. **New York Racing Association Presentation**
4. **Service Provider Application**
 - SocialGaming Technologies, Inc.
5. **MTPBets Limited** - Report
6. **Conduct of Racing Administrative Rules (rough draft)**
7. **Breeders' Fund 2011 Distribution of Awards**
 - a. Approval of Payment for the 2011 Breeders' Fund Awards
 - b. Consideration of Double and Triple Point Awards
8. **Director's Reports**
 - a. Successful Bidder - Account Deposit Wagering (ADW) Auditing Services California Horse Racing Information Management System (CHRIMS) Inc. Implementing new auditing system
 - b. Approval to attend 2011 Symposium on Racing – Tucson, Arizona
 - c. Silks Corporation – License Review
 - d. Proposed Horse Registration Holiday
9. **Promotion Fund Request**
 - Horse Race ND - \$29,928
10. **Outdoor Recreation Development Association's 2011 Race Meet Report**
 - Live Meet at Chippewa Downs, Belcourt, ND
11. **ND Horsemen's Council Issues or Recommendations**
12. **Any other business which may PROPERLY come before the commission**
13. **Adjournment**

MINUTES

1. Approval of Minutes – July 12, 2011 Meeting

Previously all commissioners received the July 12, 2011 meeting minutes to review.

A motion was made by Commissioner Senftner and seconded by Commissioner Hartman to accept the minutes of July 12, 2011 meeting as presented. All Commissioners voted aye and hearing no negative vote the motion passed.

2. Mad Scramble Pool

a. Director Satran – Report

Director Satran stated that two years ago NDRC licensed a company called Media & Gaming which is now Typhoon Gaming Inc. from Australia. Typhoon is on the cutting edge of technology in tote services in the world. While discussing Mad Scramble betting and how it could be implemented it was determined that Typhoon would be the system that would accommodate this bet because of the high volume of wagers being generated.

Director Satran had submitted several questions to Tote Tasmania regarding the structure of their business and how it is operated. Mr. Brett Williams, a representative of Tote Tasmania, replied by e-mail to the NDRC and informed the Racing Commission that the Tote companies are under the jurisdiction of the Tasmanian State Government. Tote Tasmania performs all the tasks associated with wagering transactions including the processing of bets, and management reconciliation of the individual customer accounts. Audits of Tote Tasmania are done to ensure all their systems are accurate and they are abiding by Tasmanian law and procedures. Tote Tasmania is in the process of implementing the Mad Scramble Pool betting into the Typhoon system which Tasmania is in the process of installing.

b. David A. Bernsen – Public Statement

USTPO Patent Filing relating to Section 69.5-01-08-01 Paragraph 15.
Mad Scramble Pool

Mr. David Bernsen reported that he has filed a Patent on the Mad Scramble Pool. Mr. Bernsen said that there is no wager like this in the world. This type of betting could possibly start in January 2012 and eventually it is estimated that 1.5% of each wager would be paid to North Dakota. Director Satran added that North Dakota laws associated with the amount of money that can be paid to the state will require the Commission to enact a new revision of the rules to make appropriate changes so that the additional fees may be accepted.

A motion was made by Commissioner Senftner and seconded by Commissioner Hartman to allow Director Satran to begin the process of revising the administrative rules to allow for an increase in payments to North Dakota for operating costs and licensing fees associated with the Mad Scramble Pool. Roll was taken: Senftner-Y, Hartman-Y, Ozbun-Y and Trottier-Y. Motion passed.

Director Satran introduced Mr. Don Johnson from Pennsylvania. Mr. Johnson represents individual players who may be interested in the horseracing industry in North Dakota and the changes that are happening within this state.

Mr. Johnson reported on what attracts large betting players to States that have horseracing activities. Mr. Johnson said that when a state has a fee friendly environment, big bettors are drawn to that state because it allows more value to the pools. If North Dakota can keep the fees down, then Mr. Johnson's clients would have an interest in participating with the ADWs and Service Providers that are in North Dakota.

3. New York Racing Association Presentation

Director Satran reported that Mark Thurman, President of CHRIMS, invited the New York Racing Association to come to North Dakota and talk to the ND Racing Commission about the possibility of New York Racing Association's Account Deposit Wagering Company licensed in North Dakota. Mr. David O'Rourke, the Vice-President of Business Development, came to North Dakota and met with Director Satran, Chairman Jim Ozbun, Mark Thurman and Lieutenant Governor Wrigley. The New York Racing

Association was invited to consider acquiring a North Dakota Racing Commission Account Deposit Wagering license.

Director Satran stated that the North Dakota Racing Commission needs political support to make all the efforts in developing a strong horseracing industry in North Dakota. The progress North Dakota Racing Commission has accomplished to-date has been: licensing large companies to do business in North Dakota; contracting with CHRIMS to handle the monthly auditing of the ADWs in maintaining accurate wagering and tax reimbursement records; and entering into an agreement with the Thoroughbred Racing Protection Bureau to perform background investigations on ADW companies seeking licensure from the Racing Commission. These agreements providing support to the Racing Commission have been a major undertaking which provides greater security and accountability.

Director Satran asked everyone to support the North Dakota Racing Commission in the effort to develop a better financial environment for horseracing and to talk to their legislators about supporting horseracing in North Dakota.

Commissioner Senftner asked for guidelines and talking points to be developed for the Commissioners to use when talking to legislators. Director Satran said he would prepare guidelines.

4. Service Provider Application

- SocialGaming Technologies, Inc.

Mr. William Nye and Mr. John Bracaglia, representatives of SocialGaming Technologies, Inc., Boonton, NJ, made a presentation to the Commission. A Service Provider & Account Deposit Wagering license application from SocialGaming Technologies, Inc. has been submitted to the ND Racing Commission for the Commission's consideration. Director Satran said the application was complete and the background investigation is being conducted.

Director Satran reported that MTPBets Limited sent emails yesterday at 4:05 PM with letters attached indicating that MTPBets Limited has legal disputes with SocialGaming Technologies, Inc. Director Satran stated that before he would recommend licensing approval, the NDRC must receive a statement of resolution from each party. The next commission meeting is tentatively set for Tuesday, December 6, 2011. Director Satran would like these issues worked out by the next Commission meeting.

A motion was made by Commissioner Senftner and seconded by Commissioner Hartman to table the decision to approve the license application for SocialGaming Technologies, Inc. until a statement of resolution is received in the North Dakota Racing Commission office from both MTPBets Limited and SocialGaming Technologies, Inc. All Commissioners voted aye and hearing no negative vote the motion passed.

5. MTPBets Limited – Report

Mr. Darrell Dorgan, Director of the North Dakota Cowboy Hall of Fame reported to the Commission on MTPBets Limited's progress in setting up kiosks in North Dakota for the benefit of the charity North Dakota Cowboy Hall of Fame. The first Kiosk was set up last night and should be live in three weeks. By March 2012, MTPBets Limited hopes to have 70 kiosks set up in North Dakota.

6. Conduct of Racing Administrative Rules (rough draft)

Director Satran reported on the drafting of the Administrative Rules for the Conduct of Racing Rules and the guidelines for submitting the draft. The Commissioners will review the changes and submit their questions and concerns to Director Satran for discussion. Several States' regulations were reviewed and compared with North Dakota's regulations. The Promotion, Purse and Breeders' Fund rules will be reviewed and presented for revision in the near future. The rule change process generally will take up to 12 months to complete.

7. Breeders' Fund 2011 Distribution of Awards

- a. Approval of Payment for the 2011 Breeders' Fund Awards

Director Satran reported that the Breeder's Fund balance is \$745,141 as of October 1, 2011. The amount available for the 2011 breeders' fund distribution of awards is 12.5% of the total or \$93,143.

A motion was made by Commissioner Trottier and seconded by Commissioner Senftner to approve payment of the 2011 Breeders' Awards based on 12.5% of the October 1, 2011 balance of \$745,141. \$93,143 to be distributed as Breeders' Fund awards for the 2011 Race meet held in Belcourt, North Dakota. Roll was taken: Trottier-Y, Hartman-Y, Senftner-Y and Ozbun-Y. Motion passed.

b. Consideration of Double and Triple Point Awards

Director Satran explained that there were two races held at the Belcourt race meet where the purses were over \$10,000. Double points can be awarded from the Breeders' Fund to the ND registered bred horses in the win, place and show positions. When there are races held that have a purse amount of \$25,000, then triple points can be awarded in the win, place and show positions. The 2011 race meet did not have any purses eligible for triple points.

A motion was made by Commissioner Senftner and seconded by Commissioner Hartman to approve double point distribution from the Breeders' Fund for the two 2011 races that had purse money over \$10,000 to the North Dakota registered bred horses in the win, place and show positions. Roll was taken: Senftner-Y, Hartman-Y, Trottier-Y and Ozbun-Y. Motion passed.

8. Director's Reports

- a. Successful Bidder - Account Deposit Wagering (ADW) Auditing Services
California Horse Racing Information Management System (CHRIMS) Inc.
Implementing new auditing system

Director Satran introduced Mr. Mark Thurman, President of CHRIMS, who is the new contracted service providers auditing service for the North Dakota Racing Commission. Mr. Thurman explained that one procedure the CHRIMS auditing service does is pull information from tote companies or account deposit wagering companies to complete a reconciliation of wagers and assure their accuracy before any distributions are made. CHRIMS is a non-profit corporation and the members consist of horsemen, race tracks and states.

****BREAK 1:20 PM****

1:30 PM Reconvene Meeting

- b. Approval to attend 2011 Symposium on Racing – Tucson, Arizona

Director Satran will be attending the 2011 Symposium on Racing in Tucson, Arizona. This is an approved budget item and does not need to be approved by the Commission.

- c. Silks Corporation – License Review

Director Satran reported that Silks Corporation has not turned over handle of any significance in recent months. On July 7th a letter was received from Silks' President, Les Rankin and he indicated he wanted to affiliate with another company. Director Satran said they could do that, but they had to go through the TRPB background investigations. NDRC has not received any additional information concerning the possible merger from Silks at this time. The NDRC office has sent several letters to Silks requesting information concerning their wagering activity and taxes owed to the NDRC.

Director Satran stated he has concerns regarding Silks Corporation. These concerns will be discussed at the next meeting when the Commission reviews Silks Corporation's renewal application.

- d. Proposed Horse Registration Holiday

Director Satran suggested that the North Dakota Racing Commission approve a 30-day registration "Holiday" starting November 1, 2011 and ending November 30, 2011. This holiday would allow breeders to register ND bred foals born in 2010 for a fee of \$10.00 and waive the late fee of \$1,000. Registrations

for ND bred horses are down this year and this opportunity would help to increase the number of future race horses.

A motion was made by Commissioner Hartman and seconded by Commissioner Trottier to approve a 30-day Registration Holiday beginning November 1, 2011 and ending November 30, 2011. This holiday would allow breeders to register ND bred foals born in 2010, by broodmares registered in the Breeders' Fund Registry prior to the foaling date, with no late fee of \$1,000.

Horseman are required to complete a registration application, include the Certificate of Registration and a check in the amount of \$10.00 payable to the North Dakota Racing Commission and postmarked by midnight November 30, 2011. Any horsemen that paid a \$1,000 late fee in 2011 for a 2010 foal will be reimbursed the \$1,000 late fee. Roll was taken: Hartman-Y, Trottier-Y, Senftner-N and Ozbun-Y. Motion passed.

9. Promotion Fund Request
- Horse Race ND - \$29,928

Jad Breiner, Fargo Track Manager, reported on Horse Race ND's need for Promotion Fund money for the upkeep and repairs of the Fargo track. Chairman Ozbun stated that he had visited the track and feels there is a need to clean up the area. Chairman Ozbun suggested that Horse Race ND contact the college and recruit students in the horse program to assist with the project.

Director Satran stated that items such as utilities, taxes and insurances must be paid. To pay these items it would cost \$16,195. The repair items could be delayed until spring because of the lack of sufficient money in the Promotion Fund.

A motion was made by Commissioner Senftner and seconded by Commissioner Trottier to approve \$16,195 to be paid from the Promotion Fund to Horse Race ND to cover essential operating costs and defer any dollars for repairs until spring of 2012. Roll was taken: Senftner-Y, Trottier-Y, Hartman-Y and Ozbun-Y. Motion passed.

10. Outdoor Recreation Development Association's 2011 Race Meet Report
- Live Meet at Chippewa Downs, Belcourt, ND

Pete Davis, Chairman of Outdoor Recreation Development Association (ORDA), reported on the 2011 track meet held at Chippewa Downs, Belcourt, ND. ORDA will present a financial report at the next Commission meeting.

11. ND Horsemen's Council Issues or Recommendations

Lee Harsche reported that one of the council members' resigned and the council is looking for a replacement. No other information was provided.

12. Any other business which may PROPERLY come before the commission

No other business reported.

13. Adjournment

A motion was made by Commissioner Senftner and seconded by Commissioner Hartman to approve the adjournment of the North Dakota Racing Commission meeting at 2:25 PM. All Commissioners voted aye and hearing no negative vote the motion passed.