

May 16, 2017



CERTIFIED MAIL
Retailer I.D. #237132/240193

Vestal Monroe, Secretary
Oregon Racing, Inc.
1001 N Schmeer Road
Portland, OR 97217

Re: Violations of Oregon Lottery Contract
Portland Meadows – Poker Room

Dear Ms. Monroe:

In a letter dated January 9, 2017, the Oregon State Lottery (Lottery) notified Oregon Racing, Inc. that violations of its social gaming permit put its retailer contract with the Lottery at risk. Since the date of that letter, the Lottery has conducted an investigation into the operations of Oregon Racing, Inc. at its Portland Meadows site. Based on that investigation, the Lottery has determined that Portland Meadows is in violation of the terms of its retailer contract with Lottery.

During its investigation, an officer from Lottery's Security Section observed the operations and progress of games in the Portland Meadows Poker Room. Specifically, the officer observed that:

1. The dealer was not being rotated every hand.
2. Bets greater than \$5.00 per hand were placed.
3. Portland Meadows (the house) was acting as the bank.
4. Single raises and a call of \$120.00 during a hand.
5. Tips were provided to dealers.
6. Dealers did not actively engage in play.

Based on these facts, Lottery has determined that the games observed did not qualify as social games under Oregon law (ORS 167.117), and appear to also violate the social gaming ordinance of the City of Portland. (PCC 14A.70.040).

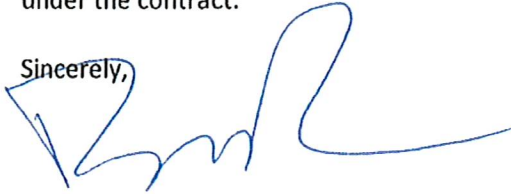
The Lottery is in receipt of a copy of the Tentative Settlement Agreement between the City of Portland and Portland Meadows Poker Club (PMP) in which PMP agrees to adopt policies and procedures that, if followed, will permit the site to operate in compliance with the city's social gaming ordinance.

On December 29, 2016, the Lottery provided direction to all Oregon retailers on the requirements of ORS 167.117 for operating social games, and the Lottery reminded retailers of their obligation to comply with state and local laws. On January 9, 2017, the Lottery sent an additional letter to Oregon Racing, Inc. regarding the operations at Portland Meadows and the violations observed by the City of Portland related to its social gaming ordinance. Despite these letters, and the action of the City of Portland, an Oregon State Police Detective later observed violations of ORS 167.117 and PCC 14A.70.040 at Portland Meadows.

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It is therefore, apparent to the Lottery that Oregon Racing, Inc. is unwilling or unable to comply with the applicable laws governing social gaming.¹ This letter is to notify Oregon Racing, Inc. that it must immediately comply with the conditions of its agreement with the City of Portland and cease operating in violation of Oregon and city laws. If Oregon Racing does not comply with this notice, the Lottery will exercise its right to terminate its retailer contract with Oregon Racing under sections 10.1 and 15.2 of the contract, without limiting, and reserving to Lottery, any other rights and remedies available to Lottery under the contract.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Barry Pack', with a long horizontal flourish extending to the right.

Barry Pack
Oregon Lottery Director

BP/kb

cc: Central File 240193/237132

Darrell Hagen, Field Manager
Tim Hensley, Field Sales Representative
Craig Durbin, Assistant Director of Security

Vestal Monroe, Secretary via Regular Mail

¹ This notice is provided, and action contemplated, independent of any separate determinations or course of action by the City of Portland or the District Attorney with respect to the Portland Meadows operations.