

MINUTES

OREGON RACING COMMISSION JANUARY 19, 2001

The Oregon Racing Commission met on Friday, January 19, 2001, at 1:30 p.m. for their regular meeting in The Turf Club at Portland Meadows located at 1001 N Schmeer Road, Portland, OR. Commissioners in attendance were Steve Walters, Chair; Laura Fine, Vice Chair; Tom Towslee and Lisa Metcalf, DVM. The fifth commission position is currently vacant. After calling the meeting to order Chair Walters thanked Portland Meadows management for providing their facility as well as refreshments for this month's meeting. Agenda items were discussed in the following order with resulting actions:

1. Approval of December 21, 2000, Minutes

ACTION: MOTION(Fine) Approve minutes as amended.
VOTE: 4 Aye, 0 Nay

2. Request for Reinstatement of License by Richard Keen - *continued from 12/21/00*

Steve Barham stated he had spoken with Mr. Keen who said he would not be present today because he would be in therapy for a knee injury. Mr. Barham recommended the commission table this matter indefinitely until such time Mr. Keen decides to reactivate the request and meets the qualifications set by the commission at the December 21, 2000 meeting.

ACTION: MOTION(Fine) Table the request for reinstatement of license by Mr. Keen.
VOTE: 4 Aye, 0 Nay

3. Multnomah Greyhound Park Request for 2001 Live Race Meet Window - May 2 through October 14

Carl Wilson stated this was their normal race dates window request, however, stated the conclusion should be Monday, October 15 instead of Sunday, October 14. Steve Barham recommended approval of the request.

ACTION: MOTION(Fine) Approve race dates request subject to timely submission of an application for issuance of a race meet license and approval of that application by the commission.
VOTE: 4 Aye, 0 Nay

4. Tillamook County Fair 2001 Race Dates Request - August 9, 10 and 11

Steve Barham recommended approval of the request.
ACTION: MOTION(Fine) Approve race dates request subject to timely submission of an application for issuance of a race meet license and approval of that application by the commission.
VOTE: 4 Aye, 0 Nay

5. Eastern Oregon Livestock Show 2001 Race Dates Request - June 8, 9 and 10

Steve Barham recommended approval of the request.
ACTION: MOTION(Fine) Approve race dates request subject to timely submission of an application for issuance of a race meet license and approval of that application by the commission.
VOTE: 4 Aye, 0 Nay

6. New Portland Meadows

were concerned about the condition of the track when heavy rains occur as well as being concerned about the manner in which the track is currently being worked. In summary, Mr. Haire stated the general consensus of the jockeys was that they're not comfortable with how the track feels underneath them, and that the work recently done was a band-aid solution to a much larger problem that needs to be addressed before the next Portland Meadows race meet.

7. Initial Review of Application from AMERICATAB, Ltd. for Multi-Jurisdictional Simulcasting and Interactive Wagering Totalizator Hub License

Following is a transcript of the discussion on this agenda item.

Walters: Welcome.

Bowker: Thank you for having me. Todd Bowker with AMERITAB, Ltd. It's been an interesting and long trip to get here. I had to survive a couple of plane cancellations and delays, but this is my first trip to Oregon and so far the little bit I've seen has been beautiful.

Walters: It never rains here.

Bowker: Well, it did a little bit last night.

Walters: Steve, you were about to...

Barham: Before Todd starts going through the application or talking about it, there's some added material in your packet that was under, not the envelope, but under your new agenda that, a few pages. They're fairly, there're some technical changes that I asked to be put in, so I thought I'd just point that out.

Walters: My understanding of what we're doing here today is the agenda says it's an initial review. We'll have a discussion with Todd about questions we may have about the application, about the organization. Assuming everything goes smoothly here today, Steve Barham and Steve Roden will travel to Ohio Monday to view their facilities and do the technical review of their equipment and then this would come back to us for final action at our February meeting. That's basically the schedule you have in mind, right Todd?

Bowker: Certainly.

Walters: Do you have any presentation you want to make in addition to what we have here in writing?

Bowker: Nothing formal. We've been in operation, so I don't have to show you any big smoking mirrors presentation about what it's going to look like. We've been in operation with telephone wagering since 1994. We started our close looped system, was cut loose to the public September 1st, and everything's been running very smoothly. So, I'd be more than happy to discuss any of the details with you here, but I didn't bring any formal presentation just because it will be something that everybody, Steve and Steve when they come to see us, will be able to see all of it up and running as it currently is.

Walters: What I'd like to do is operate under the assumption that we've all read the application. I know that Steve Barham and I have had some discussions about it. I had a discussion with Todd by telephone day before yesterday, and I understand he's had further discussions with Steve, and so I think the most fruitful way to approach it would be to ask any questions that we had about the operation. And I guess I would ask you, Todd, for the benefit of the public as well as the commissioners if you could just describe generally what your operation is and a little bit of its history.

Bowker: Okay. Well, again as I mentioned we started in 1994 with telephone account wagering. In Ohio where we are located currently telephone account wagering is allowed as part of your live racing permit. Currently when the operation started there were four racetracks in Ohio that were partners. Two of those tracks have continued to be partners, and that is Beulah Park in Columbus, OH and River Downs which is located in Cincinnati. Thistledown and Scioto, when we decided to develop our closed loop system, decided they didn't want to fund that development and, therefore, were bought out which took OhioTab just down to its current two members. Again, in Ohio you have to have a live racing permit and you're allowed to do account wagering only as part of the live racing permit. Obviously that's not the case if we would move to Oregon and one of our development partners in this whole process was a company called Blood Stock Research in Lexington, KY. They have

expressed an interest for a long time in wanting to be a partner in the business, and our potential and application here includes them as one-third owner through them and their one subsidiary, TSN, which we can do now under your rules which we would not be able to do under Ohio rule, and should you decide to turn us down in our application we would just go back to operating as OhioTab in Ohio and continue on in that fashion.

- Walters: In terms of the application, we've had some discussion about some issues and we've talked about the operating plans we've approved for the other two hubs that we've licensed and they include, both of those operating plans include, for example, \$50 minimum, and my understanding is that you are copacetic with that.
- Bowker: Oh certainly. I believe the main issues that you brought up were the \$50 minimum, which is certainly very easy for us to do and don't think that that's an issue for us at all to agree to. Raising the minimum age to 21, currently we're at 18, is certainly something that we would be more than willing to do. I would ask that if we do have customers that are currently between 18 and 21 that they be allowed to continue to be customers since they've already signed up, but any new accounts that we created once the move was made would certainly be able to do that. There are some credit card issues that I'm sure you're going to want to talk about here, and we can start doing that as soon as...
- Walters: Why don't we talk about the credit card issues. As we've discussed and as you know the applications we've approved for TVG and for US Off-Track basically say you can use a credit card once a month to replenish your account, and it is my understanding that that's not the practice you folks have been following and that that is an approach that concerns you. So, if you could elaborate on that please.
- Bowker: Sure. We are a little bit new to the game in terms of the closed loop system, but again we've been obviously doing the account wagering for quite some time. Credit card deposits for us we currently now allow in terms of quantity an unlimited number of credit card deposits. We do have through our closed loop system a velocity limit setup which limits the customer to an initial deposit of \$400. After we receive what we call our draft authorization form, which is basically a signature form that gives us some additional information about the customer, and we do allow deposits a maximum of \$1000 per day...
- Walters: Sorry. Four or one.
- Bowker: One thousand per day, \$3000 per week, calendar week, 7 days, and \$5000 in a calendar month, 30 days. So, we've set those velocity limits, that's part of our responsible gaming program. The way our system works is it is keyed to the customer not to their credit card, so if a guy wanted to use five credit cards his maximum limit is still the same. He can't use multiple credit cards to bypass those limits, and we only allow our customers to have one account, so they can't use multiple accounts to get past the limit. Again, that part of it, we had a lot of discussions as we were setting this up and, quite frankly, a lot of the biggest complaints that we got from talking with customers that were using other systems, you know, as part of our background to try to decide what we wanted to do and how we wanted to handle that, was there were a lot of complaints out there from various companies about how hard it was to fund their account when they needed to fund their account. And so we didn't throw it completely open but we decided that we wanted to try to make it easy for customers to fund their accounts, and have gotten very positive feedback from our customers about that particular issue. And so at least at this point in time we think we made the right choice.
- Walters: As I understand, what you're calling velocity limits, you basically have a limit sort of over time how much money can be put into an account, and that's, what did you say, was it a thousand...
- Bowker: Well, this is a credit card deposit. If somebody wants to deposit cash we don't have a limit, you know, on cash.
- Walters: But the credit card, could you give me those numbers again?
- Bowker: It's \$1000 per day, \$3000 per week and \$5000 per month, and that rolls, that's not within a calendar week. That rolls so it's like a seven day period for the thousand dollars. It's a 30-day period for the..., so somebody couldn't deposit \$3000 and then the next day deposit \$3000 more just because the calendar switched over to the new month.
- Walters: Do you have any data on usage? Have you done any analysis about how often people are replenishing the accounts?
- Bowker: Well, it really varies by customer. For example, I can just cite an example, the biggest player that we have. He over the course of a week deposited \$3000 into his account and hasn't made a deposit since, and we've probably paid him \$50,000 or \$60,000 in checks that he's requested and he's probably got \$50,000 or \$60,000 in his account right now. That's a customer that, if they were allowed to make one deposit for \$250 to start the

account, we may never have gotten him. Quite frankly, I honestly believe we wouldn't have because he made his initial deposit which was limited to \$400 and didn't play, and then the next day he made \$1000 deposit and the day after that he made a \$1000 deposit and still didn't play. The third day he made a \$600 deposit and that kept him within his \$3000 limit for the first week, and then he started to play. So, it's one of those deals where for us we average somewhere in the ballpark of between \$100,000 and \$200,000 a month deposited via credit card through our closed loop system. Our sum total deposits via all sources, and we do accept credit cards over the telephone as well, but our sum total deposits are about three times that, counting cash and we use quick cash for people that wish to use cash advances on a credit card. It's a system that's, a company, First Data Resources out of Omaha, and basically what that does is it does a cash advance against a credit card and it actually issues us a check and then we deposit the check.

Walters: So the \$100,000 to \$200,000 a month you said for credit cards, that doesn't include the quick cash?

Bowker: No it doesn't because we treat those as a check deposit.

Walters: Okay.

Bowker: It's a big part, I mean, deposits are obviously a big part of our business and it's very hard for customers to play if they don't have funds in their account, and the downside to that that you'll also find is I've run across a lot of customers that have had multiple accounts. They've had an account with us, with YouBet, with Philly Phone Bet, Connecticut OTB, and we are finding that several of those people are starting to consolidate down to one account because they now don't have to, if they run out of funds with one company, don't have to go someplace else because they can't make a deposit through their existing company.

Walters: Do you have data on the, more than just anecdotal data about people who have like multiple accounts?

Bowker: No, other than just the people that I talk to that I happen to, as far as me personally and my management style I am very open to our customers. People can get me on the phone directly. I answer all of our tech support e-mail personally, and we also just got done with our first customer survey on-line, so I did get a lot of responses back with the on-line customer survey. We do get a lot of very positive feedback for how our system works, the speed in which it works and the fact that it's easy.

Walters: Are the responses to your customer survey something you can share with us?

Bowker: I would be willing to with the understanding that they are not to be made public, yes, especially where they talk about technical details about our system and things like that. But yeah, no, I would not have any problem with that at all.

Towslee: Mr. Chairman, just one... Do you know how many occasions that you have to tell somebody that they can't put any more money in their account on their credit card?

Bowker: I don't track that. I could probably get my credit card processing company to provide that.

Towslee: Do you have any idea. Is it frequent, infrequent?

Bowker: I probably get, you know, one or two phone calls a month about somebody who says I tried to make this deposit and it wouldn't let me, what's the problem. And then I usually make a phone call to the credit card processing company and they usually say, well, you know he's made too many deposits. We also, I track, we use a data base in my office that tracks deposits, so I can pull up any customer and show exactly how many deposits they made and what day they made them on and how much they were for. We do have customers that use their credit card much like they use their wallet. Part of me watching the deposits I look for things that would lead me to believe that maybe a customer has a problem with gaming. And I had one customer that was making six or seven deposits every day and they were for \$10 here, \$20 here, \$15, you know, I think the most I ever saw him make was \$60, and after a couple, three days of that I looked at it and thought I'd better call this guy and just see what the story is. I got to talking with him and he said well, you know, you guys don't have a minimum charge for credit card deposit. Ours is a percentage of whatever you deposit, where as a lot of instances you'll find you have a minimum fee of like \$6 and then it goes up from there. Well, we don't. And he said, well you know, what I found was is now it's kind of like walking up to the window. He said I know, you know I look, and if I have a horse that I really like to bet I make sure that I really like to bet him because for me it's a two-step process to make the bet. I have deposit the money first and then I place the bet. In going back and after talking with him I went back and looked and, sure enough, we were sending him a lot of checks as well for \$200 and \$300 here and there, but he basically didn't want to keep a lot of cash wrapped up in an account sitting there because he was afraid that if there was \$1000 sitting in this account that he might just

keep playing and play stuff that he wouldn't otherwise normally play just to have something to do. So, I thought that was very responsible and, therefore, didn't close his account after that when I thought going in that maybe this was a guy that had a problem. So, I do have a couple customers that are like that that make multiple deposits during the day, but by and large they really don't.

Towslee: Just one more question on this same subject. In my mind this falls under the area of responsible gaming. I noticed in your application that you have a link to a web site on responsible gambling. Is that the sum total of your responsible gambling program?

Bowker: No.

Towslee: Or does the credit card thing fall into it as well?

Bowker: Well, the credit card thing definitely falls into it. We did set out velocity limits as part of that. I do reviews of the deposits as part of that. My customer service people, when they talk to people on the phone, if they get anything that they don't quite understand or somebody says something that they question we do try to follow up with those things. We also do take a look at, we run reports every day as to how much people bet, and I have a very good idea of who our good players are, and if somebody comes in that is a 40, 50 or 60 dollar a day player and they play \$2000 one day, that flags that account for me and I try to take a look and see what happened. Maybe that day just happened to be Breeders' Cup day or maybe there's something, maybe the guy's a horse owner and he had a horse in that day, you don't know.

Towslee: But as far as providing services to the people you identify as problem gamblers, you use the web site.

Bowker: We do and we refer people to that organization ProblemGambling.com. The link is a little bit more than just a simple link. We actually have, there's something called the Risk Quiz that's there. I was actually amazed because the first time I took the quiz, and I'm a guy that if I go to another racetrack I'll play but I've been a racing official most of my life so I haven't been able to play where I'm at, so usually it's always been a vacation kind of thing for me, and I took the Risk Quiz and found out that there were six things that I identified for me as a potential to develop a problem gambling problem, and if I gamble five times a year that's a lot. So, it was very enlightening for me to take the quiz, and I would certainly suggest all the commissioners that you run through the questions...

Walters: No way...

Bowker: ...and see what comes up on the back end of it because it was very enlightening.

Walters: ...that's more information than I want.

Bowker: They're actually developing some other programs for us and I've got them currently reviewing our credit card processing limits to see if they concur that they're reasonable or if they're excessive and we'll make adjustments in that case also.

Walters: One of the things I think that, I believe that what the hub formerly known as the Greyhound Channel talked to us about in their responsible wagering program was the training of customer service representatives in identification of problem gaming. Do you do that sort of thing?

Bowker: We do not have a formal training program at this point. I do review things with my customer service people. The ProblemGambling.com folks have volunteered to come and teach a class for us and we're certainly looking at that. Obviously if we are approved here I'm going to have to bring them to a different place and have them train a different group of people, but that's certainly something that we support to help.

Walters: It's something you'd consider as part of your operating plan?

Bowker: Oh certainly, absolutely.

Walters: Just getting back to the credit card issue. As you know, and as we talked about, this has been an issue that we have struggled with in terms of limits on credit card usage. You have sort of a different approach with your velocity limits and that sort of thing than what we have looked at. Two questions: One, how'd you go about setting the velocity limits, how'd you go about determining that, and secondly, do you have data that you can share with us on a confidential basis regarding credit card usage. How frequently, whether it's a median or a mean or whatever, and I understand from what you're saying it may vary tremendously by player. For

example, this fellow every time he places a bet he's putting in his ten bucks and maybe he does it by credit card, so he would have if he played six races in a day he would have six deposits on his credit card.

Bowker: The vast majority of the people that I've seen, and again I'll be happy to go back and mine my data base to give you concrete numbers, the vast majority of the people make one deposit a day. We have very few people that make more than one. I understand at least as part of what you've approved for other organizations where the first deposit is available immediately and any subsequent deposit there's a waiting period for, and I certainly think that that would be reasonable for us to do as well. Obviously, it would take some adjustment on a few of our customers' parts, but not very many because by and large the vast majority of them make one deposit a day or less.

Walters: Are there many of your customers who make like one deposit a week or one deposit a month or are they sort of making a smaller deposit on a daily basis as opposed to one big deposit that they...

Bowker: I think right now because of how our systems is set up the people that are making more than one deposit a week are probably doing so because of how we're set up, and it doesn't seem to me that any of them would be unduly traumatized by making one deposit at the beginning of the week. However, the one customer that I did cite didn't like to have that much money sitting in his account, but I do think, I don't think I would want to shut my customers down beyond the one a day only because, and I've done this at the track myself where you've played a couple of things that maybe you weren't really intending to play when you got to the track and all of a sudden you've got the one that you really wanted to play that you came out to the track to play and you don't have funds to be able to do that. And again, that's kind of why we set our system up the way we did so as not to penalize a player that way.

Walters: How did you go about setting your velocity limits?

Bowker: Actually it was a whole lot of internal debate, discussions with our credit card processing company, also they gave us a good indication of what other, they handle a lot of gaming transactions for other customers especially in the casino industry, so we got some very good background from them and actually went lower than what their recommendation was to begin with. They do a lot of on-line gaming for the on-line casinos, and so we were lower than that, we kicked it around internally and it was one of those deals where you talk to a few players and say okay, we're thinking about doing this and they say well, I could never survive on that, Todd, because I need \$3000 just to get going in a day. So, we struck a happy medium and once we signed our agreement with the ProblemGambling.com folks we asked them, I sent them a letter saying here's what we're doing and they wholeheartedly supported the velocity limit structure and said they'd like to review the dollar amounts to see what they actually thought of the dollar amounts, but they thought the concept was great and they kind of indicated we were fairly unique in wanting to do that.

Walters: Would you be able to get some sort of letter or a document from them discussing how they feel about the concept of the velocity limit, I mean, something that we could...

Bowker: I actually have an e-mail from the head of the organization about the fact that they supported the concept and said in that letter that they were in the process of designing something to review the dollar amounts. But once I get a review of the dollar amounts I'm sure I would have a letter that we'd be able to give to you.

Walters: I assume that the concept of velocity limits is something you would incorporate into your operating plan.

Bowker: Yes, actually it's...

Walters: Maybe I missed it.

Bowker: It was in there somewhere.

Walters: Well, I read it on an airplane, so I could have easily missed it.

Bowker: It's in the operating plan under account deposits, "The following restrictions exist for depositing funds...", it's at the top of the second page. If you go down to, "Credit card deposits are limited to a maximum of...". It's the fourth bullet point down.

Walters: Okay. If you could get us the data that we've been talking about and the information regarding the ProblemGambling.com, their review of this and that type of thing, this is an issue that I'd like to consider more. Based on the information and data that you give us, and as I said in our conversation, we are not inflexible on what we've done with other applications because we're learning as we go and implementing the hub rules that

we have developed. The other side of the coin is the concern that you and I discussed and I gave the example of when I testified in front of congress this past spring on the house version of the Kyle bill their first witness was a young man whom they treated anonymously and they had him in this booth so people couldn't identify him and he was going on and on about he got hold of his father's credit card and would plug into the virtual casino and get right up to the credit card limit. And then he'd get his father's other credit card and do that one up as well. Obviously things like velocity limits would address at least part of that problem, but it's a sort of a high radar screen issue for the people who are trying to place, in my view, unreasonable limits on gaming and the use of technology in gaming. So it's an issue where we have to proceed very carefully, and I appreciate your willingness to work with us and to provide us more data.

Bowker: Certainly, anything that we can do we'd be more than happy to provide to you. And again like I said, if we get into a situation where some of the data may be classified I would just...

Walters: You can submit it with the, you just need to tell us in advance that this is confidential and then that exempts it, I believe, from the public records right. Our lawyer says yes.

Towslee: I will talk if tortured. I'll let you know that ahead of time.

Bowker: And here I was just worried about that and having to bring the check book out earlier.

Towslee: It seems that the first application we approved, TVG, had the model in it for responsible gambling. Is this an improvement on that model, is it equal to that model, or less than that? I can't recall the details of it, however.

Walters: I recall the details generally. I think it's a different approach to it, and one thing we might think about is are there additional improvements. One thing we might talk about is training for customer service representatives. The model that Greyhound Channel has is different than what TVG did, and so we have approved different approaches to the responsible gaming program. We've just ask that they address it in their operating plan. So, that's something I think we ought to think about and decide whether or not further improvements would be needed.

Bowker: Well, as we come from a racetrack background ourselves obviously we've been dealing with the issue on-track for a while, too, so we do have some background there. But I think it's only reasonable as an operator, I mean, the last thing you want to do is break all your customers. The people that go broke or have problems, you know, we don't want to develop those kind of people. We want the people that are responsible with their money and enjoy doing what they do, and quite frankly by and large the people that call me love to play horses and don't have a problem with it, and I think even when I was talking with the chairman and with Steve I looked through one of the studies that was done here in Oregon about problem gambling because I knew it was an issue for you folks.

Towslee: That was the lottery, mostly lottery gamblers?

Bowker: This was a 1997 study. It actually included all forms of gaming, and basically the last thing that I remember was current problem gambling in Oregon, this was a 1997 study, was pegged at about 1.9% which seems to be in the ballpark of other studies that I've seen from other states, and of the people in that response group 25% of that group had played pari-mutuel wagering in their life and less than 5% had played pari-mutuel in the last year, and surprisingly enough within the last year that number was actually lower than on-line stock trading.

Towslee: If you look at the handle numbers in Oregon the racing industry has been a poster child for responsible gambling.

Bowker: Again, like I said, we're committed to doing what we can. Obviously there's the other issue that you have is anybody that really wants to there are so many other choices out there right now for even account wagering. I mean, when you look at all of the phone betting companies that exist. Obviously you've got two other hubs here in the state right now, and Youbet and everybody else. If somebody really wants to no matter what program you put in place if they really want to go someplace else, they can go someplace else. And so I kind of like the idea of trying to do what I can at least somewhat to making it easy for our customers to keep their money in one place because it lets you see what they're doing a little bit more than if they had accounts with five different providers. Then somebody that looks perfectly normal to you might not be because they're betting through a bunch of other locations.

Walters: Are you aware of any study or any way to get a handle on the amount of off shore gaming that goes on in this country? Are you aware of...

Bowker: In terms of dollar amount or...

Walters: Dollar amount, numbers. Obviously this is something that comes up again and again, and people will say well, gee whiz, you shouldn't have all these terrible hubs here in Oregon because you're expanding gaming. And one of the things we pointed out, as you know, folks might be doing it through a regulated legal environment or they're dialing up Antigua.

Bowker: The TRA, I believe, published a letter and I think it was around January 3rd, if I'm not mistaken, the number was either nine or twelve, and I'd have to go back and look at the letter, of the off shore people that they found that were accepting wagering on US horse racing product.

Walters: And that doesn't even include the virtual casinos.

Bowker: No, that was just dealing with the, and I'll be happy to look that letter up and give you an exact number, but it seemed like it was either nine or twelve, and if memory serves it might have been twelve, but I subtracted the three because they had us listed, US Off Track and one other US based, but that was internet and all of the other ones were off shore. Probably the biggest group right now, I believe, is StarNet who, they offer affiliate programs, they have a pari-mutuel package, and then I know Account Wagering, Inc. has their service running through Philadelphia Park, and I believe they're in St. Croix. Got to remember my geography. StarNet's in Antigua. But there's plenty out there and obviously dealing with non US horse racing, Australia has a fairly big system and I've met with a guy from Norway, and I think Sweden has the same... A lot of countries have actually gone into the regulation business as far as this stuff goes, so there's plenty of them out there. I feel very fortunate to be aligned with someone who is part of racing, wants to continue to contribute to live racing, not just racing in general and we're not a company that was created specifically to take bets, I mean, we're a track and yes, we do take bets and account wagering bets, but again, we're primarily racetrack owned and operated.

Walters: One other question, switching subjects slightly on the issue of source market compensation. You have a proposal in your proposed operating plan and you use a 25 mile radius as the sort of the basis for giving compensation. Is that something, my memory of the Greyhound Channel's approach to that was that they were willing to consider data and showings by tracks that, in fact, their area where they draw people, larger or smaller or whatever.

Bowker: That's actually in our application as well. Normally it seems like for those people that are paying source market fees right now the general average source market seems to be a 25 mile radius around the track. Obviously it's going to depend wholly upon the system. For example, Oklahoma. Remington Park several OTBs throughout the state. Their market as a source market maybe, well, actually I take that back because in Oklahoma... Oklahoma residents can't bet on Remington but they can bet on other things. So, for example, they may want a wider source market fee radius than the 25 miles. Here in Oregon I've seen that you've allowed the whole state of Oregon to be considered the source market, and certainly when dealing with source market fees you're dealing with contracts and obviously every contract's a negotiated deal. We're certainly, if someone feels that it needs to be, for example, if one of the southern California tracks seems to think that the whole sum total of Los Angeles should be included in their source market we would take a look at that and anybody else whose local market is more than a 25 mile radius, I mean, you get some up and down the east coast and just getting out of one city sometime, you can't get out of one city in 25 miles. So, we would certainly take a look at how that all...

Walters: Well, you have a bunch of tracks within 25 miles of each other...

Bowker: Exactly. At that point in time you're basically trying to divide the money up as fairly as you can. Again, being a racetrack, we're in a situation in Ohio where the economics of Ohio pretty much indicate that we can't pay a source market fee, and actually really haven't had anyone ask us for it because of the state tax and the horsemen's purses that are mandated as part of our live racing permit which is how we operate. It doesn't leave a lot of funds left over at the back end to be able to pay a reasonable...

Walters: As you said earlier, if you would come to Oregon that among other things would allow you to pay source market fees.

Bowker: Yes, and one of the reasons why we want to move, quite frankly. You guys have set up some great rules and I compliment whoever wrote them because for someone who wants to do account wagering the economics of the situation make it very attractive to be here.

Towslee: One quarter of one percent?

Bowker: Well, that's not only it. There's the fact that you don't have a mandated purse structure also helps dramatically, and basically it allows an operator such as us to take the money that we might otherwise have had to divert directly into horsemen's purses at the place where we're at and take it out and divide it to the tracks where we may have customers from their area.

Towslee: While we're on that subject, if this is in your application and I missed it I apologize. Do I understand that you are moving your operations from Ohio to Oregon?

Bowker: Yes.

Towslee: And you are going to take wagers from Ohio or nationally?

Bowker: Right now we take wagers nationally.

Towslee: Of all the tracks that are listed in this application? There's a lengthy list of tracks here.

Bowker: Yes, pretty much everybody on that list we've taken wagers from, yes. We do have some restrictions. Different tracks some say telephone only, some don't have restrictions, some like I mentioned in the Remington case Oklahoma residents can't wager on Remington Park races. Basically if the state has pari-mutuel wagering and there is no legal entity in the state that has directed us that allowing account wagering from their state is illegal for their residents we'll accept accounts from there. I just got a phone call before the hearing started that New Jersey has now sent letters out banning telephone wagering which they had previously banned closed loop system wagering a month ago, but now none of their residents, the attorney general is saying none of their residents may do telephone wagering. When the account wagering closed loop system wagering issue came up with them before, we actually disabled all of our New Jersey customers at that time because we heard the rumblings that this next step was coming and we thought at that point rather than put everybody in New Jersey through that, we closed all of our New Jersey residents' accounts at that point and never reactivated them. So, today my assistant called me and said you've got to hear this letter, and it's like well, it's already taken care of.

Towslee: And you're currently taking wagers over the internet?

Walters: No.

Bowker: Well, it's not over the internet. It's through a closed loop system. Basically it's a big virtual private network is what it is.

Walters: Read your amendments to the financial statements that got submitted. Closed loop is part of their base system. Repeat after me.

Towslee: Got it.

Bowker: The customers log into our virtual private network and access the account wagering server directly.

Towslee: Log in using...

Bowker: We use...

Towslee: ...their home computers.

Bowker: Yes, their home computers.

Walters: Any other questions or comments? Steve, did you have anything more?

Barham: No.

Walters: Okay. Again, I guess where we are is I see no reason that we can't go ahead to consider the application. Steve and Steve will go to Ohio and view the operation.

Bowker: Actually, I get to take them to Kentucky, too.

Walters: Cool. And we'll look forward to getting the information that we've talked about. Did I miss in the additional materials you submitted the letter regarding the financial backing?

Bowker: No, I was waiting... Our managing member, Charles Ruma, Sr., happens to be the president of the National Association of Homebuilders and he's a little tied up with the inauguration and all that good stuff in Washington right at the moment, so he hadn't gotten back to sign that letter yet so I will forward it to you as soon as we get back. He's due back in town Monday so hopefully I'll have that for you on Monday.

Walters: Thank you for coming out here...

Bowker: My pleasure.

Walters: to present your application. We look forward to seeing you next month and so we can act on your application. Thanks a lot.

Bowker: Okay. Very good.

8. US Off-Track Quarterly Report

Ben Hayes, attorney for US Off-Track, presented report for period July 1 through December 31, 2000, which covered a period of two quarters rather than just one. They are now up to 32 tracks, 16 greyhound and 16 horse and are now into 26 racing jurisdictions in the United States and 5 international. On an average the handle has been increasing 50% per quarter.

Other Business Before the Commission

Commissioner Towslee had some questions regarding the hub account report prepared by Steve Barham for the commission. Mr. Barham explained the operating licensing fee column listed the fees paid by hub licensees at the time their applications were submitted for approval and that those funds go into the commission's operating budget.

There being no further business, the meeting was adjourned.