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VIRGINIA RACING COMMISSION

5

FEBRUARY 8, 2011

6

10700 Horsemen's Road

7

New Kent, VA 23124

8

Commencing at 9:35 a.m.

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11

12 **COMMISSION MEMBERS:**

13 Peter C. Burnett, Chairman

14 I. Clinton Miller,

15 Mark T. Brown

16 Stuart Siegel

17 David Reynolds

18

19 **COMMISSION STAFF:**

20 David S. Lermond, Jr., Deputy Executive Secretary

21 Kimberly M. Carter, Office Administrator

22

23 **ATTORNEY GENERAL'S OFFICE**

24 Amy K. Dilworth

25

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1 NOTE: The meeting commences at 9:30 a.m.

2 MR. BURNETT: welcome this morning to our first
3 meeting of 2011. Let's hope that 2011 is on the upswing
4 from 2010.

5 The first order of business is the election of a
6 chairman.

7 MR. MILLER: Mr. Chairman --

8 MR. BURNETT: Mr. Miller?

9 MR. MILLER: -- I move the election of you as
10 Chairman and Mark Brown as Vice-Chairman for 2011.

11 MR. REYNOLDS: I second.

12 MR. BURNETT: Moved and seconded. Any discussion?
13 This is your chance, Mark.

14 All right. We'll call the question. All in favor
15 indicate by saying aye.

16 NOTE: All indicated by voting aye.

17 MR. BURNETT: Thank you, gentlemen. That's behind
18 us.

19 The next item is the approval of minutes of the
20 December meeting under your Tab 1. There's a minor typo I
21 notice on page two, the last paragraph, one, two, three,
22 four -- fifth line down. Mr. Stewart went on to say as
23 opposed to well on to say.

24 Any other changes?

25 NOTE: There was no response.

1 MR. BURNETT: Do we have a motion?

2 MR. BROWN: I move that we approve the minutes.

3 MR. SEIGEL: Second.

4 MR. BURNETT: It's been moved and seconded that
5 the minutes of the December 15th meeting be approved. All
6 in favor indicate by saying eye.

7 NOTE: All indicated by voting aye.

8 MR. BURNETT: The minutes are approved.

9 Next are the Commissioners' comments. We've got a
10 relatively lengthy docket today. We'll have an opportunity
11 to make lots of comments about lots of subjects, but if any-
12 body has any others they'd like to make now, we're pleased
13 to hear them.

14 All right. Executive Secretary's report. Mr.
15 Lermond?

16 MR. LERMOND: Thank you, Mr. Chairman, Members
17 of the Commission. The first item I have is under Tab 2 in
18 your books. The last at least two years, I believe, instead
19 of approving the simulcast schedule on a month-by-month bas-
20 is, in fact the Commission decided it would be easier just
21 to approve all the tracks at once at the beginning of the
22 year, and since this is our first meeting of the year, we
23 have a letter from Mr. Lindgrove and an attached list of
24 tracks that Colonial Downs wishes to take signals from in
25 2011. Staff reviewed the list. I think there were unfort-

1 unately one or two tracks that have bitten the dust, gone
2 out of business, which is not unusual in this day and age.
3 However, staff have reviewed the list and would recommend
4 approval.

5 MR. BURNETT: Before we take a vote on that, Dave,
6 I think this is a great way to do it, and I'll give you an
7 example of why I'm going to ask this question, and that is
8 how do we or how do you remain current on the changing cir-
9 cumstances of the tracks on this list? A track gets in
10 trouble, a track gets indicted, and the track goes out of
11 business, whatever it is -- doesn't that need to be made
12 known to us or somehow be officially deleted from the list?
13 Do we have a way of keeping up with that?

14 MR. LERMOND: I guess not so much as more than a
15 year to year basis. If a track was to go out of business in
16 2011, they wouldn't be on the list for 2012, but we can do
17 some interim notification if something like that should oc-
18 cur.

19 MR. BURNETT: Yeah, I just wonder if there's a
20 monitoring that is more than on an annual basis. Maybe it's
21 not necessary. I just -- there's a purpose I assume for us
22 approving these tracks, and like I said, everybody's on the
23 up and up and there's no negative influence or anything in-
24 volving Virginia Racing. I just want to make sure that
25 we're exercising the appropriate level of vigilance.

1 If you're satisfied with this method, I'll take
2 your word for it.

3 MR. LERMOND: I am.

4 MR. BURNETT: Thank you.

5 All right. Do we have a motion to approve the
6 2011 list of simulcast tracks as presented to us by Mr.
7 Lermond?

8 MR. MILLER: I make the motion to approve.

9 MR. BURNETT: The Chair seconds. All in favor
10 indicate by saying aye.

11 NOTE: All indicated by voting aye.

12 MR. BURNETT: All right. The next item?

13 MR. LERMOND: The next item under Tab 3 is -- I
14 would characterize as good news. At the end of the calendar
15 year, there is a balance remaining in the thoroughbred por-
16 tion of the Breeders' Fund of \$526,000. Back in March when
17 the Commission approved the expenditures of the money for
18 2010, staff had estimated that there would be approximately
19 \$350,000 left, of which 290 was going to be given in awards,
20 and \$60,000 would be kept in a reserve as we've done in the
21 past. The last part of your motion, Mr. Chairman, in March
22 was that if there was a significant difference from these
23 amounts that the subcommittee could come back to the Com-
24 mission and seek approval for a different amount.

25 Mr. Petty, one of the members of the subcommittee,

1 advocated that with the \$526,000 remaining that we could up
2 the Breeders' Awards to \$300,000 and leave the standing
3 awards at the current \$25,000, and that would give us a nice
4 cushion of \$200,000 to move forward into 2011 with.

5 Chairman Burnett is also the Chairman of the
6 subcommittee. He asked that I send an e-mail survey out to
7 the members of the subcommittee. Out of the seven respons-
8 es, six of the members were in favor of the \$300,000 in
9 Breeders' Awards, for \$25,000 for stallions, and leaving the
10 \$200,000 balance to be used for into 2011. So we would need
11 a motion.

12 MR. BURNETT: If I may, I want to make one
13 additional comment about that. I think I read in one of the
14 e-mails that suggested in these difficult times a \$200,000
15 cushion as we have historically maintained might be better
16 utilized by reducing it by some amount and using some of
17 that \$200,000 for Breeders' incentives and other sorts of
18 programs that might come up, and I just wanted to voice my
19 support for such a notion. I would want to hear the de-
20 tails, but I don't think there's a particularly strong sense
21 that we need to have every bit of \$200,000 sitting there as
22 a cushion. If there's a good use for it to get us through
23 some tough times and to incentive folks to fill the gate or
24 whatever it is, that any constructive and responsible sug-
25 gestions will be considered. Is that your understanding?

1 MR. LERMOND: That's correct, and that would be
2 the one no vote that I referred to was the person that sug-
3 gested the \$200,000 was too high of a cushion to remain.

4 One of the reasons a cushion is important is
5 because of the timing of the payments. A majority of the
6 money is going to be given away at the live meet in Colonial
7 Downs which is held in the summer time. You've got have to
8 that much money built up in the fund, so having a cushion
9 helps you where you might not have to cap something if you
10 didn't have the cushion.

11 You know, again, it also gives the Breeders Fund
12 subcommittee some different options to look at next year as
13 far as maybe doing a hundred percent owners' bonus or any
14 other good worthwhile programs that may come out in the
15 meeting which we will hold in March probably.

16 MR. BURNETT: And when you say next year, do you
17 really mean this year?

18 MR. BURNETT: I'm sorry, 2011, yes.

19 MR. BURNETT: All right. Any questions about Mr.
20 Lermond's report on the Breeders' Fund?

21 MR. REYNOLDS: I have one. You said there was one
22 negative vote?

23 MR. LERMOND: The one no vote that was the person
24 that expressed the concern that Chairman Burnett mentioned
25 that they thought maybe the cushion was a little too high.

1 MR. REYNOLDS: Were there any other concerns
2 expressed?

3 MR. LERMOND: No.

4 MR. BURNETT: Did you have any follow-up
5 discussion with that no vote? I mean because if I recall,
6 the sentiment was accompanied with, "why don't we use some
7 of that money for 2011 ideas?" which is what I'm saying, I
8 agree with that approach, and I thought with that we might
9 convert that vote to a unanimous vote of seven as opposed to
10 six to one.

11 MR. LERMOND: The one no vote was a breeder who
12 runs horses here at Colonial Downs, so I think they thought
13 maybe we could up the Breeders' Awards a little bit. I
14 think was their angle.

15 MR. BURNETT: Okay. Any other questions?

16 NOTE: There was no response.

17 MR. BURNETT: Do we have a motion to approve?

18 MR. REYNOLDS: So moved.

19 MR. BURNETT: All right, it's been moved, the
20 Chair seconds. It's been moved and seconded to approve the
21 distribution of the Thoroughbred Breeders' Awards as set
22 forth by Mr. Lermond. All in favor indicate by saying aye.

23 NOTE: All indicated by voting aye.

24 MR. BURNETT: All right, that passes unanimously.
25 we'll next move to the stakeholders, and the

1 first item on that is a request by Colonial Downs for 2011
2 Thoroughbred Race Days. Information on that is contained at
3 Tab 4, and I'm sure there's some additional information to
4 be presented by the Track today.

5 Mr. Stewart, Mr. Weinberg?

6 MR. WEINBERG: Commissioner Burnett, I'm happy to
7 elaborate on the matters reflected in the Race Day request.
8 Just as a brief summary, Colonial Downs is requesting 33
9 days of thoroughbred racing commencing on June 8th and run-
10 ning to July 31st, which will be conducted on Wednesdays,
11 Thursdays, Saturdays, and Sundays.

12 You will note in our request there is an
13 alternative if lighting is installed on the turf course that
14 we would modify that schedule slightly to start on Thursday,
15 June 9th, and run Thursdays through Sundays, which is a sub-
16 stitution of Friday nights for Wednesday days, and the post
17 times would switch from 4:00 p.m. to 7:00 on Thursdays and
18 Fridays and from 12:55 to 7:00 on Saturdays.

19 I think the decision regarding lights will be made
20 in the next couple of weeks. What we would ask for today is
21 approval of the thirty-three days as if the lights were not
22 there, and if we can proceed and do proceed with the lights,
23 come back to you and ask for a modification.

24 If you are a superstitious group, I would
25 encourage the setting of Race Days on the second Tuesday of

1 February given that this is the first year in memory where I
2 don't believe there are any issues with the Thoroughbred
3 Horsemen in that they join that request in all respects.

4 MR. BURNETT: well, let me --

5 Anything further to your presentation?

6 MR. WEINBERG: No, and I'm really happy to respond
7 to particular questions.

8 MR. SEIGEL: what's holding up the decision on
9 lights? Is it pricing?

10 MR. STEWART: We're waiting for final quotes from
11 a contractor.

12 MR. BURNETT: Let me start -- since we have
13 unanimity coming to us and we can't possibly do anything in
14 this system without some controversy, let me see if I can
15 help.

16 I am deeply concerned about the direction of
17 racing, and I think that the time -- and I look at over-
18 nights from 2010, '09, and '08, and I look at how low the
19 overnights were last year, and I've heard many, many times
20 from that side of the dais how the size of the purses has a
21 lot to do with who we can attract to run, how we can fill
22 the gate, who's going to come here and all the rest. And I
23 think that the time has come for us to acknowledge that we
24 can't afford one of the highest percentage stakes programs
25 in the country for a program like this, and I base that not

1 because I don't like the stakes, I think that it's wonderful
2 to have particularly if we have some beautiful days and some
3 beautiful racing. But I say it because I think charity
4 starts at home, and I think we need to support our local
5 Horsemen, and I define that for me as those who fill the
6 barn area, fill the gate, contribute a fair amount to handle
7 as interested horseplayers, and I think that we need to sub-
8 stantially increase the overnights from last year for horse-
9 men and extend the days of racing.

10 It's not lost on me that the Thoroughbred Horsemen
11 came to us with a racing contract and we approved it and
12 they said they were going to apply for forty days for the
13 next three years at the time. Not a word has been said as
14 to why there's now a departure from that by about eighteen
15 or twenty percent, and it's my view that if we have a stakes
16 program that we're at the -- closer to the national average,
17 there are some tracks that have less, some few that have
18 more, but a stakes program in the range of twenty percent,
19 we could support forty days of racing at \$136,000 a day. I
20 think that money is more in conformity with promoting, sus-
21 taining a successful program in Virginia than it is to per-
22 mit hundreds of thousands of dollars of Virginia purse money
23 to leave the state.

24 I recognize the Virginia Derby is a signature
25 race. I think it should stay and can stay. I think the

1 Breeders' races are there for local horsemen, but I think
2 at the core of it is a truncating of our existing stakes
3 program to provide money to local horsemen is where I'm
4 coming from with it. I think that's what's going to bring
5 people to our barns; it's going to help us with our purse
6 start average, which is difficult, and I think it's some-
7 thing that it's time to try. We've tried the thirty per-
8 cent, 35 percent, in that range -- a very nice stakes pro-
9 gram, but what we've found is more than three-quarters of
10 that money goes a long way from Virginia, and I don't mean
11 to Maryland, I mean a long way from Virginia, and I think
12 it's time for a C-change, not an incremental change. We
13 can't afford to tinker. I think we need to make a state-
14 ment in favor of the local program, the local horsemen at
15 the expense of stake racing.

16 I'll certainly give you an opportunity, and I
17 know you'll want to respond to that, both you and the horse-
18 men as well, but I would ask if any of other Commissioners
19 want to comment now or wait until they have heard what folks
20 have to say?

21 MR. MILLER: We'll hold our comments and respond.

22 MR. WEINBERG: With all due respect, Mr.
23 Commissioner, that is a paradigm switch from the business
24 model that Colonial Downs has articulated at least for the
25 last ten years.

1 I think the word charity is not a misnomer. I
2 think we have appeared here every year consistently telling
3 you that the most profitable days for Colonial Downs and the
4 ones that really sustain a business model are those high
5 stake days, that if you look at attendance and handle and
6 revenue, the Turf Cup, Virginia Derby Day, and some of the
7 other stakes on those cards for those two days are critic-
8 ally important to the financial success or viability of a
9 thoroughbred meet, and so reallocating and diminishing
10 those, which will adversely affect the economics of the meet
11 in its entirety, has profound effects for Colonial Downs.

12 Secondly, I think if I heard your math correctly,
13 you would extend the days and reallocate the breakdown so
14 that overnights would be \$136,000 per day, which candidly,
15 is a model that I think year in and year out Colonial Downs
16 has appeared and said running more days for lower purses has
17 been a recipe for disaster for other tracks. It's not a
18 model that anyone has demonstrated is viable for the sus-
19 tainability of a racing program, and while I certainly un-
20 derstand the appeal that it would have for Virginia horse-
21 men, I think we have always tried to strike a balance to be
22 a track the does all things for all people in the sense of
23 providing a venue for Virginia horsemen, particularly on the
24 turf. I think there are opportunities to run on the turf
25 here that are not available anywhere else in the country,

1 and so that there has always been this balance and continues
2 to be this balance in the contract that was signed last year
3 between providing big race days that attract a big crowd and
4 sustain some revenue for the track that helps offset either
5 loss days or neutral revenue days elsewhere during the meet.

6 So to suggest that we're going to give that up
7 to sustain a program that has substantially reduced daily
8 purses, with all due respect, sends us in a direction and a
9 business model that has yet to succeed elsewhere in the
10 country that we're aware of. So that would be a profound
11 difference, and candidly, those stake races and race days
12 and all of that has, as you may well be aware, go into the
13 mix of negotiating that contract, and a switch as you de-
14 scribe would in essence undo those contractual negotiations
15 and really put us back at square one.

16 MR. BURNETT: Let me just make one clarification,
17 excuse me for jumping in, and then I'll certainly listen.

18 When you speak of average purses going down by
19 having more days, just so that I'm completely clear about
20 this, if I understand correctly, the average overnight last
21 year -- overnight was \$116,000, so the average -- I think
22 what I've come to conclude is that it is not helpful to look
23 at purses with such a broad brush as to characterize per
24 day. That is, the overnights are meaningless to the people
25 that come in to run for a \$700,000 purse in a big stake.

1 Likewise, the \$700,000 stakes and the greatest stakes pro-
2 grams and really nice stakes races and what is put into that
3 is meaningless to the overnight people.

4 So I don't think it's helpful to average the two.
5 It might be a way of comparing us as a state program for
6 total purses, and people talk that way all the time, but for
7 the success of the program and the people that patronize it
8 and where the money is going, for what it's worth, I'm look-
9 ing at two different numbers: How much goes to stakes, and
10 how much goes to overnights, and under what I've just said,
11 overnights to horsemen would increase by \$20,000 a day and
12 provide them with seven more days of opportunities to race.

13 So that -- and I understand from the VHBPA that
14 the horsemen requested that racing -- they do have the four
15 days a week this year rather than five, so the daily purses
16 would increase, so I assume that no horseman in his right
17 mind is going to turn down or not want increases in purses.

18 I'll stop there and let -- I just wanted to be
19 clear about the analysis.

20 MR. WEINBERG: well, no, it's important, and
21 that's why I was trying to clarify what the 136 you were
22 referring to -- that is overnights?

23 MR. BURNETT: Overnights exclusively, right.

24 MR. STEWART: well, I've got a couple thoughts for
25 you.

1 Obviously, we've discussed this issue in detail
2 over the last few years, and I don't have my old notes, so
3 I'm going to be working from memory a little bit, but I have
4 a couple new thoughts for you.

5 I think one question you have to ask yourself
6 when you look at live racing is: who's the meet for? why
7 are we doing this? what's the point? I brought along a
8 study that was commissioned by the United States Trotting
9 Association relative to harness racing, and it has obviously
10 a number of items in it specific to harness racing, but it
11 has a couple other things that I thought were relevant to
12 thoroughbred racing, and one item here especially that
13 struck me as relevant to this conversation, and it talks
14 about one of the problems with harness racing, but I think
15 it applies to thoroughbred racing as well is a lack of an
16 industry marketing orientation, and I guess -- so what does
17 that mean? well, what they're talking about here is what's
18 the product focused on? Is the meet focused on the product,
19 which is the race and the horsemen, or is it focused on the
20 public? And their conclusion here is that one of the prob-
21 lems is that a lot of emphasis has been placed over the
22 years on the product and very little emphasis has been
23 placed on the public, the consumer.

24 It says, in contrast, a marketing orientation
25 ought to place the public, the consumer, the fan at the

1 center of its business. So if you sort of accept that prem-
2 ise for a moment, what does that mean for this conversation?
3 And I guess to me what that means is if the meet is about
4 exposing the product to the most number of people and trying
5 to encourage people to come to the track and getting inter-
6 ested in racing, are they going to get interested on Virgin-
7 ia Derby Day, the big races, jockeys that they've heard of,
8 horses that they may have heard of? You can look at our
9 alumni. Our alumni from both the Colonial Turf Cup and the
10 other big races have done very well. Are they coming to
11 that, or are they coming to watch sort of the bread and
12 butter guys racing for a few bucks? And I would say that
13 most of the people that come, if you look at our attendance,
14 they're coming for the big days. If you want to grow this
15 business, if your real goal is to have a sustainable busi-
16 ness model, you've got to get people interested in this, and
17 they're going to get interested on the big days.

18 You know, you mentioned charity, and that just
19 kind of hits a nerve for me. You know, one of the things
20 if you look at the situations around the country that are
21 resulting in tracks closing, and there's plenty of them over
22 the last few years, there's one common denominator I think.
23 Maybe there's another one, but there's at least one I can
24 think of, and that denominator is not the lack of race days,
25 it's not the lack of purse money, it's not even the lack of

1 horses or even the lack of breeders. The common denominator
2 is the tracks aren't making any money, and that's why when
3 you see a track close, you don't see another one open. If
4 you see a -- I don't know, sometimes you see a store close
5 in one location, you see another one open right after it.
6 why is that? That's because that person thinks they can
7 make some money in that location.

8 why isn't that happening around the country in
9 racing? It's happening because the tracks aren't making any
10 money. So -- and Colonial Downs is no different. If you
11 look at the last fourteen years -- we haven't discussed this
12 in awhile, but I believe Colonial Downs has lost \$60 mil-
13 lion, which is a fair chunk of change, and we're basically
14 at this stage of the game, we're operating under kind of a
15 different model. Most tracks are operating under the model
16 that they're trying to hang onto the slot machine income.
17 we're basically operating under a model where we've got
18 somebody that's willing to subsidize racing in this state,
19 and that person over the last few years has sort of placed
20 very few demands on that subsidy, and basically that person
21 only comes to the track once a year for a number of reasons,
22 but one of the reasons he comes is for the big races.

23 So I think from the standpoint of charity, there's
24 been plenty of charity. If the goal is really to put people
25 in the stands and grow this business and expand this indus-

1 try and get people interested in it, then I think you think
2 long and hard about what you want to do with the big stakes
3 races and the big days.

4 MR. BURNETT: I'm going to withhold my response.
5 Does anybody else have any comments or questions?
6 I'm sure the Horsemen want to comment. Frank, do you have
7 -- do you have a comment?

8 MR. PETRAMALO: Yes, my view is somewhere in
9 between the Chairman's and Colonial Downs'.

10 As you well know, over the years this has been
11 a point of -- contention is a little too harsh a word, but
12 active discussion between the Horsemen and the racetrack.
13 We always thought that the percentage of stakes races was
14 too high. Last year it was thirty percent. We thought that
15 was too high, and we're always trying to chip away at it.
16 You kind of take a look at over the last five years or so,
17 the two big races were a million dollars apiece, two
18 million. We've been able to chip away so that they're now
19 down to one-point-one. We'd like to even chip away more to
20 lessen the Derby and even the Turf Cup, and in my opinion,
21 doing so wouldn't jeopardize their graded status.

22 Anybody who reads the industry press knows that
23 even the big guys like Keeneland and NYRA and Churchill are
24 cutting back on their stakes purses with no ill effect on
25 their overall racing, so I think there is room to cut

1 stakes. I don't think it makes sense in eliminating them,
2 because I agree with Colonial that those big days are cert-
3 ainly important to racing.

4 MR. BURNETT: You didn't hear me say that I was
5 suggesting eliminating them, I hope.

6 MR. PETRAMALO: Well, I wasn't quite clear what
7 you were proposing.

8 MR. BURNETT: I said twenty percent to stakes --

9 MR. PETRAMALO: Oh.

10 MR. BURNETT: which would be \$1,360,000, and
11 80 percent to overnights. That's where I started.

12 MR. PETRAMALO: Oh, okay. Well, I'm sorry I
13 didn't pick up the arithmetic.

14 MR. BURNETT: So you can do the math and come up
15 with your races, and \$1,360,000 is a pretty good chunk of
16 change to put on some big days in my view.

17 MR. PETRAMALO: Well, my personal opinion is
18 you could run the Derby for 500,000, and the Turf Cup for
19 350,000, and you would not jeopardize their graded status,
20 and more importantly, in my view, you would not lessen the
21 attractiveness of those races to horses; horses would come
22 whether the Derby is for 600 or 500, and the crowd would
23 come. The crowd doesn't know what the purse is. All they
24 know is it's a big deal day, it's the Kentucky -- it's the
25 Kentucky Derby in Virginia -- I mean to Virginia, but it

1 kind of seems that way.

2 But with that said, sure, we'd like to have more
3 money to go into overnights, and it's for that reason that
4 we agreed to cut the number of race days from forty to
5 thirty-three.

6 We conducted a survey of our actively licensed
7 trainers, and we got a hundred responses to 386 surveys that
8 we sent out, and roughly 70 percent said yes, reduce the
9 days to bump the purses, and that seems to us to make sense
10 and that's why we're supporting the thirty-three days.

11 Now, let me also make another observation. We
12 talk about keeping money in Virginia, et cetera. Bear in
13 mind, if my memory serves me correct, the last time I look-
14 ed, if you looked at owners and trainers' licenses, only
15 about twenty-five percent of them are Virginia residents.
16 We have members who race here come from Kentucky, Maryland,
17 West Virginia, you name it. So Virginia is really a small
18 percentage of the overall population that comes to race
19 here, and regardless of the purse structure, most of the
20 money is going to go out of state because that's where all
21 the owners and trainers come from.

22 MR. BURNETT: You would agree with this, wouldn't
23 you, that to the extent that somebody comes from Tampa and
24 brings a string of horses and employees and parks themselves
25 out here on this nice barn area for a couple months to buy

1 local, use a local veterinarian, eat in local restaurants,
2 go to local stores, buy local gas, et cetera, et cetera --
3 is it all of it? No. But it's a far cry in terms of local
4 benefit, and they bring a little something else to the party
5 that the ship-in stakes people don't, which is that they
6 fill that gate day in and day out.

7 MR. PETRAMALO: Oh, yes, we're happy to have them
8 here.

9 MR. BURNETT: Right. Well, we need them here.
10 That's my point.

11 MR. PETRAMALO: Oh, absolutely. No, no, I agree.
12 Sure, sure.

13 MR. BURNETT: So I think I heard you say you favor
14 higher purses?

15 MR. PETRAMALO: Yes. Higher overnights. No doubt
16 about that.

17 MR. BURNETT: And higher overnights?

18 MR. PETRAMALO: No doubt about it.

19 MR. SEIGEL: Mr. Chairman, I think everybody has
20 made a pretty good case here on both sides. I think there's
21 perhaps, you know -- that there's an opportunity for some
22 compromise here, whether it be apportioning of the days as
23 well as the amount allocated to stakes, but I don't think it
24 has to be a win or lose. Perhaps there's a hybrid somewhere
25 where everyone can be satisfied at the conclusion.

1 MR. BURNETT: In Virginia?

2 MR. SEIGEL: I don't know.

3 MR. BURNETT: Mr. Miller?

4 MR. MILLER: Pardon my ignorance, but Frank, who
5 determines whether a race remains as a stakes race?

6 MR. PETRAMALO: There's a -- well --

7 UNIDENTIFIED SPEAKER: Can I -- it has to close
8 72 hours out, and they have to pay money to race. That
9 qualifies it as a stakes.

10 MR. BURNETT: He might mean graded stakes.

11 MR. MILLER: The one you talked about that the
12 purse --

13 UNIDENTIFIED SPEAKER: It's a committee.

14 MR. MILLER: But how far could it be reduced, and
15 you said that if it's reduced a little bit, it could still
16 be a graded stakes race, but who makes that --

17 MR. PETRAMALO: There's an organization called the
18 Thoroughbred Owners and Breeders Association.

19 MR. MILLER: National?

20 MR. PETRAMALO: National, total. They have a
21 graded stakes committee that on a yearly basis reviews all
22 of the races to determine whether they should continue with
23 their graded stakes status, or whether it should be changed
24 or some ungraded stakes should now be graded.

25 We have, over the years, moved from Grade 3 for

1 the two big races to where it is now Grade 2.

2 MR. MILLER: I noticed just reading *BloodHorse*
3 magazine that some of the fairly -- to me they seemed like
4 fairly significant tracks have reduced --

5 MR. PETRAMALO: Yes.

6 MR. MILLER: -- their graded stakes purse amount.

7 MR. PETRAMALO: (Nodding head indicating in the
8 affirmative).

9 MR. MILLER: Does a track like -- I know I should
10 be asking Jim this --

11 For instance, if you wanted to make sure that the
12 Virginia Derby or the Turf Cup remained a Number 2 graded
13 stakes level, would you go and negotiate -- would you go and
14 discuss that with this group of these people and say to
15 them, "It's seems that some of the people in Virginia would
16 like to have higher overnight purses, therefore, we would
17 want to find out how far could we reduce the purse amount
18 for this graded stakes race that would satisfy you so we
19 don't loss our designation"?

20 MR. WEINBERG: Mr. Commissioner, as rational as
21 that sounds, and I would like to say yes, my understanding
22 is no, that this group is very somewhat subjective, and
23 pardon the analogy, but like the College of Cardinals in
24 selecting a Pope. They go into a closed room and they come
25 out with their decisions, and some make sense and some,

1 people are scratching their heads. But the opportunity to
2 have that dialogue --

3 MS. MILLER: Isn't there?

4 MR. WEINBERG: -- is not really there.

5 MR. BURNETT: The dialogue is not there,
6 Commissioner Miller, but they just made these decisions,
7 just announced them. I just read recently where Charles
8 Town got a graded status for their class for the first time
9 in 77 years.

10 MR. MILLER: Well, my follow-up question is in
11 addition to the purse amount, there must be other factors?

12 MR. PETRAMALO: Yes, that's the key.

13 Let me give you an example. In Grade 1
14 Secretariat, which is a turf race at Arlington Park, the
15 purse there is \$400,000. It's always been that and it's
16 always been Grade 1. What really goes into a determination
17 is the quality of the race, which they kind of judge from a
18 rearview mirror. If the horses that run in the Virginia
19 Derby go on and do wonderful things like we've had here,
20 bingo, we move up. Gio Ponte, bingo, that gets us up.

21 So it's a number of factors, and while the amount
22 of the purse is significant, that in my opinion is not the
23 determining factor.

24 MR. MILLER: Not the sole determining factor?

25 MR. PETRAMALO: Correct.

1 MS. RICHARDS : And also if you look at the list
2 of alumni that Ian was referring to like Gio Ponte, all the
3 horses that ran here, English Channel, you will find I think
4 if you made a list that they did run in other races for less
5 money. Even though they went on be champions or whatever,
6 they didn't come here just because of the purse. As Frank
7 said, they would have come to a race -- if it was important
8 to them, they would have come to a race with a lesser purse
9 structure.

10 MR. MILLER: One more question and then I'll quit.

11 MR. BURNETT: No, no, don't quit. We're getting
12 educated.

13 MR. MILLER: The Derby was reduced in amount at
14 least since I've been on the Commission -- I think it was a
15 million dollar race.

16 MR. PETRAMALO: It went to a million and then 750
17 and then --

18 MR. MILLER: 750, then seven or whatever it is.

19 MR. PETRAMALO: Then down to 600.

20 MR. MILLER: Okay, two part question: Did you
21 see any ramification from that reduction among the people
22 that would come here with their big deal horses and big deal
23 jockeys? The second part of that question is: Since this
24 -- since industry-wide it appears that the stakes, graded
25 stakes race purses are being reduced at all these other

1 significant tracks, wouldn't that lessen the likelihood that
2 a superstar horse or horses and superstar jockeys and so
3 forth -- wouldn't that lessen the likelihood that they would
4 not come here? In other words, they would still come be-
5 cause the competitive field, the competition is leveling
6 down at the same time that it's being suggested that you
7 level down here?

8 MR. PETRAMALO: I think that's correct, because
9 the whole industry is going down. If the industry was stay-
10 ing up or rising and we were going down, then I'd say we've
11 got a serious problem. But that's why I pointed out at the
12 outset that the big guys like Keeneland are also cutting
13 down.

14 But the other thing to bear in mind is our big
15 races are on the grass. Most of these other races with big
16 purses, much bigger than ours, are on the dirt. If you have
17 a grass horse, there are very few opportunities for you to
18 run for a lot of money, and \$500,000 in a grass race for a
19 three year-old is a ton of money.

20 MR. WEINBERG: I guess I'd like to offer an
21 alternative view based upon observations over the last sev-
22 eral years in that when we started the Derby at a million
23 dollars, it made a big splash in that it attracted horses
24 that did not have Colonial Downs on their map, and that as a
25 consequence over the years, I think we have enjoyed the

1 light that emanated from that million dollar purse that
2 attracted horses that put that race -- those two races on
3 the map and got them here.

4 I think while I respect that other tracks are
5 declining, we've already taken our declines over the years
6 in a period of time when other tracks were not as we went
7 from the million to the 600,000, and I think if you look at
8 the experience over the last three years, horses that had
9 initially committed to come to the Turf Cup and the Derby
10 have scratched in greater numbers than they did previously
11 when we had very big purses.

12 I think just -- and that's just an anecdotal
13 observation, but there's more competition during the summer
14 than when we originally started. As purses decline, I think
15 we're going to see and have seen an erosion of the number of
16 quality horses we get at those races.

17 So, I respect your observation that yes, other
18 tracks are cutting their stakes, but we were out in front of
19 that effort over the years and have cut it from a million to
20 600,000, so at some point we are -- I don't think we should
21 kid ourselves, we're disadvantaging ourselves of getting
22 those horses to come to Colonial.

23 I think we've been lucky and we've had some
24 good alumni who have done well, but we are not in as strong
25 a position, just from my observation, as we were when we

1 were at the million dollar purse.

2 MR. BURNETT: Okay.

3 MR. BROWN: Can I ask Frank a question?

4 MR. BURNETT: Sure.

5 MR. BROWN: You said you sent out a poll, so to
6 speak, to the other trainers and you only got a hundred
7 responses from 300?

8 MR. PETRAMALO: 386. We got a 26 or 27 percent
9 response, which I thought was pretty good for a survey. I
10 mean we had a number of questions on there. Another sig-
11 nificant question was do you favor moving the meet from the
12 summer to the fall? The number dropped there. I think 25
13 percent were in favor of doing that. However, once you
14 started weighing the results, if my memory serves me cor-
15 rectly, those who were opposed to moving represented more
16 than half of all of the starts during the meet.

17 It's just kind of an interesting footnote since
18 we're not into the combined fall meet issue or anything.
19 But we had five questions on the survey.

20 MR. BURNETT: There were some comments made
21 recently at an investors' meeting by Peter Carlino, who
22 likes to think he's a horseman -- I don't know. When he
23 bought Charles Town, he said we're a racing family that's
24 using gaming to support us. It took him about two years to
25 say we're a gaming family that's putting up with racing. He

1 is now saying that there is no way that racing can survive
2 without slots, period, end of discussion; if you don't have
3 slots, you're gone, you need slots, and slots -- and he's
4 also honest that slots money, in his view, increasing purses
5 doesn't benefit the quality of racing, that you get as he
6 says, the same old horses running around the same old circle
7 beating each other for bigger amounts of money.

8 I'm not sure I agree with very many of his
9 conclusions, but you know, from a horseman's standpoint and
10 a horse industry standpoint, I characterized it recently as
11 it's a good thing he wasn't a doctor, because he'd be sug-
12 gesting giving Ecstasy to the unhealthy because they were
13 going to die anyway.

14 And I think it's fair for us to conclude, and I
15 think Ian alluded to it, that there's no point in our doing
16 any kind of thinking, planning, or considering slots-supple-
17 mented racing in Virginia. It doesn't make sense, and I
18 think in fact suggesting the same could really hurt us. I'm
19 not sure that this annual -- now annual rendition of putting
20 up historic racing bills into the legislature helps us or
21 hurts us, and I think that my difficulty with trying to sort
22 of compromise this whole thing is, well, let's take the
23 stakes, and you know, they're thirty percent, Burnett says
24 let's try twenty percent, let's go to twenty-five percent,
25 and we end up with a muddled result, and I think we have

1 given the high purse for stakes and the big days a heck of a
2 good shot, and it's gotten us some recognition actually -- I
3 couldn't agree more with Jim that we've gotten good recog-
4 nition, and I think we've established a reputation. I think
5 people have discovered Colonial Downs.

6 We were a three, four, five year-old track when we
7 started doing this thinking. We've now been around a little
8 bit longer, and I think people regard us as established. I
9 think there are certain horsemen that point their grass two
10 year-olds who are looking good, might go a distance and are
11 ready to go a distance at the potential Virginia Derby on
12 grass.

13 I will say that any time you've got a million
14 bucks, you're going to get a few extra nominations, and I
15 guess our racing secretary might be able to confirm it. But
16 when you've got a huge purse, a lot of dreamers put them-
17 selves in there just in case, so you are inevitably going to
18 get more scratches on a higher purse than when the purse
19 numbers come down.

20 But I also agree with Frank that we have
21 established these big days, and I think people will come
22 out. I think to suggest that whether the purse for the
23 Derby is \$700,000, \$600,000, \$500,000 makes any difference
24 in the fan turn-out is just not realistic. I just think
25 that it's all about the promotion, the weather that day,

1 what publicity the horses get, where they have run before,
2 who's talking about what, where, et cetera. But I do know
3 that we're -- the owners are fleeing from the business --
4 fleeing from the business. Some of our most prominent named
5 people in Virginia who it would be inconceivable to think
6 that they would ever give away one of their -- any one of
7 their best horses are now giving them away in multiples. I
8 have that on personal knowledge.

9 The folks that are sticking in this business
10 are scratching out a living and doing it for the love of the
11 game. I recognize that local horsemen aren't pure Virgin-
12 ians, and I kind of characterize local horsemen as being of
13 the Mid-Atlantic area who support this meet, shoot for this
14 meet, and I'll even give some credit to the Tampa Bay folks
15 and the Ohio folks, the ones who actually come here, live
16 here, and stay here. These are the kind of folks that we
17 need to support or we're not going to have a game, period.

18 And one comment about product versus fan. In
19 my opinion, that is racing's biggest problem. Our notion of
20 changing the product is to change purse amounts. That's it.
21 That's all we do, change purse amounts. We can advertise it
22 differently, talk about it differently, add a shopping cen-
23 ter, add slots, add give-aways, add this, add that, but we
24 have done nothing to change the way the public plays the
25 horses. The standardbred horsemen play their horses the

1 they play them, they handicap them the way they handicap
2 them, the purse structure's a little different than the
3 thoroughbred structure. The thoroughbred people do it their
4 way. To the young people, both ways are hieroglyphics and
5 they're not interested.

6 And again, Carlino says the people that come to
7 racing, the reason we've had a decline in fans is the death
8 rate. If you want to calculate how long it's going to be
9 before we don't have any fans left in racing, just go ahead
10 and look at the average age of gray-haired people like me at
11 the track, and that will be the end. Just calculate it out
12 to the average death and we're done, and I do agree with him
13 in that we're not doing much to attract the younger bettor,
14 and I think if we don't find some ways to do that, to mess
15 with that product in a way that today's fan will come to us
16 and patronize, we've got no chance.

17 So what I'm suggesting in terms of an 80/20 ratio
18 in 40 days of racing at \$136,000 isn't anywhere near the
19 answer. You know, Jeanna's got to put on the creative hat
20 of her life to figure out how to get people out here, and I
21 think we need to think about some of this exchange wagering,
22 exchange betting, in-race betting -- other types of ways
23 that in a perfectly legal fashion we can get fans to bet on
24 racing, and to be -- because you know, we all know it's
25 now -- people predicted it before and it's turned out to be

1 true that slots do not create racing fans, slots steal rac-
2 ing fans. And I don't see how a shopping center next to a
3 race track at Gulfstream Park has done anything for them.
4 Or the slot machines -- it's done nothing for them.

5 So either we -- and it's an avoidance of what the
6 real issue is, and those of us that love horse racing, love
7 it the way it is, love it the way it's always been, don't
8 want to change it because we appreciate it and understand
9 it, and we just, I think, are in denial about the young
10 bettor. And until we step up and figure out how to deal
11 with that, we're in trouble. Even with quality ADW expans-
12 ion, which by the way we've got them all in the room and
13 thank you-all for your efforts and hope you'll keep going,
14 we'll talk more about that later, but I propose this 80/20
15 experiment, if you will. I'm still open-minded to a very
16 big challenge of this combined meet of standardbred and
17 thoroughbred at the same time, but I propose that we have
18 tried the other way. Let's give a full and fair chance to
19 this way and do it for a year or two years and see what it
20 looks like together with a redoubled effort by the Horsemen,
21 by the Track, and by this Commission to find a way to re-
22 juvenate the product and the fan interest in the product any
23 way we can.

24 And that's the end of my speech about it, but
25 that's where I come from on it. Call me crazy, gentlemen,

1 anybody?

2 MR. BROWN: I don't call you crazy. I think the
3 game needs a change. We've got to find some way.

4 MR. PETRAMALO: Well, we have legislation pending
5 which among other things gives the stakeholders here the
6 opportunity to come up with creative ways of making new bets
7 to entice people to come. Right now we have a statutory 18
8 percent takeout for the standard bet. The legislation would
9 give us the opportunity to change that.

10 You know, some tracks have tried successfully
11 with coming up with some great wagers, lessening the takeout
12 to ten or fifteen percent for some type of exotic wager that
13 you can bet on for half a buck or a buck with a huge upside
14 to it, kind of like the lottery. It's mindless. You know,
15 there's things like that that we might well want to try.

16 My view is our problem is not the product. We
17 don't think there's anything as exciting as horse racing.
18 But it is too slow between races and it's too dead of in-
19 tensity. Now we need -- let's pull machines or pull the
20 levers or push buttons and get quick action. If there's
21 some way to appeal to that segment, then you know -- then
22 racing will become very popular.

23 One of the reasons that wagering is so high on
24 the exchanges in England and Ireland, betting exchanges, is
25 because they have got all these exotic things that you can

1 do. without getting into too much of a Shaggy Dog story,
2 last week in England where I happened to be, there was a
3 race going on. The top jockey in the country was riding the
4 odds-on favorite who was seven-to-four. Well, the horse was
5 going absolutely nowhere. He was going out the back end.
6 Now, because of the way they bet there, you can bet during
7 the race on where that horse is going to finish. So some
8 crazy people wagered a grand total of 240 pounds.

9 MR. BURNETT: They were crazy, Frank.

10 MR. PETRAMALO: Not me, unfortunately. 240 pounds
11 at the halfway point that this horse was going to win even
12 though he was dead last. Well, it was an amazing race; the
13 horse won and the payout was a thousand to one because he
14 was running so poorly at the half-mile mark that the odds
15 went up to a thousand to one. Is that exciting or what? I
16 mean that's what they can do to make it interesting.

17 That was kind of a Shaggy Dog story, but it
18 illustrates the point.

19 MR. SEIGEL: They've got better technology than we
20 do apparently.

21 MR. PETRAMALO: Well, no, we can do it. I mean
22 the exchange wagering I believe has passed in New Jersey and
23 perhaps in California. What it is is kind of an e-Bay for
24 bettors. It puts backers and layers to each other. I'm
25 backing the horse saying he's going to win; you're saying

1 bingo, he's going to lose, and it allows you to create all
2 kinds of interesting ways to wager money.

3 MR. BURNETT: Well, and clearly for a traditional
4 handel, you need to fill the gate. The more horses in the
5 gate, the better the fans like it.

6 MR. PETRAMALO: Sure, absolutely.

7 MR. BURNETT: No doubt about that.

8 I will tell you a shorter Shaggy Dog story.
9 Speaking to a particular legislator that's supportive of
10 racing, when I explained to him what in-race betting was
11 about and how prop betting essentially could be such that
12 folks could bet against each other more or less, his comment
13 was oh, jeez, that would great. You mean if three or four
14 or five of us went to the races, we could each bet against
15 each other's horses and at least one of us would win? And I
16 said yes, I mean that's entirely possible, and that made a
17 light bulb go off with this individual. You know, it was
18 racing and I think probably the experience that you go out
19 there and can throw away two dollars, you've got a one in
20 ten shot and usually you don't get it, and that's his idea
21 of what racing is because he doesn't know how to read a form
22 and doesn't know how to improve his odds at all -- maybe he
23 doesn't even know how to read the odds board, I don't know.
24 But the notion that you could go in a crowd and have it be a
25 little mini pari-mutuel competition within that group of

1 people who were at the table picking horses, whether it was
2 the gray's going to beat the bay or whatever it is was
3 highly appealing. The technology is, I think, the major
4 hurtle. I think it's--

5 MR. PETRAMALO: Oh, it can be done. It can be
6 done.

7 MR. BURNETT: It only takes money.

8 More discussion of this issue? We want to make
9 sure we've got plenty of controversy.

10 MR. WEINBERG: I wanted to sort of try to narrow
11 the discussion a little bit, because I think we are not in
12 disagreement that we all agree, and I think we had antici-
13 pated having this discussion in connection with standardbred
14 dates that we need to change, that there are changes that
15 are necessary in that we have been talking about and around
16 about getting together collectively with all the stake-
17 holders and discuss what those changes should be, and I
18 think as you have said, getting a younger generation in-
19 volved, making it an attractive product.

20 I think it is difficult to pick on one aspect
21 this morning and say let's tinker with the mix of stakes and
22 overnights and see what happens without being a little more
23 analytical about it, with all respect, in that the Derby and
24 the Turf Cup by our measurements are successful, and if
25 we're going to tinker with them and put them in jeopardy,

1 let's all agree on what we're trying to ascertain in return.

2 You had characterized that this paradigm had
3 failed, and I think we haven't agreed on what the metrics
4 are for measuring success or failure, so I don't think we
5 would all agree with that characterization that it's not
6 working. I think there are aspects of it that are working
7 exactly as we would measure success and working, and before
8 we jeopardize that, with all due respect, I think we should
9 spend a little more time looking at it very analytically,
10 and by that, I mean just to use an example, if we're going
11 to reduce the Virginia Derby purse, we should be looking at
12 who are we competing with? what other races are going on,
13 and where does that put us? Are we jeopardizing losing what
14 we perceive to be a pretty strong draw at that time of year
15 on the turf because we're now competing with tracks that
16 have greater resources than us?

17 My impression is we're starting to see some of
18 that as some of the horses that have indicated interest that
19 would have made our race a lot more competitive are going
20 elsewhere.

21 I would just ask that we look at all aspects, not
22 this morning just pick one and say well, let's tinker with
23 this and see what happens.

24 MR. BURNETT: I don't regard it as tinkering when
25 you just say -- I think the tinkering is for going forward

1 with respect to how you want to do it for the exact reasons
2 you raise. There's plenty of room in that \$1,360,000 to
3 leave the Derby right where it is. It's pretty close to
4 leaving the Colonial Cup pretty close to where it is or at
5 where it is.

6 Those are tough decisions, but I would submit
7 to you they are no tougher than the decisions that the
8 people on that back side have to make if they even are going
9 to come to this back side. How are they going to feed their
10 horses? How are they going to feed their families? How are
11 they going to come down here and fill this starting gate?
12 Because it is those folks that we are duty-bound to support.
13 A couple of big days for racing I don't think is what the
14 legislature had in mind when they wanted to create racing
15 and breeding on an ongoing basis in an agricultural way in
16 Virginia. Is it impossible? Maybe. It may be that we're
17 just barking up a tree that we'll never get to. But I think
18 that's our charge, and until they tell us otherwise, we have
19 to look at that which is most likely to sustain a State
20 racing program in Virginia, and I admit, I just respectfully
21 disagree that cutting back to twenty percent is a fatal
22 blow, reckless, or in anyway something that can't be dealt
23 with quite well, and I think on balance, the horse commu-
24 nity, the trainer and owner community will more than offset
25 any negativity that you might hear about the adjustments

1 that have to be made on the stakes side.

2 I think that the word going forth that we're
3 holding forty days and there's going to be \$136,000 a day
4 available over ten weeks I think will be received in a very
5 positive way by the horsemen themselves and the press.

6 MR. WEINBERG: And my only response to that is
7 if we're not going to cut the Derby or the Turf Cup, then
8 we're looking at the All Along and jeopardizing its greatest
9 stakes, the Zeke and the six \$50,000 stake races that are
10 predominantly for Virginia horses. So, all I'm suggesting
11 is if you cut those, are you really accomplishing the goals
12 that I think you just articulated?

13 MR. PETRAMALO: Let me see if I can summarize
14 where we are. The Horsemen and the Track are anticipating
15 this year a 70/30 split, the thirty percent being the stakes
16 purses, which is a little -- a smidgen more than two million
17 dollars. What you've suggested is an 80/20 with your twenty
18 being \$1,360,000. The difference is \$700,000, so somehow or
19 other you've got to find \$700,000 to cut out of the stakes
20 program. That is very, very difficult to do while main-
21 taining our ten or whatever we have, twelve \$50,000 stakes,
22 and some of the other lower races.

23 There is a compromise. If one were to look at a
24 75/25 percent split, one could achieve that by reducing the
25 Derby from \$600,000 to \$500,000 and reducing the Turf Cup

1 from 500 to 350. I just happened to do the arithmetic here.

2 MR. BURNETT: There's another way you could go.
3 You could say, as they did in Maryland very painfully with
4 Pimlico Special, we're going to suspend the All Along course
5 this year, period, not going to be run this year, take your
6 horse some place else, hope you come back next year when
7 things straighten up, and there's lots of different variat-
8 ions of ways it can be done. But I think we need to get --
9 I'm not in support of compromises. We have gone the noncom-
10 promising way of thirty percent, thirty percent, thirty per-
11 cent for years now. I think it's time for a change that's
12 more than incremental. We can't afford incremental changes.
13 Maybe next year we're going to come back and have a combined
14 meet. That might be something that happens with the harness
15 horses and thoroughbreds, I don't know where that's going to
16 go, but I just think -- there usually is a time and it
17 usually is more appropriate to go in an incremental fashion,
18 but in this circumstance, I don't think it's a particularly
19 huge leap; I don't think it's a shocking difference.

20 I'm not suggesting a five percent stakes program
21 or a ten percent stakes program. I think if you look at the
22 tracks around the country, twenty percent is a pretty ample
23 stakes program, and we ought to be able to make that work.
24 And again, I'm -- you know, we don't have vans anymore
25 bringing horses down here, we have the cost of gas rising

1 again, there is increasing pressure from Pennsylvania. We
2 need to get these horsemen here and fill that gate, my view
3 is, and we need to have some consistency of what people can
4 plan for every summer.

5 So I repeat myself.

6 MR. MILLER: Mr. Chairman?

7 MR. BURNETT: Yes.

8 MR. MILLER: Jim, when proposing the schedule set
9 forth in Ian's letter, did you check on other major stakes
10 races that are being held June 18th and July 16th this year
11 to see what kind of direct competitive field you have for
12 trying to fill your Derby and the Turf Cup?

13 MR. STEWART: Well, we've run those dates
14 traditionally, but Tyler can speak to that.

15 MR. PICKLESIMER: Yes, most programs, you know,
16 run about the same time. We've got the Jefferson, Churchill
17 is pretty much the closest thing to us, and the race in
18 Delaware, I think it's only 75,000, something like that.
19 It's not a great race. So those traditional dates are, you
20 know, really don't affect anybody.

21 MR. MILLER: Well, what I'm trying to get at is
22 if you had a Virginia Derby at \$500,000 on July 16th, what
23 major races would you -- what major tracks would you be
24 competing with that day against?

25 MR. PICKLESIMER: That day, I don't believe

1 anybody.

2 MR. MILLER: Okay. How about the other date for
3 the Turf Cup?

4 MR. PICKLESIMER: That day, I don't believe
5 anybody, but like I say, within a two-week span, there's
6 going to be another one, two weeks in front or two weeks
7 after there's going to be something. And a big part of it,
8 you know, is trying to get to a Grade 1 stake, which you
9 know, you're hard-pressed to find a small racetrack that has
10 a Grade 1 stake, and we're pretty close. I mean we're about
11 as close as you can get to not being a Grade 1. So you
12 know, maybe another season or two, you know, the current
13 purse might be enough to put us over the top just to track
14 the horses that can go on and win other Grade 1s. So that's
15 a big part of the goal too.

16 MR. PETRAMALO: I think I agree with Tyler that
17 we're pretty close to getting a Grade 1 status, certainly
18 for the Derby, but not because of the purse level. It's
19 because of the quality of horse that's shown up, and after
20 leaving here, has done wonderful things. That's the key.

21 MR. BURNETT: It is the key, but in fairness to
22 Tyler's comment, if the rest of the industry is going down,
23 as Mr. Miller suggested, and we hold the same at 600 for
24 that race, it makes it just that much more --

25 MR. PICKLESIMER: A little bigger carrot.

1 MR. BURNETT: That's the way to put it, a bigger
2 carrot. And again, oh, by the way, just a little minor
3 thing, you have to have the horse. If you haven't got the
4 horse, they're not coming, and there are always a few.

5 But I agree with it, and it may be -- I mean
6 that's the kind of tough decision-making I think needs to be
7 made going forward. I mean are we going to -- some might
8 argue if we're going to do that let's increase the purse on
9 the Derby even though we have less money and focus more on a
10 couple of signature races and leave it at that. I don't
11 know.

12 MR. WEINBERG: Can I make a suggestion?

13 MR. BURNETT: Yes.

14 MR. WEINBERG: Clearly, you have spawned a debate,
15 and I think you have always looked to the stakeholders to
16 present to the Commission something that the Commission
17 could support as well. This year, we thought we had done
18 that, in all candor. In contrast to prior years, we came to
19 you with a very unified request.

20 I think you have raised some concerns this
21 morning -- I'd like the opportunity -- which we had not
22 heard before walking in this door as far as Race Days for
23 this year and really did not realize we were going to have
24 this discussion this morning.

25 I'd like the opportunity to go back, figure out

1 if we could possibly do this \$700,000, what it would look
2 like so that everyone is going in with eyes open, and we
3 really haven't talked about duration. I understand why you
4 want forty days, but I think we'd like the opportunity to
5 reflect on that as well and come back to you at your next
6 meeting, happy to report before then, of what the discus-
7 sions and what it might look like, because I think it's also
8 significant -- I mean we were focusing on that one day, what
9 was the competition on that one day, but really as everyone
10 knows it's sort of a two-week bookends we're choosing be-
11 cause a horse just can't return within two weeks, so it's
12 really a broader swath of time that we're really competing
13 with, it's not just that weekend.

14 And I think it's important if we're going to talk
15 about substantially reducing those purses that we understand
16 --

17 MR. BURNETT: The stakes purses.

18 MR. WEINBERG: Yes. Well, that's what we're
19 talking about, right? And putting them into overnight, and
20 then we're talking about --

21 MR. BURNETT: Substantially increasing the
22 overnight, to use the same language.

23 MR. WEINBERG: That's right.

24 MR. MILLER: Mr. Chairman?

25 MR. BURNETT: Yes.

1 MR. MILLER: I think that's a good suggestion.
2 Let me suggest further that during your analysis when you're
3 going through all this, I don't know what kind of repercus-
4 sions you would have if you eliminated one of those other
5 lower graded stake races, you suggested the All Along and
6 some of the others, and get some input. I don't know how
7 strongly the horsemen feel about those races and so forth.
8 I mean, take a look at those possibilities as the Chairman
9 suggested, that there are other avenues to try to increase
10 that overnight in addition to considering the Derby and the
11 Turf Cup.

12 MR. WEINBERG: Precisely my point. I'm sorry I
13 didn't articulate it as well as you did.

14 MR. MILLER: But what would happen if you
15 completely eliminated one of those others where we have, you
16 know, and so forth -- something like that?

17 Mr. Chairman, I like that suggestion. But you
18 know, when do we need to reach our decision on this?

19 MR. BURNETT: well, if I can comment on that
20 and respond to that. I don't have any problem with really
21 analyzing this closely and coming back with that question,
22 but I'd like to do it this way: My motion is to going to be
23 that we set it at forty days at \$136,000 a day in overnights
24 and twenty percent for the balance leaving the door open for
25 the Track and/or the Horsemen, whether they agree or dis-

1 agree, to come back to us at our next meeting and say how
2 about this? And show us something that is better than --
3 and that would give the overnight horsemen community, the
4 stakes horsemen community, and the rest a clear target of
5 the direction that this Commission wants to go and a chance
6 to respond to say I like what they did, I want you to leave
7 it just the way it is, or I think you messed up, I want to
8 change it like this, and let these folks -- but the default
9 would be the 80/20, and then show us a better mousetrap when
10 we come back.

11 The date, I'm not sure. I would look to Tyler,
12 who I think is worrying about his condition book as to what
13 date he has to have it, but we won't educate him on how long
14 we've gone sometimes with his predecessor's book.

15 MR. MILLER: I would suggest our next meeting
16 technically would be March 22nd. Whether or not we should
17 have a meeting before March 22nd or something like that --

18 MR. BROWN: I would suggest we do something like
19 that.

20 MR. BURNETT: I hear you.

21 MR. BROWN: Somewhere 20 days out.

22 MR. SEIGEL: I was just going to agree with that.
23 We could certainly have a meeting and get some presentation
24 for each one of us to look at but -- and I agree with your
25 suggestion not necessarily because I think that it's the end

1 all-be all, but I heard Jim say he's going to come back with
2 an analysis, and if that analysis doesn't come with a sug-
3 gested alternative, then we're just again wasting more time
4 it seems.

5 So I think that the Chairman's motion is a good
6 one. Again, I'm not necessarily prepared to vote that in
7 ironclad terms, but certainly put something on the table,
8 and I for one am open to suggested alternatives, whatever
9 that might be, that would help to solve the problem.

10 MR. REYNOLDS: Jim, what kind of timeframe would
11 you be looking at to be sufficient? Two weeks? Three
12 weeks?

13 MR. WEINBERG: Two to three weeks.

14 MR. BURNETT: I think that's a good idea.

15 MS. BOUZEK: Mr. Chairman, can I say something?

16 MR. BURNETT: Yes, ma'am.

17 MS. BOUZEK: I would suggest -- there's a lot of
18 people in this room that have been in the business a lot
19 longer than me, but this is just from my observation -- in
20 trying run the OTBs, to sustain the OTBs, if they're not
21 stake races for those customers to wage on, sometimes that's
22 what we hang our hats on when I look at, you know, when we
23 come to the end of the month, thank God, it's the Sunshine
24 Meet. Places like Vinton, Alberta, Martinsville, Scott
25 County wouldn't be open, so the customer on the other end,

1 you know, while it may be what may keep us going another
2 year until we have this discussion again, I mean we're as --
3 I've tightened the belt as tight as it can go in the OTBs.
4 we're running probably at some sites forty percent down in
5 labor. we've negotiated every contract. You start taking
6 stakes races, you know -- and it's happening because other
7 tracks are doing it. So what's happening? Our handle's
8 going down because they're not coming in. I mean it's a
9 vicious, vicious cycle, and I worry for me and everybody I
10 work with that, you know, I've listened to this argument for
11 twelve years, but you're in the industry. The tracks that
12 are surviving are running less days a week, higher purses,
13 whatever. But think of the effect that it's to have on the
14 OTBs if we cut our stakes and that track cuts their stakes,
15 and -- we may find a way to open here another year, but some
16 of our OTBs aren't going to survive with just the same old
17 overnight. And I say that as a personal opinion; I've not
18 had this conversation with anybody.

19 MR. BURNETT: And I think that's a valuable
20 component of the analysis as to whether or not you try to
21 keep stakes on for a slightly less purse or whether you try
22 and eliminate one, or whether you try to keep them all at
23 the same level. You know, that's what I think the analysis
24 is there for.

25 MS. BOUZEK: I agree, but I'd just ask that you

1 think about the OTBs.

2 MR. BURNETT: Let's be clear that we are where
3 we are right now with the thirty percent stakes. It hasn't
4 saved us. You're cutting all those costs, you know, your
5 handle's down for lots of influences and reasons that
6 frankly don't have much to do with you or much to do with
7 us. Other parts of the country and other programs affect
8 what you can sell.

9 MS. BOUZEK: Agreed, and I'm not speaking -- I'm
10 speaking for the stakes, but as far as the four days versus
11 the five days, I mean we've all seen, we used to be a seven
12 day operation, and now all but two of our sites are five day
13 operations or six day operations. You know, Mondays and
14 Tuesdays no one's running so you can't be open, and you
15 know, I think we need to be careful running five days a week
16 if there's nobody out there to bet on the product.

17 Just think about what people in the other states
18 are doing and the OTBs in the whole equation.

19 MR. BURNETT: And to be clear, if you heard five
20 days, I don't think it came out of my mouth. What I under-
21 stood was the current proposal was four days a week for
22 whatever that is, a little over eight weeks.

23 I think also part of that analysis should be, and
24 we should reserve to our next meeting the actual dates, it
25 may be that five days a week makes more sense; it might be

1 that four days a week makes more sense, but I'm open to
2 hearing what that analysis shows.

3 MS. BOUZEK: Just so I'm clear, your forty
4 days would be, if we decide four days, you're going to be
5 suggesting ten weeks?

6 MR. BURNETT: That's what the math says.

7 MS. BOUZEK: I got you.

8 MR. BURNETT: Because five days, it would be eight
9 weeks, right?

10 MS. BOUZEK: That's tough.

11 MR. STEWART: I guess I'm a little confused.
12 I mean if the goal is to increase overnight purses, doesn't
13 the reduction in race days from 40 to thirty-three drive up
14 overnight purses? I mean that's what it does. That's what
15 we're doing.

16 MR. SEIGEL: That may be part of the conclusion.

17 MR. STEWART: I guess I -- so then the whole
18 discussion becomes, well, are you going to take some more
19 money out of the stakes to supplement it with? And you've
20 got a situation where the two parties that are basically in
21 agreement that are putting on the meet, they want to do it,
22 this is the strategy that these -- you know, that the two,
23 you know, parties have devised that actually, you know,
24 meets that goal, and I guess -- I'm just a little bit
25 flabbergasted.

1 MR. BURNETT: well, let me flabbergast you some
2 more.

3 By your argument to the extreme, why don't we
4 just run one day? And then we can say we've got the highest
5 per diem average in the country for overnights. That's --
6 it's not one way or the other.

7 we are looking at a continuum here, and the
8 question is: where is the right place along that continuum?
9 what I'm saying is we've gone with the thirty percent stakes
10 money; we've let overnights slip to 116,000, and you agree
11 that that number is not a good number because you and the
12 horsemen came back and said you want it to be 143 in
13 thirty-three days. I'm saying I like 136 in forty days
14 better, and it comes out of the stakes piece.

15 Maybe I'm wrong, but I think we've tried this way;
16 I think we need to look much harder at a bigger change than
17 tinkering with the program that we've got now. We've tink-
18 ered, tinkered, tinkered, and we're in trouble. I'd like to
19 see a C-change. That's my thinking on it.

20 I don't own the racetrack, but I'm sitting here
21 on this Commission and I've got a job to do too. I'm just
22 telling you what I think. And believe me, none of it's any
23 fun, and I just -- it's my view, and my fellow Commissioners
24 may disagree with me and God bless them if they do and God
25 bless them if they don't, we've got to each vote our con-

1 science the best way we can for what we think is best for
2 Virginia Racing to try to work through this. But flabber-
3 gasted ain't going to help us, Ian. Good, hard thinking and
4 not demonizing folks in the room is what we need.

5 MR. STEWART: I don't think anybody's being
6 demonized. I think we've met the objectives and that's
7 why -- maybe I used a poor -- maybe I'm confused. Leave it
8 on me.

9 MR. PETRAMALO: Well, putting some numbers to what
10 Ian is saying, reducing from forty to thirty-three days to
11 bump purses means the following: Now, at forty days, we
12 were averaging roughly \$13,000 in overnight purse. By going
13 to thirty-three, it's jumps up to \$15,000. Those are the
14 numbers.

15 MR. BURNETT: Okay.

16 MR. PETRAMALO: And that's why we agreed to cut
17 from forty to thirty-three.

18 Now, let me also throw in something else. Ian's
19 projections in my view are rosy in that his projection is
20 based on 2011 purse money being the same as 2010 purse
21 money. I think that's a bit rosy. If you look what's been
22 happening over the last five years, the availability of
23 purse money has been dropping.

24 I think we'd be very fortunate if we were able to
25 maintain in 2011 the six -- roughly 6.8 million dollars that

1 was paid out in 2010. Six point eight million is the basis
2 for the proposal made by Colonial. Usually, it's the horse-
3 men who have a rosy picture; this time, it's Colonial.

4 MR. BURNETT: well, all I can say is that the
5 Staff agrees with Colonial on that number. That's what
6 we're being told, and Staff's got a pretty good track record
7 on hitting the number, so I'm not going to substitute my
8 judgment for theirs. I know Dave has looked very closely at
9 these numbers.

10 But again, all of these issues I think are
11 appropriate to be considered when we get together later, and
12 so I'm going to say as part of my motion that we either
13 reconvene for another meeting on the first of March or the
14 22nd of February. Those two dates are --

15 MR. MILLER: The 22nd would give them two weeks.

16 MR. BURNETT: Correct, and the 1st of March, and
17 I'm happy to come either one of those days.

18 MR. SEIGEL: Is it possible if we can do the
19 earlier date that we could move it back a day or is there
20 some magic with the 22nd?

21 MR. BROWN: I can't be here the 23rd.

22 MR. PETRAMALO: I can't -- I have an arbitration
23 case in Los Angeles on the the 22nd of February, and I have
24 an arbitration case in Newark on the 1st of March.

25 MR. BROWN: What about the 24th?

1 MR. PETRAMALO: 24th is fine.

2 MR. BROWN: I should be good on the 24th.

3 MR. BURNETT: This is why I love my toy that
4 becomes a tool. I am good on that.

5 MR. PETRAMALO: This works well too, it's called a
6 pen and paper.

7 MR. BURNETT: Gentlemen, is the thinking the 24th?
8 Frank's good the 24th --

9 MR. PETRAMALO: Thursday the 24th.

10 MR. BURNETT: That's okay with you, Ian?

11 MR. STEWART: Sure.

12 MR. WEINBERG: Yes.

13 MR. BURNETT: Let me make my motion as
14 simplistically as I can.

15 I move that today we assign Thoroughbred Race Days
16 of 40 days and purses for overnight races of 80 percent of
17 the projected 6.8 million dollars in available purse money
18 for the 2011 meet and twenty percent going to stakes purses.
19 And I further move that we postpone further consideration of
20 precise dates of the meet, that is whether it's four days or
21 five days of racing and any other details or modifications
22 to February 24th at the meeting of the Commission here in
23 New Kent.

24 MR. BROWN: Second.

25 MR. BURNETT: It's been moved and seconded. All

1 in favor indicate by saying aye.

2 NOTE: All indicated by voting aye.

3 MR. BURNETT: The motion carries.

4 MR. SEIGEL: Do we keep the March 22nd meeting as
5 well?

6 MR. BURNETT: Yes, sir. I think we should. That
7 gets us back on the monthly schedule.

8 All right. The next order of business, if I can
9 find my agenda, request from Colonial Downs for 2011
10 Standardbred race days. Tab five.

11 All right. Mr. Weinberg, Mr. Stewart?

12 MR. STEWART: All right. Well, before we talk
13 about 2011, I'd like to review the 2010 meet again. The
14 meet started with the New Kent County Fair. The fair's two
15 days attendance was 3,194. That represented 22 percent of
16 the total. So those two days were 22 percent. The per cap
17 for those days was only a little over \$23.51. But the total
18 handle for those two days was the second highest for the
19 meet outside of the Breeder's Cup, so it's the second best
20 week.

21 Now, there are a lot of people at that fair that
22 don't bet, but if you're going to have any future, you have
23 to expose the product to as many people as possible. That's
24 why we're pursuing fair legislation. That's why we're in-
25 terested in moving and having racing at the State Fair and

1 at the County fairs.

2 Now, we also raced on the afternoon during the
3 weekdays. Unfortunately, on this day it happened to rain,
4 but if you look at the weekdays, the people that came out on
5 those weekdays, they had an average per cap of \$113. That
6 compares to \$47 for all the rest of the days except for the
7 Breeder's Cup.

8 MR. BURNETT: I'm sorry, what were your numbers
9 again on that? Compared what to what?

10 MR. STEWART: On the weekdays, the per cap was
11 \$113.

12 MR. BURNETT: On weekdays?

13 MR. STEWART: Yes.

14 Now, from a marketing standpoint, we ran two poker
15 nights, two comedy nights, and a casino night. As you can
16 see, still didn't generate big crowds, and most of the
17 people were there to play cards; they really weren't there
18 to bet. Did a good beer business, but not a very good
19 wagering business. The people aren't there for the races,
20 they're there to play cards.

21 we also had a casino night. People had, you know,
22 we drew six hundred people. Beautiful night. Not a whole
23 lot of people in the stands. People were there to play the
24 casino games; they had a nice time doing that.

25 The people that come on the afternoons, they're

1 the bettors, but it's just not very many of them. You can
2 see that's sort of a harness fan base of older folks, just
3 not a lot of people.

4 The truth is it's not a whole heck of a lot
5 different than when we ran it at night the year before. We
6 averaged about 50 more people at night. Fifty more people
7 really doesn't amount to a whole heck of a lot.

8 Had another poker tournament. These drew about
9 600 people, most of which were there to play cards.

10 MR. BURNETT: Are you allowed to charge for poker
11 nights?

12 MR. STEWART: We're not. It's against the law to
13 charge people to enter a contest.

14 MR. BURNETT: That's right.

15 MR. STEWART: So if you come to play poker, you
16 get free admission, and we're pretty careful about monitor-
17 ing that.

18 We can't complain about the weather, we had great
19 weather. Beautiful nights. Sundays, we probably averaged,
20 I don't know, 500 people. Another beautiful Sunday.

21 You can see out front there's a car there. We
22 even ran a harness bingo promotion that lasted throughout
23 the meet, it included all of the OTBs, and we gave away a
24 car at the end. The Breeders' Cup was a nice event. We had
25 about twelve or thirteen hundred people here, but the truth

1 is they would have come anyway. They were there basically
2 to bet on the Breeders' Cup. There was a live handle of
3 about \$50,000 that netted the VHA about \$4500 in purse
4 money. Most of the simulcast handle obviously is from the
5 Breeders' Cup, which is thoroughbred, so that money doesn't
6 go to the VHHA, it goes to the thoroughbred horsemen purse
7 money, which it would have done whether we were running live
8 or not.

9 I can assure you that the extra week that we had
10 to stay open cost us far more than that. And there's one
11 person that had a good meet.

12 MR. BURNETT: Did she give you a ride?

13 MR. STEWART: No.

14 So we worked it very hard. As I said we ran poker
15 nights, comedy nights, casino nights, meet-long bingo pro-
16 motion that gave away a car, and really didn't have a whole
17 lot to show for it. I mean we can spend a lot of time argu-
18 ing about whether we should have four more days of stand-
19 ardbred racing. We've requested 24, so we can spend a lot
20 of time arguing whether we should have four more days and
21 match what Colonial Downs did last year, 28 days, or eight
22 more days gets you to 32 days, which the Staff report
23 recommends, or you can get to the 38 days, which is what the
24 harness horsemen want. You know, we can talk about the cost
25 of the meet; but we've had that debate before. We had it

1 last year, and we can revisit it, but I just don't think
2 that that is really productive. The costs haven't changed.
3 I mean to run more days, if we ran eight more days, it would
4 probably cost us a couple hundred thousand dollars. But
5 anyway, that debate will just continue to be a discussion
6 about how we reallocate an existing or a shrinking pie
7 between the horsemen and the Track.

8 If we're going to succeed at this, we need to
9 find a different way of doing business when it comes to
10 standardbred racing. I think the video shows that the lack
11 of attendance at the live meet is not for a lack of effort
12 on Colonial Downs' part. And we've tried a varied mix, but
13 you know, basically the results remain the same. We need to
14 redirect our efforts in a new way if standardbred racing is
15 to sustain itself in Virginia.

16 The issues we face are not unique to Virginia.
17 New Jersey is illustrative of the problem. The governor of
18 New Jersey created an advisory commission and he requested a
19 study and report. The report concludes that the allure of
20 harness racing is disappearing and dramatic changes are
21 needed. They suggested racing six days at The Meadow-
22 lands -- six days at the home of The Hambletonian in a metro
23 area of twenty million people. Six days. They suggested
24 leasing the facilities to the horsemen or just eliminating
25 harness racing altogether. We can provide you with copies

1 of the report to the Commission.

2 Similar events are occurring elsewhere in the
3 country. Rockingham Park in New Hampshire closed two years
4 ago for live racing, and I don't think it's coming back.
5 Prairie Meadows in Iowa is down to ten harness race dates a
6 year. Ten. And there's a lot of effort there to concen-
7 trate their racing in the county and state fairs.

8 In Michigan, Jackson and Saginaw closed in the
9 last few years. Harness racing in the Province of Quebec
10 has ended, and as you know, Rosecroft has been closed for
11 several years. It was recently sold in a bankruptcy auction
12 to Penn National. Penn has made its strategy very clear,
13 and I don't think that includes losing money in harness
14 racing at Rosecroft. That's just my opinion.

15 Now, we've talked about the possibility of a joint
16 meet as one approach that might help preserve harness racing
17 in Virginia. We'll continue to explore this approach, but
18 it's become clear that regardless of the track configurat-
19 ion, it will be impossible to have a track in place for a
20 joint 2011 meet.

21 We're pursuing legislation that would allow
22 venues like the State Fair to offer pari-mutuel harness
23 racing. Exposure of harness racing to a large audience at
24 the State Fair can help build a following that ultimately
25 may find it's way back to Colonial Downs. Colonial Downs is

1 appreciative of the support the Commission has given to this
2 legislation. If we all work together, we can create possi-
3 bilities for growth. And profitable growth is essential.

4 As I mentioned before, the common denominator
5 in my opinion for race tracks closing is the tracks aren't
6 making any money. It's not that they don't have enough race
7 days; it's not that they don't have enough purse money; it's
8 not that there isn't even enough horses. It's simply the
9 tracks aren't making enough money. And when a track closes,
10 nobody else is stepping up to take their place.

11 Now, unfortunately, not all of the legislative
12 initiative this year have been in that vein. As you'll have
13 noted from the e-mails on which you have been copied, Colon-
14 ial Downs opposed legislation that merely redistributes ex-
15 isting handle at its expense. While Colonial Downs supports
16 VHA's causes, it does not support a funding mechanism that
17 takes money from Colonial Downs just to redistribute it.

18 Similarly, efforts to change ADW revenues and
19 taxes to redistribute existing handle, we're not in favor
20 of. Colonial Downs is appreciative of the ambitious support
21 and help to expand the number of SWFs which would grow the
22 pie and making additional wagering alternatives more com-
23 petitive.

24 In that spirit, I am also going to distribute a
25 report on the harness racing industry that was commissioned

1 last March by the United States Trotting Association that I
2 think is pertinent to our experience in Virginia. I hope
3 that you will read it and have a chance to review and dis-
4 cuss the report's findings.

5 Colonial Downs is ready, willing, and able to
6 examine the industry examples of successful models for live
7 standardbred racing without support from other forms of al-
8 ternative gaming. Unfortunately, where we really seem to
9 find ourselves is the current function of the meets, the
10 primary function is just as a distribution mechanism for the
11 first funds for the horsemen. It costs us roughly \$700,000
12 to distribute 1.4 million dollars in purses, and that's kind
13 of an expensive way to do it.

14 So at the end of the day, in the interim, the
15 question remains: Is it in the industry's best interest to
16 expand the number of live race dates as the standardbred
17 horsemen desire with resulting expense for Colonial Downs,
18 or is better to focus on fewer days and use the cost savings
19 in a manner to benefit the long-term viability of the
20 industry?

21 Colonial Downs believes that expanding a program
22 that is not working does not make sense. We believe that
23 the industry's efforts should be directed to determining a
24 successful live racing schedule and that funds should be
25 expended in ways to create a lasting benefit and grow the

1 industry, including the standardbred industry.

2 The experience of the last few years in other
3 states more than demonstrates that increasing the number of
4 live race dates does not equate to long-term success, and is
5 frequently cited as one of the sources of the industry's
6 problems. Therefore, we believe that 24 live standardbred
7 days is enough in the overall best interest of the industry.

8 MR. BURNETT: Questions, gentlemen?

9 MR. MILLER: When you say \$700,000 in expenses,
10 that's for the total standardbred meet?

11 MR. STEWART: Yes.

12 MR. MILLER: And that's after all sources of
13 revenue that you derive from the standardbred meet?

14 MR. STEWART: Yes.

15 MR. MILLER: On track, off track, everything?

16 MR. STEWART: Yes.

17 MR. MILLER: You still wind up with a negative
18 figure of \$700,000?

19 MR. STEWART: Yes.

20 MR. BURNETT: The question that I always had, Ian,
21 is I think when racing was started in Virginia, it was as-
22 sumed that race meets in and of themselves could be profit-
23 able on a day-in day-out basis, maybe heavier on the week-
24 ends or less so, but the handle -- essentially handle was
25 covering expenses. At the time in the early '90's, it was

1 that new thing called simulcasting would help people make a
2 little bit of extra money selling simulcasting, but the meet
3 was something where you could make some money.

4 It seems like we've migrated -- I want you to
5 correct me here if I'm wrong -- but we've migrated in Vir-
6 ginia to a circumstance where we've accepted that the meets
7 themselves are net losers in terms of what is made during
8 the -- from the begining to the end of that meet, and even
9 leaving out the purse money, don't count the purse as an
10 expense, just leave the purse out altogether both on the
11 income side and the distribution side -- the meet itself is
12 a loser and that the only way that you can have any via-
13 bility from a business standpoint to keep going in that
14 manner is to make up the difference during the dark part of
15 the year.

16 If that's so, then are we not talking about how
17 much you lose at each of these meets as opposed to whether
18 you lose? Am I wrong about that?

19 MR. STEWART: I don't think you're wrong.

20 I think we can agree that Colonial Downs is not
21 advocating that we eliminate live standardbred racing.
22 That's not really the point.

23 MR. BURNETT: I'm not fastforwrding in anyway.
24 I'm asking a straight up question on whether or not, for
25 example, a thoroughbred meet, you can make money on each

1 week of an eight-week meet, but on a standardbred meet, you
2 can't, or whether you lose more money on the harness meet
3 even though it's less staff and all the rest, but still lose
4 money on the thoroughbred meet too?

5 MR. STEWART: Well, I guess my view of it is,
6 after more years than I'd like to remember doing this, I
7 still believe that the thoroughbred meet has the potential
8 to be financially successful. Unfortunately, I'm having a
9 hard time believing that we can be financially successful
10 with the harness meet. So that sort of leaves you as to,
11 okay, what is the overall purpose of the harness meet and
12 how can we best -- how much money should we spend on that
13 versus investing money in other aspects of the industry?
14 And that I think is the threshold question, and then ulti-
15 mately, the question is: Can we best expose the product
16 here at Colonial Downs in a way that ultimately grows the
17 product, ultimately preserves the product, or is it better
18 done in another fashion? And that is I guess the question
19 that we would like to have analyzed over the next year, be-
20 cause I guess all I'm saying is what we're doing isn't work-
21 ing, and it's not going to work, and the problem is I don't
22 think anybody's got a model for making it work that I've
23 seen in the rest of the country.

24 So while I confess that I don't have an answer, I
25 don't feel but so bad because I'm not sure anybody else has

1 one either.

2 MR. BROWN: Mr. Chairman, question real quick?

3 Getting back to your presentation, your card
4 players had to come in, you don't charge any admission fee?

5 MR. STEWART: No, it's against the law.

6 MR. BROWN: Now, what about those card players who
7 want to play the horses while they're there?

8 MR. STEWART: well, we take their wagers.

9 MR. BROWN: Okay, but they can buy programs?

10 MR. STEWART: Right.

11 MR. BROWN: The other thing I wanted to ask is, in
12 your -- I know what your request is as far as days, but as
13 far as exposure again, wouldn't including Breeders' Cup Day
14 be an asset, number one, for exposure, number two, because
15 you have a good day anyway probably as far as your people,
16 but it's exposure?

17 when I was down there this past year at the end
18 of the meet, I did see a lot of families in there, a lot of
19 youngsters being exposed and having a good time, which I
20 think that's where thoroughbred horse racing needs to be,
21 and I think that's where standardbred horse racing needs to
22 be. I mean we've got to start appealing to the younger
23 generations.

24 MR. STEWART: well, I don't disagree with you that
25 the Breeders' Cup is a good event. I guess the problem is

1 you've got the County Fair starts in mid September and then
2 you've got the Breeders' Cup in the first week in November,
3 so it becomes a cost factor, and that's the discussion we
4 had last year. I mean sure, but how much do you want to pay
5 in order to do that? Because really for us, what really
6 piles up the costs is the weeks. The weeks that we're open,
7 we have to pay all the security, all the race officers, all
8 of that. That's where the costs pile up.

9 MR. BURNETT: Any other questions or comments with
10 respect to this part of the presentation? Mr. Reynolds?

11 MR. REYNOLDS: Ian, you mentioned that you should
12 take next year and really analyze the entire thing.

13 MR. STEWART: Well, I think that, you know, the
14 first step is always realizing you have a problem, and I
15 think we need to admit we have a problem. So yes, we need
16 to find a solution.

17 You know, we've talked about, you know, exposing
18 it in other venues; we've talked about combining meets, but
19 I -- I just don't see a point doing the same thing. I have
20 no reason to believe it's going to be different. I don't
21 think there's anything in the water in New Kent that's going
22 to make our experience in Virginia any different than the
23 experience that is being experienced in other states.

24 MR. BROWN: One thing I did want to bring up
25 though, as far as your report on the New Jersey situation, I

1 mean I don't think you can consider us comparable to that
2 situation. Your structure of labor is totally different
3 than what it is here. The facility is what? Five times
4 bigger than what we have here, and the cost factors are
5 different.

6 MR. STEWART: I would agree. I guess what I
7 think should really concern the standardbred industry about
8 New Jersey is that if you can't make it in that venue, you
9 can't make it that location where there's twenty million
10 people in the heart of kind of standardbred country, and
11 they're averaging, I don't know, 2500 people a night.

12 MR. BROWN: Have you been kind of following what's
13 been going on up there I want to say in the last two weeks?

14 MR. STEWART: I know they've passed different
15 bills, and Mr. Gural is interested in it.

16 MR. BROWN: Yes, Gural's talking to the labor
17 union. I mean I'm not going to say it's going to work;
18 hell, I don't know. Nobody does. But I think changing the
19 management around the way it's being done, that situation
20 could work.

21 MR. STEWART: And I hope it does.

22 MR. BROWN: I hope it does too. That's what it
23 is.

24 MR. STEWART: My only point is if it should be
25 succeeding anywhere, it should be succeeding there.

1 MR. BURNETT: Well, let's hear from Dr. Dunavant.
2 And I'd like to just throw in here that one of the things in
3 this analysis that ought to be considered is whether or not
4 the regulatory environment or the requirements of the regu-
5 latory environment could be modified in some fashion that
6 would be acceptable to all parties, including the Commis-
7 sion, in terms of the safety and integrity of the meet such
8 that some of these expenses are reduced.

9 I mean there's something -- there's a history of
10 harness racing in the State Fair environment. I mean I grew
11 up next to one, and believe me, what's spent here in a day
12 could cover five years of meets at that little thump, and
13 not suggesting we run such a meet here, but I wonder if
14 there's a creative way when we're looking for ways to sur-
15 vive to run meets that might attract fans in a way that has
16 a fair-like feel or environment to them and don't bury the
17 operator in overhead.

18 I don't know answer to that, but I'll let Dr.
19 Dunavant --

20 DR. DUNAVANT: You know, I cannot disagree with
21 all that's been said concerning the popularity of harness
22 racing. It has declined. Everybody like myself has gotten
23 a lot older. There is no exposure to the young people
24 particularly in Virginia.

25 The situation at the Meadowlands, there's a

1 lot involved with that. I mean the governor withdrew thirty
2 million dollars from The Meadowlands that was coming from
3 the casinos. I mean there's a lot of politics involved
4 there that we're not dealing with that's related to the
5 casinos and The Meadowlands. Meadowlands is state run, all
6 unionized, and it's a little bit ridiculous. We're not com-
7 paring apples and oranges, you know, when we're using that.

8 However, I don't think that the difficulties in
9 all of racing are specific to standardbred racing. We do
10 not have as many racetracks, standardbred as there are
11 thoroughbred; we do a significantly smaller percentage
12 nationwide. I mean, a little racing in California, but
13 that's -- and some in Iowa, but the whole west of the
14 Mississippi River is not involved. So, you know, obviously
15 here again, you're not really comparing apples to apples.

16 However, I'm extremely concerned about the
17 situation here in Virginia. I think Colonial will tell you
18 that our association has been conducive to any change they
19 wanted to make that would make things better for the
20 horsemen and Colonial Downs. Everybody realizes they need
21 to make money, and we're interested in having a place to
22 race.

23 I think we've put on a good product. We've had
24 very competitive races. The size of the fields for entries
25 this last year, we averaged 8.6 horses per race, and the

1 people that were here had a good time, albeit they were
2 older than you see probably at the NASCAR.

3 Our stakes program, when we first started racing,
4 we allowed people to buy any bred horse in the country less
5 than two years old and make it a Virginia-bred hoping to
6 gets numbers up because our breeding industry was down.
7 Last year was the first year since we have changed our pro-
8 gram rules where horses racing in our Virginia-bred stake
9 races had to be either sired by a Virginia stallion or the
10 mares had to foal in the state and reside here for twelve
11 months. So we were down. We had twenty-five entries in
12 eight races for our Virginia-bred stakes. They were horses
13 that raced -- there were approximately thirty-six horses
14 eligible.

15 Already this year, and our registration doesn't
16 have to be in until May, we've got 84 Virginia-bred two
17 year-olds that have been registered to compete. So we have
18 more than doubled the horses that were bred to be two
19 year-olds this year. So, that part of our program is work-
20 ing, and hopefully that will create some more fans.

21 Most of their fans have some roots in harness
22 racing or grew up around it, other than people that horse-
23 men like myself have brought out to the racetrack. VHHA
24 rents a skybox and doesn't charge people, our members can
25 invite people and come and try to stimulate some interest.

1 Getting to the number of days, the VHHA the last
2 couple of years, we have set some monies aside for rainy
3 days, and we have propped up our purses and our stakes
4 program and some of our overnight programs purses. Last
5 year, VHHA albeit it's money to be used for purses, but we
6 are allowed to set it in places where we want to, and we
7 have some set aside. We put in \$150,000 last year.

8 We based the request for 38 days on purse
9 structure, as we have in the past, with the idea that VHHA
10 would prop up those purses so that we race for those amounts
11 a day. Twenty-four days, in my opinion, won't work. We get
12 a diverse group of horsemen here that come from all over:
13 Ohio, Michigan, Maine, Pennsylvania, New Jersey, Delaware,
14 and I think if we only race six weeks -- all of our people
15 stay here that are here. I mean I'm a hundred miles away
16 and I stay here, and that contributes to the economy and the
17 community.

18 I think our breeding program shows that we have
19 more than doubled our Virginia-breds for this year. 38 days
20 probably is not the best number. Reading the Staff report,
21 that's kind of a compromise that makes sense to us, but I'm
22 just afraid that we will lose -- the Horsemen can't afford
23 to come here and just stay for 24 days, and I think that
24 would further deteriorate our meet.

25 I think last year we had a pretty good meet. We

1 agreed to reduce it to 28 days from 36, and I still think
2 that our legislators are looking -- they may not be aware of
3 all the things that we're talking about, but I think that
4 they are looking for a larger number of days. When you talk
5 about reports saying we're racing too many days, Colonial
6 Downs has probably got one of the shortest meets in the
7 country. When you look at our neighbors, Pennsylvania,
8 Delaware, New Jersey, New York, they race basically year-
9 round, and that's it. I mean --

10 MR. BURNETT: Did you run four days a week last
11 year?

12 DR. DUNAVANT: Yes.

13 MR. BURNETT: For what it's worth with legislators
14 or anybody else that's not familiar with racing, I think
15 we're better off to talk about meets in terms of how many
16 weeks long the meet is rather than how many days it is, be-
17 cause anybody that's not familiar with racing just goes
18 ahead, when you say days, they divide it by seven, and
19 that's the length of the meet. I think it's a whole lot
20 better to say we're running eight weeks this year than it is
21 to say we're running 32 days or whatever it is. It just
22 sounds better.

23 Any questions?

24 MR. BROWN: Mr. Chairman, I will say that I must
25 agree with Dr. Dunavant in the respect that I don't think

1 you're going to get the horsemen we need to put on a meet
2 with a 24 day meet. Last year at 28, I was kind of skept-
3 tical, but we did okay. But at 32, I think that's an
4 acceptable number. I do agree with the Staff report on that
5 respect.

6 DR. DUNAVANT: I would like to say that we don't
7 know what Rosecroft's going to do. I mean they've just been
8 purchased by Penn Gaming, but they're telling the horsemen
9 that they're going to race, and they may well race in the
10 fall and compete with us.

11 We get some people from Maryland, but our
12 population at this meet is certainly not that many Maryland
13 people. It's made up of people from other places. Ocean
14 Downs won't compete with us, and they're going to be racing
15 for quite a bit more than they ever have, but here again,
16 they're propped up by that slot machine money at Ocean
17 Downs.

18 The purses that we race for are as good as anybody
19 that's not getting money from alternative gambling. The
20 horsemen that come from afar really like it here, and I do
21 agree we've got to do something to make things -- to get
22 young people, and I certainly don't have an answer to that.

23 MR. BURNETT: You know, it's to me really, and I
24 have some young people called children, that I don't -- it
25 doesn't surprise me that a bunch of gray-haired people can't

1 come up with something that people without gray hair would
2 like.

3 You know, we've got to figure out a way, and
4 there's no other way to put it than to say that whatever we
5 do here today, if we don't make some changes, it's really
6 just a stopgap measure. And I think -- and I don't frankly
7 limit that to harness racing. I think racing generally is
8 headed in the same direction, it's just harness racing's got
9 a little bit of a headstart for lack of a better way to put
10 it in terms of the downward slide.

11 So do you have any ideas about how we can join
12 together to try some very different ways to -- prop up is
13 the wrong word, but to rejuvenate, to rebuild racing in such
14 a fashion at least home here in Virginia so we don't have to
15 ask Mr. Stewart to be supporting you every year?

16 DR. DUNAVANT: Yes, I'm excited about the
17 discussions we had about having a dual meet racing horses on
18 the same day. I mean some people that I've talked to say
19 oh, that won't work, that won't work. A lot of things to be
20 looked at, but one of the things that I have observed that
21 turns the young people off is the speed. Not -- I don't
22 mean horse racing. The time between races is too slow for
23 them sitting there. The people that like to come and play
24 cards and the casino night, they were whooping and hollering
25 over moving horses on a board on video.

1 We have not gotten across how to handicap horses.
2 People in Virginia don't have any idea how to read a program
3 or get involved in it. The young people that I get inter-
4 ested are people that I let sit behind the horse and let
5 them feel the power and see what it's like to drive a har-
6 ness horse, and ninety-nine percent of those people are
7 excited when they do that and I can get fans out of those.
8 But with no training centers much in Virginia, it's hard to
9 get people exposed. But yes, I -- the chance of making a
10 big thing like the Mega Millions and things like that, you
11 really don't have much of a shot, but that turns people on.
12 I don't know if we can do something with wagering where
13 you've got, you know, where you're looking at getting a
14 \$10,000 payoff every week some way, you know.

15 MR. BURNETT: Is the Harness Horseman's
16 Association -- and I guess I'd ask this of the Thoroughbred
17 Horsemen as well and this Commission -- would we all be
18 willing to find some money within our budgets so we're not
19 just asking Colonial Downs to shoulder the burden and take
20 more out of their piece of the pie, that we all contribute
21 whatever it is, 5,000, 10,000, 20,000 to either hire a con-
22 sultant or to somehow create an environment in which we take
23 the very best ideas -- seek the very best ideas that are out
24 there, get them in one room with all the people who are
25 stakeholders in this process and want to see it succeed, and

1 maybe some youth? I mean get these ideas in the room and
2 mash them around in such a fashion and do some serious
3 brainstorming and not be afraid to think about some truly
4 crazy ideas, because from them sometimes things that work
5 actually happen, and I think we've come to this point now,
6 and a lot of other programs in the country probably wish
7 they had given this that kind of thought before it was too
8 late. I just -- you know, maybe we're going down, maybe
9 we're aren't, but I sure would hate to look back and regret
10 that there were some opportunities that we could have under-
11 taken and we failed to do so, and maybe this is one thing
12 that we should try, and maybe other people have other ideas.

13 But it's a little bit of Einstein's law here: We
14 just keep doing the same thing with very slight variations
15 and we can't figure out why we keep getting the same result.
16 And I agree that Ian's been tearing his hair out, so has
17 Jeanna been trying to figure out how to make a sliding
18 income level and expenses probably increasing somehow look
19 better on a balance sheet, and it's damn near impossible.

20 So I'm sympathetic, but everybody's got to eat
21 while we go through the process too.

22 Any other questions?

23 MR. MILLER: Mr. Chairman, I just was looking
24 through this. What was the handle for harness racing for
25 2010, total handle?

1 MR. STEWART: Without the OTBs?

2 MR. MILLER: Well, I'd like the total handle and
3 then segregate it. How much handle in the track -- I know
4 we've got that in our records somewhere --

5 MR. STEWART: The OTB handle was roughly
6 \$22,000,000, I believe. The on-track handle is a million
7 bucks.

8 MR. BURNETT: Twenty-three three.

9 MR. MILLER: Just for harness.

10 MR. BURNETT: For harness, it was --

11 MR. MILLER: What's your takeout from that handle?

12 MR. STEWART: Well, I mean after you deduct all
13 the statutory deductions, roughly ten percent comes to us to
14 pay our bills with.

15 MR. MILLER: And that's set by statute?

16 MR. STEWART: Yes, primarily. I mean there's
17 some -- there's a major aspect of it that's not in the sta-
18 tute, and that is the -- for lack of a better word, the
19 royalty that we pay the various racetracks in order to show
20 their signal. That historically has been three percent, but
21 it's creeping upwards -- maybe more than creeping. It's
22 moving upward pretty significantly.

23 MR. MILLER: Has there been any movement in this
24 country anywhere to reduce the amount of handle that goes
25 back to the bettors, back to the purses?

1 MR. STEWART: Yes, there has. There actually has.
2 They did that in California.

3 DR. DUNAVANT: well, they did that with Mr. Gural
4 who's looking to maybe take over The Meadowlands. He had
5 Vernon Downs and Tioga Downs in New York, one up by Syracuse
6 and the other down by Binghamton, and I can't quote you the
7 percentages, but last year, they reduced the percentage of
8 the takeout and give it to the bettors, and they thought it
9 was a very positive thing.

10 MR. BURNETT: I think that's the opposite of
11 what --

12 MR. MILLER: Yes, I'm looking at the opposite.
13 I'm wondering what the impact would be, what the impact
14 would be for the bettors if you reduced what went back to
15 them in the amount of the purses.

16 MR. STEWART: well, that's a subject that's
17 received a fair amount of scrutiny over the years, and it's
18 hard -- I think when you sort of stand back from it and look
19 at it from an economic standpoint, it's hard to argue, I
20 think, that making a product less attractive to the wagerer
21 is overall a good thing.

22 MR. MILLER: well, I'm just trying to think of
23 some way -- I'm just trying to think of whether everyone has
24 looked at every possible possibility of keeping a track open
25 for harness racing, which I mean I've never seen -- not that

1 I watch it that much, but I do watch the racing stuff a lit-
2 tle bit since I've got Dish Network now, but there's nobody
3 -- there's nobody harness racing anywhere. The family of
4 the horse people maybe, but nobody -- I mean I can't imagine
5 anybody going to it. So why would you -- you said you don't
6 -- I'm playing Devil's advocate here, don't anybody get up-
7 set with me now, but why in the world -- why in the world
8 would you want to even run a harness race anywhere? why?

9 MR. STEWART: well, I mean I think my thinking on
10 this subject has evolved over the last thirteen -- Charlie
11 might appreciate this.

12 MR. BURNETT: Listen now, Charlie, this is going
13 to be good.

14 MR. MILLER: Now the reason I raise that is I want
15 to draw this out. I want to find out what it is --

16 DR. DUNAVANT: I need you to come to our next meet
17 and sit in the cart with me behind the horse.

18 MR. MILLER: No, no, I understand that.

19 DR. DUNAVANT: well, they just had a piece on
20 the USTA website that Bill Finley wrote, Standardbreds vs.
21 Thoroughbreds: why the Harness Game Wins, and he took the
22 yearlings that were sold in 2008, which were 2010 two
23 year-olds, just finished their two year-old year, and he
24 took the 24 most expensive sale yearlings. The 24 most
25 expensive standardbred yearlings sold for \$5,617,000, and

1 they have returned as two year-olds \$4,034,493. Converse-
2 ly, the top 24 thoroughbred yearlings of 2008 cost 31.2
3 million, and thus far, they've returned \$579,000.

4 So you know, if you took all the purses, there
5 were 12,200 standardbreds born in '07 and the combined
6 purses in Canada and the US was 613.7 million for a ratio of
7 \$50,300 per horse, the thoroughbreds, their purses were 1.2
8 billion, and there were 36,000 foals for \$33,000 per foal.
9 If you look at the economics, that's why they raise
10 standardbred horses.

11 MR. REYNOLDS: well, all of that being said,
12 that's -- that's money being exchanged within the horse
13 industry.

14 DR. DUNAVANT: That is correct. And the
15 agricultural community.

16 MR. MILLER: what I'm trying to reach is, how are
17 we going to be able to help the people that actually build
18 and operate the track? How can we make it reasonable for
19 them to continue with the standardbred racing so that this
20 agricultural industry can thrive out there? The standard-
21 bred industry can thrive, but they can't thrive if they have
22 nowhere to run.

23 DR. DUNAVANT: Exactly.

24 MR. REYNOLDS: And what I'm trying to get at is
25 you can't continue losing money, and somebody mentioned New

1 Jersey -- I know that -- and I only know this from what I
2 read, I know about that much (indicating) about horse racing
3 compared to the square footage of this entire building, but
4 what I'm -- some states have subsidies, I mean the state
5 actually takes money out of the general fund I guess in some
6 states or money out of some special taxing fund and give it
7 over to the track, to the horse industry or the track or
8 someone to encourage them to run these races. We can't do
9 that in Virginia, so that's out; slots are out in Virginia.
10 So how can we help Colonial Downs meet their obligations so
11 that they don't continue to lose \$700,000 every year?

12 MR. STEWART: I guess what I'd like to say is I
13 have the feeling I left the wrong impression when I said my
14 thinking has evolved. It has evolved, and where I really
15 believe -- to just sort of speak to your question, why do we
16 run live standardbred racing? The essential bargain -- I
17 think the implicit bargain between the horsemen and the
18 Track is that the Track is in the pari-mutuel wagering
19 business. That's the business we're in. Dr. Dunavant, Mr.
20 Petramalo, they're in the horse racing business. Those are
21 two very different businesses. The implicit bargain with
22 the horsemen is that we will share the proceeds of the
23 wagering at the OTBs as opposed to the pari-mutuel wagering
24 business, and given that we earn some sort of a somewhat of
25 a profit on that product in those OTBs, they have some -- I

1 don't think right is the right word, but they have some --
2 as part of the bargain, they get to run their horses at the
3 race track. Now what those proportions are is to be
4 determined, but I think the thing that is particularly
5 worrisome about the standardbred industry is that we're
6 reaching a point with the significant decline in handle in
7 the OTBs for both thoroughbred and standardbred, and the
8 movement of handle to ADW which is less profitable to us,
9 where we recover say four cents, four percent from the ADW
10 companies on a wager that we were making ten percent on in
11 the OTBs, and what's particularly worrisome I think from Dr.
12 Dunavant's standpoint is that wagering on ADW, where it's in
13 the low twenties, say twenty-two percent of the wagers in
14 the OTBs are harness wagers. In ADW wagers, they're like
15 ten or twelve percent. So, harness is getting hurt from two
16 angles, and we're rapidly approaching a situation in which
17 the cost of that live meet is going to exceed the profit we
18 make on the harness signal in the OTBs, and that becomes an
19 untenable situation. I guess that's why I'm very concerned
20 that we need to do something.

21 MR. REYNOLDS: I was very interested in what you
22 said comparing the product and then the process, and we keep
23 talking about the process and how to divide it and so forth.
24 The product is not viewed favorably among the younger popu-
25 lation. It's just absolutely not.

1 I mean I can equate it to technology. I've got
2 four children that range from twenty to thirty, and the dif-
3 ferences in their technology is just unbelievable. My
4 twenty year-old will not use the telephone. They can do
5 text messages, e-mails, photographs, but if the phone rings
6 and she's standing right beside it, she won't answer it.
7 And if you ask her how to contact somebody, she'll say,
8 well, I'll e-mail them. I said, no, I want you to call
9 them, and she just will not do it.

10 And we've got to recognize that we've got a
11 product that's old, that's gray-haired, it's all these other
12 kinds of things, and we're losing that fight because of the
13 product and because the people that we need to be interested
14 in this old game just aren't buying it.

15 MR. BURNETT: well, and I think that Charlie and
16 most of the people I know in this room that own horses, they
17 can barely understand what you're saying right now, and not
18 because they're not just as smart as can be, that's not the
19 reason. It's just they are almost hypnotized by that four
20 legged animal, and you saw how quickly Charlie every time
21 went to, "just get behind one of these horses and get in
22 that sulky and then you'll know," and Robin will tell you
23 the same thing, "you climb up on one and that's it." And
24 the problem is we're our own worst enemy in that regard,
25 because we can't very well put ourselves in the shoes of

1 these young people who haven't had that experience and
2 probably aren't going to have that experience, and the
3 distinction that Ian points out between the racing business
4 and the betting business is altogether true right there.
5 There's -- you know, just because you like to climb up on a
6 horse or get excited about them doesn't necessarily mean
7 you'd like to bet on one, and somehow we've got to find a
8 way to get the younger generation fascinated with some
9 aspect of the pari-mutuel piece. I think that's what I'm
10 hearing you say.

11 MR. REYNOLDS: Exactly.

12 MS. BOUZEK: And I think we're doing that with
13 the OTBs. I mean it's a start. We're at least going out to
14 where they are in the bars and restaurants and we've got a
15 prime example, Finn's. If you go and look at the clientele
16 out there, they're a little bit older, they come in from
17 Charlottesville. They've been involved with -- a lot of
18 them have been involved with racing before. We've gotten
19 some new people. But down at Mulligan's, it's all young
20 people. There's three times as many people in Mulligan's as
21 there are at Finn's but they just, you know, they'll try the
22 ten cent superfecta, or the -- you know, so it's a slow,
23 slow, slow process.

24 MR. BURNETT: Make it go viral. Not what the
25 doctor says. Computer viral. That's what the young people

1 say.

2 MS. BOUZEK: They want to play poker, they want to
3 play ping pong. It's just too -- it's not exciting is what
4 it is.

5 MR. BURNETT: All right. Any other questions,
6 gentlemen, before we to try make a decision here? Any
7 recommendations from anybody sitting here at the dais?

8 I will say for what it's worth to everybody, I'm
9 inclined to listen to our capable staff --

10 MR. WEINBERG: Can I make -- if you're -- just
11 to sort of restate what Mr. Stewart said earlier, if you're
12 deciding between 28 and 32 days, that is \$100,000 that is
13 going to a placeholder and not to a long-term solution. The
14 number of dollars we're dealing with is a finite resource.
15 There are choices to be made, so as you think about those
16 four days, in stark terms that's \$100,000 that's somehow not
17 going to be used to hire a consultant, to spend on resurf-
18 acing the tracks to get a dual meet.

19 I don't mean to say that in a threatening way,
20 but the reality is it's a finite pool of resources.

21 MR. BURNETT: And I tell you what I weigh it
22 against, Jim, that when I think about that is sort of a
23 break point in the same thing with the thoroughbred people,
24 when someone's packing up a van full of horses to come stay
25 on the back side where -- it's different for everybody I'm

1 sure, but on average, on the odds, where is that line when
2 they say, "It's not worth it, you know, I'm not going to go
3 to Colonial this year because I just -- it's costing me this
4 much in gas and I'm working it all out and I need this many
5 days," and I think in a placeholder environment, the harness
6 horsemen have got to be pleased with what they can get from
7 one way of looking at it, and another, we want to -- if it's
8 going to be a placeholder and we're going to make a big
9 change, we're really talking about investing in image to a
10 certain extent, we're still here, we're not going to pull up
11 our tent and go home.

12 MR. WEINBERG: And along those lines, I heard a
13 couple statements that 28 days was okay and that there were
14 more horses here per race than there were last year. So as
15 you look at where the break point is, I think you have some
16 empirical data that suggests 28 days was better than what
17 was expected when we were talking about this last year, 28
18 days.

19 MR. BURNETT: Do I hear thirty?

20 There is some appeal to numbers starting with a
21 three as opposed to a two, I'll tell you that.

22 Mr. Brown, I'm hoping you can bring us some
23 expertise here because you're so experienced with this
24 particular part of racing.

25 MR. BROWN: Again, I think personally I'd like to

1 see the 32 days. I think you're going to get -- I know we
2 did okay on the horses last year, but it gives people more
3 incentive to fill the barn area.

4 I think as far as what we said earlier about
5 getting money for consulting, I think Charlie's group would
6 probably put up some money, the Commission can put up some
7 money, let's try to find a way to get this younger crowd in
8 here.

9 I've talked to a lot of owners just in the last
10 two years that -- they don't even like coming down here for
11 the fact that we are racing such a small amount of dates.

12 MR. SEIGEL: Colonial's talking about going 24,
13 and I think you're talking 32, but it was said that 28 did
14 work last year. Is that not a compromise to be reached
15 here, or --

16 MR. BROWN: Well, he originally asked for 38 days.

17 MR. SEIGEL: Well, I know but --

18 MR. BROWN: They want 24.

19 MR. SEIGEL: Well, I hear that, but did the 28
20 last year seem to work? I mean I'm certainly supportive if
21 we can come to a conclusion with more dates.

22 MR. REYNOLDS: There's kind of a downward pressure
23 on this thing from one side. It seems to me in my mind that
24 sticking with what we did last year is a good compromise.

25 MR. BURNETT: Yes, I was -- and I don't pretend

1 to have any great magic to it -- splitting the difference
2 between the requests, which is always a dangerous way of
3 doing business, it's 31 days, Staff recommended 32 days. I
4 just proposed thirty days to dead silence. You know, we're
5 -- I think we're some place between 28 and 32 days.

6 DR. DUNAVANT: what went through my mind with the
7 30 days is Ian always tells me weeks. Four days a week
8 works. Seven weeks is 28 days, eight weeks is 32 days.

9 MR. STEWART: well, if you want to run thirty days
10 in seven weeks, I can live with that.

11 MR. BURNETT: Make that happen?

12 DR. DUNAVANT: Yes. I think we -- we can do a
13 Friday or something that does it, yes.

14 MR. BURNETT: I didn't hear Doc Harden yelp back
15 there with one start every eight days to fill the deal on
16 that last weak. But if we can --

17 DR. HARDEN: It would be nice if the extra day
18 were early rather than late for the horses.

19 MR. BURNETT: Can we make that work?

20 DR. DUNAVANT: I can make that work.

21 MR. STEWART: If it's seven weeks, we don't have a
22 problem.

23 MR. BURNETT: Dave, you got any great objection to
24 that one way or the other?

25 MR. LERMOND: No, seven weeks, thirty days.

1 MR. MILLER: Mr. Chairman, before we vote, I'm
2 assuming Colonial Downs has done everything they can to cut
3 down on expenses like the area that's open for harness
4 racing and so forth?

5 MR. STEWART: well, we proposed closing the grand
6 stand last year, but the Commission didn't want us to do
7 that during the week.

8 MR. MILLER: But your upper part is closed?

9 MR. STEWART: It is.

10 MR. MILLER: So the only thing you would have open
11 would be in the lower where you go in on the bottom floor
12 and the grand stand?

13 MR. STEWART: well, we proposed closing the whole
14 building itself on Tuesdays and Wednesdays and just being
15 outside. The Commission didn't want that.

16 MR. MILLER: Do you have stands outside like they
17 do in Charlottesville?

18 MR. STEWART: Oh, sure, we've got grand stands.
19 we have -- we have some areas that are where we have the
20 game room and then we have the fan education center that we
21 would have seating available in there, you know, if it
22 rains.

23 MR. MILLER: How much of your cost is attendant
24 to the fact that you open the grand stands? How much would
25 that save if you didn't have to open that door? I mean you

1 have restroom facilities, right?

2 MR. STEWART: Yes, we would allow folks to go in
3 go to the bathroom. But you know, we would save on some of
4 the air conditioning and heating cost, and --

5 Jim, I do you want to comment on that? And the
6 cleaning cost. That's kind of a big number, cleaning the
7 building.

8 MR. MILLER: well, I'd ask the other stakeholders,
9 is there a huge objection to not opening the building except
10 for restroom facilities?

11 DR. DUNAVANT: I don't think that's very palatable
12 to the people that would come. It wouldn't be to me. I
13 mean, if the building is not open, they think the facility
14 is closed. You know, if we have weather, we race when it's
15 pouring down. I mean where are you going to put those
16 people?

17 MR. MILLER: Okay, well, I'm just trying to find
18 pennies.

19 MR. BURNETT: And that's it, and I'm with you
20 on it. I think this discussion ought to continue. We also
21 have to remember that true or untrue, our statute says we're
22 running the finest racing known to mankind essentially is
23 the way that reads, and we may have to have a little bit of
24 an understanding of what that economically can dictate on
25 all this. I think our resistance last year to the grand

1 stand closing last year was sort of a message of the begin-
2 ning of the end and the other issues with respect to patrons
3 coming and finding it closed and thinking that's a little
4 bit -- you know, what is this? A going out of business sale
5 or what? So but maybe there's some other alternatives that
6 could accomplish both.

7 MR. MILLER: Well, I know there are temporary
8 grand stands that can be put up that are covered that you
9 can put up at some sporting events. And then you talk about
10 having harness racing at fairs throughout the Commonwealth.
11 If you go out to the few of the fairs that I know of, that's
12 about all they have. I mean they have might have a -- you
13 know, they don't have much in the way of grand facilities.
14 If the State sanctions harness racing at some of these
15 fairs, you're not going to have a grand building like this
16 over here.

17 DR. DUNAVANT: Let me say this: There's only
18 harness racing in one fair in the Commonwealth.

19 MR. MILLER: Oh, I know that. I'm well aware of
20 that.

21 DR. DUNAVANT: And we don't have -- and they do
22 have a covered grand stand.

23 MR. MILLER: They do.

24 DR. DUNAVANT: Yes, sir.

25 MR. MILLER: They not only have a covered grand

1 stand, they have restrooms, and they have rails around the
2 racetrack, all of which were built shortly after the Civil
3 war probably.

4 DR. DUNAVANT: Yes, I know.

5 But our fair situation, when I was a youngster, a
6 teenager, harness racing at the Chesterfield County Fair was
7 huge. Warsaw, I mean there were numerous county fairs.
8 Those county fairs, I don't think they can get young people
9 to come to the county fair. You know --

10 MR. BROWN: They come to hang out. That's it.

11 MR. BURNETT: Yeah, driving those big wheel pickup
12 trucks so they can talk to each other.

13 MR. SEIGEL: Mr. Chairman, why not have all this
14 worked out for the 22nd of February as well, and we can dis-
15 cuss both thoroughbred and harness?

16 MR. BURNETT: There isn't as much urgency for the
17 harness.

18 MR. SEIGEL: Well, no, I thought you wanted to try
19 to come to some conclusion here. It doesn't matter to me
20 whether we do it on the 22nd, but it doesn't seem clear as
21 to exactly which days you run on your -- in your seven weeks
22 and whether that's to be open or not -- I mean the first
23 floor will be open or not, just to give you some time to
24 work through that.

25 MR. REYNOLDS: You said the 22nd?

1 MR. SEIGEL: Twenty-fourth, I'm sorry. Or
2 whenever. Maybe our March meeting's fine. Whenever.

3 MR. BURNETT: We're not going to bring it to a
4 conclusion today. Do we want to do it with actually setting
5 the days and giving them a target as we did before, to ad-
6 just if need be, or do we want to leave it as an open dis-
7 cussion between now and our next meeting?

8 MR. SEIGEL: I think we've agreed on the number of
9 days within seven weeks, so I think we could make that mot-
10 ion and then let them come back with details of which -- in
11 terms of which days will be run and post times and whatnot.

12 MR. BROWN: I'd like to make a motion that for
13 the Standardbred Racing for the year 2011, we've agreed
14 on -- I'd like to propose thirty days of racing within a
15 seven week period with the days being figured out date-
16 wise --

17 Should we push that to our next meeting, push that
18 off to our March meeting?

19 MR. BURNETT: February 24th meeting.

20 MR. BROWN: You want to do the February 24th
21 meeting?

22 MR. SEIGEL: It doesn't matter. There's no sense
23 of urgency.

24 MR. BROWN: Would anybody like to second that?

25 MR. BURNETT: I would like to second that motion.

1 MR. BROWN: All in favor?

2 NOTE: All indicated by voting aye.

3 MR. BURNETT: The motion carries.

4 we'll take a five minute break and then come back
5 and do the ADW people. If you all are thinking that this
6 might go at the same pace that we've been going, I have
7 every intention to taking care of the licensing fees en
8 masse and getting you all out of here as quickly as we can,
9 and I apologize for as long as we've taken on other matters.

10 NOTE: The meeting observes a brief recess
11 after which the meeting continues as follows:

12 MR. BURNETT: All right. I think we'll call the
13 meeting back into order.

14 The next item on the agenda are the seven
15 applications for neweal of ADW licenses for 2011. We're
16 advised by counsel that we're not required to have a formal
17 factfinding hearing for renewal of these licenses, so at
18 this time I would invite the EZ Horseplay, TVG, XpressBet
19 and TwinSpires representatives to join us on the dais.

20 We have applications from all the parties. They
21 are all in proper form according to our Acting Director. We
22 have the Staff report recommending approval with the condit-
23 ions contained therein.

24 Do any of the applicants have any comments,
25 observations, complaints that you want to offer to the

1 Commission at this time?

2 Mr. Lermond, do you have any questions of any of
3 the applicants? Is there anything about their applications
4 that's incomplete or unclear to you before we accept your
5 recommendations?

6 MR. LERMOND: Mr. Chairman, the Staff performed
7 a detailed review of all of the renewal applications, and I
8 have no questions or comments other than what was in the
9 Staff report that you have.

10 MR. BURNETT: Did you inform them all of the new
11 requirement in Virginia law that they double their handle
12 next year?

13 All right. Absent any objection by anybody or
14 any comment on any of the applications, I would move that we
15 renew the licenses of EZ Horseplay, TVG, XpressBet, and
16 TwinSpires on their completed and reviewed applications for
17 the year of 2011. Do I have a second?

18 MR. BROWN: Second.

19 MR. BURNETT: It's been moved and seconded. All
20 in favor indicate by saying aye.

21 NOTE: All indicated by voting aye.

22 MR. BURNETT: The motion carries. Thank you-all,
23 and if I had known it was going to be this easy, I would
24 have had you headed to the airport a long time ago. We
25 would have done this before we took up the other matters.

1 we'll try to remember that in years to come.

2 Have we set the next -- no, I'm sorry. We have
3 set our next meeting. I'm going to jump to number nine, for
4 March 24th, Thursday, March 24th here --

5 MR. SEIGEL: February 24th.

6 MR. BURNETT: I'm sorry, February 24th. Let me
7 say it again. February 24th here at 9:30 is our next
8 meeting.

9 And now we'll go back to 8. Is there any member
10 of the public that's interested in addressing the Commis-
11 sion?

12 NOTE: There was no response.

13 MR. BURNETT: Seeing none, we'll move on. We have
14 no apparent need for a closed session, gentlemen, am I right
15 about that?

16 Then do I hear a motion for adjournment?

17 MR. SEIGEL: So moved.

18 MR. BURNETT: The Chair seconds. All in favor?

19 NOTE: All indicated by voting aye.

20 MR. BURNETT: We're adjourned. Thank you-all.

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HEARING CONCLUDED

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CERTIFICATE OF COURT REPORTER

I, Roy Garrison Wood, hereby certify that I was the Court Reporter at the meeting of the Virginia Racing Commission at the time of the hearing herein.

Further, that to the best of my ability, the foregoing transcript is a true and accurate record of the proceedings herein.

Given under my hand this 18th day of February, 2011.

ROY GARRISON WOOD
REGISTERED PROFESSIONAL REPORTER

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