VIRGINIA RACING COMMISSION

JULY 20, 2010

10700 Horsemen's Road
New Kent, VA  23124
Commencing at 9:43 a.m.

COMMISSION MEMBERS:
Peter C. Burnett, Chairman
I. Clinton Miller,
Mark T. Brown

COMMISSION STAFF:
Victor I. Harrison, Executive Secretary
David S. Lermond, Jr., Deputy Executive Secretary
Kimberly M. Carter, Office Administrator

ATTORNEY GENERAL'S OFFICE
Amy K. Dilworth

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MR. BURNETT: Good morning. We'll bring this
meeting to order. Sorry we're getting a late start. Two of
our commissioners are out of town today.

We'll start with approval of the minutes of the
regular meeting on May 25th, Tab One. Have you gentlemen
had a chance to look at those notes?

Changes or amendments or any sort of corrections?

MR. BROWN: I don't have any.

MR. BURNETT: All right. Then do we have a motion
to approve?

MR. MILLER: I do.

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

NOTE: All indicated by saying aye.

MR. BURNETT: All right. Item 2, Commissioner's
Comments. Any comment, Mr. Brown?

MR. BROWN: Yes, we had a Standardbred
Subcommittee meeting earlier this month, and we decided
that -- or put together the available funds for the sire
stakes this year and for the administration of VHHA, and it
looks will like the payments for the sire stakes this year
will be comparable to what they were last year. We are
going to have some short fields this year. The following
year we should have more eligible to our program, and I
would like to make a motion that we approve the $150,000
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towards purses through our organization and the remaining
money would be made up by the VHHA.

    MR. BURNETT: Your motion is to recommend spending
$150,000 towards the Virginia-bred stakes races?

    MR. BROWN: Correct.

    MR. BURNETT: And then another $15,000 for the
2010 breeder's awards?

    MR. BROWN: Right, and then keep approximately
$50,000 for reserve in the future, if necessary.

    MR. BURNETT: The Chair seconds. Any discussion?

I have a question, Commissioner Brown.

    MR. BROWN: Sure.

    MR. BURNETT: Paragraph two of your report about
the short fields --

    MR. BROWN: Right.

    MR. BURNETT: Just to be clear, the issue is
not one of regulations permitting or not permitting short
fields; it's a matter of availability of horses?

    MR. BROWN: Yes, it's deemed that there were so
few bred eligible horses for this year.

    MR. BURNETT: And so your thought is that based
on the survey of the owners and breeders that we're going to
see more two year-olds next year, there won't be these short
fields?

    MR. BROWN: Correct, once we've boosted the
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purses --

MR. BURNETT: Got you.

All right. Any other questions of Mr. Brown?

All right. All in favor of approving the Standardbred Breeder's Fund Subcommittee's recommendation as set forth by Commissioner Brown, indicate by saying aye.

NOTE: All indicated by saying aye.

MR. BURNETT: The motion carries unanimously.

We'll move to the Executive Secretary's report.

Mr. Harrison?

MR. HARRISON: Yes. Thank you, Chairman Burnett.

The first item I have for you is the revised or amended Thoroughbred Racing Officials List, and you can find that under Tab 4 in the booklet. In it, there were three changes, one of which occurred just prior to the opening day and two of which occurred during the second week of the Meet.

On Tab 3, I'm sorry.

MR. BURNETT: Yes, I was looking at the Standardbreds thinking I missed a Meet.

Got you.

MR. HARRISON: So I would ask that you approve that.

What happened there with the licensee veterinarian is that Dr. Hefner remained in private practice and Mitzi
Fisher was brought in to be the licensee veterinarian, and then Tracy Campola left her position as Program Coordinator, and they moved Beth in to take her place and then hired Eric to take Beth's place.

MR. BURNETT: I take it these folks are otherwise qualified, et cetera, to the extent you can check out their credentials?

MR. HARRISON: Yes, they are.

I don't know if you want to add anything.

MR. LERMOND: No, everybody's either been through the University of Arizona school or has worked as an officiant previously in this jurisdiction or others.

MR. BURNETT: Is it Beth Wilterstorm (phonetic) or Witherspoon?

MR. HARRISON: Witherspoon.

MR. BURNETT: That should be a T?

MR. HARRISON: Yes.

MR. BURNETT: Thank you.

And do you need a motion from the Commission on that approval?

MR. HARRISON: I would ask that the Commission approve this amended list, yes.

MR. BURNETT: Is there any potential it will be amended again between now and the Meet, if anybody knows?

MR. HARRISON: No.
MR. BURNETT: Not likely?

MR. HARRISON: No.

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

MR. BROWN: I'll make a motion to approve it.

MR. BURNETT: Mr. Brown makes a motion to approve it. Do we have a second?

MR. MILLER: Second.

MR. BURNETT: All in favor indicate by saying aye.

NOTE: All indicated by saying aye.

MR. BURNETT: The list of officials for the Standardbred Meet in 2010 is approved as submitted.

MR. HARRISON: Thank you, Mr. Chairman.

By the same token, the Standardbred Racing --

MR. BURNETT: I'm sorry if I said Thoroughbred, my bad. Sorry.

MR. HARRISON: The Standardbred Racing Secretary has submitted his list of racing officials, and these names are familiar to us, some of whom are in the room with us here today, and I would ask that the Commission approve this list, and if it comes up again, since there are several weeks before the start of the Harness Meet, I'll come back to you with any amendments or additions. But at the very least, we'll be in compliance if we act on this item today.

MR. BURNETT: All right. Any questions of Mr. Harrison on this particular list?
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Do we have a motion to approve?

MR. BROWN: Yes, motion to approve.

MR. MILLER: Second.

MR. BURNETT: Moved and seconded.

All in favor of approving the Standardbred Officials List of 2010, indicate by saying aye.

NOTE: All indicated by saying aye.

MR. BURNETT: Sorry for the confusion on the prior list.

MR. HARRISON: The final item I have is the final order for the Standardbred Meet, and that's -- for your reference, this was approved at our last meeting, and it lays out the number of live racing dates, 28. The beginning date is the 17th of September; the ending date is November 6th of 2010, and the general starting times of Saturday, Sunday, Friday. I'm sorry, Saturday, Sunday, Tuesday, and Wednesday. The Saturday date starting time should be 5:00 p.m. and the other dates are 1:00 p.m. There are exceptions in the opening week and the closing week, but --

MR. BURNETT: The closing week having eight days, two Saturdays?

MR. HARRISON: The closing week, right, being comprised of no weekdays other than Friday.

MR. BURNETT: Saturday, Sunday, Friday, and Saturday?
MR. HARRISON: Eight days a week.

MR. BURNETT: There you go. But you're of that era.

MR. HARRISON: That's correct. I'm prone to that.

MR. BURNETT: And this does not require approval, correct?

MR. HARRISON: No, it doesn't, no.

MR. BURNETT: All right. Anything further, Mr. Harrison?

MR. HARRISON: No, unless there's some other discussion relating to any of these items, but that's my report for today.

MR. BURNETT: Thank you.

We'll move to item five, Stakeholders, Colonial Downs Update on the 2010 Thoroughbred Meet.

MR. STEWART: Thank you, Commissioners.

We've completed 38 days of our 40-day Meet. Thanks to Mr. Petramalo, I have the statistics through yesterday; I thought I had it through Sunday, but through yesterday, our attendance is down a little bit. It's down about 12 percent, give or take. A lot of that is due to the switch from Fridays to Wednesdays. I think overall, that was a successful move on our part. We knew the attendance would go down a little bit, and the Wednesday attendance has been pretty good.
On-track wagering -- overall wagering is up about $2.4 million, roughly eight and a half percent. What we're seeing here is the on-track wagering is down about 16 percent, but out-of-state is up primarily because of the boycott last year by TrackNet Media. The horses per race are down to seven and a half, which was -- they were about 8.9 last year, and the overall purses, the overnight purses are down about seven percent, which was is basically how it was written.

We had the Virginia Derby on Saturday. The overall attendance was down about a hundred people, but the overall wagering was up slightly. I was very encouraged by the $10 promotion. You could see all the tents going around the turn out there. I think that promotion has been pretty successful.

We had 1250 people, which was twice what we had last year, and we need to expand that some more next year.

So, you know, we did okay.

MR. BURNETT: I will say I was particularly impressed by the stream of folks going into that Hooters On the Hill component of the attendance. They were blocking the parking lot going in there. Long lines, lots of coolers and beach chairs and all the rest.

MR. PETRAMALO: That was not without its problems though. I registered this complaint the other day with Mr.
Stewart: Four Hooters girls came charging through a door and just about knocked over an old guy, the old guy being me, and I took appropriate action.

MR. BURNETT: I'm glad you survived, Frank.

MR. PETRAMALO: Whatever is necessary for the cause.

MR. BURNETT: Of course I'd be curious to know how Mr. Stewart intended to remedy the problem.

MR. STEWART: As long as Mr. Petramalo is satisfied.

MR. BURNETT: One question I always have, because I think sometimes gross handle numbers can be a little misleading given that some are eight-cent dollars and some are -- for purposes of purse, they're eight-cent dollars, for purposes of track, they're 20-cent dollars. Some are three-cent, four-cent, five-cent depending how the signals sold and what's negotiated. Do you do any kind of an analysis of looking at what the year-against-year analysis of the track's take-out dollars versus gross numbers are?

MR. STEWART: Yes, I mean --

MR. BURNETT: Was that up or down? I guess that's the question.

MR. STEWART: That's kind of how we keep score.

MR. BURNETT: I would think in the end your accounting background would almost require it.
MR. STEWART: Yes, you know, when you’re trading out-of-state dollars for in-state dollars, you kind of lose it on the transaction. But, you know, our on-track dollars were down I think about $40,000, so, you know, eight percent, that's $3200. I think our out-of-state was up a couple hundred thousand dollars or a hundred thousand dollars or something like that, so when you sort it all out, it was pretty much a push.

MR. BURNETT: Okay. That's my question. You were up eight and a half percent on overall handle in terms of --

MR. STEWART: Oh, you mean just Derby, or total? I was talking Derby.

MR. BURNETT: Oh, no, I'm sorry, I was thinking more overall handle of 2.4 million or eight and a half percent overall, how did that end up in terms of net take-out dollars or whatever way you want to analyze it?

MR. STEWART: We're probably just slightly behind in that transaction.

MR. BURNETT: So that really represents a shift in in-state versus out-of-state dollars or signal sales, is that fair? Not signal sales I guess --

MR. STEWART: Well, I guess there's a couple ways to look at it. If you look at the last five or six years, there's no question that the out-of-state handle has de-
clined significantly, and you also look at purses. The purses have gone down and the horses per race have gone down. So, you know, I'm not here this morning to draw any conclusions on that, but I'll just point that out to you.

The on-track product or the attendance at the track, I'm not sure that's driven so much by the same factors that drive the out-of-state count. I think attendance at the track, which drives the on-track count, that's the biggest driver of the on-track count, is more of a factor of weather, you know, what promotions we're running, what the competition is.

You know, when we look at some of the things we did this year, you know, it's like everything else: You can take a look at a number of things, some will work a little better than others. I thought we'd do a little better on Memorial Day than we did, and I was a little disappointed in the Turf Cup. On the other hand, I thought even though the numbers were down on July 4th, nobody had to wait three hours in the parking lot to get out. We had kind of a little carnival afterwards, and I think that was real successful. I think that's something we can do again in the future.

Next year -- I don't think anybody anticipated the Monday-Tuesday out-of-state handle would decline. I mean it's about half of what it was two years ago. Of
course on the flip side, you know, Wednesday's done very
well. So it sort of I guess leads me to believe that next
year, we're probably better off running Wednesday, Thursday,
Friday. Maybe Monday-Tuesday has sort of run its course.

Initially, we were successful on Mondays and
Tuesdays because there weren't a lot of people out running
against us. Well, maybe the public has gotten tired of not
having anything to bet on so they're not showing up on Mon-
days and Tuesdays anymore. So, I mean it --

MR. PETRAMALO: Well, also there's a lot more
competition on Monday-Tuesday. It looks like everybody has
kind of cracked the code.

MR. STEWART: That could be true.

But clearly, to run Mondays and Tuesdays and only
get four or 500,000 out-of-state is not -- I think we can do
better on Thursday and Friday.

MR. BURNETT: But overall, you were -- I thought I
heard you say you were up out-of-state?

MR. STEWART: We are.

MR. BURNETT: But that's compared to last year,
not necessarily compared to the year before?

MR. STEWART: Well, remember, last year we were
subjected to a boycott.

MR. BURNETT: Understood.

MR. STEWART: I think that's probably off
30 percent from even the year before that. If you're going
to compare 2010 to 2008, it's still down substantially.

MR. BURNETT: It is still down substantially?

MR. STEWART: Oh, yes.

MR. BURNETT: Okay. Fine.

But I mean when you throw in the boycott
circumstance of last year, it requires an asterisk to make
decent meaning out of the numbers and trends because that
had an impact, and comparing it to last year versus a
quote-unquote typical year, it's a different breed of cat.

That's all I'm saying.

MR. STEWART: No, I understand.

MR. BURNETT: I'm assuming we're not going to
see TrackNet boycotts every other year, and that hopefully
is behind us so that we can have some consistency to build
on. All I'm looking at is what does this tell us aside from
the boycott circumstances?

MR. STEWART: Well, I think you have to -- I
think we have to take a hard look in the mirror. You know,
clearly a product that has seven and half races -- I mean
seven and a half horses in the race is a different product
than a product that has nine. I didn't check, but I believe
it wasn't all that long ago we averaged ten.

MR. BURNETT: Pretty close.

MR. STEWART: So those are two different products,
and maybe they aren't selling quite the same.

MR. BURNETT: I heard that per se sentiment from a well-regarded trainer this morning.

Any other questions of Mr. Stewart, gentlemen?

I might use this opportunity to ask you a couple of questions about ADW activity.

MR. STEWART: Fire away.

MR. BURNETT: You've seen this?

MR. STEWART: Uh-huh.

MR. BURNETT: It looks like Finn McCools is a pleasant and positive experience so far.

MR. STEWART: It is doing very well. It's performing probably a little better than we anticipated. Now we're coming into sort of -- sort of a -- you know, business isn't quite as good from here on out for a while.

MR. BURNETT: I'm thinking that Finn McCool's has been open a little less than 60 days, is that fair?

MR. WEINBERG: From right before the Kentucky Derby.

MR. BURNETT: Right. So I didn't take out my calculator, but it looks like it's performing some place between Scott and Vinton on an annualized basis, no?

MR. STEWART: Well, Finn's is doing roughly $150,000. I mean the May numbers are kind of exaggerated because of the Triple Crown, but I think it will ultimately
average out somewhere in the $150,000-a-month range. That's a model that we can be successful with if we have a lot of them.

MR. BURNETT: Right. I mean I assume -- I don't think we need to be rocket scientists to appreciate the difference in cost to put that -- open a facility like that versus what it costs to open a standard sticks-and-bricks Scott or Martinsville or any place else, so that Martinsville has got to do much better than that.

The other thing that I noticed, when it comes to our betting friends in Virginia at all of the sticks-and-bricks locations, all of our OTBs, it appears that our Virginia veterans lose a little bit of money. When you go down into the ADW companies, the patrons of Twinspires, Youbet, and XpressBet all seem to make a little bit of money on average as a group. And then EZ Horseplay and TVG lose some. Any explanation for that? I'm just curious what -- is the ADW bettor more sophisticated or beating the crowd somehow? Or am I missing something here? I'm just curious if you can help me.

MR. STEWART: I quite honestly do not have a good explanation for that.

MR. BURNETT: Okay. I just noticed it. And I would just point out to anybody that's interested that Virginia ADW bettors are making money against its counter-
parts in other states, and sticks-and-bricks bettors don't. Some day we'll figure that out maybe.

Any other questions about numbers? And I should have asked whether Deputy Dave has any explanations for it or any answers for my questions.

MR. LERMOND: I think you were very close when you said the sophistication of the bettors that use ADW. I think there's not newcomers in there, you know, people that just come out to the track and they pick their spots.

XpressBet, for example, the bettors at XpressBet in Virginia do very well in Maryland, Delaware, Pennsylvania. They seem to have a feel for the tracks that are local to this area. So I think it's a combination of those things.

MR. BURNETT: Okay.

MR. HARRISON: An old friend of mine has been handicapping for 60 years. He particularly looks forward to the Triple Crown events and the Breeder's Cup Races because he refers to that as an opportunity to take what he calls the "mug" money -- these people who really are not very sophisticated at all and are there because it's an event, and he wants to take their money. And I think a lot of people who play ADW and receive rebates and make it more of a business, more serious about it, they do better and they're typically your ADW player. They go to the track,
but they also have ADW.

    MR. STEWART: And just to be clear on this, I
don't think these people are actually ahead. They just are
ahead of the take-out money.

    MR. LERMOND: That's correct.

    MR. BURNETT: So they may still be a few points
down from a hundred percent return?

    MR. STEWART: Yes, they're about 18 percent down.

    MR. BURNETT: They might be getting an 82 percent
return? Okay.

    MR. STEWART: But there's no question that there's
a difference.

    MR. BURNETT: All right. Any other questions?

Anything further from Colonial Downs?

    Well, thank you. Next comes the public
participation. Well, let me stop. Section five, the Stake-
holders are not only Colonial Downs; do the Horsemen have
anything they would like to add?

    MR. PETRAMALO: No, I don't think so.

    MR. BURNETT: Okay. Thank you.

Public participation. Does any member of the
public wish to address the Commission? Now's the time.

    All right, seeing none, our next meeting is here
in this building on August 24th, 2010, at 9:30. Is that
okay with the Commissioners who are here?
MR. BROWN: Yes.

MR. MILLER: Yes.

MR. BURNETT: We are going to go into a brief closed meeting on a personnel matter. I will read the motion.

Pursuant to Virginia Code Section 2.2-3711 (A)(1), I move that the Commission be in closed meeting for the purposes of discussion and consideration of the performance of specific employees of the Commission.

Do I have a second?

MR. BROWN: Second.

MR. BURNETT: Moved and seconded. All in favor, indicate by saying aye.

NOTE: All indicated by saying aye.

MR. BURNETT: All right. We're going into closed session. Thank you.

NOTE: The Commission goes into closed session at 10:08 a.m. and reconvenes in open session at 10:49 a.m. as follows:

MR. BURNETT: I hereby certify that pursuant to Virginia Code Section 2.2-3712 that to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements under this chapter and (ii) only such public business matters as were identified in the motion by which the closed meeting was
convoked were heard, discussed or considered in the meeting
by the Commission.

This is a rollcall vote. Mr. Brown?

MR. BROWN: Aye.

MR. BURNETT: Mr. Miller?

MR. MILLER: Aye.

MR. BURNETT: The Chairman votes aye.

That concludes our closed session, and Mr. Brown, do you have a motion for adjournment by any chance?

MR. BROWN: I move to adjourn.

MR. BURNETT: The Chair will second.

All in favor, indicate by saying aye.

NOTE: All indicate by saying aye.

MR. BURNETT: We are adjourned.

NOTE: The meeting is adjourned at 10:50 a.m.

MEETING ADJOURNED
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 proceedings 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 30th day of July, 2010.

________________________________________  ________________________________  ________________________________  ________________________________
ROY GARRISON WOOD  ROY GARRISON WOOD  ROY GARRISON WOOD  ROY GARRISON WOOD
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