VIRGINIA RACING COMMISSION

August 5, 2011

10700 Horsemen's Road
New Kent, VA 23124

Commencing at 9:35 a.m.

COMMISSION MEMBERS:

Clinton Miller, Chairman
Stuart Siegel
David C. Reynolds
J. Sargeant Reynolds, Jr.

COMMISSION STAFF:

Bernard J. Hettel, Executive Secretary
David S. Lermond, Jr., Deputy Executive Secretary
Kimberly M. Carter, Office Administrator
C. Richard Harden, DVM, Equine Medical Director
Joseph M. Roney, Director of Security & Enforcement

ATTORNEY GENERAL'S OFFICE

Amy K. Dilworth, Esquire

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MR. MILLER: Good morning. Call the meeting to order. Let the record show that we have four commissioners in attendance; myself as chairman, Commissioner Siegel and both Commissioners Reynolds. Commissioner Mark Brown is not present, but we do have a quorum.

I suppose the first order of business would be to -- This is a specially called meeting of the Commission, so the minutes from the previous meeting will be considered for approval at our next regular session of the Commission, which is on August 23rd of 2011. At that time, we'll consider the minutes of the previous.

MR. HETTEL: We can combine these also.

MR. MILLER: And we'll combine that at Mr. Hettel's suggestion. We'll combine the minutes of this special meeting with those minutes for consideration at our August 23rd meeting.

Really, the principal purpose of this meeting today is to receive some information from the as of now sole licensee of the -- in Virginia, Colonial Downs, regarding some plans they have in works for future racing in Virginia.

So without further adieu, I'll call on Mr. Ian Stewart to present -- to make a presentation to the
Commission at this time.

MR. STEWART: Okay. Thank you. Mr. Weinberg should be joining us shortly.

Really have kind of three things to talk about this morning. One is to briefly review how the Thoroughbred meet went. I want to talk about a new promotional idea that we have, and we also want to talk about harness racing a little bit.

So I guess I'll start with the Thoroughbred meet. As you all know, we wrapped that up last week. We ran 32 days this year. We were planning on running 33, but canceled one day because of the heat, so we ended up running 32, as opposed to 40 days last year.

Overall, I think we did pretty well. Total attendance was actually ahead of last year, even though we ran eight fewer days. We averaged almost 1,900 people a night, as opposed to 1,500 last year.

Our on-track handle was almost the same as it was a year ago. It was only 100 and -- I guess $200,000-some less, which really isn't much.

The on-track simulcast handle was up on an average basis. The average on-track handle total was up about $25,000. The live handle per race, which is kind of a number that I look at, was up
about $2,000 a race. A little over $10,000 a race this year. It was $8,600 last year.

Our signal sales per race average about $75,000 a race, versus $53,000 a year ago.

I think the strategy of increasing the purses to try to attract more horses is -- our average number of horses per race was up a full horse, so that's pretty good.

I guess the only number that kind of ticked down a little bit which continues a trend that has been going on for some time is the per capita wager at the race track was down $67 from $71.

I think a little bit of that was due to what we did on Virginia Derby Day. We had a lot of people in the Hoot on the Hill area. The honest truth is we didn't have enough tellers over there, so we left some money on the table over there. That's a problem we can fix. Anyway, I thought it went pretty well.

Tyler, do you have anything you'd like to add?

MR. PICKLESIMER: Again, there was a pretty good mix of, you know, quality versus quantity, I think. Forty-one percent of racing were claiming 16,000 or above and 59 percent were below 16. So all in all, it was a good meet from our perspective.
in the racing office.

MR. STEWART: I'd be curious. Bernie, it was the first time you saw it.

MR. HETTEL: I was pleased, for the most part. I think probably one of those things we need to continue to strive for is improve the bottom. There were several horses that ran six or seven times during the race meet, and certainly, some of that was based on the good 100 percent Virginia rebate.

However, I do believe every meet that we take that we can increase the bottom number as in claimant price. Specifically, we can improve and get to be somewhat of a national designated place.

Early on, we talked about becoming a boutique-type meet. We've already got the boutique-type meet number in terms of race dates. Now, we just need to improve the quality of the people who would actually consider coming from let's say Gulf Stream Park up to here or shipping from Kentucky for the race.

But over all, I was very pleased with it.

I was particularly please the other night. We had a spill where two jockeys were injured. The response from the emergency people was amazing. The helicopter was here literally in minutes to pick one
fellow up and take him to VCU hospital. You don't see that everywhere. Whoever does all that needs to be congratulated. It was a very great response. I was very pleased to see that.

MR. MILLER: Very good.

Did you have -- I know that I was notified that you had one day you had to cancel the races because of heat. That was the only day you had to cancel?

MR. STEWART: Yeah. That was the only day we ended up doing that.

MR. MILLER: And you made that up some way?

MR. HETTEL: We made five races of the nine.

MR. STEWART: They just added some races to the rest of the week.

MR. MILLER: That didn't cause any great consternation among your clientele?

MR. SIEGEL: I would hope that was part of the decision. I'm sorry. The decision to close that day was a mutual one made by the horsemen as well as the track itself?

MR. STEWART: Yeah. We consulted with the horsemen. We didn't do it unilaterally.

MR. SIEGEL: Right.

MR. STEWART: Obviously, at the end of the day, it is our decision.
MR. SIEGEL: They felt good about it?

MR. PICKLESIMER: Yeah. They were very open to it.

MR. HETTEL: Most of the east coast was canceled that day.

MS. NIXON: They had several trainers that came in and met with, you know, the track and they were happy with that decision.

MR. SIEGEL: Your question, I guess, was customers that may have come out and were disappointed that the doors were locked. I was going a different direction.

MR. STEWART: Well, fortunately, it was a Thursday, which isn't a huge day. There were a few.

MS. BOUZEK: The doors weren't locked. We were open for simulcast. We called all the groups and let them know.

MR. MILLER: Did you all offer them some free ice cream and make them happy?

MR. STEWART: Maybe next time.

MR. MILLER: All right. You may proceed.

MR. STEWART: Obviously, you know, we certainly don't want to cancel. It's a huge hassle, but sometimes it just makes sense.

MR. SIEGEL: The risk on the other side is very
bad, had we had a problem.

MR. STEWART: Yeah, it would. I mean obviously, there's bad things that could happen.

(NOTE: Mr. Weinberg enters the room.)

MR. MILLER: Good morning, Mr. Weinberg.

MR. WEINBERG: Sorry I'm late. Good morning.

MR. MILLER: That's all right. We got right into having your clients present their plans and so Stewart was giving us a review from the meet.

MR. WEINBERG: Terrific. Thank you.

MR. MILLER: So that's where we are at this point.

MR. STEWART: Well, at this point, I think we'd like to talk about a promotional idea that we have, and basically, I provided Bernie some information I think he may have distributed to you all.

MR. HETTEL: The commissioners have it.

MR. STEWART: It's an idea that we have been working on for some time that would allow us to promote pari-mutuel wagering using an electronic promotion using some screens and some games that are basically pretty similar to or very similar to what we've talked about in the past about sweepstakes games that have gone on here in the state.

Now, there's a significant difference between
what we propose to do and what's been deemed illegal in Virginia and maybe, Jim, you could take a couple minutes and take us through that.

MR. WEINBERG: Thank you, sir.

You know, the basic law in Virginia is deciding what constitutes gambling. You need three elements: consideration, chance and prize.

That has been the focus of a number of Attorney General opinions and has been the focus of what constitutes consideration.

And so in the context of the Internet sweepstakes cafés and sometimes phone cards and sometimes video rentals has been the issue of consideration, and so let's focus on the Internet cafés as the example, which is what attracted a great deal of attention in a couple of Attorney General opinions recently.

In that business model, the Internet cafés were selling Internet time so that you walked into a business, you bought $10 worth of Internet time, you were given a swipe card and that swipe card entitled you to play a game on the Internet, at which you could win dollars, real money, and the argument was that the sweepstake was being used to promote the purchase of the Internet time, and so it was no
different than the Monopoly game that McDonald's uses to help sell more french fries and hamburgers.

The Attorney General first ruled that in that context, that as long as it's just a promotional idea to help sell a product, that it was not consideration and therefore not withstanding the presence of a game of chance and prizes as a result of that game, there's no consideration for -- did not constitute illegal gambling.

Upon deeper due diligence or thought --

MR. MILLER: Reflexion.

MR. WEINBERG: -- reflexion, the Attorney General issued a second opinion that said maybe not so fast.

If the true purpose is to play the game and not buy Internet time, then there is consideration present; and hence, there is gambling present, so the focus became what is the true purpose of the sweepstakes game? Is it to promote a real product that consumers use or is it really selling the sweepstakes?

So in instances where people were buying an hour of Internet for $10, playing the game in 15 minutes and coming back and buying another hour of Internet time so that by the end of their stay, they
had five hours of Internet time but had used 45
minutes of it, it became clear that people were
buying the sweepstakes, not the Internet.

That model was replicated in the sale of long
distance phone cards. Same thing; buy an hour of
long distance time, you get to play the game. The
problem is at the end of the day, the floor was
littered by long distance phone cards that had been
unused because people were clearly there just to
play the game.

It was used in a video rental model as well.
Come in, rent a video, you get to play the
sweepstakes. Well, people were leaving their videos
at the shop. They weren't even taking them with
them.

So here, this is a different formulation.
Here, the sweepstakes is being used to promote a
type of wager. The wager is a series of trifecta
wagers at Pennsylvania tracks and Ian can describe
in more depth.

But that when you buy a true $10 wager, that
$10 goes into the pari-mutuel pool. It is no
different from the wager that you would place today.

You also get a card that entitles you to play
an Internet game and in that game, you are awarded
points. And after you've played the game, you'll either have points left or you won't have points left and then you can cash in your points for dollars. That's what I believe the demonstration will be.

So that in that instance, there really is a product. The product is the $10 trifecta wager that Colonial Downs is trying to promote. Ian can describe the economics of it, but the take-out on these wagers is higher than typical wagers, which allows both a reason to promote them and the ability to use some of the take-out to support the sweepstakes.

MR. STEWART: So basically, what are we gonna do? What we are gonna do, or proposing, is we'd like to promote the purchase, if you will, of $10 trifecta bets on Pennsylvania race tracks.

The reason we're interested in trifecta bets on Pennsylvania race tracks is that take-out on these bets is between 30 and 34 percent. Put that in comparison, the take-out on our trifecta bet is 22 percent and the take-out is basically the money that comes back to the track that's redistributed to -- some of it goes to horsemen. Some of it goes to the Breeders Fund. Some of it goes to taxes.
Obviously, there's a lot more money left if you're starting with 34 percent of the wager, as opposed to starting with 22 percent of the wager.

So what we're able to do, essentially, is take a portion of that 34 percent and put it into a prize pool. We have, in effect, an electronic drawing and we'll split up that pot of money and we think that this will be a very effective way to promote the purchase of what for Colonial Downs is a very high profit margin product.

So what we intend to do is to start with roughly 40 or 50 screens here at the race track and promote the sale of these trifecta wagers and that trifecta wager will be no different than any other trifecta wager that you can buy on a Pennsylvania race track today.

We're gonna make a minimum $10 trifecta purchase, but you know, there's nothing inherently different about that, either.

Now, we've got a guest with us, Don Fiechter, from World Touch gaming. Looks like he may be having some technical difficulties on the phone, but are you ready, Don, or do you need a few minutes?

MR. FIECHTER: Yeah.

MR. MILLER: I may be a little bit slow. Well,
there's no question I am a little bit slow. But
anyway, this sets up a possibility to win a prize in
addition to the trifecta?

MR. STEWART: That's correct.

MR. MILLER: So it's that part of it that's
different from -- In other words, I can bet on those
trifectas in any event with my cell phone or my
computer at home, so on and so forth, but by going
this route, I not only am betting on the trifecta
prize in Pennsylvania, I'm also possibly going to
win a prize from this electronic pool you're
creating with these funds?

MR. STEWART: Exactly. I mean, one way you
could look at it -- I guess the way I look at it is
you purchase the trifecta wager and you've got a
trifecta wager.

We are also gonna put your name in a hat for a
drawing over here. Now, it's kind of a
sophisticated drawing, if you will, but it's no more
than a drawing, because what Don will explain is
that this game, these games, the outcomes are all
predetermined.

Basically, you'll have an option to whether you
can press a button and have sort of an instant
winner or you can sort of play through the game, but
either way, whether you play through the game or you choose sort of the instant winner approach, the outcome is gonna be the same.

Once you start, if it's predetermined that you're gonna win a dollar, you'll win a dollar; whether you push a button and win a dollar immediately or entertain yourself for a few minutes, but in the end, you'll still win a dollar.

MR. MILLER: Just by making a trifecta wager, you have the ability to win something, perhaps?

MR. STEWART: Right.

MR. SIEGEL: It's predetermined racing though?

These aren't live races?

MS. BOUZEK: They're live races.

MR. STEWART: No, they are.

MR. SIEGEL: Oh, they are. So you're gonna wait for the next race. I was under the impression --

MR. WEINBERG: You're wagering on a live race in your trifecta. In your trifecta wager, it's a live race that's gonna occur at some point in the future.

MR. SIEGEL: Oh, so you don't win instantly?

MR. MILLER: You win your trifecta.

MR. WEINBERG: You hold onto your trifecta ticket.
MR. SIEGEL: Right. Of course.

MR. WEINBERG: When you buy your trifecta ticket, you're also getting a scratch-off game and you --

MR. MILLER: That's what it amounts to.

MR. WEINBERG: Right.

MR. SIEGEL: But the pay-off is determined later though?

MR. WEINBERG: Pardon?

MR. SIEGEL: The pay-off is determined later.

MR. STEWART: Well, the trifecta pay-off is determined when the race is run.

MR. SIEGEL: Yeah, I realize that. When the race is run.

MR. STEWART: So I could walk into Colonial Downs at noon. I could buy a trifecta ticket on a race at Penn National that might run at five o'clock --

MR. SIEGEL: That day.

MR. STEWART: -- that day. So when I buy that ticket, I'll also get some entries in to this game. So at noon, I play the game; maybe I win a dollar, maybe I don't. Then at five o'clock, the race runs and I either --

MR. SIEGEL: But you could be home having
dinner when that race runs --

  MR. STEWART: Absolutely.

  MR. SIEGEL: -- and you come back to Colonial Downs or wherever you played and see if you have a winner at a later time?

  MR. STEWART: Sure.

  MS. BOUZEK: Sure.

  MR. MILLER: Of the scratch-off.

  MR. SIEGEL: Right, but you have to come back to find out whether you won or not. There's nothing --

  MR. WEINBERG: No, no, no. The scratch-off game is instant.

  MR. SIEGEL: No, I'm talking about the trifecta. It's gonna be run at five o'clock. You bet at one o'clock on your lunch hour and you have to come back to determine whether you won or not because there's nothing that informs you.

  MR. WEINBERG: You could look up the results at the track.

  MR. MILLER: Get on the race channel.

  MR. SIEGEL: Right. I realize you have to come to the track to look it up or get online somehow. Right.

  MR. WEINBERG: Right. Right.
MR. WOOLNOUGH: What happens if you have a cancellation?

MR. WEINBERG: We're gonna get in to that.

MR. STEWART: But the trifecta ticket that you're buying is the same mutuel ticket that we sell every day.

MR. SIEGEL: Right. So it's a live race, but its not run live. To my earlier point, I guess -- I'm not sitting there, unless I wait until five o'clock in your example, I'm not gonna sit there and see it happen and be able to cash my ticket. I need to do that at a later time.

MR. STEWART: Well, it's a simulcast bet.

MR. SIEGEL: Of course. I just wanted to be sure I was clear.

MR. STEWART: Right. It's just what it enables us to do, is we could open the track at noon, even though maybe some of these Pennsylvania tracks aren't running until later on, because you can bet the same day. You can bet a few hours early.

MR. S. REYNOLDS: Do you post the probable odds of this sweepstakes thing and stuff like that? I'm sure you'll get in to all that.

MR. STEWART: Yeah. We would have to follow the rules just like any other sweepstakes that you
see all the time. We have to have the ability to
play the game for free if you want to. We have to
post all the odds, the rules of the game, all that
kind of stuff.

MR. S. REYNOLDS: So if you did a $2 trifecta
box and it costs you 12 bucks, pick three horses, 12
bucks each, it's a minimum of 10 bucks, you get a
ticket that cost more money or just a flat $10
ticket, you have to figure out how to allocate the
$10?

MR. STEWART: Well, obviously, we're taking
baby steps right here, so initially what we're gonna
do, is it's gonna be a $10 straight trifecta bet.
That's the only thing that will enable you to enter
this contest. There's other things maybe we can
work in later on.

MR. S. REYNOLDS: You pick three horses and you
don't box them in, you just pick three, it's ten
bucks.

MR. STEWART: Right.

MS. BOUZEK: That's what gets you the chance to
play that. It's like the simulcast. You can bet
anything you want, just the $10 straight price gets
you that.

MR. MILLER: If you want to bet more on the
trifecta, you can buy five $10 tickets, too.

MR. STEWART: Exactly.

MS. BOUZEK: You got it.

MR. MILLER: Well, I suppose some of these questions we have in the back of our mind might be answered by this demonstration, once it begins.

MR. STEWART: I hope so.

MR. MILLER: Okay. All right.

MR. FIECHTER: I'm sorry for the delay.

MR. MILLER: That's all right.

NOTE: Mr. Fiechter demonstrates on a computer set-up.

MR. FIECHTER: Basically, this is a point of sales system, so a customer who makes a wager on this particular bet that they want the consumers driven to and they want to promote, they would make that wager come to a system where they would be able to come up, select that particular wager. It would then generate a receipt. That consumer would have a very large number here that they then would come over to the system, input that number.

They're gonna be presented with the rules, so the first thing they'll do, they scroll through. It will present them with the current rules, as well as an entire breakdown of all the prizes that make up
this game promotion.

    Not only does it show the actual prize value, it tells them the quantity of those particular prizes that make up this 20 million game pieces or 100 million pieces; whatever the structure of the actual game promotion is. And then it posts the odds of them winning any one of those particular prizes.

    Once they've scrolled through and made themselves aware of the rules and the prizes, they have to agree or disagree with these rules. Not only will these rules be posted on the wall, but every single time they engage with the system, they're gonna be presented with that.

    Also, there's these little messages that you'll see pop up. These are alerting the consumer that these are just simulated game themes representing the results that were given to them for the purchase that they made.

    The other scenario is if they were to walk into the facility and say I'm not interested in buying or making a wager on that race, you have to afford them that opportunity for a free alternative means of entry.

    So there would be the ability to issue them one
of these tickets without ever making a wager. That is the biggest distinguishing factor between what would be considered a lottery and what a sweepstakes is.

MR. MILLER: Let me understand. So they pay the $10 and they get their $10 credit, but they may decide not even to bet on the trifecta? Is that what you're saying?

MR. FIECHTER: No. No. They're gonna have to purchase the trifecta first before they would actually be issued free sweepstakes for that purchase.

But if they walked in and said I'm not interested in making a wager, we have to afford them a free alternative means of entry into the sweepstakes without making the purchase.

MR. WEINBERG: It's the corollary when you hear no purchase required to play. That's how we're meaning that.

MR. MILLER: Yeah.

MR. FIECHTER: That's the one distinguishing factor that either makes you a lottery or keeps you from being a lottery.

If I can come in and never pay you anything and give you the opportunity to receive a free entry,
you don't see that in the lottery. You don't see
that in a casino environment. You cannot
participate in typical gambling games without making
a purchase or a wager.

MR. SIEGEL: It keeps it legal.

MR. MILLER: But I have purchased the trifecta.

MR. SIEGEL: You don't have to.

MR. WEINBERG: There's an alternative. The
Attorney General opinion lore has said, look, if
there's a way to play for free as well as part of
the promotion, clearly no consideration.

So this is a mechanism to sort of check that
box in the Attorney General opinions to say yes,
there is a way to play for free. A patron can come
in and say I know you're offering the sweepstakes.
I want the opportunity to play for free.

MR. S. REYNOLDS: Ian, in your opinion -- I'm
sorry.

MR. WEINBERG: So we just need to provide a
mechanism.

MR. MILLER: If I knew I could play for
nothing, why would I ever purchase a ticket?

MR. WEINBERG: Because you're gonna have a
lesser -- If you buy, for example, make a $10 wager,
you're gonna get 1,000 points, which allows you to
do I think ten spins on the game, whatever game you
pick. If you get a "Free", you get one spin.

MR. STEWART: There's limitations.

MR. WEINBERG: You can only do it once a day.

MR. MILLER: Okay. It's to meet the Attorney
General's concerns and have a provision for free
play, but it's a very de minimus activity.

MR. SIEGEL: Right. It meets the test for

gambling.

MR. FIECHTER: I mean typically, a McDonald's
Monopoly sweepstakes or a Subway Scrabble
sweepstakes, you're gonna walk in, you're gonna see
the rules and the rules are gonna say you're not
gonna get anything free on site. You're gonna send
in a self-addressed stamped envelope and they're
gonna mail you back a game piece. You're not gonna
get any type of instant gratification.

MR. MILLER: Okay.

MR. FIECHTER: Here, if you walk up to the
counter, the counter is gonna say, fine, you don't
wanna make a purchase of the trifecta today. Here
is your free entry. They take one entry, they go
over there.

If these games are something that is gonna make
them feel engaged and entertained, then obviously,
the incentive is go buy the trifecta and bring your
sweepstakes entries back over.

MR. MILLER: Okay. All right.

MR. FIECHTER: So what we've done is the term
points are used, but in our scenario, we literally
have entries. Just like that McDonald's game piece
that was stuck to the Coke cup or fry box that is
serialized. It may or may not contain a prize.

The same exact thing happens here. Twenty
million entries are loaded into a server. They're
all uniquely serialized. They may or may not have a
prize attached to it.

All the consumer is gonna do, instead of
playing the game of Monopoly or Scrabble, they're
gonna be engaged with games that appear to be slots,
kenos, pokers, even some casual game-type things,
and they're gonna select how many entries they want
to reveal.

It's gonna open up those entries and it's gonna
say, okay, first entry was $5, twentieth entry was
$1, so they got a total of $6 in prizes. So the
wheels are gonna spin and they're gonna try to line
up a combination that pays them $6.

So same thing with a poker hand. If I came up
and I was engaged in a game theme that felt like
poker -- so here, I'm presented with something that looks like Jacks or better. Over here, I see I can play five entries or I can open up 100 entries. I hit "Reveal". It presents me with five cards. If I wanna hold them, I touch them. If I don't, I can throw them away. All right. Pair of fours. Throw that away.

Here was a scenario where I didn't hold anything on those first five cards. I do not have a winning hand here at all. It flipped this little coin up here and it awarded me three. Three would have been for three of a kind. I know that in those first five cards, I was presented with two sevens. I decided not to hold them.

Even though I have no winning hand, those game pieces said, hey, you won $3. So the game is just trying to reveal those $3 to you. So up here, it said "Bonus Award Three". So I was still given what was on those three game pieces, even though in poker I didn't win the hand.

MR. MILLER: For advertising purposes to get people to steer towards this, do you have a maximum win? I mean can you announce that you can win up to $1 million, whatever it is?

MR. FIECHTER: It's a guaranteed. So in those
20 million pieces, just like we saw in those rules, it says in this case, $3,000. There's one game piece out of those 20 million game pieces that has a 3,000 or maybe a 10,000, whatever we establish that top prize as, and they can absolutely advertise that.

Just like McDonald's says we're gonna give away $1 million or Coke's gonna give away $1 million, same exact scenario, except that we're not using Monopoly, Scrabble, lick'em-and-stick'em stamp games. We know we're using games that are attractive and engaging to an adult consumer and we've just found a unique way to do it.

MR. MILLER: An educated adult consumer, apparently.

MR. FIECHTER: There you go.

MR. MILLER: Okay.

MR. FIECHTER: So again, like I said, we've got slots, keno, pokers as ways of representing those results, but we also have games like Fireflies.

A lot of women that are 40 and older, they get on the computer and they engage in these games like Bejeweled or Collapsed. All this is, is a very simple game that says, here, match the colors. So anything that's the same color is going to
disappear. And I just found a penny winner, so as I'm actually touching these, I'm actually revealing these entries.

So it doesn't look -- doesn't have the look-feel of a slot, keno or poker, but it is one of those games that women 40-plus are engaged with.

So soon as I clear that, stage complete, I can decide to open up 100 entries at a time. In this case, I just found another penny winner.

MR. MILLER: And all these winnings will be tied to your entry number, whatever it was?

MR. FIECHTER: Yeah. All you're doing is every time you hit "Reveal", you're saying I want to reveal 20 entries at a time. It is gonna take that result on those 20 entries. In this case, it is showing these silver bars, gold bars, diamonds, emeralds.

MR. MILLER: My question then is: How does the money get in their hands?

MR. FIECHTER: This receipt that they used to log into the terminal.

MR. MILLER: Right.

MR. FIECHTER: Once they finish revealing their entries and they actually have their prizes, they take this back up to the point of sale, input that
same number, go to that account and say, oh, you've
won $25.

MR. MILLER: So here at Colonial Downs, no
problem, you take it up to the window?

MR. STEWART: Right.

MR. MILLER: But you're contemplating putting
these elsewhere, aren't you?

MR. STEWART: Well, the thought has occurred to
us.

MR. MILLER: But you're going to do this as an
experiment first just at Colonial Downs, right --

MR. STEWART: Right.

MR. MILLER: -- for a period of time to see how
it works and see what kind of reaction you get and
so on and so forth, and then if you want to expand,
then you'd be back asking for it?

MR. SIEGEL: Well, he may be asking for it now.

MR. MILLER: You would put them wherever you
felt you could put them?

MR. STEWART: Clearly, there's legal issues, as
Jim described. In your package, there's also a
letter there from Linwood Gregory, New Kent
Commonwealth attorney.

MR. MILLER: So you're good in New Kent?

MR. STEWART: We're good in New Kent. Right.
MR. MILLER: You would probably follow the same process if you want to go beyond New Kent?

MR. STEWART: Yeah. I mean -- Yes. We're very cognizant that we have a regulated industry. We're very careful to dot the I's and cross the T's.

MR. D. REYNOLDS: Where is the system now? In a number of different places?

MR. FIECHTER: I have this in all types of businesses, from beauty parlors to convenience stores to bars, restaurants.

As I explained to Jeanna and Ian, is that the biggest issue around the country has been does somebody just go into a local strip mall, say I'm a cyber café, open up with 50 computers and the local law enforcement walks in and says, geez, all we ever see people do is they're engaged in this game content. Are they really interested in buying the product of this Internet time? That's the issue that this Attorney General had.

What makes this a solid argument is this is a preexisting business. This is no different than that bar, restaurant, beauty parlor, store. It has products that it sells and the whole spirit of the sweepstakes is I want to use this as a marketing tool to drive traffic and purchase a particular
product.

These guys that just show up with these 50 computers, what is their real intent? And that's what the Attorney General was struggling with.

In this case, this is really, truly ancillary to the existing business here. This business is in the business of selling wagers on horse races.

Well, we wanna promote a particular race, this trifecta. So that was what was really intended when sweepstakes legislation was approved in this country or in accepted practices.

Hey, we understand you were gonna buy a burger, you were gonna buy fries. In this case, they're gonna buy a wager. And maybe eventually, it may be something they buy in a restaurant, too.

MR. MILLER: I think the question is -- I'm not opposed to the basis of your question. I think my question is: Is this an operation as Colonial Downs has requested it in any other state tied to racing?

MR. FIECHTER: There's a track, actually, a highlight fronton in Florida in Jasper, northern, before you get to the pan handle.

MR. MILLER: Right.

MR. FIECHTER: They just set up a facility where they've installed something like almost 100
computer terminals.

MR. MILLER: Tied to the racing activity?

MR. FIECHTER: Yes.

MR. D. REYNOLDS: That's the only one?

MR. FIECHTER: That's the only one I'm aware of.

Typically, what I see around the country is all the tracks are trying to get video lottery terminals or whatever it may be, so that they can give that flavor to the customer.

This is in Florida. They don't have BLTs, unless you're in Dade or Broward County in south Florida. So the other tracks that have basically been blocked out of ever getting slots because of the compact with the Seminole tribe, they have no other option to have this type of feel, but to do it through a sweepstakes to promote their products.

MR. STEWART: So we would be out there on the cutting edge, but we've been there before.

MR. MILLER: You'd be a pioneer.

MS. BOUZEK: Been there before.

MR. FIECHTER: As they pointed out, you've got an Attorney General that obviously has a lot of this brought to their attention by law enforcement.

And yes, as a pioneer, I can say literally,
I've had some arrows shot in my back.

MR. S. REYNOLDS: Ian, most people probably wouldn't buy a $10 straight ticket on a trifecta, so whatever they're buying, it's worth $10 to them to I guess play in the sweepstakes and they still have a shot at winning huge. If they hit that trifecta, that's the real win.

MR. STEWART: Well, it would be a huge win, but if you just sort of stand back from it and look at it from a macro standpoint, the $10 trifecta wager on a Pennsylvania race track is a very profitable product for Colonial Downs, so if we can sell more of those, that's in our best interest. So we're no different than McDonald's trying to sell you more french fries.

I could sell you a -- I may be wrong on this, but I think I could sell you a straight bet in Nyra [ph] and my profit margin would be virtually nothing.

MR. S. REYNOLDS: Right. I understand why you're doing it. I'm trying to understand why a better would buy a $10 trifecta ticket.

MR. STEWART: Hopefully, they get entertainment value on top of purchasing a ticket.

MR. SIEGEL: So what's your risk?
MR. STEWART: The financial risk in this is very, very small. The political risk is a political risk.

MR. SIEGEL: Right. That's the real question. So if approved, you would install these in your OTBs, at least initially, or no?

MR. STEWART: No.

MR. WEINBERG: No, because -- Just so we're clear on this.

On the political risk, we have tried to address that by going to the guys who would enforce the law; the Commonwealth Attorney and New Kent.

MR. SIEGEL: Right. You've got an answer in New Kent, but you don't have an answer in Henrico.

MR. WEINBERG: Right.

MR. SIEGEL: For example, so how do you test that? You would go to Kizer or the Commonwealth's Attorney in Henrico and say --

MR. WEINBERG: Here is what we plan to do. Kick me if I'm wrong, but do the same thing we do in New Kent. All we're describing today is what we're gonna do in New Kent.

MR. SIEGEL: Right. The difference is you would go and say we have the approval of the Virginia Racing Commission, subject to your approval.
to go forward with this, and then ultimately, you
would install it in the case of Henrico in your OTBs
there?

MR. WEINBERG: Assuming the Commonwealth's
Attorney and sheriff --

MR. SIEGEL: Yes, assuming you got --

MR. MILLER: You used the terminology the
approval of the Racing Commission. You don't need
the approval of the Racing Commission. This is just
an informational meeting only. You're not asking
for our approval.

MR. SIEGEL: Are you asking for an endorsement
from us?

MR. STEWART: No. I think the situation is a
little bit analogous to kiosks. We're explaining to
you what we believe is legal and what we intend to
do.

MR. MILLER: And you're taking the risk to do
it and you're telling us this is what you want to do
and you're gonna do it as a trial experiment here at
Colonial Downs to see if it works out economically
and you're telling us that if it does work out, you
will most likely try to expand the operation.

MR. STEWART: Yes.

MR. MILLER: But also what you're telling us
and what Mr. Gregory is telling us, this is
completely legal and it's gonna be legal in New
Kent, at least, and you're gonna go forward with it
and see how it does and you're taking the risk, both
economic risk and political risk, social risk,
religious risk.

MS. BOUZEK: Let me see if I can give an
example. A year ago, you know, Darryl and a bunch
of us had to sit in a room and go through take-out
rates and see where we could make the most money.

We put out a promotion that said, hey, with the
player award cards, anybody that bets at least
$2,000 in X amount of time on the Philadelphia track
is gonna get a cooler.

We ran that in the OTB. It's the same exact
game. We're just trying to drive people to where
we can make the most money. It's not anything we
haven't done in the past. This is a lot better than
a Colonial Downs Virginia Derby 2003 cooler that we
would send in the mail.

MR. MILLER: Jim, one question. This might be
far-fetched.

What about the Pennsylvania tracks? You're
using their trifecta as a marketing tool. Is there
any possibility that they'd come along and say, wait
You pioneered this.

MR. STEWART: Well, I guess --

MR. MILLER: Let me finish my question.

We pioneered this. You pioneered this and you all got a great thing going, but you're using us as a basis for your operation. What's in it for us, other than we're getting the $10 trifecta bet?

MR. WEINBERG: I think they get the same benefit we get, in that we've driven handle to their product. It's a good take-out for them as well.

MR. MILLER: I can see that, but do you anticipate they might ask for anything more?

MR. STEWART: I don't know that they would ask for anything more. They would get more handle on the simulcast product. They would get a three percent royalty, just like anybody else.

MR. STAPLES: What percent royalty do they get?

MR. SIEGEL: Three percent.

MR. STAPLES: Three.

MR. STEWART: I think my argument back to them would be since we're driving so much business through your place, you ought to give us a break on that three percent.

MR. MILLER: But you don't need to clear
anything with them to use this as a base of your
operation that you're aware of?

MR. WEINBERG: I don't think it has any
intellectual property ownership right attached to
it.

You know, we purchased the right to wager into
that pool through our simulcast agreement, so that
document really defines our rights and obligations
vis-a-vie the Pennsylvania tracks. Pretty standard
document that's negotiated.

MR. MILLER: As long as you're comfortable with
it, it's not our problem. But I just wondered.

MR. FIECHTER: I just wanted to make a
clarification. You said were they gonna be upset
that you're using their marketing. Actually, they
are the product. This is the marketing. We're
marketing their product, so this needs to be
considered the marketing tool.

MR. STEWART: The real risk we run is that the
Pennsylvania tracks change their take-out. All of a
sudden, they decide they want a 22 percent take-out,
you got a problem. We're prepared to run that risk.

MR. S. REYNOLDS: Can I ask a question?

MR. MILLER: Yes.

MR. STAPLES: It's hard to hear back here.
Is he talking about take-out? What about the
take-out in Pennsylvania? Talking about the
take-out?

MR. MILLER: Just a minute. Mr. Reynolds had a
question, then we'll get to you.

MR. STAPLES: I'm sorry.

MR. D. REYNOLDS: Get back to the $10 one
trifecta. How difficult would it be to let the
better pay their $10 and have five, you know, five
bets, you know, five $2 trifectas so they have some
different combinations? Does that mess up the whole
thing? Just makes it more complicated?

MR. STEWART: It probably doesn't. I guess
this is, as I said, this is new territory, so I want
to approach it as simplistically as I can.

MR. S. REYNOLDS: So you'll figure all that out
as you go along. Okay.

MR. STEWART: Yes.

MR. WEINBERG: Did we address the cancellation?

MR. S. REYNOLDS: Yes.

MR. MILLER: Okay. This gentleman back here
has a question.

MR. STAPLES: I'm sorry. I apologize. I
realize it is their forum.

Is it mandatory that the betting public knows
what the take-out is on every product, be it exotic, straight bets or what? Is that mandatory? That's a good question.

MR. MILLER: That's a good question. Does anybody have a good answer?

MS. BOUZEK: It's public knowledge. You can get it on the Internet.

MR. STAPLES: Excuse me?

MS. BOUZEK: It's public knowledge. You can get it on the Internet.

MR. STAPLES: But is it in the programs and is it, you know?

MS. BOUZEK: Doesn't have to be.

MR. STAPLES: It's a big issue on the Internet. Huge issue about the take-out.

MR. MILLER: Dave, can you?

MR. LERMOND: It's in the racing form at the track.

MR. STAPLES: There you go. That's good. Okay. Thank you, Dave.

MR. D. REYNOLDS: Question. So you make money on 30-some percent from Pennsylvania in the bet like this sweepstakes. Is that gonna make money also or break even?

MR. STEWART: No. The best way to understand
the sweepstakes is to look at it as kind of two separate transactions. We're selling trifecta wagers.

We're taking some of our profits in that trifecta wager and putting it in sweepstakes that people are gonna win. We're not gonna make any money on the sweepstakes. The sweepstakes is just a giveaway. It's no different if you buy a trifecta wager, put your name in a hat and we'll draw for $1,000.

MR. FIECHTER: At the end of the day, you're hoping you're gonna sell a lot more of those races to make up for the prizes that you're using to promote it.

MR. D. REYNOLDS: Have you sat down and worked through this process?

MR. STEWART: You mean played the game?

MR. FIECHTER: Mathematically, we went through it.

MR. STEWART: I have not played the game.

MR. D. REYNOLDS: It looks more complicated than I felt it was before I heard the presentation.

MR. STEWART: The importance of Don demonstrating this is the outcome is the same, but what the game provides is just sort of an
entertainment process while you figure out whether
or not you won.

So you can scratch off a ticket and you know
whether you've won in five seconds or you can sort
of go through this series of events that sort of
seems like you're playing something, but you're kind
of really not, and you get the same answer five
minutes later.

MS. BOUZEK: Or you get the instant reveal.

Don, are you gonna show the instant reveal
button?

MR. FIECHTER: Yes. So basically right here on
this particular one, I logged in a different ticket.
So if I just, without even selecting any of these
games, if I don't care to be entertained, I can hit
"Entries", select the number of entries to reveal.
I'm gonna hit "All Entries". I have $12.80. I
didn't play a game. I just said open up those
thousand entries for me. Tell me what I won.

MR. MILLER: And you would have won the same
$12.80 had you used your poker adventure?

MR. FIECHTER: If I had taken poker, if I
played the slot or keno, I would have came to that
same $12.80.

MR. MILLER: Yeah.
MR. D. REYNOLDS: You said you played around?

MS. BOUZEK: Yes, sir. I had the terrible task of going around the state and playing these games.

MR. D. REYNOLDS: And it's not too complicated?

MS. BOUZEK: Oh, no. It's not complicated at all, but you know, we have staff. It's gonna be a little, you know, OTB in there. We're gonna have staff. It's not difficult at all, but if anybody has trouble, we'll have staff to help them.

MR. FIECHTER: I think the Attorney General got involved because it looked like it was too engaging. They had too many people around the state walking in the facilities.

MR. SIEGEL: Where's the closest you went to do this?

MS. BOUZEK: To my house?

MR. SIEGEL: You said you went around the state.

MS. BOUZEK: Oh, there are 12 of them in Richmond. There's one right next door to our OTB in Indian River. There are five of them in Martinsville.

MR. SIEGEL: Where in Richmond would you find them?

MS. BOUZEK: There's one at 4500 block West
BROAD STREET, two blocks down from our OTB. They're all over Hull Street.

MR. WEINBERG: These places, they're operating illegally.

MS. BOUZEK: Illegally. They're operating illegally.

MR. SIEGEL: In the 4500 block of West Broad in what kind of establishment?

MS. BOUZEK: It was an Internet café.

MR. SIEGEL: Oh, okay.

MS. BOUZEK: I mean there's no legal ones running. They're all illegal, but they use the premise. They found a loophole. Oh, we'll sell Internet time.

MR. MILLER: They're slowly being shut down?

MS. BOUZEK: Slowly but surely.

MR. SIEGEL: But they're all Internet-type cafés that are doing this? No bars and restaurants are doing this that you know?

MS. BOUZEK: No.

MR. MILLER: Any other questions from the Commission? Mr. Hettel, you have one?

MR. HETTEL: Mr. Chairman, let me suggest that if you all are gonna go ahead and proceed with this this afternoon, we'll go ahead and put it on your
website, obviously, so everybody can kind of get a
feel for it. And also, if you could send us
something, we could put it on the Virginia Racing
Commission website.

The other part that maybe we're overlooking is,
it sounds to me now like the race track would be
open every day over there, right?

MR. STEWART: Well --

MR. HETTEL: Which it hasn't been previously,
and I think that's gonna be a plus for our bottom
line meeting the purse structure, eventually, with
how much traffic we drive and how many more
pari-mutuel tickets we sell and how many people buy
soft drinks and concessions over there.

MR. STEWART: Our goal is to commence
operations with the start of the harness meet when
we have the county fair out here and we'll have a
few thousand people.

As Bernie points out, assuming that it's
popular, we intend to offer simulcasting on a daily
basis.

So not only you will have the ability to
participate in the promotion, but you'll also have
sort of your standard simulcasting operation as
well.
MR. MILLER: Do you have prepared or are you gonna prepare a Charles Town type of presentation such as Bernie suggested can go on a website? You know, a little three-minute blurb or some informational data or something that says a new, exciting game has come to Virginia or whatever?

MR. STEWART: I think we're -- My thought is to have a little more softer opening than that.

MR. MILLER: Okay. Well, okay, and then eventually you would go?

MR. STEWART: Right.

MS. NIXON: I would think the public, once they understand they can do it, they'd probably be pretty eager to engage in it.

Generally, for lack of a better definition, this is a BLT slot machine game of chance. Most of the United States likes that. Most places I've been, it has been very well received.

MR. STEWART: Well, I would say it simulates them.

MR. HETTEL: Okay.

MR. MILLER: Any questions from the front row? Any questions from the public at large today or Mr. Stewart or Mr. Weinberg?

MR. STEWART: There is one little --
MR. WEINBERG: We'd like to talk about a few more details when you have a moment.

MR. MILLER: Oh, you haven't finished your presentation? Okay.

MR. WEINBERG: So as we begin to think about the operations of this promotion, we need to think a little more deviously as well as to how could someone game the system, place the wager, play the game and then cancel the wager, but we also need to think about what happens if someone does buy that trifecta wager at 12:00 o'clock for a five o'clock race and a horse scratches; what ability does that person have to get a refund.

Ideally, we'd like to make this type of wager non-refundable so that if there is a scratch, you can place another wager, but you don't get your $10 back; you get another opportunity to place a trifecta wager.

In looking at the regulations, they're a little ambiguous as to whether you can make a wager non-refundable.

So we'd like to work with staff to the extent that we need an exception from the regulations or a clarification of the regulations to figure out how to make these wagers non-refundable so that we don't
have people placing the wager, playing the game and then taking their $10 back.

MR. MILLER: So you're suggesting instead of getting your $10, you get like a baseball rain check? In other words, you can attend another game?

MR. WEINBERG: Right. You get a store credit. All sales final, store credit accepted.

MR. MILLER: Well, I would suggest you work on this with Mr. Hettel and Ms. Dilworth to get her --

MR. HETTEL: I think we can do that.

MR. MILLER: -- to get her input on this also regarding the legality of having a non-refundable wager.

MR. STEWART: To be clear, it would just be these particular wagers; am I right?

MR. SIEGEL: Yes, yes.

MR. D. REYNOLDS: It would seem there's another side of that. If I knew that I couldn't get a refund on a scratch, I think I'd be -- that would bother me if I was told I couldn't get anything back.

MR. SIEGEL: But you're no worse off though, because you do get a chance to play again, so you haven't given up anything. You're not in that five o'clock race. You're maybe in a later race.
MS. BOUZEK: You're not in a $10 trifecta race. You just don't get to play again.

MR. SIEGEL: You don't have to pay again, but you get to play again.

MR. WEINBERG: It's like going into a store whose policy is we won't refund your money, but we'll give you store credit if the shirt doesn't fit or you take it home and decide you don't like it. But you're right, it is a detraction.

MR. D. REYNOLDS: I wouldn't buy the shirt.

MR. WEINBERG: Pardon?

MR. D. REYNOLDS: I wouldn't buy the shirt.

MR. WEINBERG: Right. Colonial Downs is making the business decision that it will attract more wagers than it will repel by making the ticket non-refundable.

MS. BOUZEK: If somebody wants a $10 trifecta that doesn't like the fact that it's non-refundable, they can do two $5 trifectas or five $2 trifectas or $8 and $2 trifectas so they can still place their bet.

MR. STEWART: They just can't play the game.

MS. BOUZEK: They just can't play the game.

MR. MILLER: And you're betting, pardon the pun, that this is gonna be so attractive that it's
MR. MILLER: Any other questions or observations? Do you have more?

MR. WEINBERG: We were talking among ourselves. Just so we're perfectly clear, the regulation in question speaks to ticket cancellation, and what we would like to discuss with staff is we're not really canceling the ticket. We're making it non-refundable and exchangeable, but the regulations -- and Dave, if you're looking, it's Page 55 of the regulations, Paragraph C at the top of that page.

And the regulation says: All tickets with a value of $250 or less on live or simulcast races may be canceled at any window at any time prior to the post time for that race.

All tickets exceeding $250 may also be canceled at any time prior to the post time for the race for which the wager was made; however, this cancellation requires the approval of a mutuel manager or a designee.

Then it goes on to speak the mutuel manager has
to make a decision whether it will influence the
odds or not in the pari-mutual pool by making that
cancellation.

We were just concerned that this would be
interpreted that we are canceling wagers or putting
a limitation on the ability to cancel wagers. The
regulation doesn't say that this is obligatory, that
it must be subject to cancellation. It says they
may be subject to cancellation.

MR. MILLER: That's always a big difference,
must or may.

MR. WEINBERG: Clearly, we're giving people the
opportunity to still cancel their wager, as long as
they place yet another wager.

MR. MILLER: Right. All right.

MR. STAPLES: There's a ticket at the regular
track; regular track, if they scratch, you get your
money back at every track in the country, right?

MR. MILLER: Correct.

MR. STAPLES: Here, you have to use it later
like at TJ Maxx or something.

MR. WEINBERG: Just for this one type of bet.
Everything else stays the same.

MR. STAPLES: Got you. Thank you.

MR. MILLER: Anyone else have any observations
or questions?

NOTE: There was no response.

MR. MILLER: All right. That'll wrap up that
and you'll just work through Mr. Hettel and Amy
Dilworth to try to clarify your observation relating
to the race -- scratch. Not race, but scratch.

Okay. Now, you said you wanna go on to your
second proposal now?

MR. STEWART: We'd like to spend a couple
minutes talking about harness racing, and I was
hoping we could have more of an informal dialogue
and hopefully, you know, share some opinions from
everybody.

As you know, the harness contract between the
track and the Virginia Harness Horsemen's
Association expires at the end of this year.

We've said for several times I think over the
last few months that we need to make some
significant changes. We'd like to make some
significant changes.

I was hoping to maybe be able to do that
through the committee with Mark Brown; hasn't quite
worked out yet.

Sat down with Dr. Dunavant, had lunch with him
six weeks or so ago, went through some ideas, had a
brief conversation with him subsequent to that, but I think that, you know, there's some serious issues related to this that need to be aired, you know, amongst the Commission in some sort of a forum and I guess this is the only forum that I've got.

So that being said, we've been running live harness racing in Virginia since 1998. In my opinion, over the last 13 or 14 years, we haven't really made a whole lot of progress toward the stated goal of sustaining and promoting and growing the native harness race Standardbred industry and I think that it's time for a new direction.

I don't think continuing along the same vain will lead to a different result. I think that after 13 meets, that we've reached a point -- in what I've distributed there -- is we've reached the point where basically, we're putting on a very expensive live harness meet. We're investing significant resources in it every year, and A, I don't think it's growing the native industry, and B, it's basically serving to benefit out-of-state horsemen.

If you look at the charts that I've distributed here, what you find is that the Virginia horsemen are getting roughly 15 percent of the money, 15 percent of the purse money.
I've said this before, but the meet costs roughly $700,000 and we're doing that in order to distribute a couple hundred thousand dollars to the Virginia harness horsemen.

I don't think that's a most efficient way to do that. I think there has to be a better way.

My suggestion that I made to Dr. Dunavant is that we configure the meet such that it becomes a Virginia-centric meet; the meet and the purse structure and the way it's configured, and I do not claim to be an expert in how to do that, such that, you know, 80 percent of that purse money goes to Virginia horsemen, and that way, I think you can build a base.

I think the problem is there's always been this artificial focus on success is measured in the number of days that we race. I've said this for years. I think that's the wrong metric. I don't think that really measures progress.

I think for the Standardbred industry to grow in Virginia, it has to have a solid base. There has to be a base. There has to be an inherent desire for people to want to own Standardbred horses and want to race Standardbred horses and that will in some fashion, theoretically perhaps, grow popularity...
amongst, you know, in the public, and that way, it can sustain a larger meet. But if we don't start with a strong base, then I just don't think we get anywhere.

So my suggestion has been somewhere along the lines of let's run a 12-day meet. We can see -- One other thing that we didn't mention about the Thoroughbred meet this year but I think is evident, is that the 100 percent bonus program for Virginia horsemen was very successful and I think that created a lot of interest in Virginia breeding and Virginia horses.

My suggestion would be let's have a 300 or 400 percent bonus program for the Standardbred industry and let's take the money that's available and let's distribute it in such a fashion that the Virginia horsemen get 80 or 90 percent of it and it creates a demand for Virginia-bred horses and as that demand grows, perhaps there's an opportunity to grow the live racing profit.

I'm open to other ideas. I guess, you know, I try not to be a draw the line in the sand person, but it just seems crazy to keep doing what we're doing.

MR. MILLER: Any questions, gentlemen, from the
commissioners? Any commissioner have a question regarding the harness racing observation?

MR. LERMOND: Mr. Chairman, I was just curious. What is the percentage on the Thoroughbred meet as far as Virginia horsemen? You say 15 for harness.

MR. STEWART: I honestly don't know. I think the distinction there is that when you look at the live Thoroughbred meet and you for instance look at Virginia Derby Day, as a businessman, there is a path to profitability here and that path is if we can put 40,000 people out here for the Virginia Derby, that pays for the whole meet and that model is really no different than what's sustained racing in Maryland for all these years; The Preakness. They make all their money in one day. Until Churchill Downs discovered slot machines, they used to make all their money on one day.

The idea that we can create a small, boutique meet that is built around some major events that we can promote and grow attendance, we can make money at that. We can make money at that. There is a path to success. I don't see the path to success in what we're doing in harness racing.

MR. MILLER: Ian, do you have any?

MR. WOOLNOUGH: That Dr. Dunavant is talking to
Ian and I think relayed to you there is something that we have in the works right now, which is similar to going along the same lines of what Ian Stewart is saying. Until the board looks at this and discusses the financial end of it, it's just too soon to bring it to the Commission.

MR. MILLER: When do you think you would have any information for the Commission?

MR. WOOLNOUGH: Prior to our meet starting.

MR. MILLER: So maybe on the meeting on the 23rd?

MR. WOOLNOUGH: That may be pushing it a little bit. I'm not sure. You've got 14 members on the board. It's kind of hard.

MR. MILLER: Maybe our regular September meeting?

MR. WOOLNOUGH: I should think so.

MR. MILLER: What date is our September meeting?

MR. D. REYNOLDS: August the 23rd.

MR. SIEGEL: No, September meeting.

MR. MILLER: I've got 27th of September.

MR. HETTEL: That'd be right. That's the last Tuesday of the month.

MR. MILLER: So that'd be perhaps by then you
could have some kind of --

MR. WOOLNOUGH: Proposal layed out. To
suddenly change direction right now, you know, you
don't suddenly go out and say we're suddenly gonna
make them Virginia-bred. You've got to get the
mares. You have to breed. You get the foals. It
has a process to go through. That's the issue that
you're looking at.

MR. MILLER: Right.

MR. SIEGEL: Can you fill the fields with
Virginia horses there? It's a small industry in the
Commonwealth. How many days can you run with
fields?

MR. WOOLNOUGH: If you just limit it to
Virginia-breds? If you limit it just to
Virginia-breds the same as you would if you limit it
to Virginia-breds and Thoroughbreds, you would have
an extremely short meet.

MR. SIEGEL: What's being suggested here? You
put the money in the Virginia horses so the
out-of-state horses will likely not come?

MR. STEWART: Well, to kind of track back
through history, we actually ran a 15-day harness
meet in 2001, and you know, we had enough horses
then.
MR. SIEGEL: But they were not --

MR. WOOLNOUGH: They weren't Virginia-breds.

They were many more that came.

MR. STEWART: I take it back to my original point. What's the goal? I mean if all we're gonna do to measure progress by how many days we race out there, then sure.

MR. MILLER: There's always some concern among horsemen, I gather, relating to the length of a meet regarding the expense of bringing in their horses for a short period of time.

Is 12 days -- Is the big difference between -- Is it significant that you would suggest 12 days as opposed to 15, for instance? Would 15 be -- I mean they have done that before.

MR. STEWART: Sure. Fifteen or 12.

MR. HETTEL: The amount of total persons would be the same whether it was 12, 15 or 20, correct?

MR. STEWART: Correct.

MR. HETTEL: So in terms of being attractive, I think it would cause more horsemen to want to come for a more attractive purse. Virginia separates much like a Thoroughbred. We designate Virginia's and they get 200 or 300 percent on what the purse is, but the other horsemen would be running for good
purses in 12 days, as opposed to 20 days. The purse structure would be more conducive for them to come because it's a higher number.

MR. PICKLESIMER: You can open it up to Virginia owners. There's a lot of stuff you could do.

MR. HETTEL: You can designate a lot of Virginians; Virginia licensers, people born here, bred here, vote here. I don't know.

MR. MILLER: If you shorten the meet -- This is just for instance. If the horsemen agreed and you determine that you have a 12-day harness meet, would there be a better time to do it than in the September-October time frame? They used to race harness racing in the spring here, didn't they?

MR. WOOLNOUGH: The individual sire states program, the two-year-olds can't run that early. They're not like a Thoroughbred. You can't run those that early and we have a lot of two-year-olds.

MR. MILLER: What about the -- That's all right.

Go ahead.

MR. STEWART: That being said, we are gonna suggest exactly that. That we run in late April or early May, right around the Kentucky Derby. That's
when the interest in horse racing in general is at its peak. There's no perfect answer to any of them.

MR. MILLER: But you say that's too early?

MR. WOOLNOUGH: May, yes, for the two-year-olds.

MR. SIEGEL: Combine that with making it Virginia-centric, it exhibits problems, it seems.

MR. WOOLNOUGH: Quite a bigger problem.

MR. SIEGEL: Even if you run 12 days, if you can't fill fields, then you only have a few races a day.

MR. WEINBERG: I think one way to look at this is you're taking the purse funds. Right now, the metric is take your purse funds, decide what the average purse per day is, divide that and have a meet.

You were saying let's take a portion of the purse funds and allocate them to bonuses to Virginia horsemen. So again, you're having a shorter meet, but you're not changing the purse structure, necessarily, for the folks who already are coming to your meet and so --

MR. SIEGEL: But the out-of-state horsemen, their end of it reduces, does it not?

MR. WEINBERG: No. I'm saying it stays the
same for the out-of-state horsemen, but rather than running 30 days, we're taking --

And say our meet was 15 days. We're taking the purse funds from those 15 days we're not running and putting them in a bonus pool for just Virginians. So 15 days is almost identical to the meet they've always run -- they always come to Virginia to run.

MR. WOOLNOUGH: Well, it wouldn't be, because the difference between the Thoroughbreds and Standardbreds, there is a much larger degree of sponsorship for Thoroughbreds. All of the money that's in the Breeders Fund goes to Virginia-breds, outside of the administrative cost, which is very minimal. It's all into those state programs and it's into owner's bonuses and it's into breeders bonuses. Every penny.

In fact, last year, the VHHA put another $150,000 in to it. The purse account is strictly there. If you're taking it out of the purse account, you're not gonna know what that number is going to be.

It's the same as the Thoroughbreds. They didn't know until the last day whether there was enough money in there. All of it was coming out of the Breeders Fund, not out of the purse account and...
owners' fund. There's a difference.

MR. WEINBERG: Ian, I understand there's gonna be problems and challenges. We're throwing out concepts.

MR. WOOLNOUGH: No, we're working now. I may be speaking early, but by September, our plan would be laid out, which I'm sure Dr. Dunavant has talked about with Ian.

MR. MILLER: I think every suggestion and every observation relating to maintaining racing in Virginia, both Thoroughbred and Standardbred, especially Standardbred harness racing at this point, will be subject to controversy and questions about the logistics of how you do it and how you implement it and how you spread the reward. I think what Colonial Downs is doing here today, you're throwing out a suggestion.

Now let me ask a question. Delaware Park; When do they run their harness races?

MR. WOOLNOUGH: Delaware doesn't run harness.

MR. MILLER: They don't?

MR. WOOLNOUGH: No.

MR. MILLER: What is the Delaware -- Isn't there --

MR. STAPLES: Dover.
MR. MILLER: Dover. Dover.

MR. WOOLNOUGH: Dover and Harrington are two and they are on and off, but they are casino-supported.

MR. MILLER: They are?

MR. WOOLNOUGH: Yeah.

MR. MILLER: Okay.

MR. STAPLES: Ocean City runs them, too.

MR. HETTEL: Rosecroft is anticipating opening back up.

MR. STAPLES: They're opening up again.

MR. MILLER: So it's Dover and what's the other one?

MR. WOOLNOUGH: Harrington.

MR. MILLER: I said Dellway Park. I have a friend who I went to school with who is a driver in the harness business. I knew he raced in Delaware. I just assumed.

MR. WOOLNOUGH: Either Dover or Harrington.

MR. MILLER: Go ahead.

MR. D. REYNOLDS: You said Colonial Downs is making a presentation and recommendations and everything is discussed. The first thing they are saying is we really need to do something and something big because that's what's here.
MR. MILLER: Absolutely.

MR. D. REYNOLDS: And I think everybody has to come to the table with acceptance of that. I'm not sure we're going to have it.

MR. MILLER: Well, I think we need to attempt it. I was going to suggest --

You've made this suggestion today. There's also been a suggestion about of a combined meet. We've had the suggestion of having some satellite bases in Virginia at a couple of tracks that exist. I think those are suggestions that need to be put into -- need to be further explored. Whatever Ian's group comes up with, you know.

MR. WOOLNOUGH: Even at the combined meet, we have always been supportive. We're willing to do anything.

MR. MILLER: I'm just saying, whatever your people come up with, get it all together and Colonial Downs will have this suggestion today and the suggestion they previously made about having a combined meet, having the satellite races.

Let's explore all this, because I agree on the face of it, it's just fairly apparent we can't keep going this way, I don't think.

From my point of view, its futile to keep going...
the way you're going, I think for all racing, really, but particularly for harness racing.

There are going to be -- there have got to be changes. There have got to be significant changes in approach, because you're not going to get a different outcome using the same input we've had in the past in Virginia, and so I would like to see us -- I would like to see more ideas.

And I have to commend Colonial Downs and commend anyone else that has ideas about how to improve the racing product and to make some changes, not only in the races, the physical races themselves, but changes in how to enhance the, as they say in congress, enhance the revenue.

There's got to be more money. There's got to be more interest. The sport has to grow. It can't stay the way it is.

I hope that's gonna be the outcome of eventually the -- Mr. Commissioner Sargeant Reynolds looking at the Thoroughbred operation, Commissioner Brown looking at the harness racing, Commissioner Dave Reynolds looking at some ways to try to get more funds in by hopefully expanding the satellite, the OTB operation and doing even more with the advanced deposit wagering and expanding the kiosks.
and so forth, ad infinitum.

All these things have to be looked at and I'm hoping that after all these things are looked at, that we can put together something that might be unheard of, and that would be a report from a state agency to the legislature that's meaningful.

I would hope that our report that we're gonna make, the next mandated report that we make from the Virginia Racing Commission to the legislature and to the governor will contain in it not just that we operated this year and took this much money in and we paid this much money out and had this many race days. We addressed medication of horses. We addressed this, we addressed that and a good time was had by all.

I'm hoping that our report -- and it's going to be a job to put it together, but I'm confident our staff and this commission, that we can do it, and with the help of Colonial Downs, I hope that our report to the legislature and to the governor will have a perspective from our --

Since we only have one licensee, I see no problem in including a provision in our report from the licensee what they feel the status of the industry is in Virginia, what they feel about the
regulations and rules we have in place. You know, get a perspective from the licensee. Put it in our report, together with the report of our perspective of what's going on.

But I particularly want a perspective from this Commission. If it has to be just me, that's fine, but I want to lay it on the line to the legislature and the governor that things have to change.

We've got to expand into Northern Virginia with the OTBs. We've got to work to get more money in the gaming portion through the kiosks. We've got to look at innovative things that are suggested here today. We've got to look at more innovative wagering in Virginia.

Otherwise, I mean why would we even go on? Why would we waste the time and energy of the citizens of Virginia and the people on this commission and the people on this staff and the legislature considering different proposals every year, the governor appointing people and not appointing people and considering whether people should serve on this body? Why? Just do the same thing we've always done? If that's gonna be the case, I say forget it.

That's what I hope the bottom line of at least what my part of the report is gonna be. The other
commissioners might not join in, but I'll see that
we get at least that perspective made on the status
report of racing in Virginia this time as I go out
the door.

So I commend you on this and I look forward to
and I hope that the harness people can come up with
some good suggestions and good ideas also.

Anyone else? Any observations or comments or
so forth to add to this discussion?

Mr. Siegel?

MR. SIEGEL: Nope.

MR. D. REYNOLDS: No. I think it's time to
address a big, major change.

MR. MILLER: Absolutely. That's where I get my
inspiration; from riding around with Dave Reynolds.

Sargeant?

MR. S. REYNOLDS: I agree with your comments.
I'll be with you there all the way, but we're not
letting you out the door. We're gonna keep you
around.

MR. MILLER: Mr. Hettel?

MR. HETTEL: Well, I think from my brief time
here, the necessity to get from mediocre to great
has been everybody's idea. It really has been.

My first initial conversation was the
consideration in taking this job that the impetus is here. We've got a stakeholder who wants to make things better here, obviously.

We need the cooperation of both Thoroughbred and Standardbred and let's take it to the next level.

I think Ian's correct. The number of race days is not analogous to anything other than let's just support a mediocre way of doing things. Your comment is correct.

To kick it up, we can better Standardbred racing, much improve Thoroughbred racing and we're looking toward that destination.

Most of the race tracks in the United States are encapsulating the days to be smaller. New York's probably going to be smaller. Florida, I know is. Kentucky is decreasing their days. Smaller, better, more lucrative for the horsemen. You don't have to run as many days to make a greater amount of money.

So that's my comment.

MR. MILLER: I want to add one other thing. I sent an e-mail around. I must admit that I was on the Commission almost five years before I learned that we were mandated to have a strategic plan in
place with the State of Virginia. All state agencies apparently have to post a strategic plan with the Commonwealth.

So it was drawn to my attention that we had a strategic plan and so I looked at our strategic plan that's presently in place and it is so out of date, it's pitiful.

MR. S. REYNOLDS: I agree.

MR. MILLER: It still has this -- I guess it was 1998 mind set; 100 days of racing, and you know, all this stuff.

But anyway, it needs to be readdressed, so I've asked certain people to serve hopefully on another committee. And I know you're going to get tired of having all these committees, but it's the only way I see of getting things done, is to give some responsibility to certain people, so I suggested a committee.

I suggest that of course anyone that wants to serve on it could serve on it, but I particularly wanted Frank Petramalo to serve and he said he would. I particularly wanted Jim Weinberg to serve; he said he would. I wanted Peter Burnett to serve; he said he would. Bernie Hettel will of course serve on it.
We can't have more than two commissioners on it, because if you have more than two, then every time you decide you want to have a committee meeting, you run into the problem of having the public notice of a formal commission meeting.

So any two commissioners -- If I wanted Dave to serve on it as one for senior members, you'd be willing to serve on it?

MR. SIEGEL: Are you gonna serve on it?

MR. MILLER: No. I want you to serve on it.

MR. SIEGEL: Sure.

MR. MILLER: I'll just listen to what you have to say.

MR. SIEGEL: Okay.

MR. MILLER: Okay. I was gonna put the two senior members of the commission on it. You know, you're the next senior member after Mr. Brown and so --

MR. SIEGEL: Mr. Reynolds.

MR. MILLER: -- so thank you. And Mr. Reynolds would be appropriate. I think you and Mr. Reynolds would be appropriate to be on it.

This would be a strategic plan compatible with what the racing business is today, what the gaming business is today, the expectations of what we are --
doing for the state, you know, what we contemplate would be the bottom line as far as enhancing the agricultural industry and so on and so forth.

But anyway, you'll have to review the present strategic plan and you'll see when you read it, you'll see that it just, it needs to be modified.

And I don't know how often these strategic plans need to be filed with the state agency. Maybe it's semi-annually. Maybe it's bi-annually. I don't know. But it's time to have another strategic plan in place for the public to view as far as what the state agency is up to.

So anyway, I'll have Mr. Hettel work on this committee and he'll put it all together and formally advise everyone. I'd asked Glenn Petty and I didn't hear back from him, so I don't know that he wants to serve or not, but I suspect that a seven- or eight-member committee would be good to get perspective from the harness industry and licensee and Thoroughbred industry.

MR. HETTEL: Everybody's availability would be better after summer is completed and vacation is finished and travel plans.

MR. MILLER: I'll put that in your hands to make sure that that's pulled together.
MR. HETTEL: All right.

MR. MILLER: Now, is there anything further from the stakeholders?

MR. STEWART: No.

MR. MILLER: Anything further from any commission member?

NOTE: There is no response.

MR. MILLER: We need to have a very brief closed session, if we could.

MR. SIEGEL: The items in the closed session are unrelated to what's been discussed today. Everyone who wants to stay can do so, but there will be nothing to report out.

MR. MILLER: In accordance with the provisions of Sections 2.2-3711(A)(1) and 2.2-3711(A)(7), I move that the Commission go into closed meeting for the purpose of discussion or consideration of the assignment, appointment, performance or salary of a specific public officer or appointee or employee of the Commission and for the purpose of consultation with legal counsel or employee retained by the Commission regarding specific legal matters requiring the provision of legal advice by such counsel.

I move. Did I hear a second?
MR. SIEGEL: Second.

MR. MILLER: All in favor. Mr. Reynolds?

MR. S. REYNOLDS: Aye.

MR. MILLER: Mr. Reynolds?

MR. D. REYNOLDS: Aye.

MR. MILLER: Mr. Siegel?

MR. SIEGEL: Aye.

MR. MILLER: And I vote aye.

It will be very brief.

NOTE: There is a recess from 11:10 a.m. until 11:30 a.m.; thereafter, the hearing continues as follows:

MR. MILLER: WHEREAS, the Virginia Racing Commission has convened a closed meeting on this date, pursuant to an affirmative recorded vote and in accordance with the provisions of The Virginia Freedom of Information Act;

WHEREBY, Section 2.2-3712 of the Code of Virginia requires a certification by this Commission that such closed meeting was conducted in conformity with Virginia law;

BE IT HEREBY RESOLVED, that the Virginia Racing Commission certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements
under the Virginia Freedom of Information Act and
(ii) only such public business matters as were
identified in the motion convening the closed
meeting were heard, discussed or considered by the
Commission in the closed meeting.

I hereby call for a roll call vote to so do.

Commissioner Siegel.

MR. SIEGEL: Aye.

MR. MILLER: Dave Reynolds.

MR. D. REYNOLDS: Aye.

MR. MILLER: Sarge Reynolds.

MR. S. REYNOLDS: Aye.

MR. MILLER: Commissioner Miller votes aye also.

Okay. Move we adjourn.

MR. SIEGEL: I move we adjourn.

MR. S. REYNOLDS: Second.

MR. MILLER: We are adjourned.

NOTE: The hearing is then adjourned at
11:31 a.m.
CERTIFICATE OF COURT REPORTER

I, Sandra G. Spinner, hereby certify that having first been duly sworn, 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 17th day of August, 2011.

_________________________________________

SANDRA G. SPINNER
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