VIRGINIA RACING COMMISSION

January 16, 2013

10700 Horseman's Road

New Kent, VA 23124

Commencing at 10:06 a.m.

COMMISSION MEMBERS:
Stuart Siegel, Chairman
J. Sargeant Reynolds, Jr., Vice Chairman
Carol G. Dawson
D.G. Van Clief, Jr.
Stran L. Trout

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

ATTORNEY GENERAL'S OFFICE
Joshua E. Laws, Esquire

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AGENDA

1. Election of Chairman for 2013
2. Election of Vice Chairman for 2013
3. Approval of the minutes of the regular meeting of November 7, 2012
4. Commissioners' Comments
5. Committee Reports
   a. Breeders Fund Thoroughbred Subcommittee Recommendation
6. Executive Secretary's Report
   a. Proposed Amendments to Chapters 20, 45, and 180
7. Stakeholders
   a. Horsemen's Agreement
   b. Amendment to Thoroughbred Race Days
   c. Limited License for Virginia Gold Cup (VGC)
8. Applications for Renewal of ADW Licenses for 2013
   a. EZ Horseplay
   b. TVG
   c. XpressBet
   d. TwinSpires
   e. Racing 2 Day
9. Closed Meeting
10. Public Participation
11. Set Next Meeting -- TBD
12. Adjournment
CHAIRMAN SIEGEL: Good morning, everyone. I will call to order the January meeting of the Virginia Racing Commission. Mr. Petty is on time, I noticed, which is very nice.

MR. PETTY: Pretty good for me.

CHAIRMAN SIEGEL: The first item on the agenda is to welcome our newest member to this commission, D.G. Van Clief. I think anyone who knows anything about horses or horse racing might know D.G. or know of him.

I will not go through his résumé, but he grew up in the horse business with his family in Virginia and has spent a fair amount of time in Kentucky and has led lots of organizations and knows a whole lot about this industry, and I'm sure will add great value to this commission, to our deliberations for the benefit of racing, and the Commonwealth, which is what we all seek to do.

D.G., welcome.

MR. VAN CLIEF: Thank you very much. Happy to be here.

CHAIRMAN SIEGEL: I have encouraged him to weigh in and weigh in often, and hopefully, he will do so.

The first item on the agenda, which we do at Capitol Reporting, Inc. (804) 788-4917
this meeting on an annual basis, is to elect a
chairman and a vice chairman to this commission. So
the Chair will entertain a motion to do so.

MR. S. REYNOLDS: Mr. Chairman, I'd like to
make a motion to reelect you as chairman for this
coming year.

CHAIRMAN SIEGEL: Do I have to make a
collection or something like that? Thank you.

MR. S. REYNOLDS: To be determined.

CHAIRMAN SIEGEL: Is there a second?

MR. TROUT: Second.

CHAIRMAN SIEGEL: All in favor?

NOTE: The Commission votes aye.

CHAIRMAN SIEGEL: Any opposed?

NOTE: There is no response.

CHAIRMAN SIEGEL: Thank you for the confidence.

MR. S. REYNOLDS: You're welcome.

CHAIRMAN SIEGEL: We will entertain a motion
for vice chairman, and as Chair, I would nominate
Sarge Reynolds, if you're willing to serve.

MR. S. REYNOLDS: I have given it a lot of
thought, and I will.

MS. DAWSON: Second that.

CHAIRMAN SIEGEL: There's a second. All in
favor?
MS. DAWSON: Aye.
MR. TROUT: Aye.

CHAIRMAN SIEGEL: Great. So we now have a
chairman and vice chairman.

The approval of the minutes from November 7,
the last meeting, they're in your booklet behind Tab
One. I'm sure everyone has looked at them. Any
corrections, additions, any comments about those
minutes? If not, we will entertain a motion to
approve.

NOTE: There is no response.

MS. DAWSON: I move that the minutes be
approved.

CHAIRMAN SIEGEL: All in favor?

MR. TROUT: Aye.

CHAIRMAN SIEGEL: Commissioner comments.

Mr. Reynolds, I believe you have a subcommittee
recommendation.

MR. S. REYNOLDS: Unless there are some other
commissioner's comments first, or any general
comments.

CHAIRMAN SIEGEL: Well, we can do them all at
the same time.

MR. S. REYNOLDS: Well, I'll start.

Mr. Chairman, the Thoroughbred subcommittee of the
Virginia Breeders Fund voted to recommend the following expenditures from the Thoroughbred portion of the Breeders Fund 2013. I'm gonna read what those recommendations are, and before I put it to the commissioners for a vote, I'd like to open up the floor if there is any further discussion, and I know there were some e-mails and discussion going back and forth, but if there is any further discussion, I would entertain comments on that.

MR. PICKLESIMER: Just one quick question. Just a couple comments. Everybody worked hard to put together a proposal for the Breeders Fund, but I don't know if a watered down 100 percent bonus is worth jumping through all the hoops and making it as complicated as we have.

Just three issues that I sort of have a problem with. In the proposal, the Association purse money is basically going to pay $40,000 of every restricted purse stake, so the Virginia-breds fund is only gonna put up $10,000 for each restricted purse. Historically, those funds are usually 50/50 out of the purse account and out of the Breeders Fund in most states.

The proposal also calls that we add a $25,000 bonus for Virginia-breds running in open states.
Personally, I think it's a waste of money. Anything between $50,001 and $99,999 is a waste of money, unless you have surplus purse money.

A $4,000 stake qualifies you for black-type earnings, $100,000 qualifies you for listed status, or you know, eligibility to be graded at some point. Anything in between is, you know, paying too much for a car, you know, basically.

The third point, that there's a $10,000 cap on the bonus. Well, I think that sort of goes against what we tried to do by shortening up the meet. The $10,000 cap rewards the lower level claimers more than it does the better horses.

So we've shortened the meet to try to increase the quality of the meet, but we are rewarding the cheaper horses more than the better horses. I just -- that part doesn't make sense to me.

Anyways, those are -- that's it in a nutshell.

MR. S. REYNOLDS: Okay. Does anybody have any follow-up to that, those comments at all?

NOTE: There is no response.

MR. S. REYNOLDS: One of my suggestions was gonna be, you know, with this subcommittee, we kind of meet towards the end. Everybody is usually in agreement, it has been unanimous in the past, and we
haven't really seen a need to have a formal meeting. I understand for this meeting that the stakeholders have gotten together a few times and have talked all this through. I'm gonna propose what our committee did vote on, even though it wasn't unanimous. We're gonna vote on this, but I may suggest that, or put out there, do we need to have a formal meeting next year where everybody gets together and talks about this first in a more formal way?

MR. PICKLESIMER: A conference call, or you know, would be fine.

MR. S. REYNOLDS: Okay. I'm gonna certainly suggest that for this year.

CHAIRMAN SIEGEL: It would be important that you meet, even if it is by telephone, but I think, obviously, everything should be aired out, any concerns or questions.

MR. S. REYNOLDS: Right.

MR. PETRAMALO: May I make a comment?

CHAIRMAN SIEGEL: Sure.

MR. PETRAMALO: There's history here that went into this recommendation. By your own regulations, you require roughly a 50/50 split between Breeders Fund money spent on the live meet and Breeders Fund
money spent year-end for breeders awards. Over the years, that ratio hasn't been followed; it has been out of whack.

A good portion of the money was being spent at the live meet, which as horsemen we say, go on, that's good. That's good. When we started, for example, with the 100 percent bonus, the first year, we used almost 90 percent of the fund money and it kind of got closer to balance as we went along, but last year, I think it was 60/40; 60 on the live meet, 40 on the breeders awards.

This year, the breeders took a very militant stance; they thought enough is enough, let's get more money to the breeders, so what we wound up with is a compromise. It's 50/50 split, and we came up with a number of solutions, some of which strike you as a little unusual, like the one Tyler mentioned.

That is, putting a $25,000 Virginia bonus on top of the 50,000 stakes purse for open races, but that was a compromise. That's something that somebody suggested, probably you, Stephanie.

MS. NIXON: I'll take the blame.

MR. PETRAMALO: You take the blame, because you know, it made the breeders feel better. They understood exactly what Tyler was saying, but said,
well, gee, you know, this really looks good, because we can promote these open stakes as $75,000 races the way everybody else does. So that's how we came up with this, but the bottom line was we wanted to try and strike a 50/50 balance, and that's what we did.

MR. S. REYNOLDS: Okay.

MR. PETTY: Let me just add a quick point. I didn't think we were gonna rehash all this, so I'll keep it brief.

What Frank says is correct. The breeders felt like the tipping point was a very short meet. You have eight weeks of Colonial Downs, but you have 44 more weeks that these guys are producing horses that are running in other places, and if you look over the Breeders Fund from 2008 when the payout ended up around 80 percent at the track and 20 percent, it has been averaging close to 70 percent, 70/30 since 2008, so they are looking to return the balance to the 50/50.

Tyler's correct about -- no question -- technically correct, about the 50 to 100, but what the feedback from the breeders is, they can't get people to bring their horse for a $50,000 race. Somebody out there has produced a stakes horse,
wants to build their mare's résumé, wants to earn breeders awards, wants to do what breeders are supposed to do, and you notice this by how few Evans-breds, for example, have run in the $50,000 stakes. We couldn't get him to come here, or other trainers in the east, New York, New Jersey, for 50. We think we might be able to lure them for 75.

The money that isn't spent, and we don't think it will all be spent, will be pushed to the back end and find the breeders awards.

We had a cap in 2009, I think. It's true you do 100 percent fund the cheaper races over the more expensive races, but the fact of the matter is when you look at the results, the cheaper races are the majority of the races. Not many horses or owners will hit the cap. It will be more so this year because of the higher purses when you look at conditions.

One of the other things we talked about was in the current purse structure, if the maiden race is $30,000 and we double that, does it make sense that a maiden special race has a higher purse than the Virginia stakes race? There's a lot of trying to keep all the boats floating at a sensible level.

I think this was, as Frank said, was a
reasonable compromise. We tried to give everybody something that worked for them. Track can promote, we can promote. Front end guys are happy, back end guys are happy, appeals to trainers, owners and the breeders.

I understand Tyler's concern that it looks complicated, but I think it looks complicated from the inside out, doesn't look terribly complicated from the outside in.

I was looking up this morning Tampa, for example. They run a bunch of $50,000 stakes with 25 added in from Florida. It's a model that's being used. Maryland is now adding 50 to some. So the guys looking at the books get it. I don't think they will be confused.

I don't think it will cause a hitch and it might get us some more horses. We might be looking at a ten-horse field, because maybe three Virginia-breds come to town that normally wouldn't for those races.

MR. PICKLESIMER: The flip side to that, though, is you take horses out of restricted stakes and run them in the open stakes, so you may go from an eight-horse field in a Virginia-bred stake to a six, or maybe the Virginia-bred stake doesn't go, so
there's a consequence to that, also.

MR. S. REYNOLDS: We'll see how that goes.

CHAIRMAN SIEGEL: Well, you know, unfortunately, we don't always reach 100 percent consensus, but it seems to Sarge and I, I believe this is a starting point, and we can certainly revisit this thing going forward and see how it works, or if it works for this meet, and then make some decisions and alter it as we move forward.

That's sort of the way you feel about it?

MR. S. REYNOLDS: I do, and I thought maybe at some point, we would get the group together and discuss all this in more detail, maybe it a little more formally or by teleconference or something, but at least get everybody on the committee involved in discussions, because I wasn't involved in the discussions at all, so I would like to be.

CHAIRMAN SIEGEL: Bernie, are you okay with that?

MR. HETTEL: Yes, sir. I think it's solid for this year. I think Sarge's point is correct. We need to somehow, either before the next Racing Commission meeting or before a future Racing Commission meeting have this subcommittee meet, and begin a little bit earlier.
It probably gets to be its lack of funds, of course, and not anybody is going to be satisfied with the small portion they get.

CHAIRMAN SIEGEL: We have on this agenda probably four actionable items, but if it's okay with everyone, we'll take them together and let's go through them and we'll do them all at once.

Any other comments on this issue?

MR. TROUT: Just one more question. Is this in the opinion, I guess the general opinion, even with some people who might not be satisfied with all of it, is this ready to go as it is and it could be tweaked later, or is this something that can be postponed until it can be looked into?

MR. S. REYNOLDS: My feeling is that the vast majority of the folks are happy with this; the horsemen and the breeders are happy with this. I would like to see this get approved and we commit to this this year, and then we work together to see what we come up with next year after seeing what happened this year and having some more conversation, but my intention is to bring this to the commissioners for their approval as it is stated.

CHAIRMAN SIEGEL: Okay. I was reminded that I
did not earlier ask for commissioners' comments. Is there any commissioner that would like to make comment at this time about any issue? Typically, we don't have many to do, but it is important that we ask.

NOTE: There was no response.

CHAIRMAN SIEGEL: The next would be the executive secretary's report, Bernie.

MR. HETTEL: Yes, sir. As you may recall, earlier --

CHAIRMAN SIEGEL: Behind Tab 3, by the way. Excuse me.

MR. HETTEL: Behind Tab 3. Last year, the governor's office contacted all the state's agencies and required of them to do some housekeeping on the regulations that they operate under.

For inclusion in the booklet is the collective effort of the staff to clean our regs up and make them more useable, and as I said, it was highlighted, marked, in your booklet.

They deal with outriders for harness racing, video equipment, and races that have had some complication or an inquiry, the security that includes the Virginia State Police that we don't need anymore, security guards for the steward stand,
which sometimes is a good idea, the elimination of
twin trifectas, the elimination of temporary
licenses for ADWs, and deletion of the word "serum"
in our testing protocol. So I'd seek a motion to
approve those recommendations.

CHAIRMAN SIEGEL: I take it everyone has looked
at them. Again, we'll do these all together at the
end, if it is okay.

MS. DAWSON: Mr. Chairman?

CHAIRMAN SIEGEL: Yes.

MS. DAWSON: Is it appropriate right now? I
think Commissioner Stran and I both would like to go
through these and get a little background.

MR. TROUT: Right. I don't have any objection
to anything that's in there, but just for my benefit
and actually for the benefit of some others to look
at what appear to be some of the changes. I've got
some clips in here, and maybe just go through ones
that I've got listed.

MR. HETTEL: Okay. Specifically, let's do
that.

MR. TROUT: Very briefly, first, Page Five, and
I'm looking at the lined-out item, "Outrider for
harness racing." Is that something that's not
needed or not used?
MR. HETTEL: That's not necessary.

MR. TROUT: Okay. That's a good answer.

MR. HETTEL: Brief, but correct.

MR. TROUT: On Page Nine, you mentioned something about the steward stand.

MR. HETTEL: Right.

MR. TROUT: Security personnel at the entrances to the steward stand. Is that something, again, that's not needed or not used?

MR. HETTEL: I think that was probably over-worded when it was written. There's not anyplace that I've ever been where there's a security guard posted at a steward's stand. There's plenty of security before you get to there, as a matter of fact.

MR. TROUT: Okay.

MR. S. REYNOLDS: Can we jump back to Page Six quickly? I'm sorry to interrupt.

MR. TROUT: Okay. No problem.

MR. S. REYNOLDS: Just out of curiosity, you all struck "promptly delivered to Commission copies of videotapes of the races where there had been objection, inquiry or protest". I don't have a problem with that; I'm just wondering why.

MR. HETTEL: Well, it's unnecessary. They're
already stored on the other side of the racetrack. We don't need to make a copy and be stored here.

MR. S. REYNOLDS: Got you. Thank you.

MR. TROUT: I forgot to mark that one. Thank you.

Next one I had was Page Ten, and it talks about in the event of a discrepancy between two sets of pool totals. Is this something a discrepancy does not or cannot exist, or is there any other method for determining?

MR. HETTEL: Well, there's no absolute, but again, this is the redundancy of the totaling company that works diligently to make sure those pools are correct. You may recall years and years ago, there was bit of a gap in the technology, and this satisfies it, the way it's done right now.

MR. TROUT: So you still have the two totals, but there's considered a very low probability they can conflict?

MR. HETTEL: An impossibility.

MR. LERMOND: We don't want them to just take the higher number.

MR. TROUT: Right.

MR. LERMOND: We want them to take the correct prices, not just the higher number.
MR. TROUT: We want them to work it out and not just say, okay, we've got two different numbers.

MR. LERMOND: And they wouldn't go forward until they figured out which prices were correct.

MR. TROUT: That's good. I like that. The next one I had -- I may be missing something here. Page 20, twin trifecta pools. I've never heard of one, but do we not have twin trifectas?

MR. HETTEL: They do not offer that race anymore. They were popular in the 60s. A lot of places, when you hit the first trifecta and you turn the ticket back in to buy the second trifecta. It's just not done anymore. That was before Pick 6, Pick 3 and Pick 5s.

MR. TROUT: Okay, so it doesn't exist. I understand that. I am going to 23. Talks about temporary license to Kentucky, account wagering. That's been appealed by the state; is that correct?

MR. HETTEL: That's correct.

MR. TROUT: So that's why the regulations need be removed to cover that. I told you this would be quick. What did I have for last one here? This is, as I understand this one, actually, but on Page 25, it talks about serum or plasma.

MR. HETTEL: Okay. Dr. Harden.
DR. HARDEN: Well, the serum and plasma, from an analytical standpoint, are not that much different. One is extracted from blood that has clotted, the other is extracted from blood that has not clotted.

And we basically, over the years, we have used serum, and at other times we used plasma, and often times, what we use depends on the type of tube that the laboratory sends us, and so just to cover both sides in case a lawyer ever wants to tear us up, we put both words in, and this is consistent with national model rules and everything else.

MR. TROUT: That's being added here and you're blaming it on the lawyers as being one. I think that's appropriate.

MR. PETRAMALO: I wouldn't waive my right to tear it up though.

MR. TROUT: Those were the questions I had. I knew they were straight forward, but I just needed to kind of go through those for my own benefit.

CHAIRMAN SIEGEL: That's fine. I think it's good dialogue to have.

MR. HETTEL: Good questions.

CHAIRMAN SIEGEL: Okay, and if everybody's good with that, we'll take action in a little bit.
Bernie, are you finished with your report?

MR. HETTEL: Yes, sir. I have. We can move on to the horsemen's agreements.

CHAIRMAN SIEGEL: Right. The horsemen's agreement. I understand that there has been an agreement that has been reached. As I understand it, there's an outstanding issue, but not something that cannot be worked out, it just hasn't been worked out yet. Anybody want to comment? Ian, do you want to comment, or Frank?

MR. STUART: I'll defer to Jim.

MR. WEINBERG: Just to summarize, we have reached an agreement that preserves the status quo. In other words, we took the existing agreement that is in effect, updated the dates, reflected the agreement on race dates, and left the economics that were in place in place.

There is, as you alluded to, one item that has not been resolved. As you know, we opened a satellite wagering facility at Chesapeake at Paradocks, a restaurant.

In anticipation that it would be like other facilities that are smaller where there is a agreement on the sharing of handle, rather than a default to the provisions in the statute.
We were unable to reach an agreement on that one point, but wanted to finalize an agreement, have done so, and have agreed that we will spend the next couple weeks trying to resolve the issue at Paradocks, which has implications for the additional SWF license that is open and see if we can reach resolution.

If we can't reach resolution by February 1, we will close Paradocks until we do come to an agreement that makes it cost effective for Colonial Downs to keep Paradocks open.

At its current percentage, Colonial Downs loses money at current handle levels, so we are eager to reach a resolution of that matter and look forward to -- I think as we have discussed, we are looking at a site in the West End of Richmond in Henrico County that we'd like to move forward with as well, but we need to agree on economics that make sense.

In summary, we have an agreement, but there are additional agreements that need to be reached for growth in the SWF network.

CHAIRMAN SIEGEL: Frank.

MR. PETRAMALO: Bear in mind that this is a status quo agreement for one year. We had originally talked about a three-year contract to
replace our old contract. There were economic
issues in addition to the one that Jim mentioned
that we were unable to resolve, so we just came back
to the status quo for the year.

Now the immediate issue of Paradocks we hope to
address, but there are issues out there lingering
that at some point we're going to hopefully be able
to resolve. It doesn't keep us from going forward
now.

CHAIRMAN SIEGEL: Well, I hear that, but we're
accustomed to a three-year agreement.

MR. PETRAMALO: It has varied, but I think the
last two contracts have been three years, but we've
had one-year contracts in the past.

CHAIRMAN SIEGEL: I guess I think that we
shouldn't be rehashing this thing every 12 months,
and I think it would be the desire of this
Commission -- I don't know if I speak for everyone
-- that we have a contract going forward that
extends beyond one year.

Now that may or may not be possible with this
contract, given the outstanding issues that you've
agreed on temporarily, but I think that the message
really is that we don't really want to have a series
of one-year contracts.
I don't think that -- Bernie, do you agree with that; it's not something we desire?

MR. HETTEL: It just belabor some of the points that are obvious, I believe, and the quicker we come to consensus to where we're going to be similar, it is for everybody to have a business plan. I'd be happy to take part in any of those discussions you direct me to get involved with.

CHAIRMAN SIEGEL: Well, I think over the last couple of days, I've encouraged Bernie to get together with you and be helpful, if he can, and hopefully, that did contribute to where you've gotten thus far, but I personally believe that it's important that you guys come to an agreement that is more long-lasting, and not something that just sort of, you know, holds to the -- enables you to continue to operate. It ought to be one everyone has confidence in, enough to do longer than a year.

MR. WEINBERG: Someone will kick me if I speak out of school, but I think that's certainly the aspiration of the parties.

CHAIRMAN SIEGEL: Good.

MR. WEINBERG: I don't want to create the impression that we're happy with the one-year agreement. We would prefer a three-year agreement.
and that clearly is our aspiration.

CHAIRMAN SIEGEL: I think that's the mission.

MR. PETRAMALO: I will not kick Jim. I agree with him.

CHAIRMAN SIEGEL: Maybe Ian will kick him.

MR. STUART: I won't kick him, but sometimes you got to do what you can do, and this is what we got to do.

MR. PETRAMALO: Mr. Chairman, what we are proposing is to tender you a clean copy of what we've agreed on. It hasn't been signed yet.

CHAIRMAN SIEGEL: Right.

MR. PETRAMALO: We have a -- Let me back up. We have a new president for the Virginia HBPA; his name is David Ross. He's a long-time member of the board of directors, and he's, by the way, been the leading owner here for six or seven years. Robin Richards did not stand for reelection because of her duties of the president of the national HBPA. Our new vice president is sitting next to me, Stephanie Nixon.

CHAIRMAN SIEGEL: Congratulations.

MS. NIXON: Thank you.

MR. PETRAMALO: I don't think she regards it as congratulations.
MS. NIXON: It has been a long time, Frank.

MR. PETRAMALO: Well, thank you. Hello. But in any event, we will get it signed hopefully today and back to -- a copy to Bernie and Ian.

CHAIRMAN SIEGEL: Okay.

MS. DAWSON: Mr. Chairman?

CHAIRMAN SIEGEL: Yes.

MS. DAWSON: I just had one question. Is the issue with Paradocks the thing that's preventing you with coming up from a three-year contract?

MR. PETRAMALO: That's only one part of it.

MS. DAWSON: One part of it.

MR. PETRAMALO: Yeah.

MS. DAWSON: Follow-up to that, can you give us a little background why these economic issues have arisen with Paradocks?

MR. PETRAMALO: Oh, sure. The statute gives the horsemen, their purse account, a statutory sliding scale of five, six, seven percent. We never get to the higher percentages, but over the years, it's been five percent.

Now probably, and the same by the way, with regard to online wagering. The horsemen get five percent share from the online wagering companies of wagers originating here in Virginia.
Probably going back to at least 2004, 2005, we embarked on a plan with Colonial to expand the OTBs, but they could only do it economically if they got some rebate back from the five percent.

The five percent that they would have to pay us would not allow them to economically build new OTBs in central and in the western part of the state, so we set in motion a plan and that worked quite well, until probably 2008 or 2009, when the national economy took a downward turn, as well as the horse industry, so we had to revise that in certain locations so that we went below what we had agreed to rebate. We were generally rebating the difference between five percent and four and four-and-a-half percent.

We had to go even lower to a new formula, which I always describe as a 50/50 sharing. What that is, is a 50/50 sharing of what I call the cash flow. The accountants call it IBIDA, I call it cash flow, and in certain locations, that's been in place for at least three years.

In addition, we have a similar type of deal with Colonial's online wagering company, EZ Horseplay. We basically have a 50/50 sharing there, instead of the statutory five percent.
In our discussions this year, we were trying to revise that formula for sharing, both at the OTBs and online, and we were unable to reach an agreement on a global basis.

So we're going forward with the status quo and we are immediately going to address the problem that is confronting Colonial now at Paradocks, their newest mini OTB, and that encapsulates probably six or eight years of history.

MS. DAWSON: So the issue of the rebates, as you call it, affects all the SWFs?

MR. PETRAMALO: No, not all of them. It affects the newer ones; Scott County, Henry County, Vinton. Who am I leaving out?

MR. WEINBERG: Brunswick.

MR. PETRAMALO: Brunswick. What's the newer one that we opened up? Oh, the Indian River. Yeah. Indian River was different.

MR. WEINBERG: Right.

MR. PETRAMALO: The main concerns are Brunswick, Martinsville, Scott County and Vinton.

MS. DAWSON: But I mean they're continuing to operate and everything?

MR. PETRAMALO: Yes, yes, yes. And were it not for the deals that we have in place, they would be
under water, at least three of them.

MS. DAWSON: Got you. Okay.

CHAIRMAN SIEGEL: Other questions?

MS. DAWSON: Thank you for that.

CHAIRMAN SIEGEL: Okay. We'll move on. We have a --

MR. WEINBERG: I'm sorry.

CHAIRMAN SIEGEL: Yes.

MR. WEINBERG: Just as a housekeeping matter, it may be appropriate to authorize the executive secretary to approve the agreement, if it is as it has been represented, to upon receipt of a fully signed --

CHAIRMAN SIEGEL: We'll certainly do that as part of that motion, because we will not meet -- your commitment is to have it worked out by February 1st?

MR. WEINBERG: I think we are going to submit the status quo agreement --

MR. PETRAMALO: The contract.

CHAIRMAN SIEGEL: Right.

MR. WEINBERG: -- in the next 24 hours, and then attempt to resolve the Paradocks paradox by February 1st.

MR. PETRAMALO: If we do, that would be the
subject of a separate agreement.

CHAIRMAN SIEGEL: Well, I realize that, but I just hate to wait until our next meeting, which is a couple months down the road, to have Paradocks settled, so I'm just suggesting that if we choose to authorize the executive secretary to execute the agreement, that it would include Paradocks when that is settled, and the goal would be February the 1st and you guys would work it out by then.

I just don't want to see you extend all the way into February and settle it a day before the March meeting. So I think that's my only suggestion.

MS. BOUZEK: Mr. Chairman, it's not just Paradocks, it's the other two licenses for the other OTBs that stand to hold.

CHAIRMAN SIEGEL: Well, its all got to be worked out by February 1st. That's the key. Other questions, comments, concerns?

NOTE: There is no response.

CHAIRMAN SIEGEL: Okay. There has been a fair amount of work on the part of staff, as well as the folks from the Virginia Gold Cup to have us authorize a pari-mutuel for their meet in May, and I'd just like to introduce the representatives here who will make a brief presentation.
Dr. Allison, William Allison, who is the chairman of the Gold Cup, and Michael Pearson, the consultant. Michael's been here before to meetings, and we'd welcome you and ask that you give us a few words.

DR. ALLISON: We wanted to thank the Commission for considering our application today, and to thank your staff for all the help getting us here, and we are very proud of our Gold Cup races to be part of Virginia racing history, and we feel like we've ranked up at the top. I think Mr. Gallow may agree with that, but we do say and we brag that our race course itself is one of the top steeplechase courses, and we work hard at it.

The Gold Cup contributed the last ten years over three-and-a-half million to keep the course in such great shape. We have wonderful crowds and we feel like they have asked us can we have betting, and so this is one of the first steps.

But it is interesting, in the Washington Post last Sunday, they had a comparison of Maryland and Virginia, and the guy from Maryland wrote, he said, you can gamble in Maryland. Virginia has under-the-tailgate betting at the Gold Cup races with those big hats, and a few can act favorably.
When on occasion I can write this fellow back and say we have betting at Virginia Gold Cup, plus we are going to encourage the lovely young ladies to come with their big hats and big bosoms. Thank you.

CHAIRMAN SIEGEL: Okay. You got that?

COURT REPORTER: Yes.

MR. PEARSON: I'm just available to answer any questions. I think that I would like to say that we are working very hard with the commission staff to be certain that everything is in strict ordinance with the code of Virginia and the Commission regulations. Integrity and safety and good sport are at the forefront of our application, and if there are any questions, I'm happy to try to answer them.

CHAIRMAN SIEGEL: I just say that I know everyone has put a lot of work into this book, including our staff, and I commend them for that, and they certainly represent this Commission in terms of negotiating the details of these kinds of agreements, and I take it the staff is endorsing this.

MR. HETTEL: Yes, sir. It's a completed application, and we'd seek approval for the Commission to conduct pari-mutuel wagering this
year.

CHAIRMAN SIEGEL: Okay. Commissioners' questions?

MR. S. REYNOLDS: I have an off-the-wall question. I don't know if logistically you could do it, but could you do it by code? I noticed that (inaudible) is always on Derby Day. Could you ever see a time when people could actually not only bet on the races that they're witnessing, but also bet on the Derby or Derby card?

I know you have to have screens and stuff like that, which is probably tough to do, but would that ever be a possibility? I don't know if you could do it by this regulation, but I'm just curious. Or does that just take away from the day?

MR. HETTEL: Let's refer to counsel on that one. I believe it's against the law right now.

MR. LAWS: I believe it is. And just as a note, I, of course, can't give legal advice to a private party; I can only give legal advice to this board.

In my interpretation, that currently wouldn't be allowed, and it might even require a statutory change, and not a change in code or change in regulation.

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MR. S. REYNOLDS: Okay.

MR. PEARSON: As to the screens, we do have two Jumbo Trons for our crowd, and we do show the Derby. Perhaps sometime down the road, some changes could be brought into place.

I will tell you that EZ Horseplay has set up at the Gold Cup location in previous years and has conducted wagering there on the Derby. So the interest is there, and we're certainly aware of the things that would need to be accomplished to add that to our menu.

MR. S. REYNOLDS: We got 50,000 people there. That's less than half the Derby crowd itself.

MR. PEARSON: Sixty-five in the spring, so we're very optimistic.

CHAIRMAN SIEGEL: Well, I would just comment that if that is a long-term goal of yours, you may consider looking into the possibilities of promoting some legislation from the Commonwealth.

I think that your group has been well thought of for a long time and may garner some respect when it comes to that request, so I'm sure others will work with you, whether it be the VTA or the horsemen, but I think it would be a great change, personally, to the statute.
MR. PEARSON: We've discussed that, Mr. Chairman. One thing you say that is foremost in our goal is to continue to be well thought of in the Commonwealth; integrity and safety first, you know. Little steps. We're very happy making little steps and achieving what we need to achieve at each juncture.

We hope that what we do at Virginia Gold Cup will be a model for the other race meets in Virginia to step right into the path that we blazed, and that may be the slow way to do things, in our perspective, but we don't want to make any mistakes.

CHAIRMAN SIEGEL: Right.

MR. PEARSON: Integrity and safety.

CHAIRMAN SIEGEL: Certainly, the mission of this Commission is similar, so we indeed are in agreement on that.

MR. PEARSON: Thank you.

CHAIRMAN SIEGEL: Other comments from commissioners?

MR. TROUT: I understand that the secretary -- I read the secretary's report, as well as the entire package here, which is excellent reading.

I understand that you're basically satisfied with at least that the legal requirements have been
met, and I think we will be voting on this in a while, but I think one of the purposes of this Commission is to promote horse racing and pari-mutuel betting, and this is an opportunity to certainly consider that.

MR. PEARSON: And education of the public, Commissioner. In our end of the state, a lot of folks don't realize that we have pari-mutuel betting in Virginia.

We're gonna undertake an eight- or nine-week program of educating our patrons, how we're gonna do it, who the horses are, what the Commission staff's role is about licensing. We're trying to do a good thing, not just for our meet, but for other steeplechase meets, for the VTA and breeders. We think that will be positive for everyone.

CHAIRMAN SIEGEL: And it's also perhaps a good opportunity for Colonial to have your brand, Darryl, and market it out there to those 65,000 people.

MR. PEARSON: We're in negotiation with Colonial about that.

CHAIRMAN SIEGEL: It's a great opportunity to get in front of a lot of folks and ultimately result in some traffic here in the summer.

MS. DAWSON: Mr. Chairman, I have one question.
CHAIRMAN SIEGEL: Yes.

MS. DAWSON: This is kind of unique, because we've never had this at a steeplechase, but could you, for the record, kind of describe the physical actual structure of how the wagering will take place at the grounds?

MR. PEARSON: We're in negotiation about that at this time, and hopefully, we will be able to accomplish that --

MS. DAWSON: So it is still being worked on?

MR. PEARSON: -- handheld devices. That supposedly is the wave of the future. I've been told by tote companies in ten years, there'll be no need for tickets.

Having said that, given the technology roped into one place is pretty difficult. There are not very many wireless contractors that have done what we're gonna try to do on the scale, the physical scale that we have to do it. We're chipping away at that. We think we're closer all the time. We hope to be able to make some announcements by the 1st of February where we are on that.

MS. DAWSON: And you'll keep the Commission staff informed?

MR. PEARSON: Yes.
MS. DAWSON: Thank you.

MR. VAN CLIEF: Sir?

CHAIRMAN SIEGEL: Yes, Mr. Van Clief?

MR. VAN CLIEF: I have a question about that. If this information's already out there, I apologize.

Given what I assume are the additional infrastructure elements you're gonna have to have in place to accommodate the wagering, do you have pro formas to project what your economic experience is gonna look like for this? Is there -- I know there's some limited steeplechasing wagering at other venues. Does that give you a guide?

MR. PEARSON: That's the $64 million question. No. Quite honestly, no. We're gonna have to find a way, and we're prepared for it to take some period of time to establish that.

Certainly, we're gonna have to be successful for any other meets to follow us, so we're confident with very little steps, while providing excellence.

MR. VAN CLIEF: Thank you.

CHAIRMAN SIEGEL: We're gonna probably have a meeting of this Commission in late March, and it would be nice to sort of get an update on where you are towards -- obviously, you've got a lot of work
to do in a short period of time, it seems, and it would be nice to know what your progress is. You don't necessarily have to appear, but perhaps the staff could make a report, unless you wanted to come and do so yourself.

MR. PEARSON: Our motto is no secrets --

CHAIRMAN SIEGEL: Our mandate is no secrets.

MR. PEARSON: -- and to ask for assistance and guidance, so we're happy to do that.

CHAIRMAN SIEGEL: That's great.

MR. HETTEL: Mr. Chairman, Mr. Pearson comes regularly to visit with us, and it's an education from both sides. The more we know about him, the better we can serve him.

MR. PEARSON: We've been meeting on a weekly basis.

CHAIRMAN SIEGEL: All right. Let's plan to talk about it a little bit at the next meeting.

MR. HETTEL: Yes, sir. It'll be an agenda item.

CHAIRMAN SIEGEL: Any other comments at all?

MR. PETRAMALO: Mr. Chairman, I think it's easier to handicap steeplechasers, in my personal opinion.

CHAIRMAN SIEGEL: I'll take your advice.
MR. HETTEL: I'm going with you.

CHAIRMAN SIEGEL: Okay. Well, thank you.

We'll, again, take this with our other actionable items, but I trust that the Commission is perfectly in favor.

The next item would be the application -- renewal application of ADWs. This -- we'll need approval for this as well, and I take it everything is in order.

MR. HETTEL: Yes, sir.

CHAIRMAN SIEGEL: Okay. Good. Well --

MR. PETRAMALO: May I ask a question here?

CHAIRMAN SIEGEL: Sure.

MR. PETRAMALO: Is Racing 2 Day currently licensed or is this a new application?

MR. HETTEL: They're currently licensed. Well, they were licensed last year. They will be renewed this year.

MR. PETRAMALO: I've never seen any handle figures for them.

MR. LERMOND: I spoke to a representative and asked them, anticipating maybe the question would come up today.

Last year was kind of a transition year for them. They were going from one platform to another.
I think one of their ultimate goals is to get tied in with the bookmakers in England and get some of that money to come in to and be co-mingled with the pools in the United States, rather than just the bookmakers handling it --

MR. PETRAMALO: Right.

MR. LERMOND: -- the one guy affiliated with Stan James. Do you recall last year when he came and gave the presentation?

MR. PETRAMALO: Yes.

MR. LERMOND: So they've done very little in the U.S.; I think mainly just in California, but he did say that 2013 would be a year where they were going to start trying to market to Virginia and some of the other states where they do hold ADW licenses.

MR. PETRAMALO: So they currently don't -- they currently don't have any Virginia clients?

MR. LERMOND: Not one Virginia resident has wagered a dime through this company, but they're hopeful in 2013 that will change.

MR. PETRAMALO: Thank you.

CHAIRMAN SIEGEL: Any other questions, comments?

NOTE: There is no response.

CHAIRMAN SIEGEL: We have actually five...
actionable items here; the subcommittee report that
Sarge made earlier, the amendments that the
executive secretary talked about to the statute, the
Gold Cup as well. The horsemen's agreement, you're
gonna handle it through your office?

MR. HETTEL: Right.

CHAIRMAN SIEGEL: The Gold Cup, and then of
course the renewal of the ADWs. Can I hear a motion
to have those approved?

MS. DAWSON: So moved.

CHAIRMAN SIEGEL: And a second?

MR. S. REYNOLDS: Second.

CHAIRMAN SIEGEL: All right. Any other
discussion on either of these items?

NOTE: There is no response.

CHAIRMAN SIEGEL: All in favor, say aye.

NOTE: The Commission votes aye.

CHAIRMAN SIEGEL: The ayes have it. We are
approved. There is no need for a closed meeting, as
we understand it. We have no issues to discuss
there. We will ask for public participation. Any
member of the public --

MR. TROUT: Mr. Chairman, if I could just ask,
did we include in that the authority to the
executive secretary to sign the contract?
CHAIRMAN SIEGEL: Yes. That certainly was my intention.

MR. TROUT: That was one of the ones we just voted on?

CHAIRMAN SIEGEL: Yes.

MR. TROUT: So we're okay with that now?

CHAIRMAN SIEGEL: Yes.

MS. DAWSON: I have one thing I'd like to add. Could we be informed by e-mail or some other way as soon as that is done?

MR. HETTEL: Yes, sir.

MR. PETRAMALO: Let me make sure that I understand this. With regard to the horsemen's contract, hopefully by the end of the day, we will get to Bernie a signed copy, and he has the authority to approve that on behalf of the Commission.

CHAIRMAN SIEGEL: We have heard from the two of you that's a done deal, that part of it --

MR. PETRAMALO: Great.

CHAIRMAN SIEGEL: -- and we authorize the secretary to do that.

MR. PETRAMALO: And going forward with regard to any other agreements at Paradocks or any other places, Bernie also has the authority, if the
parties have signed off on it, to approve that for
the Commission.

CHAIRMAN SIEGEL: With February 1st being that
date. By February 1st.

MR. PETRAMALO: That's our hope. Yes.

MS. DAWSON: That should be part of the record
here.

CHAIRMAN SIEGEL: Well, I think it is.
Certainly, it has been stated. That's what this
Commission is asking of the parties.

MR. PETRAMALO: Okay.

CHAIRMAN SIEGEL: You've got time to do it, and
I just don't think we should go any longer.

MR. HETTEL: Okay.

CHAIRMAN SIEGEL: Okay. Any comment from the
public? Public participation. Anyone like to make
any comment?

MR. HETTEL: Mr. Chairman, that's Dr. Dove, of
the -- he's from the Old Dominion Hounds and would
like to make a comment.

DR. DOVE: Thank you, Commissioners, for
allowing me to speak. This is not about a
pari-mutuel betting issue, so I appreciate the few
minutes that you're allowing me.

We have a conflict with Colonial Downs on April
the 6th, the first Saturday in April this year. They have a steeplechase on the same day that we have a steeplechase.

Our steeplechase has been established on this particular weekend for over 30 years. It's Old Dominion Hounds. We have a kennel in Orlean, Virginia. We were established in 1924.

The way that we see it is that there are plenty of other weekends Colonial Downs could hold their steeplechase and not affect the local point-to-point races. The local point-to-point are quite important in our part of the country. It's a large part of our annual budget for Old Dominion Hounds. It's a large part of the budget for other hunts as well.

So we understand that we may not attract the same horses that may be attracted here, but there is a jockey problem. There aren't enough jockeys qualified for that type of race to run two races, plus there's also a local point-to-point in Maryland on the same day, so now we're trying to cut the pie three ways. We can foresee that we're gonna lose a lot of income, we're gonna lose a lot of entry at our historical point-to-point.

We would -- I would like to ask any of the horsemen present here, while I have you here for one
moment, to appeal to your sense of fair play and see
what you could do about helping us not have this
conflict in the future. Thank you.

CHAIRMAN SIEGEL: Okay. Dr. Dove, I sympathize
with your concern. As you aptly pointed out, you're
not a pari-mutuel entity, and so this body, I don't
believe, has any jurisdiction here --

DR. DOVE: Yes, sir. I understand.

CHAIRMAN SIEGEL: -- and so it's not up to us.
I would suggest in the future that all the parties
going together so that it can -- everyone can have
their various meets, and perhaps don't have to split
the pie three ways.

DR. DOVE: That's what we would like.

CHAIRMAN SIEGEL: So in the future, I would
think that there would be some communication to help
alleviate this problem.

DR. DOVE: Yes. Thank you.

CHAIRMAN SIEGEL: Anyone else have a comment
about that?

MS. DAWSON: These dates are what, a year in
advance?

DR. DOVE: They've been set for decades.

CHAIRMAN SIEGEL: You do it on the first
Saturday of April?
DR. DOVE: Yes, the first Saturday of April every year, and then we can't really move our date, because other hunts have other weekends.

CHAIRMAN SIEGEL: Right. At this point, I don't believe Colonial could move theirs, either, far enough down the road, but I don't know that Colonial has to always operate on the first Saturday in April, either, so our suggestion, I guess, would be that you guys work together to make sure that we try to avoid these things, if possible.

DR. DOVE: Thank you.

CHAIRMAN SIEGEL: Yes, sir.

DR. ALLISON: The point-to-point races are having a difficult time to survive, and we are beginning to lose some of our great point-to-point races, like the Casanova races.

So for the record, it would be good to state that all consideration should be given to point-to-point dates, because this is the farm club of steeplechase racing. This is where the horses get started, owners and trainers, so any consideration that could be given would be appreciated by fox hunters and point-to-point racers.

CHAIRMAN SIEGEL: I think it's fair to say that
whether it be pari-mutuel racing here at Colonial, or whether it be point-to-point, it's not a wonderful time financially, so I think anything that benefits one benefits all in the long-term, whether it be the breeders, the horsemen or the racetrack. So I think it's a good suggestion that everyone should support the other whenever possible, because I think it supports the industry.

Other comments?

MR. S. REYNOLDS: I've got one outside of this topic.

CHAIRMAN SIEGEL: Well, I was just gonna say, Dr. Dove, thank you for coming. We appreciate your coming down here to speak to us, and again, hopefully, going forward, that these things don't conflict in 2014 and beyond.

DR. DOVE: Thank you.

CHAIRMAN SIEGEL: Any other public participation? Any other comments from the public?

NOTE: There is no response.

CHAIRMAN SIEGEL: Commissioner Reynolds?

MR. S. REYNOLDS: Dr. Harden, I got a copy of an e-mail talking about the medication committee, and that you all are gonna be gathering with I guess the mid-Atlantic to talk about the medication policy.
and all that in mid-February, and obviously, the medication has become a huge topic of conversation all over the country. I know Commissioner Van Clief knows a lot more about it than I do.

I don't know if it's appropriate. Do you think you'd be in a position, I don't know whether it's at the next meet or at some point, to maybe report to the group kind of what's going on in the medication world and where Virginia falls in, and just kind of what's going on there?

DR. HARDEN: I'd be happy to. I think after our February 6th meeting in Delaware, we'll have an understanding of where the other adjoining states are, and I think it would be very appropriate to share that with the Commission and horsemen.

CHAIRMAN SIEGEL: Let's also set that as an agenda item at the next meeting as well.

MR. PETRAMALO: Dr. Harden, who is invited to the February 6th meeting?

DR. HARDEN: This is the Racing Commissions on the mid-Atlantic area, and I think that also includes West Virginia, Maryland, Virginia, Pennsylvania, New Jersey, Delaware, New York.

MR. PETRAMALO: So it's the regulators; no vets, no horsemen, et cetera?
DR. HARDEN: That's correct.

MR. PETRAMALO: Okay.

CHAIRMAN SIEGEL: You're going, right?

MR. HETTEL: Yes, sir. Dave is going. Dr. Harden, I think Mr. Pearson is coming with us, and we'll have a full report at the next meeting.

It was called by Mike Hopkins at Maryland, and it's a good idea. The mid-Atlantic's got to do the same thing almost in lock-step, or we could lose a lot of horses traveling who rely heavily on those Maryland horses. Alan Foreman is going to be there.

MS. DAWSON: I have a follow-up question. Is that to discuss the new model rules that have been adopted by RCIA on medication?

MR. HETTEL: That's correct.

MS. DAWSON: So those are out there and we can look at those?

MR. HETTEL: Yes, and in terms of that whole group, all those states that Dr. Harden enumerated, there will obviously be differences on how they want to --

MS. DAWSON: Individual states may vary.

MR. HETTEL: Right.

MR. VAN CLIEF: Will Alan Foreman be there in his role as a THA rep, and if so, will there be
alternative representations?

MR. HETTEL: I'm not sure what he'll have on that day. Generally when he speaks, it kind of mixes in position. Sometimes there is a seeming conflict with his representation, but he's generally pretty well informed, and we'll just have to kind of take it.

It will be a learning venture for us, of course, and we'll report back, certainly, before we take any action here.

What I'd like to do, because you're so well versed on it, let's include you on that committee now. And I know you and I have spoken before about your stance on it, and certainly, the entire industry is on the apex of making a substantial change in racing protocol, and the more we learn about that and the more the rest of the Commission is informed on it, you can certainly help with that education of everybody else here on how we're gonna go forward in the next couple of years.

MR. VAN CLIEF: You've overstated my qualifications, but I'm happy to help.

MR. HETTEL: No, no.

CHAIRMAN SIEGEL: Thank you. Appreciate that.

Any other business to come before this
Commission before we set the next date for the meeting?

NOTE: There is no response.

CHAIRMAN SIEGEL: Okay. It has been suggested and I think agreed by the members of Commission and staff that Wednesday, March 27 is a great date. Sometimes there's conflicts from the group, so we do have an alternate date or two to propose, but that's the first one that we all thought worked. Wednesday, March 27.

MR. TROUT: That's satisfactory with me.

CHAIRMAN SIEGEL: What's that?

MR. TROUT: That's fine with me. That's during the day, right?

CHAIRMAN SIEGEL: Yeah. It'll be the same time, ten a.m., right here.

MR. TROUT: Okay.

CHAIRMAN SIEGEL: Is that good for Colonial as well as the horsemen?

MR. PETRAMALO: Yes.

CHAIRMAN SIEGEL: Okay. So the meeting will be set then for Wednesday, March the 27th, and if there's no other business to come before this Commission, we'll entertain a motion to adjourn.

MR. S. REYNOLDS: So moved.
CHAIRMAN SIEGEL:  Second?

MS. DAWSON:  Second.

CHAIRMAN SIEGEL:  We are adjourned. Thank you, Ladies and Gentlemen, very much.

NOTE:  The hearing is adjourned at 11:06 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 14th day of February, 2013.

____________________________________
SANDRA G. SPINNER
COURT REPORTER

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