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MARCH 17, 2010

MR. BURNETT: Welcome to our St. Patrick's Day special meeting at its usual, normal time.

The first item on the agenda, the minutes of our meeting in February. I've noted a couple of minor typographical errors already for our executive secretary's benefit. They're not substantive. Anybody else have any changes or comments?

MR. HARRISON: Amy is on speaker.

MR. BURNETT: We have Ms. Dilworth on speaker with us.

All right. Is there a motion on the minutes?

MR. SIEGEL: So move.

MR. REYNOLDS: Second.

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

All in favor indicate by saying aye.

Note: (Aye.)

MR. BURNETT: Motion carries unanimously.

Commissioner comments, any folks have comments to make? I think it might be to our benefit to pass over this since we have a fairly long agenda here. We'll move on to committee reports. The first being the Breeders Fund Subcommittee recommendation. If I might comment a little bit on that and get us all in the same ballpark.
I understand that we don't really have a Breeders Fund Committee. We have a Breeders Fund -- a standing Breeders Fund Advisory Panel of which Mr. Brown is chair. That panel has two subcommittees, they're under one name, one for VHHA matters and one for thoroughbred matters.

What we have before us today is a recommendation from the Thoroughbred Subcommittee that has to my knowledge not been run through the Standing Breeders Fund Advisory Panel. I don't particularly have any problem with that, but I'm not chair of that panel. I want to see if Mr. Brown would have any comment on it.

MR. BROWN: Well, I'd like to review it. I mean, as far as recommendations, that's something -- you know, that's more your --

MR. BURNETT: We're going to talk about the recommendation next. I just -- as I see that group you chair, it's essentially thoroughbred and harness horsemen and if there were an issue that affected both, I would think you would want it to go through your committee or your panel.

MR. BROWN: Right.

MR. BURNETT: If it's only the thoroughbred group, it seems like it's a waste of your time to
hear it to twice.

MR. BROWN: Right. I agree.

MR. BURNETT: And I just want to make sure you agree.

All right. Well, I don't see Glenn. Dave, do you want to go through what the recommendations are for the Breeders Fund? Does that make sense? I'm aware of the motion, but I think it might be helpful for the rest of the Commission to understand what the discussion has been.

MR. LERMOND: Sure. I'd be happy to.

The committee met primarily over the phone the other day because of travel constraints, but basically knowing that there was a million dollars available for 2010, the committee agreed to the following.

First, there's going to be an owners' bonus. It's going to differ from the 100 percent bonus that was paid last year. It will be a 60 percent bonus, but it will paid to all finishing positions not just the winner. Some people weren't too happy about just paying the winner last year, and it wasn't an unanimous decision, but it was the consensus. So that's what we went with. This year we're going -- it'll be a straight 60 percent bonus for all
finishing positions. There will be no per race cap, but there will be a cap on this and one other program.

The other program is a 20 percent purse supplement to restricted races. These are races that are written for only Virginia-bred horses. The 60 percent bonus is different in that that's races that are open to any horse that can enter.

Together with the 60 percent bonus and the 25 percent purse supplement, we're estimating it's going to cost about 500,000, but we're going to cap it at 550. The hope is it will last throughout the whole meet. Last year we had a cap on the 100 percent bonus, and it actually did not come into play. We're hoping it'll work out to the number that we have capped.

The third one was a contribution to the purses for Virginia-bred stake races. There will be six Virginia-bred stake races run at Colonial Downs, because of funding constraints, the committee agreed to contribute 120,000 towards these races. The purse account, I guess, will fund the balance of 180,000.

We didn't want to leave out the breeders. We've got a new plan for the breeders this year, and
it's a 10 percent breeders bonus. It would apply to the same races run at Colonial Downs, the open company races that are not restricted and the breeder would get 10 percent of what the owner of the horse will receive. These amounts will probably be paid this fall as more money becomes available.

The final item was our traditional year-end breeder stallion awards. The estimated cost is 290,000. Usually the amount of the breeder and stallion awards is basically what's left, to put it simply, but we believe that the 290 will be about the number that we'll be looking at.

I do want to say that a lot of thought went into this. The VTA and the VAHBPA had a separate meeting before the subcommittee meeting. A lot of good ideas were thrown out there, and I think, you know, a lot of work went into this. With the money available, we think this is or the committee thought that this was the best way to spend the money in 2010.

MR. BURNETT: Dave, just to make sure I understand how this money might move around. Can I give you a hypothetical to make sure I understand how it's paid?

MR. PETRAMALO: May I interject before you get
to that?

MR. BURNETT: Please.

MR. PETRAMALO: Glenn is here now, but I think, Dave, that the 60 percent was payable through four, not through the whole finishing field.

MR. LERMOND: That's correct. Thank you.

MR. PETRAMALO: I'm sorry. I didn't mean to interrupt, Peter, I just wanted to get that --

MR. BURNETT: No, because I'm going to offer a motion here shortly so it ought to be reflective of what the agreement is or what the recommendation is, and it's one through four.

MR. PETRAMALO: Right. And the 25 percent purse supplement is the second element.

MR. BURNETT: But the purse supplement is not limited to one through four?

MR. PETRAMALO: No, no. Straight purse.

MR. BURNETT: Straight supplement all the way through.

MR. PETRAMALO: Twenty-five percent.

MR. BURNETT: Let's take a race that has a $10,000 pot, and for simplicity's sake, assume the winner gets 60 percent --

MR. PETRAMALO: Right.

MR. BURNETT: -- and the usual distribution.
So a Virginia-bred horse wins that race. They'll be -- 60 percent of the $10,000 will be put into the purse account for it to be distributed to the various places such that now the pot for this race is $16,000; is that right? 10,000 from the purse fund and 60 percent of that added to it to be paid to the first four horses?

MR. LERMOND: Only if they were all Virginia-bred.

MR. PETTY: Theoretically.

MR. PETRAMALO: I think it's easier if you take an individual horse.

MR. BURNETT: Yeah.

MR. PETRAMALO: So I win the race. I get 60 percent of 10,000, which is --

MR. BURNETT: As the winner's share.

MR. PETRAMALO: -- 6,000.

MR. BURNETT: Right.

MR. PETRAMALO: And on top of that, I get another 3,600.

MR. BURNETT: $3,600.

MR. PETRAMALO: Right.

MR. BURNETT: Sixty percent -- of whatever you are paid, you get 60 percent of?

MR. PETRAMALO: Right.
MR. BURNETT: Now, you bred the horse. The 10 percent award that you're going to get at the end of the year is based on what?

MR. PETRAMALO: It's not an end of the year award. It's 10 percent for winning that race.

MR. BURNETT: I understand that, but I understood Dave to say that it was going to be paid later because --

MR. PETRAMALO: Right. Later.

MR. BURNETT: It's not No. 4 here, No. 3.

MR. PETRAMALO: So I'm getting 10 percent of 3,600.

MR. BURNETT: Or 10 percent of the 36 --

MR. PETRAMALO: No. Ten percent of 3,600.

MR. BURNETT: Three hundred sixty more dollars you're going to get --

MR. PETRAMALO: Right.

MR. PETTY: It's really 66 percent.

MR. BURNETT: Right. So for the owner/breeder who finishes first through fourth, it's 66 percent.

MR. PETTY: Theoretically, yeah.

MR. PETRAMALO: Right.

MR. BURNETT: And does the ten percent award pay down through sixth places or one through four?

MR. PETRAMALO: One through four.
MR. BURNETT: That's also one through four.

MR. PETTY: It follows the 60 percent bonus.

MR. BURNETT: Right.

MR. PETTY: It's triggered off of that.

All right. Have I got everybody all confused?

Do we have any other --

MR. MILLER: Mr. Chairman --

MR. BURNETT: Yes.

MR. MILLER: -- I have a basic question.

The estimated funds for a payout of one million, estimated on what?

MR. LERMOND: We do an estimation based on the projected handle at the racetrack and the SWFs and also -- this year we also get to estimate the account wagering contribution for the first time.

MR. MILLER: And that estimate is based on past years taking into consideration the trends?

MR. LERMOND: Yes, sir. Yes.

MR. MILLER: And you're comfortable -- I mean, everyone seems comfortable with that?

MR. LERMOND: I tend to be conservative when I make these estimates. We're figuring on a 20 percent decline at the SWFs and ADW. It's the same as last year.

MR. MILLER: Well, without going through the
particulars of this and figuring out the formula, it
doesn't matter, I guess, because if you don't have
the one million somewhere, something is just not
paid. Is that right?

MR. BURNETT: That's No. 4. The year-end
Breeders Fund ends up being the slush fund, so to
speak.

MR. MILLER: But you have less in that slush
fund.

MR. BURNETT: Then it will be distributed --
that's all that will be left. The breeders get the
short end of the stick in the end. That's really
the way it's designed. Is that fair? Glenn is
nodding.

MR. PETTY: Unfortunately, that is fair.

MR. HARRISON: Let the record show.

MR. PETTY: Unfortunately, that is correct.

Commissioner Miller, just FYI. Dave ran an
estimate and I ran an estimate independent of one
another and I came up with a million one and he came
up with the more conservative million, and we took
his million, but we -- as it turns out afterwards,
he kind of used the same methodology. I just
used -- instead of last year's ADW numbers, I used
January's, and I took the year-to-year. I came up
with about a hundred grand better, but I think that million is very fair.

MR. LERMOND: I hope Glenn's right.

MR. BURNETT: Sure. The breeders hope Glenn is right.

MR. PETTY: Right.

MR. BURNETT: I don't recall discussing it at one of the meetings I was at, but has there ever been and has there been any discussion of a reserve fund of any sort that you pay out a million even if you get a million one, and you kick the 100,000 into next year? Has there been any discussion of that? Is there any reason to think about doing things that way?

MR. PETTY: There is one. Not so many years ago, it was $200,000, which we cleaned out with the 100% Bonus.

MR. BURNETT: Right.

MR. PETTY: And we built it back up to a paltry 53,000, so we do have a little. This all includes retaining our little 53,000. So we'd like to --

MR. BURNETT: No cap and keep the 53 in place?

MR. PETTY: You know, if we were wrong and there was a bunch more money left at the end of the
year, would we like to build it up some more, sure.
Let's keep our fingers crossed. I think March is
going to be telling for us when we're sitting here
next month, where the handle is.

MR. BURNETT: But in terms of my motion and
what we're approving, the way I have it worded here
is that you're going to pay it all out other than
the $53,000 reserve fund. If you have more than
290, you're going to pay out more than 290. If
that's your intention, that's for us to approve or
not approve, but if you're telling us, no, we want
to pay 290 even if we have 350 and we'll put 60 in
the reserve fund, I think we ought to know that.

MR. PETTY: I would suggest that you amend
your motion to make that flexible.

MR. BURNETT: That's the way it is now.

MR. PETTY: You may want to pay out 310 and
hold back 40 extra depending on the math. We've
always sort of at the end of the year picked a
number, you know. Dave says why don't we pay the
breeders "X," and I say how about we pay the
breeders "Y", and we meet in the middle and set a
reserve fund. That's how we've typically done it.
I assume that this motion would reflect that same
process.
MR. BURNETT: Yeah. I guess I'm trying to figure out how to go about that. I wonder just simply suggesting that -- if the number is substantially different than $290,000, that perhaps you can come back to us and tell us what your plan is.

MR. PETTY: You know, that would be --

MR. BURNETT: You would have time to do that, I expect.

MR. PETTY: Well, you do. We do have time to do it. So that's a logical approach to come back and say here's what we have, here's what we propose to pay. If it's okay with you guys, it's okay with me.

MR. LERMOND: Yep.

MR. PETTY: Then everybody knows what we're up to and it's all transparent and everybody is happy. We typically haven't had enough money at the end to worry about it much. It hasn't been a very sexy story when you're dividing up the crumbs at the end.

MR. BURNETT: We might get a few breeders come down to one of our fall meetings and argue in favor of a larger distribution.

MR. PETTY: Yes.

MR. BURNETT: It's hard to say.
MR. PETTY: It would be nice. That would be good.

MR. BURNETT: Do we have any other questions? Dave?

MR. LERMOND: Just to let you know. When I came up with the million dollar estimate, that included about $65,000 leftover as a cushion at the end of 2010.

MR. BURNETT: On top of the 53?

MR. LERMOND: The 53, and then making sure that I had 53 or a little bit better. You know, as Glenn said, in years past --

MR. BURNETT: Fifty-three plus 65, or is it 65?

MR. LERMOND: It's going to end up being 65.

MR. BURNETT: That's what I needed to know.

MR. MILLER: What was left at the end of 2009?

MR. LERMOND: There was 53 leftover at the end of 2009. I'm projecting there's about $65,000 leftover at the end of 2010. If the handle should go lower than 20 percent, that could help us still maintain the plan that we wanted to follow.

MR. BURNETT: Any other discussion? Questions? Let me take a crack at a motion here.

I move that the distribution of the
approximately one million dollars available to the thoroughbred horsemen for the Virginia Breeders Fund for 2010 be as follows. Until exhausted, $550,000 for a 60 percent bonus paid to Virginia-bred horses that finish first through fourth running in open company at Colonial Downs and a 25 percent purse supplement for races run at Colonial Downs restricted to Virginia-bred horses.

Second, $120,000 towards six Virginia-bred stake races to be run at Colonial Downs with the remainder of those purses to be charged to the purse account.

Third, a 10 percent award paid to breeders of Virginia-bred horses that finish first through fourth in open company at Colonial Downs at an estimated cost of $48,000.

Finally, the remaining funds currently estimated to be approximately 290,000 to be paid in a traditional year-end breeders award as we've done in the past.

In the event that there is a substantial difference in the amount of money remaining at the end of the year, a difference from the 290,000 that's estimated, the subcommittee will come back to us with a recommendation as to how much of that fund
should be attributed to breeders.

MR. BROWN: I'd like to second that.

MR. BURNETT: Mr. Brown seconds. Is there any discussion now?

MR. PETTY: Mr. Chairman?

MR. BURNETT: Please.

MR. PETTY: I believe you might want to add the word registered in front of Virginia-bred, and on the first three items you might want to say Virginia-bred and Virginia-sired because Virginia-sireds are eligible, but I don't think they've been folded into the definition of Virginia-bred. So for the 60 to 25 in the stakes, Virginia-sireds are also eligible.

MR. BURNETT: Let me add the Petty amendment to my --

MR. PETTY: And I think the word registered just keeps us all out of the soup.

MR. BURNETT: To reflect that any place that I have referred to Virginia-bred horse or conditioned race, that Virginia-bred shall mean that the horse be Virginia-bred as is traditionally understood in the industry or Virginia-sired, and in either case registered with the Virginia Thoroughbred Association.
Do we have a second to the amended motion?

MR. BROWN: I will second it.

MR. BURNETT: Mr. Brown seconds the amended motion. Any further discussion now? None.

All right. All in favor of the motion, please indicate by saying aye.

Note: (Aye.)

MR. BURNETT: The motion carries unanimously.

I would comment to my fellow commissioners, my sense is that more work has gone into this year's effort to distribute this fund than in any of the prior years, and I commend all the parties for taking the time that they did. I think it was a tug-of-war in some respects among various interested parties. I think this is a very fair outcome.

I know a lot of people would like to have -- the rules never change, and it would be understood by everybody every year to be exactly the same as it was last year. That is not the landscape that horse racing is operating in these days. I think that folks have done the best they can to make sure that it's a fair distribution, and I thank them for their efforts.

Executive secretary's report. Mr. Harrison?

MR. HARRISON: Thank you, Mr. Chairman.
The first item I have is the March hours of simulcast. The track completed for the first time the VRC form that we worked on, and so I want to give credit where credit is due here. Jeff Wingrove had a lot of input here and his wizardry with Excel populates the spreadsheet on the form. Thank you, Jeff.

MR. BURNETT: That's at Tab 3?

MR. HARRISON: Tab 3, yeah.

MR. BURNETT: It's worth looking at, fellow commissioners, because it's a -- it is a good piece of work, and it incorporates the percentages that we discussed at our last meeting.

MR. HARRISON: It does.

So Colonial Downs completed the form and e-mailed it to us at the VRC. It was then distributed to the commissioners for their comments and input. We received some of those. The executive secretary signed off on it. It was returned to the track and they went forward with it, but essentially what they're asking for is an extension of their Sunday hours at four of the SWFs and extending their Monday hours at three of those SWFs and also reopening the Indian River, Hampton, and Hull Street SWFs on Tuesdays.
It's a nice change. I'm glad to see it. I always like to see the extension of operating hours, but I would ask that you approve their request.

MR. BURNETT: May I ask a question here, a couple of questions? One is in the percentage lines, if you look at the labeling at the top, you've got a minus -- I have a vertical minus there over --

MR. HARRISON: A plus and a minus.

MR. BURNETT: -- a plus. When you get to the bottom, neither shows. And so either we're in what Ian is comfortable with in the accounting world, if they're aren't parentheses around it, it's positive, and if there is, it's negative. If we're going to do it that way, I think it ought to indicate that up above. I think it would be easier for the amateurs among us to just look at a plus -- a plus or a minus in front of the percentage if that's doable.

MR. HARRISON: Sure.

MR. BURNETT: Jeff is nodding his head, so that's good.

MR. HARRISON: We discussed that. It calculates cumulatively, so it would reflect the change -- the percentage change. It gets esoteric because of the plus and the minus.
MR. BURNETT: We want to avoid that. I guess what I'd like to know is what the percentage change is over the last approved arrangement, not what it's been -- not the sum of 19 different approvals over the prior year.

MR. HARRISON: Right. This -- well, the data that's in here now is the template. So any change that's coming in the -- say they make a change for April, it'll show the change from what you see right in front of you now.

MR. BURNETT: So if there is no change, it will be the zero percent?

MR. HARRISON: That's right.

MR. BURNETT: Otherwise, if there is a change, it would be up or down?

MR. HARRISON: Right.

MR. BURNETT: Okay. I guess one of my questions is, how do you get a hundred percent change?

MR. HARRISON: That's another philosophical question, because if they don't have any operating hours on a single day and then suppose they open for one hour, well, that's a hundred percent change. It went from zero to one. If they open for 12 hours, that's a hundred percent change. Anyway, I just
wished to --

MR. BURNETT: Well, okay. Is it not
essentially -- okay. I guess I can see the
difficulty. I think we're interested in knowing
what the change and number of hours of operation is.

MR. HARRISON: Right. Total number of hours.

MR. BURNETT: Right. When you do it by the
day, you end up with that hundred percent
arrangement, but over the course of a week, it might
be a different -- it might be different.

Okay. I wonder -- I don't want to intrude on
what's already a very good product, but it would be
nice if there was perhaps a summary on the entire
week. In other words, this change is going to move
Scott County's hours of operation up 12 percent for
the week or something like that.

MR. HARRISON: Sure.

MR. BURNETT: I think it would be helpful.

MR. HARRISON: We'll continue to work on it.

MR. BURNETT: That is exactly what we're
looking for. It's terrific, Jeff.

MR. WINGROVE: Thank you.

MR. BURNETT: I think it really helps a lot.

MR. MILLER: Mr. Chairman?

MR. BURNETT: Yes.
MR. MILLER: Taking that into consideration, what is the 16.7 percent on Sunday? What does that represent, 12 to what? 16.7 percent plus? Minus?

MR. HARRISON: Plus.

MR. MILLER: From where?

MR. HARRISON: From the current -- if you look at the -- the first column there is what is current, the current hours of operation, and then what is proposed.

MR. MILLER: It's going from 72 hours to 84 hours?

MR. HARRISON: It's 16 percent.

MR. MILLER: And the 72 hours was from the last month?

MR. HARRISON: Right. It's February to March. So we would ask for approval of Colonial Downs' request to change their hours of operation at the SWFs in March.

MR. BURNETT: To summarize that, just to see if I can read this form, we're up a total of 16.7 percent in hours on Sunday. Those hours change at the various facilities. We're up 33.3 percent hours of operation on Monday and we're up a hundred percent of hours on Tuesday because they were all closed before, and those hours -- those
percentages are actually spread over several
facilities, which appear to be shown in pink on the
chart, on those three days.

MR. HARRISON: That's correct.

MR. BURNETT: Am I reading it correctly?

MR. HARRISON: Yes.

MR. BURNETT: Does it make sense to everybody?

MR. MILLER: I have one other question.

MR. BURNETT: Yes, sir.

MR. MILLER: I just want to understand this.

When you look at Tuesday and you look at Indian
River, it's currently closed and you propose 24
hours, right?

MR. HARRISON: No. Well, that's military
time, from 12 until 12.

MR. MILLER: Okay. And then it's carried over
to the next column, but what does that mean there?

What does 2400 mean in the white un-highlighted
column for Indian River?

MR. HARRISON: On Tuesday?

MR. MILLER: Yeah, Tuesday. What does that
mean? The others that are closed are a zero.

That's closed 2400 hours, 2400 hours, what's that?

MR. HARRISON: Right. It reflects the
difference, but since it's a difference coming from
a day that was closed to reflect the entire 24-hour period.

MR. MILLER: In other words, that was open before and now it's --

MR. HARRISON: It was closed and now it's going to be open. So it reflects an addition, but the actual number of hours that it will be operating is 12. So it doesn't pick up on that 24. That's for reference only. It's the hours that are highlighted in pink that sum up at the bottom of the spreadsheet. It's twelve additional hours each day.

MR. BURNETT: Is the second box in the white column the one that --

MR. HARRISON: We could zero that out. That would make it clearer.

MR. BURNETT: Is it not redundant? It's saying the same thing that's over there on the yellow column, right?

MR. HARRISON: Right.

MR. BURNETT: If it just didn't have that, if you could just put an "X" through there or something, then you can look at what's in the pink there?

MR. WINGROVE: I could make that change.

MR. BURNETT: Because it would lead you to
believe that that is in hours, not a time.

MR. HARRISON: Sure.

MR. BURNETT: Do you see what I'm saying?

MR. HARRISON: Yes.

MR. BURNETT: We want to add some character to that.

MR. HARRISON: We want that.

MR. BURNETT: Thank you, Commissioner Miller.

MR. REYNOLDS: It would be a lot better to look at a weekly total.

MR. BURNETT: I think they agreed to -- that Jeff could do that.

MR. WINGROVE: One other comment. That 2400 in that box is so it will calculate the percentage change. So from here forward, we'll hide it. It won't have that. It'll have whatever the current was and whatever the change is.

MR. BURNETT: Is that going to handicap you in terms of telling us the percentage?

MR. WINGROVE: If I take that 24 out, yes, but I could draw a line through it or what have you.

MR. BURNETT: Great. If you could just find some find way to help us ignore that, because you can see how confused we get by this.

MR. PETRAMALO: Only the lawyers are confused.
Everybody else understands it.

MR. BURNETT: It's completely clear to everyone else, right?

Thank you for your hard work on this. Hopefully the work will pay off into streamlining future approvals and seeing how things are going. It's terrific. Thank you.

Anything else on this subject?

MR. BROWN: Do we need to make a motion?

MR. BURNETT: Yeah, we do.

Are you moving this, Mr. Brown?

MR. BROWN: Yeah, I'll move it.

MR. BURNETT: Do we have a second?

MR. REYNOLDS: Second.

MR. BURNETT: It's been moved and seconded that we approve this form or the change -- that we approve the changes to the simulcast schedule at the various OTBs as presented. All in favor indicate by saying aye.

Note: (Aye.)

MR. BURNETT: I understand that there's going to be a few changes made to this form and it will be brought back next time. Thank you.

Next item?

MR. HARRISON: The next item is the update on
the Strawberry Hill progress. As you know, they had
applied for a limited license for pari-mutuel
wagering for their March 15th event. I was going to
speak to our progress with that effort and I was
going to speak to the cooperation that we were
receiving and I was thinking that in April we were
going to ask for your approval on that, but on
Monday, we received a message from the state fair
folks saying that they were withdrawing their
application for the limited license.

MR. SIEGEL: What's the reason for that? Do
you know?

MR. HARRISON: The stated reason was one that
related to finances. They felt when they did their
projections that their costs, including the
licensing cost of the individuals would make it a
risky proposition for them with respect to breaking
even or making a profit.

MR. MILLER: Did you say March 15th event?

MR. HARRISON: May.

MR. MILLER: You said March.

MR. HARRISON: I missed it.

MR. MILLER: Mr. Chairman, I have a question.
So the Strawberry Hill race in years past has not
had pari-mutuel wagering?
MR. HARRISON: Correct.

MR. MILLER: So this year it was proposed to have pari-mutuel wagering?

MR. HARRISON: That's right.

MR. MILLER: The status as of now is it's going to go forward as a Strawberry Hill race here without pari-mutuel betting?

MR. HARRISON: That's correct.

MR. PETRAMALO: May I comment on this?

MR. BURNETT: Please.

MR. PETRAMALO: The Strawberry Hill races, if you've never been to them, are very popular. Depending on the weather, they get as many as 25,000 people out here. They asked for our cooperation -- the VHBPA's cooperation this year because they wanted to institute pari-mutuel wagering on live races, and we agreed to help them. More importantly, we agreed to help them financially.

As you probably know, the horsemen get eight percent on all the live handle during horse racing. We agreed to help them with this project. We agreed to give them our eight percent. This is a charitable organization after all. It's a 501(c)(3), the state fair and the races. So we were helping them through the process, and I was
surprised when I learned the other day from the
director that they were withdrawing the application.

   And one of the reasons I was told was because
of the costs including the licensing costs. They
didn't think they could afford to pay for a license
for a parking lot attendant or a popcorn vendor, et
cetera. I was disappointed because I thought it
would be a good experiment. My suggestion is that
perhaps in the future if this comes up, you can give
some consideration to either waiving that fee or
somehow dealing with it at least to get them started
on the process.

   It seems unfortunate to give up on 25,000
people who are potential repeat customers of the
racetrack, particularly to the extent we're talking
about steeplechase racing because we run
steeplechase races at Colonial Downs, but we're more
than happy to work with the races as well as the
Commission in trying to get around the financing
problems.

   MR. MILLER: Mr. Chairman?

   MR. BURNETT: Please.

   MR. MILLER: I hate to take everybody's time,
but I need to understand this whole operation
regarding the Strawberry Hill races.
When they hold the races here, they have to --
they sponsor the race and they take the profits and
they rent from Colonial Downs. Is that how --

MR. STEWART: Historically, we've rented them
the facility. That's correct.

MR. MILLER: You rent it to them. So they
have to be the licensee to run the race.

MR. BURNETT: They don't even need to get a
license, I don't think, do they?

MR. MILLER: No. I mean, if they wanted to
have pari-mutuel wagering.

MR. STEWART: There's several ways it could be
done. We talked about all of them. We could have
been the licensee. That's one possibility.

MR. MILLER: That's what I'm trying to get at.
They could still be the sponsor -- I mean, they
could still get their money, I guess, from being the
historic presenter of Strawberry Hill races through
Colonial Downs, couldn't they? They could work out
an arrangement, a business arrangement, and have the
race under your license, couldn't they?

MR. STEWART: They certainly could. The issue
remains the same, though. The issue that they
tripped over was that the vast majority of the
people that work here for them in the parking lot,
all throughout the facility are volunteers. They're people that are not paid.

However, the Racing Commission's position is that all of those people need a license. There's approximately $6,500 in licensing fees that Mr. Roberts communicated to me. That's a number that's the stumbling block. Sure. I guess --

MR. MILLER: I was going to inquire further, but if we're talking about $6,500, it's not worth the time of the people in this room for us to even discuss it. That's nothing.

MR. SIEGEL: Was there a compromise that could have been reached or was there a discussion of one to the 6,500? To your point, could there have been a reduced fee since it's only a one day meet? It's not as if they're going to be licensed for the entire 45 days or whatever.

MR. HARRISON: It came up during our meetings, and I believe that the actual number is closer to 3,000. They have to pay about 3,000 anyway for the required participants. I think that the 3,200 was the amount for the parking attendants and the vendors and things like that.

Be that as it may, they requested that we waive the fee, the license fees, and à la the
three-day pass that we came up with, but they were experimenting this year with Colonial Downs for the Colonial Turf Cup, the 4th of July, and the Virginia Derby. Our view was that Colonial Downs' meet is a 40-day meet and we're making an exception for these three days, and it's an experiment. We're going to see how that goes this year.

The Strawberry Hill meet is a one-day affair. There's nothing to reconcile that one day with. So we thought it prudent that, okay, this is a limited license. These are the folks that we license. This is a highly regulated industry here in Virginia, and this year -- this first year, this is what we're going to -- this is how we're going to process those licensees.

We would consider after this first year working out some sort of a compromise, but that's the reasoning why we went this route.

MR. MILLER: Okay. I need to ask another question. If they didn't use their volunteers and they used your people, people that have -- when a person buys this license, when they're licensed, it's an annual license. It's for every day of the year, isn't it?

MR. STEWART: It is.
MR. MILLER: So you could have your licensees here and just charge that as part of the rent, couldn't you?

MR. SIEGEL: They would pay them. They're not volunteers.

MR. STEWART: Precisely.

MR. SIEGEL: You might have to spend more than the cost of licensing to pay them.

MR. MILLER: Well, does this race -- if you've got 25,000 people, surely they get a lump of money from admissions, don't they?

MR. PETRAMALO: They charge admissions, sure.

MR. BURNETT: How much are admissions? Ten bucks?

MS. BOUZEK: A 125 a car load.

MR. BURNETT: So what's the gross take?

You guys are all laughing at 10 bucks. I came up with $250,000, and then I look at $2,500 in licensing fees. Okay. Licensing fees is a one percent item. And so if they make twice that, then it's a half percent item.

MR. MILLER: Even if they have to pay people, they're not going to pay that much.

MR. BURNETT: You know, we're guessing at their budget.
MR. PETRAMALO:  Right.

MR. SIEGEL:  Well, Vic, you stated earlier that their stated reason was --

MR. HARRISON:  That's right.

MR. SIEGEL:  -- but maybe there are other things --

MR. HARRISON:  That's highly possible.

MR. SIEGEL:  -- that are behind the scenes here.

MR. BURNETT:  Well --

MR. STEWART:  That's the only reason that's ever been communicated to me.

MR. BURNETT:  One issue that I heard out there was this political contribution restriction on some members of the board of directors, some difficulties that that might pose for them.  I would favor given the nature of this particular endeavor that if there were a way for them to be excused from that particular requirement, that would be nice.

You've got a bunch of civic leaders.  It's naive for us to think that they're not politically connected in one way or another.  They don't routinely make some level of contribution to -- you know, if they're really good at it, they would contribute to both sides of the race so they can say...
they supported the winner, whoever wins, and now they're under this prohibition. I understood that there were some folks that that was going to be a problem for. If that's an issue, I'd like to see us address this sooner rather than later so that it doesn't get in the way next year. I don't see a one day charitable event race or charity running a race with pari-mutuel wagering is somehow poisoning Virginia racing and the morals thereof.

MR. SIEGEL: Is this something that Colonial Downs wants to do, or are you providing them some service?

MR. STEWART: Well, our point of view is that it will be difficult. We believe that there will not be a large handle on the live racing product. On the other hand, you know, we've been wrong before. If somebody would like to try it, we're happy to facilitate that.

MR. SIEGEL: There's very little risk at trying it once, I think. The numbers aren't that big.

MR. STEWART: I agree. As long as it's not an expense to us, we're happy to help anybody else who wants to do it.

MR. BURNETT: Mr. Brown?
MR. BROWN: As far as in the past, what is -- isn't there wagering amongst patrons?

MR. PETTY: Allegedly.

MR. SIEGEL: There is.

MR. PETRAMALO: That might be true, but it would be wrong.

MR. BROWN: I agree.

MR. PETRAMALO: Sure. I mean, I've been to steeplechase races all over and everybody kind of --

MR. SIEGEL: Has a pool.

MR. PETRAMALO: Sure. Now, I don't think there are bookies here. At some steeplechase races, there are bookies, but I've never seen a bookie at Strawberry Hill.

MR. SIEGEL: They bet among their friends.

MR. PETRAMALO: Yes.

MR. SIEGEL: Every tailgate has a pool.

MR. PETRAMALO: Exactly.

MR. SIEGEL: Maybe not every tailgate, but lots of them.

MR. BROWN: Even if Colonial Downs jumped into the mix, so to speak, and decided to use their license to do it, somebody has got to be out here kind of policing, making sure that -- you know, there's not this so-called bets getting booked.
MR. PETRAMALO: Well, I wouldn't think that so much is the problem. When Strawberry Hill -- the Strawberry Hill people talked to me about it, I said, well, gee, that sounds like a great idea, but how are you going to facilitate 25,000 people betting? I mean, you got tote machines in the grandstand, but you got people all over the track. There was some talk about using portable devices, et cetera.

The bottom line is getting the facility to the patrons I think is the problem. If there was some way to get it -- for example, at some racetracks they have little portable machines where a person goes around and writes it, something like that would probably work. It may undercut some of the private tailgate pooling, but probably not much.

Mr. HARRISON: Commissioner Brown, it's my understanding that there will be wagering on that day on the simulcast races including the Preakness. Is that still correct?

MR. STEWART: Yes.

MR. HARRISON: So we thought that this year would be a very good trial to see how the wagering actually goes and maybe they can make a better assessment for next year's Strawberry Hill event as
to whether or not it's going to be profitable.

MR. BURNETT: I think we've got a little evidence already on what happens with steeplechase wagering. To remind everybody, our per capita wagering at Colonial Downs generally over the last ten years, correct me if I'm wrong, is 75 to $85 for the live meet. Ten years ago, maybe it was closer to a hundred at some racetracks, and in the OTBs, it runs 250 to 300.

When you have very large populations of inexperienced bettors at a racetrack, it drops precipitously. I would -- my best guess is you're lucky to get $15 as a per cap with the Strawberry Hill races. And maybe even -- it might be lower than ten. It might be in the single digits. The reason I say that is because we've had some experience with the fair here during the harness meet and those numbers per cap plummeted as a result of that, because of the volume and then the $2 bettors.

Also, we had the experience in Morven Park in Leesburg 10 or 15 years ago. They brought in the boards. They set up a tent for wagering and everything else. I think I still have one of the first tickets bet at that event, and I recall it was
probably $15 was the per cap. So that's pretty
tough for a racetrack to take their usual percentage
and turn it into anything. So I can understand
certainly why from a business perspective it doesn't
make a whole lot of sense. They're going to make
their money on the gate is where they're going to
make their money. The operator is going to get
killed is my guess in terms of a financial return.

MR. WEINBERG: Not that --

MR. BURNETT: Go ahead.

MR. WEINBERG: I didn't want to get too hung
up on this, but the other aspect we haven't talked
about is risk allocation. I mean, we're looking at
this and from a lawyer's perspective, the
understanding was use our license, but you're going
to run the whole race, you're responsible -- you
know, if anything goes wrong out there on that
track, with all due respect, they're going to look
to Colonial Downs. You're not going --

MR. BURNETT: Of course.

MR. WEINBERG: -- to go to the state fair.

That played a role in how we went about structuring
this as well.

MR. MILLER: In the event they are interested
in pursuing this next year or whenever, we still
have that underlying issue you spoke of.

MR. BURNETT: Yes.

MR. MILLER: Political contribution prohibition. Could we have our counsel look into that in the meantime to see if there is any possible way to accept people who may be operating a facility for one -- you know, the board of directors or a group that's involved?

MR. PETRAMALO: What's the issue? I don't understand that.

MR. WEINBERG: Here's what --

MR. LERMOND: It appears in the code.

MR. WEINBERG: It's in the code. A limited licensee, no person to whom a limited license has been issued nor any officer, director, partner or spouse or immediate family member thereof.

MR. PETRAMALO: I'm sorry to interrupt you. I wasn't following that.

MR. MILLER: Well, I think Amy, if she's listening --

MR. PETRAMALO: No. I understand.

MR. MILLER: -- she gets my point, to see if there is any way, but it doesn't sound like there would be.

MR. PETRAMALO: Right.
MR. WEINBERG: It's pretty broad. Now one could argue under citizens united whether that has --

MR. MILLER: Except if they were to go forward with the suggestion of an arrangement to use Colonial Downs' license, but then the other issue is somebody is going to have ensure the safety and somebody is going to have to bear the legal responsibility for things that occur on the track. Is it going to be the lessee or the lessor, so on and so forth? So that's another ball of worms or whatever the expression is.

MR. BURNETT: I can't imagine if there were a united support for it in the industry, if you said any limited license its duration is not more than three days, this section shall not apply, that anybody is going to get very excited about it. It's just going to go sailing through in detail in the legislature, I guess that's what we have to do.

MR. MILLER: We might want to look into that.

MR. WEINBERG: And to add to that, it might be even easier if you said the entities are not for profit.

MR. BURNETT: Sure. Sure.

MR. MILLER: Amy, did you get that? I guess
she did.

MR. BURNETT: I hope so.

And, Vic, would you be sure to --

MS. DILWORTH: Do you need me to comment?

MR. BURNETT: No. We just wanted -- we needed to know you were there.

MS. DILWORTH: Okay. I'm here.

MR. BURNETT: Great. Thanks.

Are we ready to go on to the next subject?

MR. HARRISON: I would like to cede the floor to Greg Scoggins. He has time constraints. He has to leave here at eleven.

MR. BURNETT: I'm sorry. I had not ignored him. I thought we were going to finish your report and then go to Greg, but that's fine. We're prepared for Mr. Scoggins.

MR. PETRAMALO: I ignored him.

MR. SCOGGINS: Don't upset me.

MR. BURNETT: This is, to be clear, Item 6-C, XpressBet from incorporated to a limited liability corporation. I think we're about to get a lesson in legal form, I think.

MR. SCOGGINS: Greg Scoggins with XpressBet and Magna Entertainment, and to my right is Michael Fuchek, who is the general counsel for AmTote
MR. SCOGGINS: First off, I need to begin with apologies. I apologize for being the guy closest to the track who's late, and I apologize for being the guy who's probably going to leave the meeting the earliest. Unfortunately, I don't have the ability to tell the pilot of my plane to wait for me. They'll go on without me. So I appreciate you're indulgence as we go through this.

What I have -- what we have done is prepared a slide presentation to help walk you through the process and hopefully answer some of the questions you have, and then obviously after the conclusion of the presentation, everyone is free to ask whatever questions they may have. So if I may, I'm going to go back here to my computer where it's hooked up to the television screen, and you guys can watch the presentation.

As we do this transition to the screen, if anybody can help me figure out how to turn it on. As all of you know, it's not a secret at all. As we all know, Magna Entertainment filed for Chapter 11 protection along with several subsidiaries back
about a year ago, and we have been working through a process for how to get MEC out of that process and reorganized and restructured in a way that allows it and the various subsidiaries to move forward. So today I'm here to make a presentation with respect to the two entities who are licensed here in Virginia, XpressBet, and AmTote International.

So a bit of background, XpressBet, Inc., is a wholly-owned subsidiary of Magna Entertainment Corp, and AmTote International, Inc., through a wholly-owned subsidiary of MEC is an indirect wholly-owned subsidiary of Magna Entertainment Corp as well.

On March 5th, MEC filed along with several subsidiaries for Chapter 11 protection in order to re-work some of the debt structure that it has, and it's pending before the U.S. Bankruptcy Court in Delaware. It includes a number of subsidiaries, many of which you know, Santa Anita Park, Gulfstream Park, the Maryland Jockey Club tracks, et cetera.

It also includes AmTote International as the corporate parent of three different AmTote related entities. It does not include, however, XpressBet. XpressBet has been operating outside of the Chapter 11 process. It is not one of the debtors in the
Chapter 11 proceedings.

There are a couple of AmTote subsidiaries, if you will, AmTote Canada, Inc. and AmTote Australasia, which are not -- were not filed -- did not file under Chapter 11 as well. They're just direct subsidiaries under AmTote International.

MR. FUCHEK: That's correct.

MR. SCOOGINS: Since the filing date, MEC and the various debtor entities as well as the non-debtor entities have been continuing to operate in the ordinary course. We have a financing position in place that have allowed those operations to continue. We're paying our bills as they're due and dealing with the various issues that come up over the course of the process.

One of those issues has always been, how are we going to restructure things, what are we going to do with our various assets, and how are we going to come out and emerge from bankruptcy stronger than we went into bankruptcy. There's been a lot of toing and froing, a lot of deadlines that have been targeted and missed. Finally, in January, MEC and MID as corporate parents -- controlling shareholder, if you will, which is MI Developments, Inc., which is an entity that is ultimately controlled by Frank
Stronach, who is the chairman of not only MID but also MEC.

It and the unsecured creditors committee, which is a part of the Chapter 11, and several various affiliates of MEC and MID reached a settlement related to a number of claims that ultimately resulted in a plan that has been submitted to the bankruptcy court in hopes of having that plan approved next month so that we can emerge from bankruptcy with the structure that I'm about to highlight.

The unsecured creditors committee had assessed some charges against MID relative to its loans because it is the largest secured creditor of MEC and stood to gain or stood to place at risk the various unsecured creditors if all of their secured debt had been satisfied. So they had filed claims against MID and MEC in an effort to try and push MID into a different position so that the creditors, the unsecured creditors could increase what they were going to take from the settlement.

In resolution of this dispute, MID agreed to pay 75 million dollars to the unsecured creditors who are deemed eligible -- have eligible unsecured creditor claims. They also agreed to apportion
various proceeds from sales that are currently in process. Thistledown has agreed to a sale, and the bankruptcy court has agreed to it. That process is continuing on and that sale and the sale of Lone Star Park are -- and the sale of Maryland Jockey Club properties are ongoing. And so the agreement was that to the extent those sales are consummated, then there would be a various apportionment of the proceeds. In some cases, the first "X" million dollars goes to MID and the balance goes to the unsecured creditors and vice versa.

As it relates to MEC, the plan of reorganization contemplates that MID in satisfaction of its secured debt will take back several entities. Los Angeles Turf Club, Pacific Racing, which operates Golden Gate Fields outside of San Francisco, Gulfstream Park, XpressBet, and AmTote International.

The plan is that -- excuse me. The plan was filed in mid-February, last month. It is going through the process of -- that is the bankruptcy process. I won't belabor the points there, but ultimately MEC's stock will be cancelled. It will cease to exist as an entity.

In the process of the reorganization plan,
those subsidiaries that are pending sales, Lone Star Park, Thistledown, Maryland Jockey Club, those will be transferred into operating trusts, which will continue to operate those facilities pending the resolution of the sales and the regulatory approvals that are necessary with those sales along with other conditions of closing.

The remaining subsidiaries, XpressBet, AmTote, et cetera, are to be transferred to a MID subsidiary. It'll be wholly-owned entity, and I'll show you a chart here in a minute that kind of lays it out.

The effective date of the plan is designed to be one that occurs once certain conditions have been met, and one of those conditions is that MID will obtain whatever or its affiliates will obtain whatever regulatory approvals that are necessary for it to take the ownership for these various assets, all of which that I described are obviously subject to regulatory approval or regulation.

So just as a summary of what the current ownership is as of today, we have Frank Stronach and Stronach Trust at the top. They collectively control 67.1 percent of the voting interests in MI Developments. MI Developments in turn owns or
controls 96 percent of the voting interests in MEC. There are public positions out here as well, but when you look at the voting interest allocation, this is how it breaks down.

Magna Entertainment owns a hundred percent of XpressBet and it owns a hundred percent of the subsidiary that is the wholly-owned corporate parent of AmTote International. So if you'll watch, when I hit this button, very little will change except that circle will go away and this circle will be named differently. So at the end of the day as the plan contemplates, MID -- or MEC will go away, and in its place will be a hundred percent owned and subsidiary of MID. So the public component to MEC's ownership will obviously go away as MIC goes away -- MEC goes away.

AmTote International, the debtor, will have its stock cancelled and reissued as apart of the bankruptcy process. It will be a reorganized AmTote International. That stock will go into a MID subsidiary. XpressBet, the ownership interest in XpressBet will go to the MID subsidiary, and you'll note that XpressBet has different initials at the end of the name. What that is is that for tax purposes, MID would like to convert XpressBet from a
corporation, which it is now, into a limited liability company. It will do that pursuant to Delaware laws and under Delaware law, there is effectively no change in the company. It's, in essence, a name change that has tax consequences.

MID -- currently XpressBet and AmTote have two directors and two officers who are officers of MEC. Those officers and directors will be removed as officers and directors of XpressBet and two MID appointed officers and directors, probably the same people, will be appointed as officers and directors of XpressBet. The same thing will happen with the officers as I just mentioned.

A key point that I want to make clear is the day-to-day management team at XpressBet will not change. The people who are conducting operations at XpressBet, Ron Luniewski, who's president, Gene Chabrier, Dan Newman, the various people whom you may know or may not know, they are remaining at XpressBet and will be responsible for the day-to-day operations. This is a structural change that happens at the highest level of the entity and should not affect the day-to-day operation.

Now, with respect to AmTote, as I mentioned, their stock will be cancelled and new stock will be
issued pursuant to the bankruptcy proceeding, and
this is necessary because in order for AmTote to
emerge and for MEC to emerge from bankruptcy free of
any debt, it has to be free of its status as the
pre-bankruptcy entity. It's the standard process in
a Chapter 11 proceeding.

The stock of the reorganized AmTote will be
transferred to this MID subsidiary. Again, there
will be two existing directors of AmTote
International who are currently MEC officers who
will be removed and MID will appoint two people to
serve as the new directors for AmTote International.
The same with the officer position at AmTote
international, and just like with XpressBet, there
will be no change in the day-to-day operation. The
same operating team and senior management team that
is in place at AmTote will remain in place, so you
should see no change whatsoever in how things are
done at both of those entities.

So that concludes my part of the presentation.
I'm happy to answer and Michael is here to answer
any questions you all might have with respect to
what's contemplated, and then I have an ask.

MR. BURNETT: Greg, from a tax standpoint, the
corporation to LLC just allows the corporation --
the LLC's activity just flow through one onto the
tax sheet or the return of the parent corporation?

MR. SCOGGINS: Speaking from a non-tax
lawyer's perspective, that is my understanding. It
provides tax advantages that you don't get when you
own a corporation.

MR. BURNETT: How many directors do the two
corporations that are having two each replace?
There's the new AmTote and the new -- what is it,
the new XpressBet? They're each going to get two
new directors? How many directors do they have now?

MR. SCOGGINS: Two.

MR. FUCHEK: It actually has three.

MR. SCOGGINS: Oh, you do.

MR. FUCHEK: Steve Keech is the president, his
director, and then the two Magna directors. Those
are the two Greg is referring to.

MR. SCOGGINS: Right.

MR. BURNETT: I just -- I think from a
regulator standpoint, we're looking for where the
potential for disruption -- for weakening of
financial strength, weakening of operational
strength, anything that could be detrimental to
Virginia racing. I'm not suggesting that I've heard
any of that so far. I'm just saying that those are
the kinds of questions that I think we ought to be asking. If you're going to get all kinds of stronger, typically this is not something we would worry about. If you're going to get a lot weaker in operations or are having problems that would impact us in ways that we need to be watching, then it's something we ought to know.

There's a purpose to all of this and shedding an enormous amount of debt, I suspect, makes the new companies coming out of this process stronger or the whole process would not make any sense.

MR. SCOGGINS: Correct.

MR. BURNETT: Is there any -- I don't know anything about bankruptcy. Is there any Good Housekeeping Seal of Approval or any sort of analysis that is undertaken by the bankruptcy trustee or the bankruptcy court that could be helpful to us in predicting the quality of management, the health of the business going forward, financial help, anything out there that might help us that comes from that court?

MR. SCOGGINS: The process that will take place between now and the effective date is as follows. In connection with the filing of the plan, there is a disclosure statement that is to go to the
various holders of debt of MEC or any of the subsidiaries, and that disclosure is a description of here's -- it's almost like a Proxy Statement, if you will, that explains here is what our plan contemplates. There is -- that has been filed along with a plan. We are now in a position or in a situation where we are awaiting comments, we are awaiting objections or any concerns that might be expressed by those who have a stake in the outcome and status and the structure of the plan.

There is the possibility that the plan will be amended in response to those concerns. There is a possibility that the Court will say, I want you to amend it based on whatever concerns are voiced to her. There is also the need -- there are a series of exhibits that are, in essence, for purposes of like the trust entities and stuff that have yet to be filed. They are being worked on. They will be filed.

All these documents and the various objections and concerns will be filed with the Court. The Court is to be hearing the objections and ruling on whether the disclosure statement is sufficient late this month. I think maybe even next week. And then the Court is set to hear and approve whatever and
render a judgment on the ultimate plan in April, I
believe April 20th is the target date.

So I guess to answer your question, there will
be opportunities for people to speak to that issue.

MS. DILWORTH: Mr. Chairman?

MR. BURNETT: Yes, please.

MS. DILWORTH: May I ask a question?

MR. BURNETT: Yes. Go ahead.

MS. DILWORTH: I'm just wanting to know, is
this the first plan that's been filed, Greg?

MR. SCOGGINS: Yes.

MR. BURNETT: I'm sensing a little bit of a
potential chicken and the egg here, that we want to
see the last plan before we say, yeah, okay. The
Court wants to hear our okay before they issue the
last plan. Am I --

MR. SCOGGINS: I'm not sure.

MS. DILWORTH: There's usually -- a plan of
reorganization usually is amended. I mean, that's
to be expected. I just didn't know if Greg had any
insight as to how likely that would be. You're
looking at a confirmation date in April?

MR. SCOGGINS: Yes. I do not have any insight
to give relative to the likelihood or nature of any
amendments that might be made at this point.
MR. BURNETT: And so the record is clear here today, what do you want of this Commission, one? And two, when do you want it?

MR. SCOGGINS: Okay. I'll work backwards.

MR. BURNETT: Okay.

MR. SCOGGINS: Assuming the target effective date, which currently is April 30th, is capable of being achieved, our goal, my goal, my charge is to obtain as many regulatory -- well, in order for that date to be achieved, MID needs all the various regulatory approvals that are necessary.

My obligation in getting that done is to bring this before the various regulatory boards. In fact, I'm getting on a plane later to have this same conversation with Oregon and I'll have the same conversation with California on Friday, is to give you the information that you need as soon as I obtain it that will allow you to do the due diligence that you need to satisfy yourself that the plan as currently contemplated or is ultimately amended is satisfactory to the Commonwealth of Virginia.

We will provide the names -- I have an idea -- to go to a question that you had asked, a very good idea as to who the individuals will be, and I can
tell you that those folks have been involved in MEC
related operations for several years. So I have no
personal doubt in my mind that you will see little
to no change, more little -- more no than little
change in how XpressBet operates and what they do.

I mean, if the economy continues the way it is
and we lose a big key bettor, then that's what's
going to happen and we can't help that, but for
purposes of management decisions and whatnot,
historically it has been left to those at the senior
management, day-to-day operations level, and I see
no reason for that to change.

So my ask would be to the extent you're able
to give it today or in April, some kind of
conditional acknowledgment and approval that if this
is the way it ends, and subject to clearance by
Vic's team of the backgrounds of the people that we
ultimately identify and the entity that ultimately
is identified -- again, I have an idea of what it is,
but I'm awaiting formal confirmation of that,
that from your perspective it doesn't give you any
heartburn.

I realize that there are huge conditions there
and we have to do our best, and I will advise MID to
do its best not to divert very much from this unless
it's an improvement from you all's perspective.

MR. MILLER: Mr. Chairman?

MR. BURNETT: Commissioner Miller?

MR. MILLER: So you won't -- we are to
determine whether or not this reorganized entity or
entities, whether they are suitable licensees to do
business in Virginia?

MR. SCOGGINS: At the end of the day, the
assessment is MID will not be doing business in
Virginia. The MID subsidiary will not be doing
business in Virginia, but at the end of the day,
Virginia law requires the Racing Commission to
determine that the various elements in the ownership
chain are suitable for the Commonwealth of Virginia.

MR. MILLER: The licensees are the people that
they deal with.

MR. SCOGGINS: That's right.

MR. MILLER: Okay. That's what you want from
us.

I'm interested in one other thing, and that is
has the issue of your contractual relationships
within Virginia and the obligation that you have,
has that been brought before the Court? Is the
trustee considering the viability of you being able
to meet your financial obligations here while all
MR. SCOGGINS: Well, if I may remind you, XpressBet is not under the protection of the bankruptcy clerk because it did not file for Chapter 11. It is a free standing, free operating entity. It's free to structure whatever agreements it needs to structure. It's currently in discussions with Colonial Downs for purposes of addressing the ongoing obligations here in the Commonwealth and with the horsemen ultimately.

MS. DILWORTH: Mr. Chairman?

MR. MILLER: Do we have before us now, is there any issue or is XpressBet behind on payments? Is XpressBet -- is there any problem as far as the Commission or Colonial Downs or anyone is concerned regarding XpressBet's obligations to meet their financial agreements here?

MR. SCOGGINS: I will answer first, if that's all right. There is arguably a dispute as it relates to a payment that was made in February and the extent to which it was made consistent with our interpretation of the complements of law, the contract, and other's interpretation, but it would be my expectation that that issue will be resolved in the ordinary course either, as I hoped, through a
contract that resolves that issue or regrettably
through litigation, but I don't perceive litigation
being the end result.

MR. MILLER: I don't need to be concerned with
that as to this issue.

MR. SCOGGINS: That's for you to decide and,
obviously, for Frank and others to comment on.

MR. MILLER: I just want to hear. I mean, if
there is any, I would like to hear it today.

MR. SCOGGINS: Right.

MR. LERMOND: Greg, you said February. I
think you meant January's payment.

MR. SCOGGINS: Well, we made it in February
for January.

MR. BURNETT: Ms. Dilworth?

MS. DILWORTH: Yes.

MR. BURNETT: Did you have a comment or
question?

MS. DILWORTH: Oh, my comment was that I think
this is a Chapter 11 reorganization, right,
Mr. Scoggins?

MR. SCOGGINS: Yes, it is.

MS. DILWORTH: There's no trustee in the case.

MR. SCOGGINS: That's right.

MS. DILWORTH: The reorganized debtor, the
debtor in possession at this point is the one who
oversees the propriety of what happens in the case.
There's no review by a Chapter 11 trustee. There's
the U.S. trustee who keeps an eye on things, but I
think Clint was possibly thinking that there was a
Chapter 11 trustee, which there is not. And that's
a good thing.

MR. BURNETT: That's a good segway into a
question I have. We have very capable counsel.
While we might informally express no particular
concern today, I would not be comfortable passing on
your request until we've had advice of counsel,
although I'd like you to be able to go back to your
people and say I don't think Virginia is going to be
a problem, and I believe we won't be.

Subject to hearing from our capable counsel
who may say to us, while we have looked at this, we
think it would be prudent to get some outside
specialized help, lawyers to look at this and advise
our counsel and the Commission as to any number of
questions that might come up that are beyond my
imagination right now.

MS. DILWORTH: I might just remind the
Commission that I have a fair amount of experience
in bankruptcy reorganization, and I have actually
worked with Bob Gotshal, which is the law firm that represents the debtors in this case and have a lot of respect for them. I think that we won't have any problem keeping the communication lines open.

MR. BURNETT: Good. I think that information will be music to Mr. Scoggins' ears when he hears the rest of my question, which is whether or not his company is prepared to underwrite the cost of our going out to get outside counsel to help us should we need it to advise us appropriately on this. I don't pretend to know what our agreement or what the law is.

I would think in the future our licenses ought to provide that if somebody wants to come in and change their corporate form, they do so at their expense and our expense -- and that expense includes our expense for analyzing it during a license year. I don't know if that's applicable right now. I'm just asking the question because it may come up in other jurisdictions. You may know the answer.

MR. SCOGGINS: What I can say is, it's been awhile since I've looked at that particular section of the code, but I do recall that there is a certain level of responsibility that is imposed on a licensee to the extent they ask for any changes in
the structure. Obviously, we are prepared, and I think I can speak for MID, that it is prepared to incur those costs because that's what the law requires.

If there's anything that the Commission would like to see over and above that, the door is open, but I can't make a commitment at this point because I haven't had a chance to ask the people who would be making that decision.

MR. BURNETT: I'll go back to Ms. Dilworth's answer. She's very experienced in these matters, and it may be that she's going to be completely comfortable with what she looks at and we won't need to go spend any more money than we spend on her good efforts.

MR. SCOGGINS: It was music to my ears and I'm glad to hear that, you know, she's got the experience and familiarity with the Weil, Gotshal team.

MR. PETRAMALO: May I ask a question?

MR. BURNETT: Hold on a minute. Commissioner Reynolds had a question.

MR. REYNOLDS: Did we address this issue several years ago?

MR. BURNETT: With the estate planning, I
think, of the Jacobs Trust. I believe they contributed something towards our having specialized counsel help us.

MR. WEINBERG: We did, from Jacobs Entertainment.

MR. BURNETT: Right. Exactly. That may be what you're thinking of.

MR. REYNOLDS: It is.

MR. SCOGGINS: We'll take it under advisement as you hear judges say, even though I can't even come close to considering myself a judge.

MR. BURNETT: Mr. Petramalo?

MR. PETRAMALO: Yes. Getting back to Virginia's interest in account wagering, where does Magna's interests in TrackNet Media and HRTV fit within this bankruptcy scheme?

MR. SCOGGINS: That's a good point, Frank. I did not mention that, and I wasn't trying to hide the ball.

MR. PETRAMALO: I wasn't suggesting you were doing that.

MR. SCOGGINS: I know that. I know that. I know you better than that.

MR. BURNETT: Just a little lawyer to lawyer there.
MR. SCOGGINS: I did that -- I planned it for him to demonstrate that he is a very good lawyer.

MID, the subsidiary that MID will be creating to take the ownership interest of the entities I've mentioned will also be taking the 50 percent ownership interest that MEC currently has in TrackNet Media and HRTV.

MR. PETRAMALO: But they are not in the bankruptcy, per se?

MR. SCOGGINS: They are just like XpressBet. They are not debtors in the Chapter 11 process.

MR. BURNETT: Who again will be the entity that will end up taking the TrackNet interest and the HRTV interest?

MR. SCOGGINS: The MID subsidiary that --

MR. BURNETT: The new subsidiary --

MR. PETRAMALO: Just call it new corp.

MR. SCOGGINS: Again, that's an entity that I'm pretty comfortable knowing what it is, but awaiting final confirmation. As soon as I know it, I'll forward it on.

MR. BROWN: What are the projections as far as having this information?

MR. SCOGGINS: I wanted it before today.

MR. BROWN: What's the hold up?
MR. SCOGGINS: I wanted it a long time ago, but I will expect that I should know very shortly because I think the circumstances demand that we need to know shortly. I don't -- I can't expect a regulatory body to say yes to something they don't know enough about, and if MID wants to take over control by April 30th knowing that it's got its regulatory approval, it's got one more meeting left at most commissions to do that unless they agree to hold a special meeting, which I'm hopeful that we won't have to do that. I'm hopeful that they would agree if we have to do that, but I've been before enough commissions that I know that they don't necessarily feel a particular compunction to do so just because we ask them.

MR. BURNETT: All right. Any further questions of Mr. Scoggins?

MR. HARRISON: I have one.

MR. BURNETT: Vic?

MR. HARRISON: Along the lines of Frank's question, what's always upsetting to me when I read about racing entities, pari-mutuel entities entering into or coming out of bankruptcy proceedings is the settlements from one racetrack to the next and how it impacts bettors possibly. I know it's probably
not an AmTote issue, it's probably not an XpressBet issue, but it is a Magna issue. Can you comment on the resolution of any or the status of those issues?

MR. SCOGGINS: I'd be happy to. There were as apart -- as a result of the filing of Chapter 11, there were a number of claims filed. A substantial amount of dollars that were claimed in connection with settlements where there was some money room shifts that were owed to third parties because it got caught up in the bankruptcy time period, if you will.

There was an action filed by RGS and Elite Turf Club and Amwest and some other entities that have alleged that the money that is, in essence, the settlement funds is not the money of MEC or its various debtors. It is rather money held in trust and should be paid regardless of how the bankruptcy proceedings resolve because it is not money of the estate, property of the estate.

That is a contested case. MEC has disagreed with that. It has not yet been resolved. The last time I spoke with someone about the status of that, which was a few days ago, the hearing for that had not yet been scheduled. It's going to be a seminal decision for purposes of that.
I will say that in the past it is my understanding, whether it by resolution or court decision, there have been a couple of times when this issue came up in other contexts and it has not worked out well for the people who have the claims or it has resulted in some kind of settlement that may result in them getting less than a hundred cents on the dollar, but the particular judge that's handling this matter, now that she's got two racetrack related bankruptcy cases on her plate, this is the first racing related case that she's had.

MR. BURNETT: Any other questions? Stakeholders? Does the track -- Colonial Downs have anything to offer on this issue or any comment or questions?

MR. STEWART: I guess the two thoughts I have. One is I agree with Greg's assessment of the financial -- whatever it was, relationship with Colonial Downs. So that's fine. From our personal standpoint, I think we're -- AmTote owes us three or $4,000, which I don't anticipate we will get, but outside of that, that's about it.

MR. FUCHEK: That was pre-petition?

MR. STEWART: Yes.
MR. BURNETT: So if I'm hearing correctly at least today based on the limited knowledge we have, the racetrack does not have any objection to this request?

MR. STEWART: No, we don't.

MR. BURNETT: And the horsemen, any comment, objection, approval, anything you want to put on the record today?

MR. PETRAMALO: We grudgingly have no objection.

MR. BURNETT: Typical thoroughbred horsemen.

Charlie?

DR. DUNAVANT: No, no objection.

MR. BURNETT: And the nice, sweet harness horsemen.

All right. Any other questions from the Commission?

Mr. Scoggins, thank you. Mr. Fuchek, thank you for coming.

MR. FUCHEK: You're quite welcome.

MR. BURNETT: And I think -- does the Commission want to engage in any resolution that might help the process along?

MR. SCOGGINS: Informal comment, and believe me we will take it as such, to the extent that you
have any guidance as far as what you've seen today, if it gives you heartburn other than I want to know who these people are and I want to make sure they're good for Virginia, which I totally acknowledge is a critical assessment that you must make and that you're charged with making, if there's anything about the way it's being proposed as a structure that you would like to comment on, I would be more than happy to take it back to my folks because if we need to make a change and amend the plan accordingly, then obviously the earlier we know to do that, we will.

MR. BURNETT: I can't comment personally on the technicalities. I'll leave that to our capable counsel in terms of whether there's some structural issue that would be better handled one way or another, but from what I'm hearing, this commissioner doesn't have a problem with where this appears to be going. I don't know whether other commissioners would want to comment or not.

MR. REYNOLDS: I feel there might be something in timing. We may give you encouragement to tell your people that we're interested in getting information sooner than later, and that we're at a disadvantage if it's later.
MR. SCOGGINS: Thank you. I will relay that message again.

MR. BURNETT: I will echo that.

MR. SCOGGINS: I relayed that message earlier this week and hoped that it would be enough, but I will use whatever regulatory help and assistance in getting that information that I can use. I'm not too proud to say that.

MR. REYNOLDS: We're anxious to see it.

MR. SCOGGINS: I'm sorry?

MR. REYNOLDS: We're anxious to see it.

MR. BURNETT: We want adequate time for us to absorb what is an unusual and complicated matter for us.

Anything further?

Thank you.

MR. SCOGGINS: Thank you all.

MR. BURNETT: Good luck getting to your plane and enjoy the west coast.

MR. SCOGGINS: Thank you. I appreciate that. I appreciate again your indulgence in hearing me. It looks like my timing couldn't have been much better.

MR. BURNETT: We'll return to the secretary's report. I think where we left off, we were getting
ready to talk about the 2009 Virginia Racing Commission Annual Report.

    MR. HARRISON: Yeah. I just wanted to draw everyone's attention to this. The code requires that by March 1st of every year we submit an annual report to the governor and the legislature. That's been done. It's posted on our website, and it's done in PowerPoint. So what you can do when you go to the website is click on read only, you'll be able to read it. And that's all. I just wanted to draw your attention to it.

    MR. PETRAMALO: Let me just commend you for doing that, by the way. I think it's great to have those annual reports on the website because I always used to look all over my office and never find it.

    MR. PETTY: Ditto.

    MR. PETRAMALO: It's very nice to have them on the website.

    MR. HARRISON: Great. It's nice to hear that. Credit really has to go to the whole team here, Dave, Joe, Dennis, Peggy, Doc, Kimberly and Marilyn.

    MR. BURNETT: Thank you. It's nice to see that website being used. I think a lot of our folks that follow along with what the Commission does, nowadays that's their first instinct is to go to the
website and see what's going on. To have it not be
stale and I noticed my chairman's message and about
a month ago, I looked and it had all last year's
dates on it for the thoroughbred meet and everything
else, and we changed that. So I think continuing to
focus on the website as a source of information and
freshing every opportunity we can is a great idea,
and I thank you for doing it.

MR. PETRAMALO: Yeah. I think the website is
fine, but let me admit I've never read your message.

MR. BURNETT: You would surely make some
changes, but don't bother.

MR. PETRAMALO: I mean, it's wonderful to have
the transcripts available on-line. It's really
helpful.

MR. BURNETT: All right. Item D, timeliness
of the March source market fee payments.

MR. HARRISON: Yeah. We're happy to report
that all of the five ADW providers complied with the
statutory requirements of the source market fee
legislation and by the 10th of the month, we had
received confirmation of all those payments.

MR. BURNETT: May I just get a little bit more
definition on that? I thought I heard there was
some dispute on a payment. Do you mean as far as
the Commission and the one percent?

    MR. HARRISON: All the February payments were
done in compliance with the statute.

    MR. BURNETT: The payments for January that
were made in February.

    MR. HARRISON: No. The payments for February
activity were made by March 10th.

    MR. BURNETT: Okay. And that included the
monies to the horsemen, the monies to the track, the
ten percent, the one percent, then the half percent?

    MR. HARRISON: That's right.

    MR. PETRAMALO: The horsemen haven't yet seen
a check from YouBet. Everybody else we've received
payment from, but not YouBet.

    MR. HARRISON: We can provide you a copy.

    MR. PETRAMALO: Well, it'll probably be in the
office today or tomorrow.

    MR. BURNETT: So the piece that's outstanding
is from January?

    MR. HARRISON: The January XpressBet payment.
They paid, but under what they thought was their
interpretation of the statute.

    MR. BURNETT: All right. Can we move onto E?

    MR. HARRISON: Yeah. E, licensing hours, our
permit office hours for the 2010 thoroughbred meet.
We'll be open six days a week, closed only on Thursdays. Dennis is here. He's the director of operations, and so I thought he might make a couple of comments. Dennis?

MR. WEST: Well, as you can see, you should have a copy of the calendars. There has been one change. We were scheduled to be open on May 15th for the Strawberry Hill races, but since there's not going to be any pari-mutuel wagering on those races, we will be closed that day and be open on Monday the 10th instead.

This year we are going to operate like Vic said six days, closed on Thursdays. That will be our dark day. We're going to have only one licensing employee in the office on Friday, which is a dark day. That's to handle any people that arrive that day or any stragglers that want to come in, and then we also have the office staff, the administrative staff that we can utilize to help us if we get really busy.

We are going to operate with one less P-14 employee this year to try to reduce costs, so it'll be two P-14s and then Peggy and myself operating the licensing office with the help of Kimberly and Marilyn and anybody else we can grab if we get busy.
So that's pretty much it.

We plan to stay open for at least an hour after post time. However, those are closing times. We will stay here until all people that are in that race that day are licensed or they decide that they're not going to get a license. We'll be willing to stay around to make sure everybody is taken care of.

MR. BURNETT: Thank you.

Any questions of Mr. West? Appreciate that. Thank you. I particularly appreciate you sticking around for these guys that should get their licenses ahead of time. It's a nice service to just stay open for those who have been procrastinating to that level.

Anything further?

MR. HARRISON: Quick comment on the furlough day. The governor has targeted May 28th as the furlough day meaning that any state employee must stay home. You can't come to work. So they picked the day before the opening of the thoroughbred race meet, which is our busiest day of the year. And so we went back to the HR department, back to payroll, and they said okay, as long as you take your furlough day sometime during that pay period, which
begins May 25th to January 9th, then we'll be okay with that.

MR. BROWN: June 9th.

MR. HARRISON: What's that?

MR. BROWN: June 9th.


So I just thought it was interesting that if you subtract out all the weekend days and all the holidays, the odds are 250, I think, to one that they would pick our single busiest day of the year, they would target that as a furlough day.

MR. BURNETT: Pardon my ignorance. Is a furlough day a way for the state to save money? They're not going to pay anybody that day?

MR. HARRISON: That's right.

MR. BURNETT: In other words, thank you employees for giving us one day of your pay a year to keep your job and keep the state budget where it needs to be?

MR. HARRISON: That's right.

MR. LERMOND: You don't have to work that day, but they're not paying you.

MR. BURNETT: You're not allowed to work.

MR. LERMOND: Right.

MR. REYNOLDS: Are you looking for a day?
MR. BURNETT: Yeah. I want a furlough week with pay by the way.

All right. Deputy secretary's report, please.

MR. LERMOND: That's sounds too formal.

Really, what I want to do --

MR. BURNETT: Vic, do we have your report?

MR. HARRISON: Yes. Thank you.

MR. LERMOND: What I'd like to do today is present the commissioners with some proposed amendments to our regulations, hopefully for their approval.

All of these rules are exempt from the normal APA process pursuant to paragraph A(18) of Section 2.2-4002, because they are technical rules regulating actual live horse racing at race meetings licensed by the Commission. The good thing about exempt rules is that they will be -- I will be able to have them effective before the race meet starts for the thoroughbred meet this year.

With that said, just because they're exempt, the staff feels that it's still important for us to explain these amendments to the commissioners and the interested parties and address any concerns or questions that anyone might have. So as I'm going through these, if anyone has a question or concern,
please stop me and we'll address it in that particular section.

The way the register -- the regulations likes it is if we have each chapter as a separate regulatory action. So each chapter may have a couple sections that we're going to amend, but after I get through that chapter, I would like a motion if you feel it appropriate to make these amendments final.

MR. BURNETT: So you're going to start with Chapter 60.

MR. LERMOND: We'll start with Chapter 60. The first section is VAC 10-60-70. Trainer. At the bottom of your page, this is Tab 5 of your packets, there's a paragraph E, suspension.

The first sentence originally read, "All horses in the charge of a trainer whose permit is suspended for more than 10 days or revoked shall not be allowed to race." Well, even if the trainer was suspended for one day, he wouldn't be allowed to race his horse, and that's really covered up in paragraph A at the top.

I think the intent of that was to invoke a rule, which is maybe referred to as the paper trainer rule, and the theory behind it is in the old
days if a big named trainer was suspended for a long period of time, 30 to 60, 90 days, they would transfer all the horses that they were in care of to their brother or some relative, and they would still continue to train these horses. They would still continue to benefit financially from the activity.

So what they came up with, and this was a RCI model rule, which said that -- and RCI used 14 days as their benchmark. They said if a trainer is suspended for more than 14 days, he must transfer all these horses to another legitimate trainer, not just some way to get around the rule, but another licensed trainer.

The problem with the ten days is that if a trainer has a class B violation, even if it's his first offense, that's a 15-day suspension. You're basically putting the guy out of business almost. If he follows what he's supposed to do and transfers all these horses out to other trainers and it's legitimate, it's going to be hard for him to get that business back.

Now, you know, if it's a class -- a category eight penalty, we think this should take effect, but we just feel that a first offense for a class B is -- to have him disband his whole stable is just
too much.

I was at a stewards roundtable meeting at Delaware Park this fall. There was a lot of representation there from the jurisdictions in this area and everyone felt the same way about it, and the thought was that RCI was going to change their rule from 14 to 30 days. I found out last week from the chairman of the model rules committee that that was the intent, but when they -- everyone got into the room and started to discuss it, everybody wasn't sure if 15 was the right number or 30 was the right number. So the model rules just said we're not going to put a number of days in there, and it's basically left up to each jurisdiction as to when this rule will kick in. I think our preference is to actually have a number in the regulation rather than just leaving it up to the stewards or whoever would make that decision.

So the second sentence now will read, "When a trainer's permit is suspended for 30 or more days or revoked, it shall be the responsibility of the owners of the horses to designate in writing to the stewards to whom the responsibilities for training the horses shall be transferred."

At that point the stewards can look at the
transfer and determine if it's a legitimate transfer to a real trainer or if they're just transferring it to their brother or their wife, and that's where the language comes in. They may withhold approval of a transfer of horses to another trainer if they believe the transfer of the horses to another trainer would in any way circumvent the intent of the ruling of the Commission.

So we feel that it's an important rule, but we think that ten -- to trigger this action, a 10-day suspension is just a little bit too much. This has been endorsed by our stewards and judges, as well as Dr. Harden. I don't believe Colonial Downs or the horsemen have any objections to this rule.

MR. BURNETT: Question, Dave.

MR. LERMOND: Sure.

MR. BURNETT: Were we to go along with this recommendation and somebody gets suspended, a trainer gets suspended for 15 days, he still has to find a trainer to enter the horses under his care. We're back to the old shadow rule.

MR. LERMOND: That's right. And that's the first step. If he wants to enter those horses --

MR. BURNETT: So the care and supervision of a person holding a permit from the Commission as a
trainer, is a suspended or revoked person -- is a
suspended person holding a permit or is it a term of
art that he's not holding one?

MR. LERMOND: I would think we would be
holding it for them until they were reinstated,
but --

MR. BURNETT: It might be worth considering
holding a permit in good standing or some language
to that effect so there's no confusion that, hey,
down there below, you know, I'm revoked or I'm
suspended, but I've still got a permit here. It's
just suspended for the moment, but --

MR. LERMOND: That's an excellent suggestion.
We'll insert that language in paragraph A.

MR. BURNETT: But the policy issue that's in
front of us here really is one of -- what we want to
do with respect to continued care and supervision of
horses by a trainer who has been suspended for less
than 30 days. We know what we're to do if it's more
than 30 days. He's got to move the horses. If he
gets popped for 20 or 25 days, we're saying, I
think, that it's okay for him to suddenly become the
foreman and have his foreman become the trainer and
business as usual goes on, which the problem I have
with that is that it's the cost of doing business.
So if you get popped, it's light stuff. So what?
That's not the kind of thing we want to be
endorsing.

So one of my questions would be if we're going
to go along with this, it seems to me a revoked or
suspended trainer should be off the grounds, no
communication with whoever is training those horses.
Out. You're on the bend. Not to transfer your
horses. You can find somebody to come in and take
care of them, take care of your customers and all
that, fine, but you don't get to sit on the balcony
and train the horses through the guy that's sitting
next to you is the way I see it. The penalty has
got to be a penalty, not just a penalty of a couple
bucks.

MR. PETRAMALO: I thought that was the
practice now, if your license is suspended or your
permit --

MR. LERMOND: I believe that's the policy,
whether it's --

MR. PETRAMALO: I don't think they allow you
on the backside with a suspended license.

MR. BURNEETT: They're not supposed to.

Mr. Roney?

MR. RONEY: Mr. Chairman?
MR. BURNETT: Mr. Enforcement.

MR. RONEY: We let -- if anybody is suspended, we will let security know and we'll let the stable gate know. As far as taking the actual permit, we don't actually take possession of the permit.

MR. SIEGEL: But is the suspended party allowed past that gate?

MR. RONEY: Well, probably, yes. It probably happens. They probably do.

MR. SIEGEL: There's your answer because --

MR. RONEY: If somebody is suspended for three days or four days and they're living on the backside, you know, you can't really throw them out from being back there. So suspended means they just aren't allowed to participate.

MR. LERMOND: I think that's the biggest --

MR. RONEY: I think that's something we need to take a serious look at.

MR. LERMOND: I think that's the biggest penalty is they're not allowed to enter those horses in a race and they're not entitled to a ten percent of any of the winnings, but Chairman Burnett's point is well-taken because that trainer is still going to charge those owners the daily training fee, I would imagine, for those days.
MR. SIEGEL: And he has a shill that steps in for him, who's a buddy of his who trains the horses down shed row.

MR. LERMOND: And helps him out for this.

MR. SIEGEL: Yeah.

MR. BURNETT: He might still see that ten percent.

MR. SIEGEL: Absolutely. These guys, you know, they're friends. It's easy to cover for a guy for a few days, but I think that it really does need to be more enforcement, more risk if you are suspended. Put some teeth in it, if you will.

MR. PETRAMALO: How often do trainers get days? It's very rare.

MR. LERMOND: It's very rare that it happens here.

MR. BURNETT: So why are we changing the penalty? Just hammer them. If they're going to -- if they're not getting them, then it's got to be a pretty bad offense for someone to get 10 days, and they ought to pay a penalty.

MR. LERMOND: I guess one of the concerns is that if you got a big trainer like Hamilton Smith or Ferris Allen that control a huge number of horses and you're going to make him disband his stable
because he was suspended for 15 days and that's more than the ten, there's probably not enough trainers around here to pick up that business. It's probably going to ultimately affect the entries into the races or it could. I know that --

MR. BURNETT: Now, we're balancing our integrity with our business.

MR. LERMOND: Too big to fail.

MR. MILLER: Mr. Chairman?

MR. BURNETT: Yes, sir.

MR. MILLER: Why couldn't you remedy the situation by if you have a severe violation, severe enough to suspend a trainer's license to do that, but some of these other things if you've been suspended for one day or two days or three days, why not do away with suspending his ability to train a horse and hitting him with a huge monetary fine?

I mean, what I'm getting at is in reality, they're still training them through subterfuge. They're still training the horse. The feeling I seem to get from folks is that there are certain offenses where you don't want to have the trainer completely out of the picture and have to transfer the training ability to another trainer. So in those instances, why suspend this trainer? Let
him -- you know, we admit upfront they're still out
training the horse, but hit them with a very high
monetary fine. It seems to me that would be more of
an incentive to behave than hitting him with a
smaller fine and suspending him for two days or
three days when they know that they're going to
continue training the horse through the
brother-in-law.

MR. LERMOND: I would have to look at our
regulations, but my first thought is that the
penalties that are in my medication section are
based on RCI's guidelines. There's three different
categories, category A, B, and C. A being the
worst, the drugs that are the most likely to affect
the outcome of a horse. The drugs that are not FDA
approved. If anybody -- even a first offense for
that, they're looking at a minimum one year
suspension so this is going to come into play for
them. The tricky part is category B. I mean, I
think we're bound by what we have.

MR. MILLER: I'm not talking about doing away
with a one year suspension. I'm talking about one
or two days.

MR. LERMOND: When we get to that, I don't
think -- it's either 15 or 30.
MR. MILLER: Fifteen or 30 what?

MR. LERMOND: Day suspensions.

MR. MILLER: Well, why are we talking about one or two days?

MR. LERMOND: Well, we're really not. We're concerned that the number ten is more than 15. So if somebody gets a 15-day suspension, all this is going to kick in.

MR. MILLER: Let him go back to square one.

MR. PETRAMALO: The most likely cause for a suspension is a medication violation. What Dave is saying is that for certain medication violations, it's automatic 15 days. It could have been a harmless error in the administration. You gave too much of phenylbutazone with something else too close to the race. Fifteen days puts him out of business under the 10-day rule. That's what Dave is talking about.

For the most part, other types of violations usually don't result in suspensions. Medication violations are just about the only time a trainer gets disciplined anyway. So the notion that a one or a two-day suspension is common is just not true.

MR. MILLER: Well, I'm just trying to get away from the idea that we would have a such thing as a
one or two or three-day suspension.

MR. PETRAMALO: That happens for jockeys, basically.

MR. LERMOND: Right.

MR. BURNETT: If you have a 15-day suspension under the new rule, the guy down shed row enters all the horses, the trainer apparently is allowed to come onto -- in the curtilage, do his thing every day, and send his bills to his clients and business goes on as usual.

MR. LERMOND: No. The horses under his care are not allowed to race during the time he's suspended.

MR. BURNETT: They're not under his care.

MR. LERMOND: Well, the stewards are going to know he's just transferring it to the guy down the road, down shed row.

MR. BURNETT: But that's okay under the old rule.

MR. LERMOND: No. This is a way to circumvent -- oh, you're saying within --

MR. BURNETT: No. You want to move -- you want to enlarge the shadow zone to 29 days or less and say the stewards get control of really having a true penalty and removing these horses at 30 and up,
right? But under that, what I'm hearing is, hey, it's an inconvenience.

I mean, what is the penalty of this 15 days if the guy can still get on the curtilage, can still bill his clients, can still train his horses, and can still get his purses, and he has a buddy down shed row train him? What is the penalty of that 15 days? How does that become a deterrent?

MR. LERMOND: We're going to know that he transferred those horses to that trainer down shed row, and we're not going to allow it.

MR. BURNETT: He doesn't have to transfer them. I'm talking 15 days.

MR. LERMOND: All transfers have to be approved by the stewards whether it's 15 or how many days.

MR. BURNETT: He doesn't have to transfer them here, does he?

MR. LERMOND: If he's the licensed trainer -- it says any -- all horses in the charge of a trainer that are suspended are not allowed to race. That's the first sentence. That has no time period at all.

MR. SIEGEL: He can give those to another trainer.

MR. LERMOND: He could, but we're probably
going to catch him.

MR. SIEGEL: Probably doesn't necessarily mean you have the power to.

MR. LERMOND: I mean, this is a big debate that's gone on for years. There are some people that say trainers --

MR. BURNETT: Hold on a minute. Let me make my point to you.

MR. LERMOND: Okay.

MR. BURNETT: Under 30 or more days, you put all this supervision by the stewards in there. Any lawyer is going to look at that and say you must have intended by your regulations that if it's less than 30 days, the stewards don't have that discretion. Otherwise, why would there be a distinction? So if you want to include the transfer, then you're right back to where you were before. You're right back to your 10 days. If you're going to supervise a transfer, are you going to require a transfer at 15 days? You're saying no, we don't want to require a transfer at 15 days to a stranger. That's the point of all this, correct?

Therefore, he can use a shadow trainer because the stewards aren't interested in making him do a
true transfer. That's what you're telling us. You
don't want to do a true transfer for less than 30
days. So he's put in a position of either not
entering his horses at all or if he wants to enter
them having his shadow trainer do it. What am I
missing on that?

MR. LERMOND: Your point -- that's why we
changed the first sentence to read what we did
because it made it sound like if it wasn't more than
10 days that you could still race, right?

MR. BURNETT: Right. But I'm saying for the
penalty you can't race them if he wants to keep
them, but he can have a shadow trainer enter them?

MR. SIEGEL: He can't race them in his own
name, but he can race them in someone else's name.

MR. BURNETT: Right.

MR. LERMOND: Whether the guy -- the stewards
are still going to look for a paper trainer.
They're not going to just not care because it's 15
days and not 30.

MR. BURNETT: Where does it say that?

MR. LERMOND: Well, I think -- and there's
other places in here where it says you can't train
under another name or falsify --

MR. PETRAMALO: But I think your underlying
assumption isn't correct or shouldn't be correct, because at every racetrack in the country where a trainer is suspended, he is not permitted on the grounds or even in the grandstand. That should be the rule here. If Ferris Allen, a good friend, were to get --

MR. BURNETT: A good trainer and an honest guy.

MR. PETRAMALO: A fine trainer. We're out here every morning drinking coffee at six o'clock, if he were to get suspended, he shouldn't be permitted to walk back in that stable area, period.

MR. BURNETT: Or use a cell phone. No communication. Out. Now what happens to his horses?

MR. PETRAMALO: Now, what happens to the horses is, you know, his horses can remain in his stalls, but some other trainer is going to have to be responsible for training them as well as entering them. So let's say Ham Smith is in the next barn. If Ham were willing to do it, he would have responsibility for those horses and for the 10-day period or whatever, the horses would be running in Ham Smith's name.

Now, that doesn't answer the financial
question as to whose being paid, but it would seem
to me the reasonable thing is to require that not
only is the trainer not permitted on the grounds,
but he's not permitted to charge for training that,
in fact, he's not doing. That's the way to deal
with the problem. Now, that's a far different
situation than saying, okay, you're out for more
than 30 days. You've got to transfer those horses.

MR. BURNETT: Sure it is. The stable remains
intact under the supervision of somebody else --

MR. PETRAMALO: Yeah.

MR. BURNETT: -- but what I'm hearing from a
steward is there's some unwritten rule that the
stewards or maybe it's written someplace else in
these regulations that, well, we're not really going
to allow that transfer or, you know, we're going to
think about whether we're going to let Ham Smith
take those horses over. I think -- you know, if
nothing else, we need to be absolutely clear what
the rule is. Every horsemen and the commissioner
are entitled to know that.

I'm not saying I necessarily disagree with
what you're saying, leave the stable intact, remove
communication and remove the financial benefit or
remuneration and that may be an appropriate penalty
for under 30 days, but I sure would like to have it be clear and I sure want it clear with our enforcement people that that permit is turned in and that guy doesn't get past that gate. Pat has got something to say to that.

MR. KELLEHER: That's what I would ask. In those situations, that the permit is turned in. It makes it easier for the people at the gate. If somebody doesn't have, you know, a permit and, in fact, is a good permit when they're checking, you know, licenses -- using Ham Smith or whatever in and out of the stable all the time. Well, they know Ham Smith, but we push that they do show their badge.

Well, if somebody doesn't have their badge, it's going to be a red light that we know maybe he had it taken, either the paperwork didn't get to the stable gate, you know, there has been some communication problem, but it's the first red flag. That would be helpful there at that first point to not allow that person back into the back. As for somebody living on the backside, the trainers, that only pertains to harness, not thoroughbred. Harness -- thoroughbred trainers and assistant trainers are not allowed to live on the backside.

So that part of the thoroughbred, the fact
that he's living there -- he's living there and, you know, his license has been suspended, that won't be a problem because he's not allowed to live back there anyways. So just to take that license physically, if the office takes it, then it's a red flag for us. We can look into it further at the gate, move to the side, get the other horses in and have somebody check to see if it is.

MR. PETRAMALO: That's the practice, by the way, that's followed with regard to grooms and hot walkers, et cetera. When they get suspended for, you know, drug possession or something of that sort, their license is pulled and they move off the backside and they're not permitted back on until we fix them up, they get their permit back, and then they come back in.

MR. BURNETT: These regs apply to all breeds, right?

MR. LERMOND: Right.

MR. SIEGEL: Mr. Chairman, would it be appropriate to ask Dave to come back next month after putting some teeth into that and clarify it because I don't think we're going to settle that particular issue?

MR. LERMOND: I can try real quick. If it
doesn't work --

MR. BURNETT: Here's my suggestion. I think there's so many issues on this that maybe it would -- you know, when I saw this coming, I suggested it go through the rules committee first. You do have a rules committee. I think maybe -- what I don't want to do is handicap the coming meet anymore than it has to be. I don't know how much time we have left to get things in place, whatever the final outcome is, but it would be good if either by phone or in person we get a rules committee together and get through some of this. Would that make y'all more comfortable?

MR. SIEGEL: Yeah. I don't think you're going to settle it today.

MR. BURNETT: I suggest that we do that. What are the comments of the other commissioners?

MR. MILLER: I would like to look into Frank's suggestion because his suggestion is pretty clear.

MR. BURNETT: Yes.

MR. MILLER: If that's what goes on at most major tracks, that's what we ought to look at.

MR. BURNETT: Well, there was a trainer in New York that was suspended for -- I believe Mr. Dutrow, if I'm not mistaken. He was instructed just exactly
as the way Frank laid it out, and he was caught using a cell phone training his horses. They added another 25 days. I forget what it was.

MR. PETRAMALO: Well, if you want a committee meeting, we can work with Dave and get one together real quick.

MR. BURNETT: I think that would be a good approach.

MR. LERMOND: Am I on the right track, though, if I was to add to the first sentence, shall not be allowed to race or allowed access to the grounds, communication with the trainer whose now in care of these horses and cannot benefit financially? I mean, are those the three areas that we want to put a stop to?

MR. PETRAMALO: I think the easiest thing to do is say not be permitted on the grounds or otherwise participate in the training of the horse.

MR. SIEGEL: That's more or less the same -- different words say the same thing that Dave said.

MR. BURNETT: What I would add to that for the benefit of Mr. Roney and Pat is to be able to upon request get cell phone records, financial records, anything else that pertain to those horses. If you've been suspended, you're going to provide those
records to any investigator that wants to know
what's been going on. So the guy doesn't know or
think, oh, well, that's what I'll do. I'll just
have his check go to my wife, whatever it is.

We need to make sure that everybody knows that
when our investigators decide they want to find out,
they have to do it or the guy is going to be out of
racing, one or the other.

MR. SIEGEL: Let's move ahead.

MR. BURNETT: Shall we take them all as a
group then and the rules committee --

MR. LERMOND: I'll go ahead and hold off on
this chapter then rather than --

MR. BURNETT: I think we ought to look at all
the chapters together on the rules committee is what
makes sense to me.

MR. MILLER: Before we go, there's a typo on
Chapter 110, 110-100, in that first paragraph,
you've got to correct that. Do you see what I'm
saying? There's something missing there.

MR. LERMOND: The rest would be trainer.

MR. BURNETT: Trainer is missing at the end of
that.

MR. LERMOND: I had it crossed through first.

MR. MILLER: I see it. Sorry. Never mind.
MR. LERMOND: Can we go through the other two chapters and see if there's -- if you feel they're okay to approve today or if they need to go through the rules committee?

MR. MILLER: I suggest we consider them all at one time.

MR. BURNETT: That's what I would do. Take them all as a group to the rules committee and bring them back as a group is what I suggest. I don't know how they're going to interplay with each other, unless others want to forge ahead today.

MR. SIEGEL: I think we should do it all at once.

MR. BURNETT: Do it all at once.

MR. LERMOND: Dr. Harden is going to have some changes to the medication chapter at the next meeting. I was trying to break it up by doing these this month and those next month.

MR. PETRAMALO: I was going to ask about that because we had been talking to doctor --

MR. LERMOND: He's in Alaska right now, and it's better that he explain it.

MR. PETRAMALO: Oh, he's at the -- that's right.

MR. MILLER: Maybe he should come to this rules committee meeting.

MR. BURNETT: Yeah. Schedule it so that he can be involved with that. We'll pick up his as well. That might bring some efficiency. I think to the extent that any members of the Commission are involved in that rules effort, it's going to make it go faster when it gets back here so we're not really functioning as a committee here. We're listening to a recommendation.

MR. HARRISON: Can we just take a minute or two and have Dave just run through the remaining? I mean, really I think the first item, the one that we just finished discussing was the most complicated one. The others are really pretty simple, especially two of them, which I think is half of the remaining --

MR. BURNETT: What is the urgency to do this today?

MR. HARRISON: Just to take the load off for the rules meeting and then the next VRC meeting.

MR. BURNETT: I'd rather be patient and let it go to the committee myself. I'll concede to my -- I've got an absolutely to my left. How are we doing on my right?
MR. SIEGEL: I agree with you, Mr. Chair.

MR. BURNETT: We want to do them all together.

Next item. Approval of the Thoroughbred Horsemen's Agreement. That's Tab 6.

Gentlemen, for what it's worth, most of what is in this request for approval was considered at our last meeting. There are a few changes, important changes, but few in number. I'll just ask Vic to tell us about those, and we can move forward from there.

MR. HARRISON: Thank you, Mr. Chairman.

In the first paragraph of my report, I deleted a lot of the superfluous language that I had in there, editorializing, and got right to the point.

Our recommendation was -- in the prior staff report was to approve the thoroughbred horsemen's contract after we were satisfied that the relationship between the amended and restated EZ Horseplay Agreement was addressed. We had some issues and concerns there.

Well, the parties have deleted both references in the thoroughbred report to the EZ Horseplay agreement, and so the changes to this report really were deletions. I deleted the two paragraphs that related to the effectiveness of the ADW contract,
which I believe we'll get to next month at our next
month's hearing -- next month's VRC meeting, reduced
the language in the first paragraph.

In section four of our report, I added the
piece relative to the EBITDA calculations for Scott,
Vinton, and Brunswick SWFs. It was discussed at the
last meeting. It just -- we neglected to enter it
into the verbiage here. So that's here. It's just
a little clearer. No change in our assessment of
this provision, just added some language, included
the pros here, what Ian had provided us with respect
to a table, explaining the calculations.

And then under recommendations, we just
strengthened our request there that information
provided to the VHBPA also be provided to the VRC.
We're asking that language to that effect be added
to this thoroughbred agreement or maybe just put in
a separate section that says any references herein
to information provided to the VHBPA will also be
supplied to the VRC. And that's it. The
recommendation is still to approve.

MR. BURNETT: I didn't mean to deprive the
racetrack of going first in presenting any changes
or updates to what this agreement is. I know you
may have some comments. I apologize. I'll let you
MR. WEINBERG: No, not at all. I think this was very efficient. I was just going to report we have deleted the references to the EZ Horseplay agreement as Mr. Harrison suggested, and we've gone ahead and added the language that was actually contained in the staff report in the two sections that were requested. I think they were sections 4(C)(1) and 3(C) as well. Sorry.

In 3(C), we added the reference that the -- as we talked about at the last meeting, the Commission statutorily has had authority and we put that in the agreement, and in Section 4(C)(1), the calculation of EBITDA, we've added the language, will provide that to the Commission as well subject to the Commission treating it as an exemption from the Freedom of Information Act and added that language throughout that paragraph. We'll provide a copy to the Commission as long as it's exempt from FOIA.

So we believe the agreement as we've addressed all the issues that had been raised by the Commission and would ask for the Commission's approval at this time.

MR. BURNETT: Any comment from the thoroughbred horsemen?
MR. PETRAMALO: No, I agree with Jim.

MR. BURNETT: Everything all right, Frank?

MR. PETRAMALO: Yes.

MR. STEWART: It's St. Patrick's Day.

MR. BURNETT: Oh, it is St. Patrick's Day.

Frank started early this morning.

MR. PETRAMALO: Well, if you insist.

MR. BURNETT: No, I don't.

MR. HARRISON: Mr. Chairman?

MR. BURNETT: Yes, sir.

MR. HARRISON: I know we're on a path here, but there's one section in here that's complicated, and I would just like an explanation from either Jim or Ian. This is under -- on page 7 of the report.

MR. BURNETT: What's the section number?

MR. HARRISON: It's 4(C)(4). It relates to the EBITDA calculation expiring at the later of seven years from opening date of such effected SWF and the expiration of the agreement. It was just something that even our genius minds at the VRC couldn't get our arms around.

MR. PETRAMALO: What's the citation again?

MR. BURNETT: It's the section --

MR. PETRAMALO: Give me the section number because my pagination --
MR. BURNETT: Administration of accounts, paragraph four.

MR. HARRISON: C(4).

MR. PETRAMALO: 4(C)(4). Okay. I'm getting there.

MR. HARRISON: The one that begins as of midnight December 31st, it's really just the -- maybe it's a minor point, and it seemed like it was, but if you could explain in English the timing aspects of the seven years versus the expiration of the agreement.

MR. BURNETT: This is a three-year agreement, and where does the seven years fall?

MR. WEINBERG: We just agreed that seven years -- that that would be the term of the discount, if I recall. If you remember, the reason this provision is so complicated, we can toggle back and forth between the 50 percent EBITDA sharing unless we hit handle numbers, in which case it goes back to the way it was under the old agreement.

MR. BURNETT: Right.

MR. WEINBERG: What I believe this is saying is at the end of seven years, we're back on a level playing field, but it had to reflect all those different permutations. If we're at 50/50, it
expires. If we have to flip back so that we're back on schedule B, it expires.

MR. PETRAMALO: Yes.

MR. STEWART: Schedule B used to have a longer termination.

MR. PETRAMALO: Correct.

MR. WEINBERG: I'm sorry. The change from where it was was that deal was for the length of the license for 20 years.

MR. BURNETT: The one that I was involved in the negotiation of?

MR. WEINBERG: Right. This brings it to a seven year finite.

MR. BURNETT: Period.

MR. PETRAMALO: Yes.

MR. BURNETT: And what is the relationship between seven years and this agreement, the expiration of this agreement? It's got to be close, isn't it?

MR. WEINBERG: Yeah, it is pretty close.

MR. BURNETT: We may be talking months.

MR. STEWART: Right. It's pretty close.

MR. HARRISON: All right.

MR. BURNETT: My only comment is that under your recommendations, the lawyers in this room don't
know what you're talking about when you say COV. If you'll say Virginia Code please, we would appreciate that. If you want to really see the correct way to say, it's in Mr. Weinberg's agreement.

MR. WEINBERG: Three years of law school, you learn that.

MR. BURNETT: Some don't get it in that period of time.

Any questions of any of the stakeholders or Mr. Harrison about this agreement?

Do we have a motion?

MR. SIEGEL: So move.

MR. REYNOLDS: Second.

MR. BURNETT: It's been moved and seconded that we approve the Thoroughbred Horsemen's Agreement as presented today. Any further discussion? Seeing none. All in favor indicate by saying aye.

Note: (Aye.)

MR. BURNETT: The motion passes unanimously. The agreement is approved. Thank you.

MR. WEINBERG: Thank you.

MR. PETRAMALO: So as a housekeeping matter then, the contract that we had previously executed, we will revoke our signatures and have the new
revised contract signed by the parties. Robin is off foaling horses this morning -- foaling mares this morning, so she is not here to sign it.

MR. BURNETT: I confess. I didn't look closely enough to see whether the intention was to have this contract be executed nunc pro tunc to January 1.

MR. PETRAMALO: Yeah, it's effective January 1.

MR. WEINBERG: It is.

MR. BURNETT: Okay. So as a housekeeping matter, you guys will take care of securing the signatures?

MR. WEINBERG: Yes.

MR. BURNETT: And the temporary agreements that were in place are going to cease to exist, and this will be the binding agreement back to January 1?

MR. WEINBERG: That's correct.

MR. PETRAMALO: Correct.

MR. BURNETT: Next item, request for 2010 standardbred race days. Mr. Dunavant?

DR. DUNAVANT: Yes, sir.

MR. BURNETT: I guess I need to wait on your response. We'll hear first from Colonial Downs.
I'm sorry. I started to my left.

MR. STEWART: Okay. We'd like to go through and summarize. We filed two different requests over the last couple months. Our amended request is for 21 days of standardbred racing for 2010 for the period Friday, September 17th, ending on Tuesday, October 19th.

In 2009, we raced 36 days, from September 8th through November 7th. The proposed schedule for 2010 would be Saturday, Sunday, Monday, and Tuesday, racing four days a week. Friday, September 17th would be the exception. That is the opening day of the New Kent County Fair, which will be returning to Colonial Downs for 2010. The post time proposed is one o'clock on all days except Saturday, which is at seven.

We're requesting the race days for 2010 based upon our projections of the total amount to be available for purses of approximately 1.4 million. I should note that includes $190,000 that we project to be the current account wagering money -- current year account wagering money. However, as we go on, the harness association has not committed to spending that money as of yet.

The 21 days represents a change from the 30
days we originally requested because at that time
the full results and assessments of the 2009 meet
were not complete by December 1st when the original
date request had to be submitted. At this time we
have a much better idea of what purse funds will be
available than we did at the time the dates were
submitted. There were some other issues at that
time talking with the harness horse association
about that had not been resolved.

In setting the dates for the 2010 meet,
obviously it's important to look at the results of
the 2009 meet. We've gone through that in detail,
so I'm not going to run back through those numbers.
I will point out that standard -- that harness
racing was not a profitable operation for Colonial
Downs. In '09, we lost about $19,000 a day.

The history is as you've seen -- we've seen
harness racing tracks without alternative gaming
either stop racing or go out of business, such as
what's happened at Rosecroft, Jackson, and Saginaw,
Michigan. Several are barely hanging on, such as
the Ohio tracks, and the ones -- the new ones that
have come on-line such as Chester, Running Aces,
Vernon Downs, and Tioga, all have other forms of
gaming to support them. Therefore, we're proposing
to open the grandstand only on Saturdays and Sundays. It really makes no sense to open that huge facility for just a few people during the week.

When you're looking at the '09 meet -- and we've gone through the numbers from a quantitative standpoint. From a qualitative standpoint, in December we heard a number of comments from racing commissioners, VRC staff, and representatives of the harness association, which show -- really raised some questions about the quality of the 2009 meet. Those comments reflected basically that the key to improving the quality of racing from 2009 is increasing the purse level.

It's important to understand in 2009 when you look at the average purse per day, it's distorted substantially really because of the large amount of money spent on the Day of Champions. If you take the Day of Champions out of the equation, in 2009 we ran for $38,594 a day, on every day. So 35 days of that meet we ran for $38,000 and on the 36th day, we ran for $442,000.

If you look back to the 2008 meet and sort of do the same calculation, what you find is that on all the other days we ran for $48,070. So between 2008 and 2009, our purse on everyday except the Day
of Champions went from $48,070 in 2008 to $38,594 in 2009, which is down about 20 percent.

As Dr. Harden noted in his testimony, 2008 was considered one of our best meets. So, therefore, in making this request, we're setting the purse level for all the other days except for the Day of Champions at the same level as to 2009. We believe that, as I said, there will be approximately a million four available. If you take out the Day of Champions, $442,000, which Colonial Downs is very supportive of, we think that the key to viability is to create events and that's one of the best ways to do it. So we're very supportive of the Day of Champions. If you just basically do the math, however, to take the purse level back to the 2008 meet, it comes to 20 days plus one day for the Day of Champions.

Now, as I noted in my letter, the harness horse association has informed us that they have an additional source of purse funds as they have accumulated the money that they have gotten from account wagering over the years. At this point, however, they have not been willing to say exactly how much they want to spend on the -- of that money they want to spend on the 2010 meet.
So without that information, I can only make the race day request based on the amount of money that I know is available. However, to the extent that the harness horse association would like to make more money available, we're certainly willing to consider more race days. Our point is that those race days should be -- in our opinion should be awarded based on the 2008 purse level of $48,000 a day.

So, for example, if you want to run 28 days, it will be 27 days at $48,000, plus the Day of Champions at $442,000. That comes to a total of about a $1,740,000, which would mean that in order to sustain that purse level, the harness horse association would have to make available approximately $350,000 of their accumulated account wagering money.

MR. BURNETT: Any questions of Mr. Stewart at this point? Why don't we hear from Dr. Dunavant.

DR. DUNAVANT: Yes, sir.

In December, Colonial Downs requested 30 days at a $40,000 a day purse level and made the statement the same that they do here, that that would attract quality horses in the competitive Mid-Atlantic region. We agreed with that.
At the December VRC meeting, which I was unable to attend, comments were made by a very good friend of mine, Dr. Harden. He was a classmate and we've been great friends for 45 years. Some statements were made that I take as a personal affront and disagree with, and I would like to go over some of those things.

One of the first things, they commented on a whip rule that was changed in the middle of the meet. RCI recommended in the summer that the standardbred whip rule be changed to both hands being in the hand holds the whole race, and the VHHA informed this race commission that we would like to implement that rule prior to this meet starting.

Well, one of our judges really didn't understand that much about driving harness horses and thought that would be dangerous, so we didn't. Consequently, as the meet started, we had just one or two drivers that were using a whip excessively, they were fined, and weekly we had a horsemen's meeting with the judges.

I am the president of the VHHA and also the horsemen's representative during our live meet, and in our discussion I brought up that, you know, the way to handle this, let's implement this as a house
rule and we did, and it went forward very satisfactorily.

As far as the 2008 meet being our best meet and 2009 being our worst, Dr. Harden made that comment and he was under a lot of pressure. We had some people on the backside that were disgruntled. The biggest complaint that I get from the horsemen, some of them came here very short of funds, and it takes about a week longer to get their purse in Virginia than any other state they race in due to the testing procedure of going to Iowa. Well, they hit on Dr. Harden like that was his call, and he took a lot of grief for that. It was not warranted, but I think the people bothered him with that a lot.

We basically had the same horses racing at Colonial Downs in 2009 as we did in 2008. From my perspective, we had very good racing, excellent quality. We had basically full fields. I think they note here that we -- that we had a decline in horses per race from 8.6 to 8.3. That's less than a half a horse, and most racetracks in this country only race eight to a harness horse field.

We lowered the four-year-old mare trotting record in 2009. We attracted an Hambletonian winner and a trotting horse of the year to our big race,
and that big race was won by a Virginia-bred that had raced in our stakes program. Overall, I think 99 percent of the races, there were three or four or five horses approaching the finish line together, and it was very good racing.

Now, maybe the horses weren't worth as much as the horses that race in New Jersey and New York and Delaware. We cannot attract those horses. Those racetracks that are supplemented by the casinos are all racing in excess of $125,000 a day. There is no way that we can attract Meadowlands, Yonkers, and Dover, Delaware horses.

Now, I brought some -- I'm fortunate enough to have some decent horses that I bring here every year, and they compete in New York and Pennsylvania and Delaware and do well, and they do well here. I consider them class horses. I took it kind of as an affront that we had a bunch of horses beat up. That did not happen.

Our standardbred horses are accustomed to racing as much as two and sometimes three heats a day. They're not like thoroughbred horses. We train them twice a week. I had three or four horses in my stable of 12 that raced twice a week and won back to back in that week, and they weren't beat up
at all. They came back and raced very well. I was not the only trainer that had horses that did that. So some of the comments that were made at that December meeting, they talk about a sense of malaise in the barnyard area and that the harness horsemen need to step up to the plate and try to present a proper product.

Our association in years past and in 2009 paid for two suites over there every Saturday and Sunday, went out and attracted corporate groups and let them come to that suite and eat and watch the races at no charge to them. The VHHA picked the fee, and we paid Colonial Downs. We also had another suite available on Saturdays and Sundays for horsemen and their guests no charge.

I personally never race on a weekend that I don't try and successfully bring people out to watch our harness meet. I'm extremely passionate about harness racing. Anybody that ever sets up behind one and feel what we have in our product, I've never had anybody that wasn't impressed. We can do a thing that they can't do with thoroughbred horses. None of you all can sit up on a thoroughbred horse and gallop around that racetrack, but I invite everyone of you to come out and sit behind my horse.
and go around that racetrack. It's quite a thrill.

As far as the days are concerned, we agree that it's a million and four for purses. I don't know about the other figures. I do know the figure that Colonial presented, the $442,350 that we race for on the Day of Champions. That figure is wrong by 86,350. We actually raced on the Day of Champions for $356,000. Mr. Lermond and I went over that just the other day from the program that was there. I mean, they missed that figure by almost $100,000 that we'll have available.

We figure -- we hate to go backwards on days, but the economic times are such, we've got to. We're requesting 28 days, which is $50,000 a day for 28 days, four days a week. We're reducing our meet by eight days, which is about 20 percent. We're down about 20 percent. We're requesting reducing our days by 20 percent, and we're taking two weeks off.

In my discussion with Colonial Downs, they said weeks are what helped them. The VHHA has always tried to help Colonial Downs in cutting their cost in putting on our meet. I think they're asking to race at seven o'clock just on Saturdays. We have no problem with post times so they don't have to use
the lights. Our horsemen are more than willing to
bend over backwards and do whatever, but at 21 days,
there's no way I can get horses to come down here to
just race that short period of time. I'm worried
about 28 days, but we have the money.

Now, we have set aside the account wagering
money in the past to hold for a rainy day. Last
year, we propped up our stakes program, which we
feel like is important. We took some of that money
and put $130,000 in that. We put $20,000 into our
signature Patriot Trot, and we held up some other
purses to the tune of $15,000. So we essentially
put 180,000 in last year. We're going to have
approximately a half a million dollars for this
year, and we will prop up the purse for 28 days.

I don't know what else to say other than I was
really sorry I was not here in December to refute
some of the things that was said. If we raced for
$20,000 a day or $70,000 a day, we still would
attract the same horses that come to Virginia to
race. We race for more money than Maine, Michigan,
Ohio, Maryland races for, and we put on a pretty
good show, I think. That's basically why we're
asking for 28 days. Four days week for seven weeks.

Now, another thing that I would like to state,
Colonial Downs is getting away from supporting the off-track betting parlor. We have classically done 20 to 27 percent of the business in the off-track betting parlors. We're doing about 10 percent of the account deposit wagering. That's one reason we did not want to go with helping to finance these additional machines.

Now, we're taking a beating and as of yesterday, I have an account, an EZ Horseplay and a TVG account. You still cannot wager on the Mid-Atlantic races, which is the Meadowlands and Dover if you live in Virginia through TVG, and TVG is the biggest handler of account wagering in Virginia, but our harness horsemen cannot wager from Virginia through TVG on Meadowlands and Dover. I don't know why, and I can't get an answer why.

MR. BURNETT: Let me stop you right there. Would you get an answer why for us, Mr. Secretary?

MR. LERMOND: I can give it to you.

MR. HARRISON: Dave knows.

MR. LERMOND: The original TVG agreement with Colonial Downs and the horsemen had a side letter, and the side letter carved out certain tracks that TVG agreed not to show in Virginia. They're mainly tracks that were in this region, Dover Downs,
Meadowlands, Philly Park. I don't know -- I don't even know if the side letter still applies. I don't think it does. I think TVG just doesn't know. They're just so used to blacking those tracks out in Virginia, they probably just didn't realize. I talked to Charlie about it yesterday, and I guess we need to call TVG and let them know.

MR. BURNETT: Can we put some effort towards correcting that?

MR. LERMOND: Yes, sir.

DR. DUNAVANT: I mean, I can't come up with a figure on how much money that has cost my harness handle over the last couple of years, but they do the lion's share of the off-track -- of advance deposit wagering, and Meadowlands and Dover are my biggest handlers on all the others, and I'm not getting any play through TVG, and Meadowlands is shown live every night during the meet.

It's the only somebody that I see that's advertising for people to open up an account. You know, if I do a poll of people off the street here in Virginia, I won't find five -- find five out of a hundred that know we race harness racing at this racetrack. You know, I think I'm getting a bum wrap for some things that aren't our horsemen's fault.
At any rate, I respectfully request 28 days, four days a week for seven weeks, and I think you have that letter when it's beginning. We'll work with Colonial Downs anyway they want to on post times and days.

One other thing. Let me interrupt here again. It really galls me that when we're racing live, and in 2009 while we were racing live, we had several of the OTBs closed when we were racing live. I don't think that should be allowed. If we're racing live, I think they should be open and closed on a day when we're not racing live. That hurts my handle too.

Any questions, I'll be glad to entertain them.

MR. BURNETT: I have one question that may be helpful and it goes right to the heart of what I understand Colonial Downs' concern is, and it's this purse amount.

I understand that based on what Colonial knew earlier that they were estimating that there would be $1,400,000 available for purses and they used that number to come up with the 21 days, and that -- I don't want to put words in Ian's mouth, but that he was open minded to a longer meet if the money is there to prop the purses up, but he hadn't heard what that number was. The number that you just
represented to us is about 50 percent more than the
340,000 that he said would be necessary.

I guess what I'm asking -- I know what I'm
asking you is, are the harness horsemen willing to
guarantee that there will be $1,750,000 worth of
purses over that 28 days.

DR. DUNAVANT: No. We're not talking about a
million seven hundred. We're talking about a
million four. Twenty-eight days at $50,000 a day is
a million four. That is what we've always
advertised. We have always included our stakes
money in that figure. And that's what we can --
that will attract the horses that we can attract
here.

MR. BURNETT: I understand that argument. I
thought I understood you to say that you -- I
thought that the million four that was referenced
was available from traditional funds, and that you
were adding that million four with your rainy day
fund.

DR. DUNAVANT: Yes.

MR. BURNETT: Do I understand that?

DR. DUNAVANT: We will prop it up and make
sure that it's a million four there.

MR. BURNETT: All right. I don't have a
calculator with me, but if your big day is 350 and
you got a million four, you're going to be taking
$1,050,000, dividing it by 28 days, and there's your
average purse. Is that fair?

   DR. DUNAVANT: Well, you might as well say 27
days because that last day we have eight races.

   MR. BURNETT: That's your 350.

   DR. DUNAVANT: Yeah.

   MR. BURNETT: So divide 27 into the million
ty fifty and that gives you whatever the amount would
be?

   DR. DUNAVANT: Yeah. In 2009, I'm not real
good with figures, but we were fortunate to have
some excess money, and we raced for about $35,000 a
day up until the last two weeks when the race
secretary had held back, and then put some money on
the tail end to keep people here from going to
Florida sooner. And that's what we've always done.

   I mean, at $35,000 a day purses, we can
attract -- that is still more money than they're
racing for in Michigan, Maine, Ohio, and Maryland.

   MR. BURNETT: If I'm doing my math correctly,
that million fifty will get us someplace around
$38,000.

   All right. Do we have any --
MR. STEWART: Can I make a couple comments?

MR. BURNETT: Absolutely. I was just going to see if we had any members of the public that would like to comment. I think I know the answer, but does anybody here want to pop up and offer anything?

All right. Any response? Go ahead, Ian.

MR. STEWART: A couple things. You mentioned that last day, the report I have from the horsemen's bookkeeper shows $86,350 that's in a Virginia-bred column, that's in the total purse. It shows the total given away on that day was 442. So maybe I don't understand what the 86 is, but it was given to somebody.

I guess the heart of the matter is, as you point out, is how much money is going to be available for the 2010 meet, and what do you want -- I think we have to avoid, in my opinion, looking at this as an overall because the Day of Champions' money is such a huge piece of it. What you really need to look at, in my opinion, is the rest of the days. How much are you going to run for the rest of the days?

If we're going to run for $38,000 the rest of the days, we're going to run the same purse level that we ran last year. If that's acceptable, then
that's acceptable. But the comments that were
raised in December would lead me to believe that
that wasn't acceptable, that it didn't attract the
quality of horses that we're looking for. So that's
why I would encourage that we look to a higher purse
level.

MR. BURNETT: Is it fair to say -- I think you
both agree that the attraction of horses, that there
are really two factors in attracting horses, the
amount of the purses per day and how long the meet
is. I mean, I don't know that we have those
numbers, but I don't think there's a heavy ship in
factor for the harness meet. So either of those two
factors could have a major affect on -- it could
have a major affect on whether or not you're going
to get a barn full of horses or whether you're going
to fill your fields, et cetera, et cetera. Is that
fair, that those are the two principal factors in
what brings horses?

MR. STEWART: Yeah. I think that's very
logical.

MR. BURNETT: Mr. Brown, you're the harness
expert. What do you have to say about all this?

MR. BROWN: First off, I'm going to start off
with, as far as getting horses this year, I don't
think it's going to be a problem. You have Rockingham Park, which is closed. You have Michigan problems. Ohio is not racing for any money. A lot of guys will be going to Florida. That's number one.

Number two, the big bitch I had -- one of the bitches I had this past year as far as driver colony, I think that has to change totally. You're going to have so many more better drivers here this next year, better trainers here this next year, which I think in the long run is going to give you a better horse. Yes, they're going to be racing for a lower purse, I do agree. They're not going to get what they get at the Meadowlands or whatever, but they're not all Meadowlands horses. They're not all Chester horses.

As far as the condition of our horses this year, I do have to think Dr. Dunavant kind of stepped on his own toes a little bit. This year I did spend more time at Colonial Downs than any other year I've been here. My sister had a horse racing here. I came down and watched damn never every week.

The one thing I said to Dr. Harden every week when I came here, I said, "How are the horses
looking this year?" He says they're looking much better than they did last year. In 2008, yes, he did have some complaints and whatnot. He did kind of stay on top of that this year.

As far as the owner part of it, I've had owners express to me that if -- you know, it's not worth coming down for 21 -- 21 to 25 days. They just can't do it. There's a lot of people that just -- they won't make the effort to do it, not a special effort anyway. Will you find a stable going to Florida? Yes, I think they'll go. There's going to be some people that are going to say no, we're not going to come because we're not racing enough days.

MR. BURNETT: Mr. Harrison?

MR. HARRISON: The Day of Champions, is that purse level carved in stone? Is that untouchable, the Day of Champions purse level?

DR. DUNAVANT: You know, in years past, this past year and the year before, we raced our eight races for 35,000 added. It made $280,000 from our purse fund, and we had to up it to 130. We got 150 from the Racing Commission. We put 130 in from the account wagering money. We feel that that's our most important thing, maintaining our Virginia-bred
program.

Prior to that, in 2007 we raced two races for Virginia-breds that were over the age of four. We had a trot and a pace that went for $20,000 each for four year olds and up that had been eligible as two- and three-year-old Virginia-breds. In 2008 that race didn't fill, so we raced for 35 added in our stakes and the same thing in 2009. We won't have a problem if we have to drop back to the $30,000 level for our -- 30,000, the added money comes from our nominations and entry fees for that race, which amounts to like $900 a horse. That won't be a problem, which would pick up an additional $40,000.

We would like -- we have maintained this slush fund anticipating these rainy days for our stakes program, and we feel like we should keep some in reserve for the 2011 stakes program until this economy changes or something else happens.

Until I get the exact figures, I can't give Colonial Downs an answer and say how much money we will put in this year, but we will bring it up to what's necessary to a million four, which equates to 50,000 a day counting our stakes program.

MR. LERMOND: The Day of Champions, 280,000, that is Breeders Fund money. The Breeders Fund
didn't have enough to cover the whole 280 last year, so Charlie put in 130 out of his ADW money that he's been sitting on to keep the day the same as it was the year before.

And the other thing I wanted to mention is that the million four is -- and Ian mentioned it in the beginning, that that's counting 196 of ADW money from Charlie, which has never been done in the past. Charlie has always just held it for, in his words, a rainy day.

MR. BURNETT: Apparently, he's got the umbrella up right now. It's raining.

DR. DUNAVANT: Yeah.

MR. LERMOND: Charlie will get about 250,000 from source market fees for the year. He's got already 190 or whatever it is, plus whatever he's got right now that he's holding.

MR. BURNETT: All right. Anything further from any of the stakeholders?

MR. WEINBERG: I guess I can't resist the opportunity to speak. I'm sorry.

Just to make sure we're all clear on the facts, and I will try to speak to the facts. If we get some clarity on this Day of Champions, I mean, we are, I think, using the same numbers. If it is
442 for the Day of Champions, then the remainder of
the days aren't 38, they're 35, which is less than
where we were last year. I just think we need to be
clear on the numbers we're talking about.

Two, I think it's important to realize there
are a lot of different opinions about what happened
last year. And I'm not trying to put Ms. Smith on
the spot, but I also take her perspective to be
somewhat impartial and just reading from the
transcript of December, she identified herself, I'm
the vice president of VHHA. We are very aware, very
aware of Dr. Harden's comments and sentiments and
agree. We had numerous discussions on the
disappointments of the last meet. Sadly, I think a
lot of that behavior we saw, the quality of racing
that we saw, and certainly the quality of the driver
colony that Mr. Brown has mentioned are more than
likely a stout reflection of the purse funds.

So I think as we weighed the balance between
purse monies and days, I wouldn't want to discount
the purse money, which is perceived to be a
significant draw as well.

She goes on to observe, we were not able to
draw some of the larger stables where you can count
on a better quality horse, better quality personnel
tending the horse and better support for the racing itself. She went on to encourage others to help identify solutions to those problems, but I just think it's important as we sit here in March to remember that those statements were made in December.

MR. BURNETT: Help me with this notion, whoever wants to jump in on this. What strikes -- what sort of works against the purse piece of this making much difference is what I heard about big purses being up north, these $125,000 a day purses. If that's what you're competing with, does it matter whether it's 20 or 50 or 60? The people that can run for 125 a day are going to run for 125 because that's where they're going to go. Everybody goes to the money. That's what we pitch all the time. And so -- I mean, it sort of puts us in a bind.

You want to get good people, but are we chasing the same people to come inside a bracket of some sort? They're all bracketed in there and they're all coming, and basically it's the racing secretary having a little bit more picking if the purses are a little higher, you know, of who gets what. I don't know exactly how we look at that. It's not like we've got to get just over the top of
Charles Town so that we can get their horses. I don't know an answer. I'm just posing it.

MR. WEINBERG: You asked how structured -- how segmented is the standardbred market, and we're not going to compete for the high end 125 a day stables. I mean, so the question is, is there a middle market that you segment between 35 a day and 48 a day? I think is the stark question before you.

DR. DUNAVANT: Let me say this. Ocean Downs races for 20,000 a day. That's Maryland. Ohio is racing for about 25,000 a day. Maine, less than that. Michigan about 22,000 a day. We almost double the stakes that we draw from at 35,000 a day.

MR. BURNETT: There's got to be something between 35 and 125? Yes? No? What do they do at Pompano?

DR. DUNAVANT: Pompano is racing around a hundred. They have slot machine monies.

MR. PETRAMALO: Slot machines.

DR. DUNAVANT: We're between a rock and a hard place, and the people that come here can't go to those big tracks. They don't have the class horses to do that. Now, I would like to have a track full of Meadowlands horses.

MR. BURNETT: Sure.
DR. DUNAVANT: We can't do that, and to say that it's not quality racing because they aren't $100,000 horses is not so. If we get horses approaching that finish line together, the betting public doesn't care whether he's worth 5,000 or $100,000. Classically, we have advertised for 2008, which they said was our best meet, at $50,000 a day. We were fortunate enough to up it on the end, and the figures came out to like 64,000, but it worked out that way with the number of horses.

In my association meeting, my people wanted to propose that we don't race anymore than ten races a day and in overnight races limit the entries to eight horses. That way only three people don't get paid for racing. I don't know how that affects the wagering. Some people say it'll affect it because there's not as many horses in there, the only -- besides us, I'm not positive of Indiana and the others, Meadowlands races up to ten wide. We have been racing up to ten wide here. Chester and Dover, eight.

MR. BURNETT: We're talking also of dollars per day as opposed to dollars per race. Has there been any discussions about running nine races a day? Do the horsemen look at that when they think about
where they're going? How many races a day are they running or do they look at their average purse per race?

DR. DUNAVANT: Last year our bottom purse was like $2,500. Our $3,000 claim was ran for $2,500. Ohio, Michigan, they're racing for 1,500. Our bottom purse is like $1,000 more than their bottom purse, and the people that come from there are racing for more money here at the figures we raced for last year and in previous years and will continue to come for that money.

MR. STEWART: There's a quote here in the transcript from Dr. Harden. He says, "To sum it up, one trainer told me rather rudely, he said, why do y'all have so many rules here when we're racing for 2,000 bucks. It just seems to be the general attitude from many of the horsemen."

I think the issue is pretty clear. It's what do you want it to be. The problem isn't that the harness horsemen don't have the money. They've got quite a bit of money in the bank. It's what do you want it to be.

MR. BURNETT: If you leave the purse piece out, then the question becomes us looking into the crystal ball and saying what's the impact of reduced
days going to be or we will get a meet that has --
that can't fill races because they aren't shipped
in, and there's not enough people coming from the
backside. I'm not predicting necessarily that will
happen. I'm just saying at some level what do you
want to be.

We want to be an organization in a state that
has rules. I'm not interested in having us go to
the bushes. If a horsemen wants to complain and
think about racing the way they do at the
fairgrounds behind where I grew up for a $600 pot,
yeah, there's a lot of funny stuff going on, and
yeah, they don't have any rules. If they want to do
it that way, that's fine. That's what they are.
When they enter Virginia, they're not Colonial
Downs, they're not a class operation. So I know
apologize for rules. They may be complicated rules,
rules we can't understand, but I think rules have a
purpose. And if they don't, then get rid of them,
but most of our rules have a purpose. It's all
about integrity, so I don't apologize for rules.

DR. DUNAVANT: The one statement that I think
they failed to overlook in Dr. Harden's comments is
we had no horse breakdown, and we had no positive
tests. Now, that's the veterinarian report. The
rest of his things were from his perspective.

I talked with him and I know some of the comments that some of the horse people made to him that were mad. We changed a couple rules during our meet. We changed the rule on how they entered the paddock and anytime you do that, you get disgruntled people and Dr. Harden, bless his heart, is going around to the stables and looking at horses and checking them, and he's the man that catches the brunt, he and I. I think he went a little overboard on some of his comments to the detriment of the VHHA.

And bless her heart, Katherine Smith is a lovely lady. I trained her horses, and I think she got caught off guard when he made those comments and didn't know what to do but to agree with him. I might be taking words out of her mouth, but I think that's what happened.

MR. BURNETT: Any questions or comments from fellow commissioners?

MR. BROWN: I make the motion we go for 28 days --

MR. BURNETT: All right.

MR. BROWN: -- at 50,000 a day.

MR. BURNETT: Is that part of your motion at
50,000 a day?

MR. BROWN: Yes, sir. $50,000 a day.

MR. BURNETT: Is there a second to that motion?

MR. MILLER: I'll second it.

MR. BURNETT: Mr. Miller seconds. Any discussion of that motion?

MR. MILLER: Well, I don't want to -- I just want to say that, you know, from what I heard, having the purse at approximately the same level as last year is not going to be as perspective disastrous as if you had a 21-day meet and all of a sudden you didn't have the horses showing up at all, then you had four horse races or whatever. You know, I'm just taking the lesser of the evil in my opinion.

I say give it another try this season with the level we had last year at 28 days. Let's see how it transpires. As far as the people complaining about rules -- I'll just make the Churchill statement, without rules, you have havoc.

MR. BURNETT: I guess my comments are. I think there's a lot of value in the big event approach, but it's cold comfort for the every day horsemen who's the bread and butter and backbone of
making a program work. The guy that can come in to
a big race and ship in, get a piece of it, go on
away and is part of a big outfit, you know, more
power to him if he's got that kind of a horse or
she's got that kind of a horse, but I think when we
look at trying to build more than just what happens
here at Colonial Downs, but try and get horses bred
in Virginia. I know it's a tough job. Trying to
get more horses around Virginia and keep these --
both the thoroughbred and the harness program alive,
we've got to remember our own horsemen and what's
going to keep them going. It's a real transient
community to a certain extent.

I think I'll support the 28 days, but I would
ask this of Doc Harden, Dr. Dunavant, and of our
stewards and of our executive secretary, we need to
come up with some metrics to look at what a meet
really is. I mean, when I hear that no horse is
broke down and there's no positive, that's
meaningful. It's meaningful to the public. It's
meaningful to the commissioners, to everybody.

To have somebody say, well, our horsemen, you
know, they're a bunch of whiners or the quality of
the driver was this or that, look at the impact that
some comments -- some say hastily made, some say
they disagree with, look at the impact on how we feel about this meet. I think we ought to do better in terms of measuring and trying to find a way to speak to -- with precision to whether a meet works well.

The dollars, you know, they are what they are, and they're there to look at, but I'm not sure we know exactly what that mix is or we'll ever know how many dollars, the affected purses in terms of people coming to the meet at all, and also what the length of the meet will be to get people to come. We'll never know that exactly, but we know they're both in the mix. We just need to find some way to formulize that. I think that's important. Those are my comments.

MR. MILLER: Mr. Chairman, before we vote on the motion, you don't have any problem with the suggestion by Mr. Stewart that they don't open the full grandstand on certain days?

DR. DUNAVANT: No. We have no objection to that. Like I say, we've always been trying to work with them to lower their cost of putting on the meet.

MR. REYNOLDS: Mr. Chairman?

MR. BURNETT: Please.
MR. REYNOLDS: In your motion, you said 50?

MR. BROWN: $50,000 a day.

MR. REYNOLDS: How is that broken down?

MR. STEWART: In order to have those funds, it's going to require several hundred thousand dollars of this account wagering money that I cannot compel them to use. I mean, if that's what you would like, I think part of the order has to be that they're going put some of this account wagering money in to support it.

MR. BURNETT: I don't know. Maybe Dr. Dunavant is going to put it out of his own funds. I don't know. All we want to know for sure is was we've done with gap funding and other things, that the money is there. He's made a representation he's got the money on hand. Dave should know that.

MR. BROWN: Do you want a signed document saying that the money is going --

DR. DUNAVANT: I mean, that's money that we have to use for purses.

MR. BURNETT: I understand, but you say you have the money or will have it.

DR. DUNAVANT: We should have half a million dollars, yes. We've got a quarter million in one account from last year that wasn't used, and I
Mr. Woolnough is not here. He does my thing. In talking to Dave, we should have half a million dollars in ADW money for 2010.

MR. LERMOND: Mr. Stewart is saying he needs 196,000 of that money to make a million four.

DR. DUNAVANT: Last year we put in 180.

MR. STEWART: That's what I'm asking. It may be more by the time you roll around to the --

MR. BURNETT: Maybe we should hear from -- and the order should reflect that you're willing to tap these resources, the rainy day fund, number one. And number two, if it appears there's any chance of the need for gap funding, that you address it the way the thoroughbred folks have in one form or another. I don't know what it's going to be, but that we ought to hear how we are going to address a shortfall if, indeed, one is on the horizon, any reasonable potential of one on the horizon.

I think everybody is cognizant if we're going to advertise 50,000 a day, let's put it out there. You want to be able to do that.

MR. STEWART: My only point is the funds that I control will not accumulate to 1.4 million dollars.

DR. DUNAVANT: Now --
MR. BURNETT: Understood.

DR. DUNAVANT: -- I have no control over what he does with the OTBs. That's where we're getting the majority of our funds. The fact that they are going to be closed on a day when we're live racing leaves a bit of a taste in my mouth.

MR. BURNETT: Let's ask Dave to, or whoever is appropriate to do it, to calculate what that number is and look at it. I mean, we're put between wanting to be open any time live racing is occurring in Virginia, but we also have to be cognizant of the -- when you got one bettor at a parlor and you got more staff than you got bettors, it's an issue. So let's look more closely at that. Again, same situation with judging horses. Let's see what we got and really look at and see what justifies what.

DR. DUNAVANT: I need some answers to this TVG thing, that I'm not getting play on Meadowlands and Dover Downs.

MR. LERMOND: Right now that's a business decision of TVG.

MR. BURNETT: Yeah. That's not attributable to Colonial Downs.

MR. PETRAMALO: What about the other ADWs? Do they carry it, YouBet?
MR. BURNETT: TVG is the big player.

MR. LERMOND: If TVG knew they could do it, I'd imagine they put it on.

MR. PETRAMALO: Can I ask a few questions?

MR. BURNETT: At this late date, certainly, Frank. You've been so quiet. We want to make sure you get your two cents in.

MR. PETRAMALO: You know, I'm always optimistic. It seems to me there's not an awful lot of difference in the positions here. Leaving aside the days, both parties agree that 1.4 million dollars reasonably should be available. Ian's -- as I understand what Ian said, 1.2 million comes from the normal source, live racing, but mostly OTBs. Two hundred comes from an expected contribution from the ADW money from the horsemen. That gets you to the 1.4. Charlie's numbers say the same thing. He's figuring on 1.4.

So it seems to me that's the way to start the 1.4, and it may be that the way to formulate it is that the harness horsemen would be willing to make up the difference between the projected 1.2 and the needed 1.4 to fund 28 days at $50,000 a day. Isn't that what we're talking about really?

MR. BROWN: That's it.
DR. DUNAVANT: And I have 250,000 in the bank.

MR. SIEGEL: I heard you say that you're going to warrant that you're going to have this money, however you get it, and if you are going to warrant that you're going to have this money, and I think we should accept that. The other point I was going to ask is if, in fact, Colonial Downs is setting the days within the 28 days that you will race and be dark and the times for post time, then why cannot Colonial Downs commit to have the OTBs open during those hours? Is that an issue?

MR. STEWART: Yeah. It's Mondays and Tuesdays. We're losing money on Mondays and Tuesdays in the OTBs.

MR. SIEGEL: But you're racing on those days, though?

MR. BURNETT: But the two don't necessarily go together.

MR. SIEGEL: I understand that, but is there not a way to merge them together?

MR. STEWART: Monday and Tuesday is traditionally the best simulcast market. If you try four days together, I guess we could race on Thursday and Friday.

MR. SIEGEL: You guys ought to try to work
that out.

DR. DUNAVANT: Classically, Tuesday is less thoroughbred racing and the harness does better on Tuesdays, but the OTBs are closed on Tuesday even when I'm racing live.

MR. SIEGEL: I would just try to encourage you to work it out.

MR. STEWART: We're losing money on Tuesday.

DR. DUNAVANT: Is that the only day y'all lose money?

MR. PETRAMALO: No disrespect intended, but this may be a red herring, because as I understand Ian's projections, the 1.2 million projection is based on his schedule of keeping those places closed.

MR. STEWART: Correct.

MR. PETRAMALO: If you open them up, hopefully things would even get better, but worst-case scenario not changing the schedule yields 1.2 million.

MR. BURNETT: On that issue, things get better, meaning things get better for the horsemen --

MR. PETRAMALO: Correct.

MR. BURNETT: -- and worse for the racetrack.
MR. PETRAMALO: Well, sure, if it's a loss.

MR. STEWART: Under our new agreement, you would be participating in that.

MR. PETRAMALO: Which agreement is this?

MR. BURNETT: Kimosabe.

MR. STEWART: The one they approved about an hour ago.

MR. BURNETT: The one he hasn't signed off on, right?

Are we prepared to call a question? All in favor of awarding 28 days at $50,000 a day indicate by saying aye.

Note: (Aye.)

MR. BURNETT: The motion carries. That's going to be put in the form of an order. We'll let you wrestle with the precise language of that with input from the folks that are here.

MR. MILLER: Are the days -- 28 days specified? We're going 28 days -- have you set -- you had a proposed schedule?

MR. BURNETT: I believe they were the same except the last --

MR. SIEGEL: September 18th to November 6th, right?

DR. DUNAVANT: Yeah.
MR. BURNETT: September 18th to November 6th.

MR. SIEGEL: That's what it says.

DR. DUNAVANT: It should be the 17th. One day there corresponds with that fair thing. We were going to race a Friday and the same thing with the Breeders Cup Day.

MR. BURNETT: If you can't work that out, we'll see you next month on that.

DR. DUNAVANT: We can work that out. In here we had September the 7th through November -- no.

MR. SIEGEL: I'm just looking at your letter.

DR. DUNAVANT: The 17th through November the 6th, I think, were the days.

MR. SIEGEL: He has the 18th in his letter.

MR. WEINBERG: I think we were going to start on that Friday, but you are correct, the letter does say the 18th.

MR. HARRISON: And the days of the week, the track is proposing Saturday through Tuesday, and the harness horsemen are proposing taking that Monday off and running Tuesday and Wednesday.

MR. MILLER: Mr. Chairman, let me suggest by our next meeting they come in with a definite schedule.

MR. BURNETT: Absolutely.
DR. DUNAVANT: We'll see if we can work something out on those days and when they're going to have the OTB closed.

MR. SIEGEL: I think you guys ought to try to -- at least get as far as you can down the road. If it's not perfect, it'll certainly be better than it is. Some compromise there would be in order.

MR. BURNETT: All right. Anybody from the public want to speak to us on any subject?

Our next meeting is April 21. We're going to have a closed session that will be relatively brief, but we'll not be making any report coming out of it. So for folks who want to stick around and watch us adjourn this meeting in two minutes, go ahead, when the meeting is done, but there's not going to be any news. We're just going to walk back in here and adjourn the meeting and go about our business.

MR. MILLER: Mr. Chairman, before we go into closed meeting, you had suggested maybe changing our regular meeting day because of some conflict that you may have.

MR. BURNETT: I had and I talked to Vic a little about it, and he prefers the end of the month, maybe moving it to the fourth Wednesday. I don't think I've got a problem with that. I wanted
to run it by folks informally because if we go through the summer, we're going to have Memorial Day, 4th of July, Labor Day, and I started wondering whether we're going to impact on folks attendance a little bit. It comes up close against a holiday and all. I just thought we'd chase that a little bit before we pin anybody down.

MR. MILLER: So everybody should be advised that you're thinking about the fourth week?

MR. BURNETT: Yeah. We're thinking about going to the fourth Wednesday of the month.

MR. SIEGEL: Mr. Chairman, I mentioned to you last month that I would be away next month and I will miss that meeting.

MR. BURNETT: Miss --

MR. SIEGEL: The next meeting. Yes, I mentioned it to you --

MR. BURNETT: Do we want to try the next -- that's going to be two days before the Kentucky Derby.

MR. PETRAMALO: What date is that?

MR. BURNETT: It's the 28th, if I'm not mistaken, 4/28.

MR. PETRAMALO: That would be fine with me.

MR. SIEGEL: I'm gone that week. I'm sorry.
MR. BURNETT: You're gone the week before or the week after?

MR. SIEGEL: I'm sorry. The next meeting is scheduled for when?

MR. BURNETT: It's the 21st. That's when you said you wouldn't be here.

MR. SIEGEL: Yeah. Let me see something a second. You're talking about the 28th.

MR. BURNETT: You're welcome to have a two-week vacation.

MR. SIEGEL: No, I'm here. I thought you were saying the next day. I'm sorry.


MR. MILLER: We'll try it. If people see that a regular time --

MR. PETRAMALO: So it's April 28th.

MR. BURNETT: April 28th.

MR. PETRAMALO: Okay.

MR. MILLER: If people would be thinking about the fourth Wednesday of each month as a regular time and see how that may impact the rest of the year.

MR. BURNETT: There you are. Great. Great.

Pursuant to Virginia Code 2.2-3711(A)(7), I move the Commission convene a closed meeting for the
following purpose: Consultation of legal counsel employed or retained by the Commission regarding specific legal matters requiring the provision of legal advice by such counsel.

Do we have a second?

MR. SIEGEL: Second.

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

All in favor indicate by saying aye.

Note: (Aye.)

MR. BURNETT: We'll go into closed session.

Note: The Commission went into closed session, following which the hearing resumes as follows:

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

It's a roll call vote.

Commissioner Miller?

MR. MILLER: Aye.

MR. BURNETT: Commissioner Brown?
MR. BROWN: Aye.

MR. BURNETT: Commissioner Siegel?

MR. SIEGEL: Aye.

MR. BURNETT: Commissioner Reynolds?

MR. REYNOLDS: Aye.

MR. BURNETT: Commissioner Burnett votes aye.

So other than that, we are adjourned. Thank you.

Note: The proceedings concluded at 1:31 p.m.
CERTIFICATE

VIRGINIA:
COUNTY OF NEW KENT:

I, MELISSA H. CUSTIS, RPR, hereby certify that I was the Court Reporter for the Virginia Racing Commission meeting on March 17th, 2010, New Kent, Virginia, at the time of the hearing herein.

I further certify that the foregoing transcript is a true and accurate record of the meeting and other incidents of the hearing herein.

Given under my hand this 26th day of March, 2010.

__________________________________________
Melissa H. Custis, RPR
Notary Public for the State of Virginia at Large

My Commission expires:
March 31, 2011