VIRGINIA RACING COMMISSION

March 25th, 2009

10700 Horsemen’s Road
New Kent, VA 23124
Commencing at 9:35 a.m.

COMMISSION MEMBERS:

Peter C. Burnett, Chairman
I. Clinton Miller, Vice Chair
William H. (Trip) Ferguson
David C. Reynolds

COMMISSION STAFF:

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

ATTORNEY GENERAL'S OFFICE:

Amy K. Dilworth
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MARCH 25, 2009
MR. BURNETT: Good morning. We'll begin our meeting today a little bit late. Mr. Brown is unable to join us. He's nursing a sick foal I'm told.

The first order of business is to review and approve the minutes of our regular meeting of February 18th of this year. Have you all had a chance to review those minutes?

MR. FERGUSON: I move that we accept.

MR. BURNETT: May I ask one question, Mr. Ferguson? On the third page, fourth full paragraph, the comment made that the parties had agreed on 40 days. My sense was the parties had not agreed on 40 days at the time we were having this discussion.

MR. FERGUSON: Okay.

MR. BURNETT: Or it says, "And that the 40 racing days that the parties have agreed upon be predicated." Can the horsemen or the track help me with that particular statement? I don't recollect that the parties ever agreed on 40 days.

MR. WEINBERG: Right. Right. I agree with you.

MR. BURNETT: Any suggestions on how we fix this?
MR. PETRAMALO: What page -- I'm sorry. What page of the minutes are you on?

MR. BURNETT: I'm on the third page. They're not numbered pages, and I'm at the one, two, three, fourth full paragraph, third line down.

MR. WEINBERG: It should say forty racing days as ordered by the Commission be predicated upon.

MR. BURNETT: There we are. Any other changes or observations?

All right. Will you accept my change as a friendly amendment?

MR. FERGUSON: Yes, sir.

MR. BURNETT: Do we have a second?

MR. REYNOLDS: Second.

MR. BURNETT: It's been moved and seconded. All in favor of approving the minutes as amended, please indicate by saying aye.

NOTE: The motion is made by Commissioner Ferguson and seconded by Commissioner Reynolds. All were in favor. The motion carries.

MR. BURNETT: We'll move onto commissioners comments. Do any commissioners have any comments?

All right. We'll move onto committee reports. Do we have any committee reports today?

MR. REYNOLDS: We have a very brief committee
report. Natalie, if you want to do that, from CRT. It has to do with the ambassador activities. It's one of the few things we've got money left for.

MS. SMITH: Sure. Good morning. I do have a very brief report this morning. As you know, the ambassador activities are continuing. We've decided to focus on that to make sure that the ambassadors are getting around to different parts of the state, talking to different organizations, talking about the importance of the industry, and we've had several speaking engagements since the last time we met.

Connie Collier spoke to a group of young people about careers in the equine industry as part of the Virginia Horse Council's annual meeting on March 7th; Vic Harrison recently spoke to equine study students at Bridgewater College about careers in the industry on March 17th; and Bette Brand spoke to the Blacksburg Lions Club about the economic impact of the industry on March 23rd. All of those speaking engagements got good reviews and were very well received, and we're working on scheduling a meeting. There's two speaking opportunities in April. One is to the Lexington/Rockingham chamber, and one is the Winchester Kiwanis Club. So we'll
let you know the final details of those as we nail those down.

I also wanted to let you know that we have three new ambassadors who have joined the group. Sergeant Rob Hillers, who's the supervisor of the Virginia Beach Mounted Patrol, is a new ambassador; Nick Skias, who works in equine alternative therapy and owns a thoroughbred is now an ambassador; and Kate Norris, who operates an environmentally friendly horse farm also joined the group. So we're happy to welcome those new ambassadors and look forward to working with them as well.

And the final thing I just wanted to share with you is that we are doing some outreach to our ambassadors right now to try and determine whether we can hold an ambassador's summit probably in May, and we're asking the ambassadors for their feedback on topics that they would like to hear about. Another important topic that we would like to discuss with them is how we can make sure that some of these activities continue once marketing funds run out at the end of June.

So we will let you know more about that, and if there are any ambassadors in the room or anyone who has feedback on that, please let us know, and
we'll keep you posted. And if you see any of the ambassadors that I mentioned, Vic obviously is in the room, but please thank them for their willingness to go out and talk to people. I think they've done a great job in all of the different areas of the state, getting out and talking to people about the importance of the industry. That's it.

MR. BURNETT: I have one question. Can you give us a sense of what the cost of the ambassador program would be after June 30th?

MS. SMITH: That's a hard question to answer without sitting down and figuring it out. The challenge with the ambassador program is right now CRT organizes it.

MR. BURNETT: Right.

MS. SMITH: So we talked -- I've talked with Vic and Dave about possibilities of setting up an intern with the help of that, perhaps through VCU or another college where the intern could get credit rather than getting paid. So we're working with them on how maybe some of that can continue, but I could certainly get back to you with the hard cost. I just don't know off the top of my head.

MR. BURNETT: You anticipated where I was
going. I just would hate to see it come to a
screeching halt for lack of money on June 30th. You
put a lot of work into it. We've got a good base
built and wonder whether or not Vic could review his
troop strength and see how that might also be
integrated within the Commission somehow so that we
can be pushing this along. All, of course,
optimistic that we'll get our funding back, get
everybody back on track including CRT.

Any questions?

Well, thank you. I don't believe we have any
other committee reports. We'll move onto the
executive secretary's report. Mr. Harrison?

MR. HARRISON: Yeah. I've got some rules for
you all to consider this morning. The first are the
medication rules. The Racing Safety and Medication
Committee met on February 26th up at Laurel Park and
in attendance were myself and Robin Richards
representing the HBPA. Dr. Harden was there, as
well as veterinarian, Nick Meittinis; trainers,
Diana McLure and Donald Barr; and the Executive
Director of the Maryland Racing Commission, Mike
Hopkins, and his deputy, Bob Cassidy, were in
attendance as well.

We went over the rules as proposed by
Dr. Harden, and that you have before you in your books here today. We made a few changes mostly to the 11VAC10-180-70, paragraph C, relating to Bute and flunixin, and I would ask or I'll propose these -- that you -- someone makes a motion to accept these as final, and these will go into the books for this year's race meet.

I can go through them one by one or you can look at them as a group, but I can tell you that the entire committee recommended these and approved these unanimously, the medication committee.

MR. MILLER: Question, Mr. Chairman.

MR. BURNETT: Please.

MR. MILLER: Is this identical --

THE REPORTER: I'm sorry. I need him to speak up.

MR. HARRISON: He said --

MR. MILLER: Question. Are these the identical rules that you e-mailed to us in the last couple of days?

MR. HARRISON: They are except for the Bute rule, which underwent some last-minute changes with respect to the timing of the flunixin and Bute rule applications, and we were good with it the way it was written and the way it was e-mailed to you, but
Frank had some insight into that when he returned and we made some changes there. I think it reads better now, it flows better now, and it's more direct and to the point after we inserted some of Frank's language. I can tell you that nobody would have any changes with it, and they would agree it's a better rule with Frank's language.

MR. MILLER: Mr. Chairman?

MR. BURNETT: Yes.

MR. MILLER: Unless someone with more knowledge of this than I has any change to make, I would move we adopt the rules as submitted by the executive director -- secretary.

MR. BURNETT: The chair will second, but would have a moment of discussion here, if we may. I wanted to hear from the horsemen and any other stakeholders whether they had any comment to make, and I would also ask whether or not anybody knows whether this Bute rule is consistent with the RCI model rule, and if it's not, how does it depart from it.

Do you want to try that, Mr. Petramalo? Thank you.

MR. PETRAMALO: Namaste. That's how we say greetings in India.
First of all, we -- the HBPA supports the change. The key change has to do with the Phenylbutazone. The prior rule permitted up to five milligrams. At Dr. Harden's request and suggestion, it's been dropped down to two milligrams. That is consistent with the rule in Maryland, Pennsylvania, and Delaware. It is inconsistent with the rule in West Virginia and the rest of the country, which is still at the five milligram -- microgram level.

The RMTC recommendation, I think is also at the five microgram. We don't have any objection to going down to the lower level. I would point out, however, that in our Virginia proposed rule, though it's consistent with Maryland and Pennsylvania, our penalties are certainly more stringent than Maryland. For example, in Maryland, for the first three violations, there's an escalated fine, but there's no loss of purse. In our case, the second violation in addition to a fine results in a loss -- a loss of purse. But other than that, the rules are -- at least within those jurisdictions in the Mid-Atlantic that I've identified is the same.

MR. BURNETT: It appears you had plenty of input from our friends in Maryland --

MR. PETRAMALO: Yes.
MR. BURNETT: -- by virtue of their being at the meeting. No objection from them either?

MR. PETRAMALO: Not that I was -- I wasn't at the meeting. Robin was there.

MS. RICHARDS: No. They actually commended Dr. Harden for his forward thinking.

MR. BURNETT: Any other discussion before we vote on the adoption of these rules?

All right. All in favor of adopting -- I need to define these a little bit -- the changes to 11VAC10-180-35 (F) and (G), Prohibited Practices; the changes to 11VAC10-180-70 (C), Phenylbutazone, flunixin and other NSAIDS; 11VAC -- the changes to 11VAC10-180-80 (C), Permitted race day substances; and the changes to 11VAC10-180-110 (J), Laboratory findings and reports. All in favor of changing those rules as presented, please indicate by saying aye.

NOTE: The motion is made by Commissioner Miller and seconded by Commissioner Burnett. All were in favor. The motion carries.

MR. BURNETT: Thank you.

MR. HARRISON: The licensing rule that we brought to your attention last month, we made some changes based on some recommendations, some from
Commissioner Miller, and I would like to -- what's
the phrase, propose as --

MR. LERMOND: The proposed language.

MR. HARRISON: I would like to make the motion
for -- is it adoption as proposed?

MR. LERMOND: Adopt the language. We're at
the propose stage.

MR. HARRISON: So what this will do is,
this -- unlike the medication rules you just
approved, excuse me, this will start the rule-making
process which calls for public participation and
rules, hearings, workshops, et cetera. So we expect
this to be somewhat of a 10-month process, and we
will look forward to coming up with language
that's -- that has input from every segment of the
affected parties and coming up with language that's
in the end acceptable to all of them, including us,
but this would start the process. We made changes
to what we proposed last month, and we believe it's
a good jumping off point from which to begin
discussions.

MR. BURNETT: Mr. Harrison, I see under Tab 3
the highlighted language of what you're proposing.
Have we had input from our stakeholders on this
language?
MR. HARRISON: We met last week and I expect to have that language shortly. It's just that we didn't get it before this meeting, but we're generally, I believe, in agreement that this is a good starting point and that we fully expect to have a lot of input from our stakeholders.

MR. BURNETT: There's been some concern expressed that -- oh, just to pick one here -- parking attendant might not really be in need of a background check and license and knowing that sometimes these proposed regulations get on track and develop a life of their own, I just want to make sure that we give ample opportunity to any stakeholder to amend these or suggest amendments to these at this point, although, as I understand it, they'll be more opportunities; is that correct?

MR. HARRISON: Yes. That's a fair statement. I fully expect input from the other stakeholders. Welcome it.

MR. BURNETT: Mr. Weinberg, anything on behalf of Colonial Downs with the respect to this?

MR. WEINBERG: I think it's an accurate characterization, but we will have some views, and we've talked about a number of different -- whether this is the proper approach of general language
versus moving away from a list, which we have in the current regulations. So I think as long as everyone appreciates that there may be radical departures from this language in the regulatory process, we're content to move forward and understand it is a long process and the sooner it gets started, the better, and look forward to the opportunity to have a fulsome discussion about who should and shouldn't be included in this licensing process and how we deal with large events, like the Virginia Derby, where there is an influx of people for one day and how we might deal with them within the context of these regulations.

MR. BURNETT: Well, and I appreciate that, and thank you for you taking the trouble to really look closely at this because I think it's probably to the extent it exacts an inconvenience or difficulty on anyone, it's mostly on the racetrack. So we would look to you to help us look at a practical solution, but at the same time protects the public adequately.

MR. WEINBERG: That's right.

MR. BURNETT: Thank you.

MR. WEINBERG: And that was the nature of our discussion.

MR. PETRAMALO: Does this --
MR. BURNETT: Any input from the horsemen?

MR. PETRAMALO: This is the first time I've seen this. Does this mean that the $10 license fee that owners and trainers now pay would be raised to $50?

MR. HARRISON: That's right.

MR. PETRAMALO: I always thought $10 was the best deal in the entire world.

MR. BURNETT: Well, that's what -- Mr. Harrison discovered that and did a little study nationally and said we've got to catch up with the rest of the world. That was the notion.

MR. PETRAMALO: Fine.

MR. BURNETT: Although I think West Virginia is 15.

MR. LERMOND: Very close.

MR. BURNETT: I think that's what I paid in January.

All right. Anything further? We need a motion. Do we have a motion to adopt the proposed changes as provided to us to 11VAC10-60-15, fee schedule for permanent holders?

MR. MILLER: I move we approve.

MR. FERGUSON: Are we going to adopt it, or are we going to set up a study group?
MR. BURNETT: What we're going to do is -- what this motion is is to start the regulatory process. During that process, there are opportunities for changes and amendments.

MR. FERGUSON: It starts the process.

MR. BURNETT: That's correct.

MR. PETRAMALO: Is it likely that it could be in effect for 2010?

MR. BURNETT: I don't know about the likely part, but I think if it falls within a number of days for this to all happen, it could well be by then. What is it, 280 days I think it takes to get them -- under the normal course?

MR. WEINBERG: Well, as with all things, there is a range of opportunities for people to act on them. And so they may sit with planning and budget. They may sit with a different agency. I think the agency has anywhere from 30 to 60 days to act. So if they act the early part of that period, then it moves faster. I don't know what the absolute outside date is, but it could be 260, 280 days.

MR. LERMOND: The governor has no time limit on how long he has to take. Everyone else has a time limit. The first step is really the notice of intended regulatory action, which is really the
first stage, the second stage is proposed, and the third is the final. With any luck, you can get done within a year or ten months.

MR. BURNETT: All right. Do we have a second to the motion?

MR. FERGUSON: Second.

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

NOTE: The motion is made by Commissioner Miller and seconded by Commissioner Ferguson. All were in favor. The motion carries.

MR. BURNETT: Anything else, Mr. Harrison?

MR. HARRISON: The only other thing I had was a request from the racetrack to move the racing season up a week to July 5th from July 12th, but I don't know if you want to --

MR. BURNETT: June 12th.

MR. HARRISON: June. I'm sorry.

To table that to our discussions which will arise later on with the issue of the horsemen's agreement and how it impacts the racing season and racing days.

MR. BURNETT: I think that's our next item, so it's a good segway.

Stakeholders, Colonial Downs and the horsemen
are going to help us with where they are with an agreement or without one. Mr. Weinberg?

MR. WEINBERG: We would like to begin where Mr. Harrison left off.

MR. BURNETT: Okay.

MR. WEINBERG: When the race days were originally submitted, I think we anticipated that Maryland would continue racing through the Belmont weekend. Since our last meeting together, Maryland has announced that they will end their season May 23rd. So we would like to take advantage of being -- having live racing on the weekend of the Belmont, particularly we will hope for the possibility of a Triple Crown winner.

So we would like to move the meet up a week, which would mean we would start June 5th rather than the 12th and end July 28th rather than August 4th, I believe.

MR. BURNETT: Might I ask when Saratoga opens this year?

MR. WEINBERG: I do not know.

MR. BURNETT: That would shorten the overlap, would it not?

MR. WEINBERG: It would certainly shorten the overlap, if not eliminate it.
MR. BURNETT: And it would be the usual five day a week schedule?

MR. WEINBERG: Yes. Friday through Tuesday.

MR. BURNETT: All right. From my perspective, that's a moot point until we resolve this issue of whether the horsemen have an agreement and what the days are going to be. Should we move into that now, or do we need to discuss anything else first?

MR. WEINBERG: Let me just highlight -- as long as we're talking about race days.

MR. BURNETT: Sure.

MR. WEINBERG: When we submitted the harness dates, there was the assumption that the New Kent County Fair would be at the racetrack during those days. New Kent, in an effort to reduce their cost of operations, has moved the fair back to the high school. So we would like to make some changes in the harness dates as well and we will submit those to the Commission, but as long as we're talking about changing the race dates, I wanted to try to be complete.

MR. BURNETT: Can you give us some sense of how dramatic the change might be?

MR. WEINBERG: The schedule I have seen is racing would start September 9th and end
November 7th. We were considering starting --

MR. BOUZEK: We're starting the same and
ending the same, but we're running -- we had
proposed running Fridays and not Sundays.

MR. WEINBERG: I apologize. It really is a
change of live race days, moving -- being dark on
Fridays rather than live and being live on Sundays
rather than dark, so I apologize. The dates remain
the same.

MR. BURNETT: I take it that the harness
horsemen have had some input on this. At this
point, there's no objection.

MR. CANAAN: My understanding is they're still
discussing it.

MR. BURNETT: Okay. Well, you're not asking
for any action today anyway, correct?

MR. WEINBERG: I'm not.

MR. BURNETT: All right. Anything else?

MR. WEINBERG: No. I'm happy to turn to where
we are in the contract.

I think at our last meeting, I identified a
number of issues that we needed to resolve. We have
narrowed the field substantially. We are really
focused on one issue and that is how do we balance
the desire between stake purses and overnight
purses, and we have engaged in a variety of give and take. The Derby continues to be a focal point for discussion.

The Derby is very important to Colonial Downs for the reasons that we've previously articulated about being really part of the premium marquee event, preserving the biggest day of racing at the track, biggest crowds, biggest handle, but really an important component of a business plan that we see as a path to success.

With that said, you know, we are working closely with the horsemen to figure out a way to narrow what is now a relatively small gap between where the track is on the distinction between stakes and overnights and where the horsemen would like it to be. I think -- you know, we've been working fairly diligently since both lawyers have been in town. We have -- Mr. Stewart apologizes that he is not here today. He developed some type of infection overnight and is at the doctor now trying to get that under control, but hopefully he'll be available later this afternoon.

Mr. Petramalo and I spoke before the meeting as to some possible alternatives to narrow that gap on overnights and stakes, and we have a couple
possibilities that might work, in which case I think we'd have a contract within a day or by the end of the week. We really are down to that one point.

MR. BURNETT: It certainly sounds like progress. Mr. Petramalo?

MR. PETRAMALO: I concur.

MR. BURNETT: Any questions from fellow commissioners?

MR. MILLER: Mr. Chairman, just an observation. Reading the trade papers, I have learned that the Kentucky Derby is no longer called the Kentucky Derby. It's the Kentucky Derby by Yum Yums or something.

MR. PETRAMALO: Yum Brands.

MS. RICHARDS: Yum Brands.

MR. MILLER: Has Colonial Downs explored supplementing the purse with corporate sponsorship by someone like Anheuser-Busch or Wal-Mart where if you officially change the name of the race, then CVS or whoever carries the race, every time they mention it, they have to mention that official name?

MR. WEINBERG: Commissioner, I know that has been actively pursued in prior years. I don't know if it's been pursued this year, and it had not been successful in drawing a meaningful sponsorship in
prior years.

MR. MILLER: I would suggest that maybe it would be worth the effort, a phone call or a letter or a meeting in a CEO's office or whoever handles their advertising account, because I've also read they're looking for ways to get their brand name out at a cheaper cost --

MR. WEINBERG: Uh-huh.

MR. MILLER: -- as these companies cut back in these very hard and difficult economic times. So it would appear to me that this would be a golden opportunity because to throw a quarter of a million dollars or half a million dollars into a race, and then it gets mentioned on network television, sport pages, and magazines dozens and dozens and dozens of times, you get several million dollars worth of advertisement for a quarter of a million dollars.

MR. WEINBERG: Absolutely. It's a very rational argument.

MR. MILLER: So if you would -- I would suggest that you might want to do that because it wouldn't -- I don't know whether it would bother the traditional people in Virginia, you know, the very liberal state of Virginia to have it called --

MR. STAPLES: It is getting more liberal,
though.

MR. MILLER: To have it called Wal-Mart Virginia Derby. It wouldn't bother me one iota. In fact, you could call it the AIG Virginia Derby as far as I'm concerned as long as you get the money first.

MR. FERGUSON: Are we going to get national television for the Virginia Derby this year?

MR. WEINBERG: I don't know the answer to that.

MR. FERGUSON: Well, as a comment, as this economy has been sinking, confectionary sales are up. I think one of the richest families in Virginia is the Mars family. They sponsor race cars, I know that, M&Ms, and things like that.

MR. WEINBERG: That's an excellent idea.

MR. BURNETT: Any other questions, observations? Any suggestions? Sir, we're going to get to you in the public participation.

MR. STAPLES: I'm sorry.

MR. BURNETT: I know you're going to have some good ideas. I'm looking forward to it.

MR. STAPLES: Thank you.

MR. BURNETT: Any suggestions on a path forward? I'll just think out loud here. What I'm
hearing is if Frank hadn't gone and gotten himself
into the Himalayas or wherever he was, he might have
had more time to discuss this with Colonial --

    MR. WEINBERG: To be fair, I was also on
    spring break when mister --

    MR. BURNETT: The problem is that the lawyers
    haven't had enough time to talk to each other. I'm
    wondering whether or not maybe some more time would
    make any difference.

    MR. PETRAMALO: You know, I think I ought to
    be candid. My Blackberry was working in the
    Himalayas, and I was in touch.

    MR. BURNETT: I'm sorry to hear that.

    MR. PETRAMALO: We're very close. An
    objective observer would think this is a no brainer,
    so I honestly believe that we should have a contract
    within a day or two. We're at an impasse over
    $50,000, whether it's in stakes money or whether
    it's in overnights. You would think if that's all
    we're talking about within the ambit of eight and a
    half million dollars in purses, we ought to be able
    to figure some way to work that out. That's where
    we are.

    MR. FERGUSON: Are you a 501(c)(3)?

    MR. PETRAMALO: The HBPA?
MR. FERGUSON: Yes.

MR. PETRAMALO: No, we're a 501(c)(6).

MR. FERGUSON: So I couldn't write a little check and deduct it?

MS. DILWORTH: Not anymore.

MR. PETRAMALO: Well, we have a Horsemen's Assistance Fund that's a 501(c)(3), but we probably couldn't take the money from that and put it into the purse.

MR. BURNETT: The VTA is a 501(c)(3), and they've been known to contribute for --

MR. PETTY: You can't deduct us either, sorry, but we also have a foundation.

MR. BURNETT: Mr. Reynolds?

MR. REYNOLDS: One of the -- what are the current percentages in the stakes?

MR. PETRAMALO: Oh, wow. Under our proposal the -- if I'm correct, under our proposal 27% is stakes, which is extremely high, probably the highest in the country, except for small boutique meets like Keeneland, but that said, the 27% is bringing it down from where it was in the past. It's principally because of the million dollar purses that we used to have for the Derby and the Turf Cup.
MR. BURNETT: As a follow-on to that question, where are the parties with respect to overnights? I think I read in the trade papers that as a result of Pimlico's negotiations with their horsemen and the track, it resulted in a reduction of 20 days, which is what I think gave rise to our change of days, and overnights of about 169,000. I know that's stake heavy meet. Where would ours be in comparison to that?

MR. PETRAMALO: If you give me a second --

MS. RICHARDS: It's within 3,000 or something, isn't it?

MR. PETRAMALO: Assuming that we bridge this gap, the way I calculate it is as follows. We've scaled back the total purses to be paid out to about eight and a half million based on the economy and what's been happening at the OTBs. Our scenario with reducing these stakes, the daily overnight average would be a few pennies short of $159,000, which would be -- which would compare to last year's 153,000.

MR. BURNETT: Up 6,000 in overnight?

MR. PETRAMALO: Correct. And in terms of average races, average per race, it would be 18,000 -- eighteen-five per race as opposed to last
year's seventeen-eight. So each race goes up about
700 bucks.

MR. HARRISON: Peter?

MR. BURNETT: Yes.

MR. HARRISON: We're a member of the
Association of Racing Commissioners International,
and this goes to Dave's point. They have a survey
function on their website. So I put the question to
the other racing commissioners, and the responses I
got back -- this is with respect to the percentage
of stakes to overnight purses. Generally, you can
say it's an average of 20% versus 80%, 20% stakes,
but you can't -- this is one of the reasons why this
industry nationwide is in trouble, there's no real
template.

You can't compare Colonial Downs and Virginia
to another state. Maybe we're thinking Oaklawn
might be the only one that's similar to us, but even
a track like Keeneland or Del Mar or Saratoga, those
are part of a racing circuit in that state, in that
racing jurisdiction. We don't have that here.

So the fact that ours is 27% or will be or
could be 27%, it really didn't give me -- the mean
figure, this mean 27%, I don't know if you can
relate that to Virginia or not, but I just wanted
everybody to have the perspective. This is the
national perspective. Generally, you could say it's
about 20 to 80, but then you have to qualify that by
saying, well, is there -- do we fit in this template
anywhere? And it's really hard other than Arkansas
to compare us to another jurisdiction.

MR. FERGUSON: I have a question. Are there
any tracks making money on races other than stakes
races on a day-to-day basis?

MR. BURNETT: I think you just leave the last
part off. Are there any race tracks making money?

MR. FERGUSON: I mean, are stakes races
typically profitable for most tracks?

MR. WEINBERG: If all you were racing were the
big day stake races, sure. That would be a
profitable model. Can anyone get away with that, I
think you've hit -- Saratoga and Keeneland are the
closest models, and I think Vic's point was because
they fit into a statewide program where there are
other tracks racing more day-to-day.

I mean, we asked Tyler to say, well, what's
the practice -- what's the breakdown among the
tracks in Kentucky, for example. And his survey was
Churchill is 32%, Turfway is 20%, Keeneland is 50%,
and Ellis Park is 15%. I suspect if you blend all
those races together, you'd come out in the low 20's.

MR. FERGUSON: So looking at your high capital costs, we'll start at the bottom here at the table, you got a substantial capital cost, fixed cost, and so forth with your facilities and everything, then you have being a service industry on top of that, you have another layer of operating costs.

Do you need the stakes -- if you just have your monies down at the 159,000 level or 17, 18,000 level, is there any opportunity for the track to make money at that level, or do you need the spikes to have any profitable days to get above those two layers?

MR. WEINBERG: Right. Obviously, you need the stakes on the big days to make a profit on the entire enterprise. If all you're doing is running 156,000 a day --

MR. FERGUSON: In other words, all of the rest of the races are below those two lines, right?

MR. WEINBERG: That would be my guess.

MR. FERGUSON: So you don't make a -- you don't make any profit until you do the stakes?

MR. WEINBERG: Until you have the big day --

MR. FERGUSON: Is that correct?
MR. WEINBERG: Well, you have the big days.

MR. BURNETT: You don't make any profit unless you are driving enough handle to make a profit. The real question is what impact do big stakes races have on the betting handle.

MR. FERGUSON: Sure.

MR. PETRAMALO: But more importantly, attendance. Pimlico and Laurel, the Maryland Jockey Club lose money year-round, but they make it up on one day, the Preakness, and 80,000 people show up. That carries them -- that carries them for the whole year.

MR. PETTY: They make it in the infield. If you make a million bucks in the infields, that turns the table.

MR. STAPLES: You better believe it, they're going to do away with that drunk, but --

MR. PETRAMALO: Well -- but that's even -- Commissioner Ferguson, really it's the attendance. What helps with the Virginia Derby is it's the biggest attendance day in the entire meet. Last year 9,000 people showed up. If we had 9,000 people or even 5,000 people show up every day even though we were running cheap races, Colonial would make money.
MR. BURNETT: It's really about draw --

MR. PETRAMALO: Yeah.

MR. BURNETT: -- more than it's about -- just the better races draw --

MR. FERGUSON: That's the point I'm trying to make.

MR. PETRAMALO: Yeah.

MR. FERGUSON: The only time that you get those are during the spikes.

MR. PETRAMALO: Sure. Something special.

MR. WEINBERG: And that is the model. I mean, Pimlico, I remember when LA had the riots. Those riots coincided around the Kentucky Derby weekend. Hollywood Park had a tremendous drop off. I mean, they were running stakes races and simulcasting the Kentucky Derby when they couldn't take the Derby -- when people couldn't get there, their whole year was ruined, in essence.

MR. BURNETT: Keeneland, for example, they do a variation of what we do. They spend the year selling horses and getting commissions on the sales of those horses, and then they fund a lot of these races. So the meet looks very profitable, but there's no way on God's green earth that the signal sales and wagering handle in that -- those two
30-day meets would ever fund their $650,000 a day that they put out. Those big, big purses that draw people in are funded by all those commissions from selling $950 million worth of horses every year through the sales ring. So it's kind of the chicken and the egg. The fancy race brings the attendance and people spend the money, but it's sell them or not.

Another example is Charles Town, they don't have much stakes racing at all and they have, you know, mediocre at best overnights, but they get 25 or $30 million a year on a slot that's just dropped on them as a subsidy and from that, they call themselves profitable. It's --

MR. WEINBERG: You can look at Churchill Downs' results. They're making all their money on one race, their non-horse racing assets, and a little bit of money on TwinSpires.

MR. FERGUSON: To back that up, last week I was at the Sebring 12 hour race. The hotel room that's normally $80 was $240 for that week. They rely on those spikes to carry them through the rest of the year, because there's only one 12 hour Sebring race all year.

MR. BURNETT: Churchill Downs has discovered
that with respect to selling their signal for the Kentucky Derby. When it's normally 3 to 5%, I think they're up to about 10 or 11% now for the Derby signal. And all these tracks don't make any money on it in and of itself, but they take that signal to bring the crowd in so they'll bet the other races. It's, as you say, marquee situations.

MR. FERGUSON: The point I'm trying to make is you need the spikes.

MR. WEINBERG: That's right.

MR. PETRAMALO: Yes, we agree.

MR. REYNOLDS: But the other point is, this is still a small percentage of the total revenue coming in when you take off-track betting revenues, right?

MR. BURNETT: Correct.

MR. REYNOLDS: That's where the money really is.

MR. BURNETT: The on-track handle is about $85 per capita during our meet, and in our OTBs, more or less year in year out, 280 to 300, in there someplace, average. So that steady customer that likes to bet that will come into our OTBs and leave 8% dollars with us as opposed to 3 and 4% dollars with us in other fashions of betting are our best customer in many ways.
MR. WEINBERG: But the long-term vision is that the Derby and the Turf Cup become such big days that they contribute significantly to the bottom line.

MR. BURNETT: Right.

MR. HARRISON: Is it the concern of the race track or the track owner that a $50,000 cut in the purse of the Virginia Derby would bring less people out or a less quality -- less grade or quality grade of horse?

MR. WEINBERG: I think he has taken a very long-term view, and he looks at a race that started at a million dollars and has every year been nicked, and he has said, you know, enough with the nicking. This race is the most important race we have. We need to draw some minimum. We can't continue to go down year after year. It sends the wrong message of what we're trying to do.

So is it as analytical as cost benefit of $50,000, it is not. You know, as with many things in this industry, not all of them are rational or principled, but they are frequently principled, and I think that is where we are in this instance.

MR. PETRAMALO: Needless to say, there's another side to the story.
MR. MILLER: Mr. Chairman?

MR. BURNETT: Yes, sir.

MR. MILLER: Surely, though, the owner of the track would never let principle stand in the way of -- I would say an ideological principle stand in the way of the very future of horse racing in Virginia.

MR. WEINBERG: If we agreed on what that vision looked like, I would agree with you, Commissioner, that it would be much easier. I think you will hear from both of us once this contract is done. It's only a one-year contract. The most important thing that we can do collectively as stakeholders is come together and see if we can forge a consensus for a common vision, because we are not going to have -- it would be extremely difficult to have a long-term contract until we all can agree in some form or fashion on what we're shooting for.

MR. MILLER: Mr. Chairman?

MR. BURNETT: Yes.

MR. MILLER: Another little question about the mechanics of this.

Again, remind us of when do we need to have these racing dates established. If you can reach a
consensus or an agreement or a compromise, whatever you call it, within the next five, ten days, 15 days, we need to set these racing days as quickly as possible. Are we getting to the point where we might be up against the time constraints of setting the dates in order to get the good horses in here?

MR. REYNOLDS: January, February.

MR. MILLER: Pardon?

MR. REYNOLDS: January, February.

MR. PETRAMALO: I think we're there. The racing secretary, Tyler Picklesimer, is sitting there with a draft of a condition book that he can't send out to the horsemen and racetracks because, one, he doesn't know what the dates are going to be and, two, he doesn't know what the stakes schedule is going to be, and he doesn't know how much money he's going to have for overnights.

MR. MILLER: My question is we're really hurting racing in Virginia --

MR. PETRAMALO: Yes.

MR. MILLER: -- if we don't get that out yesterday almost.

MR. PETRAMALO: What I would suggest you consider is revising the dates as requested by Colonial and supported by the horsemen so that we
start a week earlier, conditioned upon our
submitting a contract, a signed contract to you
within three days or something of that sort. I
mean, we've got to get -- we've got to go someplace.
We can't keep drifting here.

MR. REYNOLDS: Mr. Chairman, don't we have a
schedule that you introduced last time?

MR. BURNETT: I did.

MR. REYNOLDS: It's been passed and approved.

MR. BURNETT: It was subject to modification
today is the way we passed it. It was a schedule
that nobody much likes and was intended to stimulate
folks finding a way to get together, and they seem
to be very close.

My thought is that Mr. Petramalo's suggestion
is probably a good one. I would like to hear from
Jim as to what he thinks, but I think we can dangle
the carrot of the dates that we all want out in
front of them for a very few more days, and I think
it's in everybody's interest, to the horsemen, the
track, and the Commission to resolve this issue so
that we can get down to business in trying to have a
successful meet happen. I think we will.

MR. STAPLES: And the owners. The owners.

MR. BURNETT: I'm an owner. I hear you.
MR. STAPLES: All right. I want to make sure because they don't hear us all over the country, but you guys are sure talking nice today. We're hearing some good things here. Thank goodness.

MR. BURNETT: I think what we want to avoid is having set another special meeting and go backwards. So I would suggest that today is Wednesday, perhaps we set a date like Monday or Tuesday.

MR. PETRAMALO: Friday?

MR. BURNETT: Friday is fine by me. I like sooner. I don't know how the track feels about it.

MR. PETRAMALO: Today is Wednesday. I mean --

MR. BURNETT: Well, I worry that Ian may -- he might go to the hospital instead of coming back to his office. So if he's unavailable, what does that do with the negotiating piece of it and all the rest?

MR. PETRAMALO: Well, I would defer to Jim.

MR. WEINBERG: I mean, I would suggest if you can -- look, I will tell you we are as eager to get this done and behind us as soon as possible for the reasons that Frank articulated. I would like to finalize the condition book and also, you know, I think -- you won't be surprised, Tyler has been out there hustling horses for the 12th, but I'm sure he
would like to be able to start focusing on the
fourth and that first week. Just to be candid, I
mean, the mix of races might be slightly different
because we're dependent upon how quickly the grass
comes in --

MR. PETRAMALO: Sure. Right.

MR. WEINBERG: -- on how we set the races for
that week. So moving it up a week is a little more
complicated than just taking everything we had and
moving it up.

MR. BURNETT: I'm fine with Friday.

MR. WEINBERG: With that said, I don't know
Ian's availability. I have revised the agreement
but for this one provision. I'm hopeful that
Mr. Petramalo has some time afterwards and we can
flip pages and so that by Friday, it is on Vic's
desk and you have it. It would be nice to have
until Monday in the event Ian is not available.
That would be the only issue.

MR. REYNOLDS: I like Friday noon.

MR. BURNETT: I can live with Friday noon. If
there's a medical emergency that we need to hear
about, it can be called in, if that suits others.

I guess then we are looking for a motion to
modify the assignment of thoroughbred racing days to
have racing in 2009 begin on June 5th and end on July 28th with the usual five days per week of racing and that modification being contingent upon notification to Mr. Harrison by noon on Friday that the parties have reached an agreement with the signed agreement whether by fax or otherwise hitting Mr. Harrison's desk no later than Monday. Does that impose any hardships on anybody other than the ones we intend?

All right. That's my motion. Do we have a second?

MR. REYNOLDS: Second.

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

NOTE: The motion is made by Commissioner Burnett and seconded by Commissioner Reynolds. All were in favor. The motion carries.

MR. BURNETT: Please get us a contract. I think this is a nice opportunity for Virginia to start a little bit earlier, you know, I think we --

MS. DILWORTH: Peter?

MR. BURNETT: -- might have some busy OTBs and a busy racetrack on Belmont day. It's a great way to kick off the season. With a little bit of luck, we get green grass on the turf course and maybe with
a little bit of luck, we'll have a lot of horsemen wanting to come down here for the thoroughbred bonus, and we can use that as a segway to ask Mr. Petty to talk to us about where we are on that program.

MS. DILWORTH: Peter, I'm sorry to interrupt.

MR. BURNETT: I'm sorry. Hold on for a moment. Counsel?

MS. DILWORTH: Can we take a moment to hear from counsel? I think Mr. Ferguson has some comments.

MR. FRANK FERGUSON: Mr. Chairman --

MR. BURNETT: Yes. Please.

MR. FRANK FERGUSON: -- of course, the statute requires that you approve the contract.

MR. BURNETT: Yes.

MR. FERGUSON: So my query is that understanding that your motion is contingent upon receiving a contract and it being with the executive secretary by Monday, do you want to consider having an additional meeting to approve that contract --

MR. BURNETT: Yes.

MR. FRANK FERGUSON: -- or setting up some kind of meeting so that the things that need to be done to actually implement the dates beginning in
June will -- can go forward?

MR. BURNETT: Let me attempt to see if I can fix my previous motion that was passed. I would ask the Commission to permit the prior motion to be amended to approve only the horsemen and the track's agreement as to racing dates and that any other provisions of the contract -- I take that back. Racing dates including stakes purses and overnights, et cetera, with any remaining provisions of the contract to be subject to our approval at our next regular meeting. Does that solve the problem?

MR. FRANK FERGUSON: I suppose. It leaves open ended the final overnights versus stakes purses, which I guess the Commission does not have before it at this point. So --

MR. BURNETT: They have an agreement as to the stakes and purses.

MR. FRANK FERGUSON: You're accepting that agreement without having --

MR. BURNETT: We'll accept that agreement or whatever they come to --

MR. FERGUSON: At face value?

MR. BURNETT: At face value and assign the dates that I -- were in my previous motion. If they do not have an agreement on days -- stakes and
overnights, then the prior assignment of three days
a week throughout the summer remains in effect.

MR. FERGUSON: Frank, can we do this through
the mail or does it have to be in open session?

MR. FRANK FERGUSON: The final vote on the
contract has to be done in a public meeting.

MR. BURNETT: But that can wait until our next
regular meeting as long as they have the certainty
that they've got a deal and Tyler can get to work is
what it amounts to.

MR. FRANK FERGUSON: Yes, sir. That's what
I'm trying to make sure can happen.

MR. PETRAMALO: Bear in mind -- I love being a
lawyer. Bear in mind that the only issue in the
contract that would be before you that is at issue
here is a very narrow one. There's nothing in the
contract about overnights, et cetera. The only
contract provisions that you would be concerned with
is the purse for the Virginia Derby and the purse
for the Turf Cup, the purse for the Virginia Oaks,
and the purse for the All Along. Those four are
mentioned in the contract and they're the subject of
discussion. Everything else is outside the
contract.

MR. BURNETT: Would it help if the parties
would agree that they would make the dates that we
have assigned for this year since it's a one-year
contract part of that contract?

MR. WEINBERG: Those are in the contract.

MR. PETRAMALO: We can do that.

MR. BURNETT: All right. Does that solve
everybody's issues with this? So I'll make that
motion. Do we have a second?

MR. FERGUSON: I'll second whatever you said.

MR. MILLER: You're suggesting that we today
are approving the race days for 2009 conditioned
upon the receipt of the horsemen and the track's
agreement?

MR. BURNETT: Yes, which would be subject to
approval at our next meeting because we have to
approve it in a public meeting.

MR. MILLER: Yeah. Well, but we're approving
the race days no matter -- I mean, if that book goes
out, we're stuck with that. Right? Once --

MR. BURNETT: And I would say that if they put
a signed contract in front of us, which is what we
asked them to do, they're stuck with that, subject
only to our saying we won't approve this piece of it
or that piece of it.

MR. FRANK FERGUSON: Mr. Chairman, I would
just add to that, if I might, that obviously when
guys see the contract on Monday or Friday, if
there's something that just sets off alarms, an
emergency meeting could be called and you could
address that.

MR. MILLER: Okay. That's fine.

MR. BURNETT: All right.

MR. FERGUSON: I can come back next week.

MR. BURNETT: We're not going to need to.

We're going to be optimists. This is going to be
Friday at noon or before.

All right. So it's been moved and seconded.

I'm not sure exactly what my motion was at this
point. We'll let the record reflect what my motion
was. It's been moved and seconded. All in favor
indicate by saying aye.

NOTE: The motion is made by Commissioner
Burnett and seconded by Commissioner Ferguson. All
were in favor. The motion carries.

MR. BURNETT: All right. Now, Mr. Petty, tell
us about the bonus program for 2009.

MR. PETTY: If I may, Mr. Chairman, I want to
comment very briefly on Commissioner Miller's
suggestion about commercial sponsorship just to give
you some quick practical experience that I've had
with it, and I use the caveat of previous experience because I know the world is changing dramatically.

Typically, what happens with commercial sponsorships -- in steeplechasing, for example, people do, in fact, write you a 25, 50, or $75,000 check which ends up in a purse account because purses for steeplechases only come from that kind of money. My experience with the Maryland Jockey Club, when you started seeking sponsorships for races like the Pimlico Special or the Preakness, what people wanted to do -- big companies wanted to do, they're seeking at a minimum statewide exposure, if not regional and most likely national exposure, like a Wal-Mart or a Budweiser, because they didn't want to put their money in a purse account. The money that goes into a purse account makes about four people happy, one of them really happy. What they really wanted to do with their money was increase the marketing budget of the event to further distribute their name.

So while it does have a benefit, it may not -- you know, I would think that you would be lucky if at best you can negotiate with Budweiser putting 125 in the purse and 125 into additional advertising, because ultimately what they want is what Yum Brands
is getting is they want somebody to say the Kentucky Derby brought to you by Yum Brands every time they say the race name, and they want the race name said as often as possible.

And the other point is on the television contracting, we paid ESPN several years ago to put the Virginia Gold Cup on -- we purchased the time segment in their pre-Derby show, and they would -- ESPN would never refer to it as the Mercedes Benz Virginia Gold Cup, because we never purchased -- we never included that in the contract of the purchase of the time, and they said to us why do we want to give Mercedes free advertising when we could sell them advertising.

So you have to -- whoever does that for Jacobs, I'm sure understands that you have to be careful, that if you do, in fact, have a Budweiser Virginia Derby, that when you go to CBS, you negotiate that. That's all just preface of it's never quite as easy as it looks or it sounds or it seems when you -- now, has the marketing environment changed in the last five years, I'm assuming it has. Maybe it's better, maybe it's worse, but just before we admonish Colonial for not coming up with a commercial sponsor for those races, there are some
intricacies in there that make it a lot more complicated than we would like it to be.

Having said that, we'll go out and get a sponsor for the 100% bonus program.

MR. BURNETT: Now we're talking.

MR. PETTY: Our Breeders' Fund works in a fairly simplistic manner. We divide the fund into three categories, owners' bonuses at the racetrack, stakes and overnight purses for restricted Virginia-bred races, and then we pay year-end awards, both breeder awards and stallion awards.

In 2008, as you all know, we decided to prioritize the owners' award program here. We put together a 100% bonus program that doubled the purse of anything you won first through sixth. We estimated that program based on 2007 when the 50% bonus cost us $250,000, that the 100% bonus would cost us $600,000, thus leaving us adequate funds to fund the restricted races in category two and to pay back what it awards in category three.

We make AIG look like geniuses because it wasn't $600,000. It was 1.1 million, which completely depleted the fund. We also paid our $180,000 in stake purses last year. I think we -- I think we funded one or two Virginia-bred main races.
It'll probably cost us another 30,000. So probably
210,000 there, 1.1 million in bonuses, and presto,
chango, you're out of money. And when I say out of
money, that includes our 200,000 cushion that we had
been riding along for just such a happy event.

Now, the 100% bonus had a tremendous impact --
in fact, I would say without hesitation of all the
things we tried to do to bring attention to Virginia
to Virginia-bred horses, that the 100% bonus has
been the most successful. Has it increased the
value of the horses? I don't know. Has it
increased the likelihood that Virginia horses get
claimed before the meet? Absolutely. Has it
created buzz within the industry with owners,
trainers, breeders? Yes. Do trainers want
Virginia-breds? Yes. Do owners want
Virginia-breds? Yes. Are people at least talking
about them at yearling sales? Yes.

So it has achieved the -- it has permeated the
consciousness of the horse world, which is a tricky
endeavor. So I think we were very successful in
that manner.

Knowing the financial impact of it, we started
as early as the Timonium yearling sale in October,
talking to people about, all right, we got a
little -- we got a math problem. We can't afford to pay 100% bonus and to have any money leftover to do anything else, and the people in phase two and in phase three deserve some attention for what they're doing, even though it isn't happening here. And the suggestion was a pretty simple one, Ferris Allen, three or four other people I talked to said, well, just pay the winners 100% bonus.

Okay. It seems like a simple solution. So that brings us to sort of where we started the conversation. How does it work if we just pay the winners? So you got really two -- two base numbers you have to deal with. The first one is what do you project will be available for distribution in the fund, and if you take Dave's numbers, you crunch them around, he comes up with 900,000 and change.

So let's just say $900,000 is available for distribution. For everything. After administration and promotion, 900,000 typically goes out the door and on another day, we'll come back and tell you that we're going to cut that back as well because that's the world we're living in.

Then you have -- the next base number you have to deal with is what do we project that the winners, Virginia-bred winners 2009, over here across the
turf course, are going to win. So we took the 2007
or 2008 results, and we put our glasses on, and we
went through by age category, and last year we had
seven year -- eight year olds, seven year olds, six
year olds, five year olds, four year olds, and three
year old Virginia-breds win at Colonial, and one two
year old.

So we started out doing simple math. We're
gonna run 40 days instead of 45. We'll just
decrease everything 11%. So last year those horses
for wins only won $700,000. So they won 700,000 of
the 1.1 million. So the winners are obviously the
most expensive category, and that's a logical point
to get because the winners get 60% of the purse for
each race. So we knew going in that that would be
the biggest.

So we decreased everybody down 11% based on
fewer racing opportunities, so that takes your
700,000 down to 500 and change. Now, you factor in,
okay, some of these four, five, six, seven, and
eight year olds are not going to come back, injury,
old age, what have you. There's not a lot of
science to that one, so let's just randomly decrease
it 15%. Then at this point you're thinking, okay,
this is gonna cost us less. This is going to work.
Then you look at how many three year olds you had because your three year olds are the most likely group to win money. Last year, the -- for example, the three year olds won 192,000, the four year olds won 237,000. So the three and four year olds are your most expensive crops, okay? So you look at them and you figure, okay, that core group is going to cost me 400,000.

Now, the bugaboo comes when you look at your attrition of your five and your six and your seven and your eight year olds, but you now have to plug in the new crop of three year olds because, see, only one two year old won last year as opposed to 21 three year olds. So when those two year olds of '08 become three year olds of '09, suddenly they go from winning $9,000 to $150,000.

So what happens to you -- and then you can look at the crop size and say, well, is there wiggle room? Well, the 2008 three year old crop was 346 registered Virginia-breds. These year's crop is going to be 305. So you got a little 15% leeway in that number, but what happens when I finished the math, and I think Vic and Dave came up to a different number, but I was being very conservative because I've already blown one prediction by almost
100% so I figured let's make sure we're careful. We came up with about $735,000 as the prediction of winners only over there. Driven primarily by the fact that those new three year olds are gonna win a lot more than the aging attrition horses will go.

Now, I don't know the current environment, economic environment will mean that fewer horses will be here running because people can't afford to train them or more horses will be here running because people are trying to win money to pay for all the others that aren't winning. I just don't know if that will have any impact or it won't, but if you look at even $700,000 in potential winners only owners' bonuses, that only leaves you $200,000 for everything else.

Now, there's other variables. One is ADW. Will the ADW law that was passed kick in July 1st and all of a sudden all these companies will start contributing to the Breeders' Fund? I'm not gonna cash that ticket until I see the money. I mean, there's contractual issues. There's all sorts of different things that we haven't figured out yet as to how that's going to work, so let's set that aside as found money that will be better for the next year.
The next issue we have with the potential $700,000 payout at this meet is the gap funding question. When this meet opens on Belmont day or Belmont weekend, the Virginia Breeders' Fund won't have $700,000 in it. It won't have anywhere near $700,000 in it. It'll probably have more like 500,000. So you would have that same issue if we did dam the torpedoes, pay 100% owners' bonus, we might not be able to pay it without borrowing money from whatever fairy godmother is out there that does gap funding.

So we started to consider various alternatives. One was do we pay half of the bonus, the 100% bonus that we're paying to winners, slid everybody else aside and said, "Sorry. We can't afford you for now. Hopefully next year we can get this whole thing going again." We'll pay the 100% bonus to the winners. We'll pay you 50% with your purse. That's how these bonuses are paid. They're paid in the purse. So it ultimately would account to average purses and the trainers get a share of the money, the jockeys get a share of the money. So when you win $6,000 over here and that's really 12,000, your trainer gets a bump and that's part of the incentive to bring horses to the racetrack.
Trainers drive most of the traffic.

So if we split it and we'd say we'll pay you 50% as part of the purse and 50% at year-end when we have the money, that's one solution. The unknown there is how does that impact the trainer's motivation to run his Virginia-bred here. I don't know. I haven't had time yet to go poll that.

MR. PETRAMALO: Can I interrupt here a second on this gap funding? I mean, this -- what you're talking about is premised on the gap problem, correct?

MR. PETTY: Well, it's just part of a larger equation, yes.

MR. PETRAMALO: But didn't we have a gap funding problem in '08 that was solved because the harness folks advanced us money and we used that, and we gave them consideration in other ways later on to acknowledge that?

MR. PETTY: The short answer is yes, but I think it was a small five figure loan. I don't think it was multiple hundreds of thousands.

MR. CANAAN: It was what, 50?

MR. BURNETT: Fifty is my recollection.

MR. LERMOND: Forty.

MR. CANAAN: Forty.
MR. BURNETT: Forty.

MR. LERMOND: We paid it back monthly.

MR. PETRAMALO: So the number is too big.

Okay.

MR. PETTY: Yeah. I think that's certainly -- and I'm not proposing that we know the answers. I'm giving you that torture treatment of just throwing out all the equations. I'm happy to keep going or answer as we go.

MR. FERGUSON: Can you backload the whole thing?

MR. PETTY: You certainly could backload the whole thing. That's an option. That's another way to look at it. You could do 50/50. You could do zero and hundred. Again, how does that, you know, impact the motivation to run here. Those are all different relative issues. We can decide how important they are as we go along.

Then the second idea that came about, which was interesting, is paying a 10% bonus to the winners as they already get 60% of the purse and paying the 100% bonus to second, third, fourth, fifth, and sixth. Again, with the caveat, we're telling people, this is sort of a bridge year. This is -- we're going from point A to point B. We're
running an experimental program. We're gonna try another treatment for your ailment, and this treatment is going to be outside the box and we're gonna pay 10% to the winners and 100% to second, third, fourth, fifth, and sixth. We're in the process of organizing a poll, which we can e-mail out to our constituents and get a reply on that.

MR. BURNETT: Stop there for a second, Glenn, just for the benefit of all of us. Tell us, as I think you did in the e-mail, what those numbers come out to in a race. So the winner of the race ends up with about 70% of the purse --

MR. PETTY: Right.

MR. BURNETT: -- and the second horse ends up with about 42; is that right?

MR. PETTY: Uh-huh.

MR. BURNETT: And so forth.

MR. PETTY: It makes for a pretty good payday, and it cuts your total cost down to -- from 700,000 to 400 and change or 500,000. It knocks off a couple hundred thousand bucks and, you know, I don't know in my own head if I've really gotten comfortable with the merits of either direction. We're just -- we're trying to come up with a creative solution to keep something that works
working when the bottom line is we don't have enough money to do it. So how do we skin the cat?

So those are -- that's basically where we've walked in the door today, with those concepts. Any other concepts, bring them on, because it's a tough one to solve.

MR. BURNETT: Commissioner Reynolds?

MR. REYNOLDS: But you're saying at the end of the year, you would have enough money to fund it?

MR. PETTY: I would have enough money to fund that, but I would have pretty much only that is one of the other issues. If we only have $900,000 in the fund and we pay 180,000 of it in purses for our Virginia-bred stakes program, and then we pay 700 out in bonuses, again we're out of money. Again, we've left the people who breed horses and stand stallions in Virginia, which believe me is a dying breed. We're trying to prop them up as best we can with no money.

And so we're trying to -- simply put, I think the way we've developed our program is as good as it can be for Virginia. The problem is we don't have enough money to fund all the components, and we struggle a little bit with the idea of fully funding one component and zero funding another, and how do
we find some happy medium where we can 70% fund this
guy and 15% fund this guy, and 50% fund this guy. 
Now, we can go to our friends at the HBPA and ask
for some relief on our stakes purses, but they may
not have the money to do that. 

So it's not -- unfortunately, it's not
something you can consider in a vacuum. You've got
to bring it to the table with everybody and say how
do we make all this work together and how do we make
it work out. 

MR. BURNETT: Can I throw a little structure
at this just to -- for us to take it in pieces a
little bit? It seems to me we've got two major
issues. What is the distribution, you know, how
much money and to whom is going to go, and the other
piece that you talked about is the cash flow piece,
when is it going to be paid.

MR. PETTY: Uh-huh. 

MR. BURNETT: Let's leave the when is it going
to be paid off to the side for a moment and talk
about your two proposals. Pay the winner 100% and
nobody else is consistent with this historic
philosophy in racing that is how we got to the
winner getting, in most jurisdictions, 60% of the
purse. The idea is that second is such a distant
second from first that no one is going to be satisfied with it and that everybody will try hard to win because that's where the money is, and the second money is just unacceptable.

So the other suggestion you make of 10% to the winner, and then 100% to each -- to second and on down, in some respects I see as a -- more consistent with the modern way that racing actually works, and what I mean by that is that the average owner and trainer these days are looking to get the bills paid at the end of every month. We've got a lot of regulation that punishes jockeys for not encouraging a horse through the lane. We've got lots of ways of scoping out cheating, and I'm not sure this would change it anyway, but this -- your second proposal would give significantly more money to a guy that loses. So I think one of the things that's in front of us is --

MR. PETRAMALO: Which is a majority of the guys. Overwhelmingly the majority of the guys.

MR. BURNETT: All but one.

MR. PETRAMALO: Right.

MR. BURNETT: All but one in every race. So to the extent that we're trying to fill a gate and we're trying to fill the stands, which of those two
approaches is likely to bring horses to Colonial Downs to run along with their connections that will run a little money through the window while they're here. Do you have an opinion about that?

MR. PETRAMALO: What are the two alternatives, 100% for the winner and --

MR. BURNETT: And same old same old for second through sixth.

MR. PETRAMALO: Right. Right. Right.

MR. BURNETT: The condition book comes out is what you get.

MR. PETRAMALO: Right. Or 10% and 100%.

MR. BURNETT: So somebody who was running -- my comment to Glen was, gee, if I had a maiden, I'm not so sure that just kind of coasting through the stretch and catching that second three or four times before I let it win is such a bad deal because it's ten grand a pop. You know, instead of getting 5,000 for second and 20% of 25,000, I'm get 10,000 for running second and I'm in my favorite condition, you know, I'm running against losers. So, you know, no horse has ever won. I just sit there and just fold my jockey up through the lane and get my 10,000. I mean, that's the conspiratorial look at it.

MR. PETTY: I don't know that -- I think
ultimately what drives -- we need a racing
secretary, and Robin and Frank will have input on
this. What drives who comes here is the book. We
have a niche. I think a big part of our niche is
what -- for racing vernacular would be cheaper races
on the turf and that this bonus frankly is gravy. I
mean, it's icing on the cake.

Will guys who win a lot of races like Ferris
growl about it? Well, of course, they will and
rightfully so. It's money coming out of their
pocket. Is it enough to prevent them from coming?
Is it enough for their owners to say, "I don't want
to go win that race"? I don't think it is. I think
like everything else, they'll be some head
scratching. They'll be some people that don't like
it, and then at the end of the day, they'll come
down here because this works for them at this time,
and this is extra money they're gonna see one way or
the other.

MR. BURNETT: Bear in mind that our very best
trainers, Ferris being right there at the top, lose
three-quarters of the time.

MR. PETTY: Which I remind him of --

MR. BURNETT: Right.

MR. PETTY: -- every chance I get.
MR. BURNETT: If you can win 25% of your races, you are one very happy camper whether you're an owner or whether you're a trainer.

MR. PETTY: Right.

MR. BURNETT: And so I think that -- that's why I call it the modern way of looking at things, how many times do you hear around the racing, "I got a check"? And I think it would -- I think it would motivate people to come if that second through sixth money is pretty healthy and getting 70% of the pot for a win feels pretty good anyway. So that's sort of where I lean on it. I'm not that worried about chicanery in terms of holding horses in a lane, that sort of thing.

MR. PETTY: And I think, too -- I think we need -- whatever we do here, we need to stress to people that this is a -- this is kind of our stimulus package while we're trying to figure out -- I mean, if everything works properly with our new ADW bill and in 2010 it's generating $400,000 a year for the fund, the problem is solved. We can do all the things we want to do and pay everybody what we want to pay them. We just don't have enough money right now. So we can -- if we advertise it as this is our -- we promised 100%. We're delivering 100%.
This is the best we can do this year. Let's see what happens next year. Come on down and win some money.

MR. BURNETT: One more question on the math. If you paid the 10% addition to the winner as part of the purse --

MR. PETTY: Uh-huh.

MR. BURNETT: -- and you paid the other matching money, the 100% bonus at the end of the year, you have no problem coming up with that cash, right?

MR. PETTY: It depends on the ADW scenario.

MR. BURNETT: No, no. Leave the ADW out.

MR. PETTY: I'm sorry.

MR. BURNETT: You're paying that 10% to winners is the only money you're gonna pay out currently -- pay out with the purse funds two days, three days after the race.

MR. PETTY: So pay everything else on the back?

MR. BURNETT: Pay everything else on the back, you've got tons of money, right?

MR. PETTY: Yes. You've got plenty of it.

MR. BURNETT: Okay. Flip it around the other way. What happens if you pay -- how much was it
going to cost you to pay -- leave out the winners.
You're gonna pay second through sixth. What piece of that second scenario was the second through sixth amount?

MR. PETTY: 400,000.

MR. BURNETT: No, that was all of the money.

MR. PETTY: Right.

MR. BURNETT: How much of -- leave out the 10% that's going to the winners, 10% match to the winners. Just the piece that's going to second and below, how much of your 400,000 is that?

MR. PETTY: The whole package was 475, 10% --

MR. BURNETT: Okay. Thank you. I misunderstood you.

MR. PETTY: So 400, and then 75.

MR. BURNETT: So the 400 you might have?

MR. PETTY: Yes.

MR. BURNETT: So the winner might have to wait for its 10%.

MR. PETTY: According to Dave's money, I think we'd have the 400.

MR. BURNETT: All right. So that you could pay all those guys that are coming in second through sixth, further motivation that I'm gonna get my money and Ferris is going to get 75% of the time his
second through sixth money and get his piece of that.

MR. PETTY: And we're not chasing 128 people at the end of the year trying to find them and pay them their owners' bonus, which is a burden all the way around, just collecting the 1099. They've already got them in here. We give them the money or Dave gives the money to Connie. Connie runs it through the purse account. It's done. It's very --

MR. PETRAMALO: But I thought Glen said that they would have -- he was expecting they'd have around 500,000 in the Breeders' Fund at race time during the race meet.

MR. BURNETT: I heard half, maybe not. What do you think you're gonna have?

MR. PETTY: 500,000.

MR. BURNETT: So you can pay the whole shooting match?

MR. PETRAMALO: Right. Right.

MR. PETTY: Well, I know where Frank is probably heading with this. There's one other component. You've got your Virginia-bred stakes purses, and let's say those races come down to 50,000, we'd still need 150 grand to pay those. So there's still --
MR. BURNETT: Well, you're starting to get in range of that five figure loan.

MR. PETTY: Now, how much we have in the Breeders' Fund at the end of the meet is the next question, the next important question, how much is in the fund at the end of the meet theoretically. In other words, in the next two months, what do they produce? Do they produce enough to cover it? We've still got to crunch some numbers, but we can't afford the 100% winners only on the front end. That much is a given, so --

MR. FERGUSON: Why do you go back six places?

MR. PETTY: Because that's what the purses pay and those categories honestly don't cost you a lot of money. I can tell you what -- for example, the breakdown -- let me just give you the three year olds since that's the -- what was last year, '08? All right. On the 0-5, if you look at what all the three year olds won first through sixth -- well, she -- I'm sorry. She just gave you first through third. This is demonstrative of it. The three year olds last year, the horses that won won $192,000. The horses that were second won 63,000, so it's a big drop. The horses that were third won 60,000, and then when you get to fourth and fifth and sixth,
because the purse amounts are so small and the percentages are so low, it becomes incremental.

MR. FERGUSON: So it falls off.

MR. PETTY: It falls off dramatically after third. So it drops 75% from first to second, and then second and third might be close, and then fourth, fifth, and sixth, it tails off very dramatically. So you can kick out fourth, fifth, and sixth, for example, and maybe you'd save yourself $40,000 or 50,000, you know, there's some number, but those guys down there, you could make the argument that the guy that's fourth, fifth, and sixth needs the money as much or more than the guy that's first, second, third, depending on which hat you have on on the day you're having the conversation.

MR. BURNETT: That's what gets the guy to come. And so the guy that's teetering --

MR. PETTY: Well, and it's also to help the entry office out, that gets a guy to run his horse even if the conditions weren't perfect.

MR. BURNETT: Right.

MR. PETTY: So when you're trying to fill races because filling races generates handle and handle drives everything we do. So we're sensitive
to what Tyler and his people have to deal with to fill the card because ultimately that's good for everybody. That's the old -- the field size that we talk about is literally the tide that floats all the boats. So that fourth, fifth, sixth bonus money, that's part of that tide, I believe.

MR. HARRISON: And, Glen, maybe as further inducement to the winners, maybe it can be structured or written that at the end of the year, this 10% will be paid, but that's a minimum. Maybe the ADW money has kicked in or some of it has come in or we done better than we thought. So maybe it'll be 15%. Maybe it'll be 20%. I don't know.

MR. PETTY: And we also -- the other thing I didn't mention that we talked about, not to further muddy the water because you can't get any muddier, is approaching all this with some sort of cap, which has merit on some level, but it also means you could -- the last week of the race -- of your meet, you'd have a hard time filling races. Yes, you could go open-ended. You could say the minimum is 10% and see what you have.

MR. BURNETT: The max in the fund or this percentage of the fund or some much.

MR. PETTY: Just see where you end up, and
then guys get that surprise check and everybody likes a surprise check.

MR. BURNETT: Yeah.

MR. PETTY: You know, when it comes and not only were you surprised it came, but by golly it's more than I thought it was gonna be. That's winner winner chicken dinner all over that one. And so with this small amount of money where you can't really motivate people to change how they do business, if you could at least give them that positive experience, it makes them want to come back. You've accomplished something. You've increased the value of your brand, both your race meet and your Virginia-bred horse.

MR. BURNETT: Maybe we can get the track to give them a chicken dinner.

MR. PETTY: I'm sure it's in the contract. I'm sure Frank has argued that on our behalf.

MR. CANAAN: An order of free chicken wings.

MR. BURNETT: Wing dings.

MR. PETRAMALO: The philosophy of spreading the money out to cover costs I think is consistent with a plan that we expect to implement with the racing secretary; that is, we are going to pay purse money all the way through last place. So that in
the typical race with eight or nine horses, if you
finished eighth or ninth, you're still gonna pick up
$150, which will cover a jock fee or, you know,
maybe --

MS. RICHARDS: Some of the vanning.

MR. PETRAMALO: -- some of the vanning, et
cetera. Again, though, the same philosophy, it
costs a lot of money to race these horses, and it's
nice to be able to at least cover expenses.

MR. BURNETT: Delaware did that --

MR. PETRAMALO: Yeah. They still do it.

MR. BURNETT: -- for many years. Three
hundred bucks I think they pay.

MR. PETRAMALO: Only they have a lot of money.

MR. BURNETT: Yeah.

MR. PETRAMALO: And they don't take it out of
the purse account. It comes on top.

MR. BURNETT: Do we have any regulatory
restrictions on that in terms of the statute saying
we pay first through sixth? Are we free to just
distribute it?

MR. PETRAMALO: No. I believe there is no
restriction.

MR. BURNETT: You might want to make sure
we're okay with that.
MR. PETTY: Is there a rule? There seems like there might be a rule on that. Actually, what we're proposing and actually what Vic just said of maybe having the winner's share open-ended helps with that because obviously those 150's for seventh, eighth, ninth, tenth, and eleventh are coming out of the previous guy's pocket. So if we can boost his purse, then that makes it -- you know, if you have a seventh, eighth, and ninth and win $150, that $450 has got to come from somewhere.

MR. PETRAMALO: It's not coming out of the winner's purse. The winner is actually getting more.

MR. PETTY: But I'm saying it's coming from those other guys. So if we supplement them, then that's an easier pill for everybody to swallow.

MR. MILLER: Mr. Chairman?

MR. BURNETT: Yes, sir.

MR. MILLER: Do you have other states that we can reference that has this similar plan?

MR. PETTY: Commissioner Miller, I think Vic put it eloquently. Virginia is like no other state. No one else, for example --

MR. MILLER: You mean no other state has a breeders' bonus?
MR. PETTY: No other state --

MR. BURNETT: Ours is the highest in the country by double.

MR. PETTY: No one else pays 100% bonus.

Probably because with year-round racing, they would go broke.

MR. BURNETT: Right.

MR. PETTY: Other states basically combine two things, restricted stakes and open purses. Maryland-bred stakes you hear about. New York-bred stakes you hear about. You hear about Florida-bred stakes. Or they pay a back-end award to the breeder based on a percentage of what the horses win, which is something we do.

We do a little bit of everything because we're driven to because of the short nature of this meet. If it were year-round, we'd approach it -- probably approach it differently, but since we have so little money, it's --

MR. REYNOLDS: Frank, I didn't understand what you said a minute ago about the winner gets more under this.

MR. PETRAMALO: Yes. The current breakdown --

MR. REYNOLDS: Last year?

MR. PETRAMALO: Last year and I think it's
been this way forever. The winner doesn't get 60%
here. The winner gets 57%. Under the new schedule
that we proposed and agreed to with the racing
secretary, the winner would actually get 58%. So he
gets a little more.

MR. BURNETT: Yeah. I can give you a little
history on that. It used to be, if I'm not
mistaken, 60, 20, 10 --

MR. PETRAMALO: Yeah.

MR. BURNETT: -- 3, and 2, if I'm not
mistaken, to pay down five places, and then they
decided to pay down six and to find the extra money
for the sixth, they had to yank some of it out of
the top, and I think they left the second alone.
Typically, all the extra money comes out of the
winner's share. It went down to 57. They took that
3% and shoved it down to the bottom for the sixth.

It was just a way of adding -- the same theory
we're talking about. The further down you can pay,
the more likely someone is to enter. I mean, it's a
fairly sick feeling when you're all high and hoping
your horse is going to do well and all the rest and
whatever happens, the racing gods don't favor you
that day, and there you are seventh.

You say, geez, paid the jockey, paid the groom
some extra money to get ready for the race today,
paid the vet a fortune for getting the horse
pre-raced, and then I paid to ship it over here and
blah, blah, blah, and you're out 6, 8, $900 to run.
The horse only gets so many times a year. If you
can console yourself by saying, wow, at least I got
that 500 bucks or 300 bucks, whatever it is, believe
me, it's motivational for most folks.

MR. PETRAMALO: Well, I think it's a good
idea, this 10% --

MR. BURNETT: Ten and a hundred.

MR. PETTY: Is that the way the wind is
blowing toward, ten and a hundred?

MR. PETRAMALO: I think it's a wonderful idea.

MS. RICHARDS: I do, too, because I think we
were hearing that in our board meeting, that it's
such a risk to have Virginia-breds anyway for this
short window and to just aim it all to win and you
just don't win for 100 different reasons, you know,
you only have so few opportunities. I think --

MR. BURNETT: Is it fair to say that more
people would get money, albeit perhaps a little
less, under the ten and a hundred arrangement than
if you just --

MS. RICHARDS: I think so.
MR. BURNETT: -- piled it on? By a mile, wouldn't it?

MR. PETRAMALO: Oh, sure. Of course.

MS. RICHARDS: Absolutely.

MR. PETRAMALO: Absolutely.

MS. RICHARDS: And the native Virginians --

MR. BURNETT: That should be taken into account.

MR. PETTY: The numbers, one of the interesting trends is, as far as the number of horses to run first, to run second, to run third are very consistent. If you get into a category where 18 horses won and probably 18 ran second, and so it's amazing how consistent that one runs. It always surprises me, but there's no question that 18 times 5 is more than 18 times 1.

MR. BURNETT: I'm being called a socialist for suggesting spreading the wealth. That's redistribution of wealth, isn't it, Glen? We can't do this.

MR. PETTY: It's a common theme these days. We just roll with the punches. Just dealing the cards we've been dealt.

MR. BURNETT: All right. From a procedural standpoint -- I'm sorry. I'm going brain dead on
what we need to do. Anything?

MR. PETTY: Nothing, because what we typically do is we have a -- unfortunately, it's multi-layered, but it can move fairly quickly. We have a Breeders' Fund Committee, the VTA does, the Virginia Thoroughbred Association. We typically bring that group together, reach some sort of consensus, and then we offer that to the Racing Commission Breeders' Fund Committee. On some days, we have them -- we try to get them both to meet at the same time, then they make a recommendation and bring it to you for approval. There's other issues on the table like the steeplechase races we've approved for back end --

MR. BURNETT: Right. Right.

MR. PETTY: -- and the VTA's contract, and then the harness guys, I imagine, have a similar process, but we ought to be able to have this thing back to you by next month and have it --

MR. BURNETT: Don't we need to for the obvious publicity benefit --

MR. PETTY: Absolutely. Absolutely.

MR. BURNETT: -- and the promoting and all the rest?

MR. PETTY: Unfortunately, we don't apparently
have money to market it like we did last year and
just -- I'm preaching to the choir, that made a big
difference. Running ads in the trades that said
100% bonus in Virginia, that had a big impact.
We're gonna miss those. They're expensive, but
those really helped fuel the fire.

MR. HARRISON: It'll be a little trickier
marketing this because it's a change from last year.
It's still kind of a 100% bonus, but --

MR. PETTY: Well, we're gonna have to go grass
roots and we're gonna have to go -- we're gonna have
to grill them a little bit. We can get the word out
there. One nice thing about the racing industry is
they typically tend to talk only to themselves, so
there's a lot of time spent conversing among one
another. So once the word gets out, the word will
get around.

MR. HARRISON: Just a reminder that since we
pushed this meeting back a week, the next meeting is
essentially three weeks from now.

MR. BURNETT: Is there potential -- actually,
let me just suggest that you explore sponsorships of
Virginia Breeders' Awards. It sounds odd in some
ways, but maybe you could have general sponsors that
throw a little bit of money at you and use that for
promotion. Get your name in lights by some sponsor and maybe, you know, Virginia-Bred 100% Bonus Award sponsored by or promoted by, and then somebody gets the name of their company and that pays for your ad. That might be something to think about.

MR. PETTY: All right.

MR. BURNETT: Call me.

MR. PETTY: We'll get our sales team on it.

MR. BURNETT: All right. Anything else on the breeders' bonus, gentlemen?

The next item is public participation. Might there be any member of the public that would like to address the Commission?

MR. STAPLES: I would.

MR. BURNETT: Would you identify yourself, sir, and tell us what you'd like to tell us.

MR. STAPLES: I'm James Staples. I don't own Bellwether Productions anymore. My wife does.

MR. BURNETT: For the benefit of the -- excuse me.

MR. STAPLES: I'm sorry.

MR. BURNETT: For the benefit of the court reporter, would you state your name, please?

MR. STAPLES: James G. Staples.

MR. BURNETT: Thank you.
MR. STAPLES: Do you need my address?

MR. BURNETT: No. We're all right. We need your thoughts.

MR. STAPLES: I'm a Virginia boy. I appreciate that. This has been a wonderful day in here so far. It really has.

You were talking about Oaklawn compared to here. In two weeks they had 230,000 people two weeks ago. I don't give the exact dates. Churchill Downs actually made money last year. CDI, they did really well. Laurel Park made money last year. I guess Pimlico with the Preakness, it seems that that's all they're trying to save now is the Preakness.

Here we're looking at 10,000 that they're averaging for the -- I believe for the Virginia Derby and 6,500 for the Colonial Turf Cup. Cheaply, I say cheaply, we can double -- Bellwether can double these numbers. We need 90 days, but I'll work with Mr. Wood, and we talked already and had a communication really for the first time. Y'all excuse me. I'm passionate. I'm really more passionate than the Arabs about these horses, and that's the truth. It's hard to believe as much money as they've spent, you know, but it has been
good for our country, I think, that they've come
over here and grasped this sport the way they have.

I know we can double these numbers, and we can
help the breeders people also with their marketing.
Jamestown was a bust. Virginia busted Jamestown.
They lost so much money on that, and I'm not blaming
anybody, but people down in South Hampton Roads
agree with that because the bulk of them never went
to Jamestown over the 400 year celebration, which
was sad.

Like I say, we're promoters and we believe we
can help the Commonwealth. The first thing I think
we need to do -- and I'm giving this away -- is we
need to get the governor here every year to the
Virginia Derby. He needs to help us promote this
big time, and they haven't been doing it. I don't
know if Mr. Warner -- there again, we're not
throwing darts. We just know we need to get these
people to this race.

Television, we can get television. Winacom is
our people, but like you said, we'd have to pay them
to get them here, but we know that Norfolk
Southern -- I'm giving up a real secret now.
Norfolk Southern is definitely interested in horse
racing. I told Mr. Segenfeld at Triple Crown
Productions that. I told Mr. Nick Nicholson that at
Keeneland. Nobody is listening.

I'm not gonna stand here and preach all day,
but I'm from this Commonwealth, and at one time I
wanted to leave. I haven't spent -- we spent $50
here on a halter, and we spent over 300,000 in
Maryland. We have a tapit there right now that's
doing quite well, and everything you said today --
and I didn't know you were an owner -- is true. I
say you know better -- owning them is one thing.
It's a whole other deal once you own a race horse.

I can work with Mr. Wood. However the
Commission wants to do it. We got the proposal. I
submitted it to Mr. Reynolds. Mr. Reynolds asked me
to send it to him. I have a basic right here of the
proposal. We can really do this inexpensive. I
told Jacobs Entertainment, those people really, but
I'm not giving these ideas away. They pay a lot of
money. I have a logo that would probably cost
anybody 50,000. I got it for $350. You know, it's
like those tapits. They may go for a million over
there. I got one for 5,500. We can do this here.

I'm getting out of -- I'm losing my train of
thought, but all I'm saying is if they'll work with
Bellwether, if Jacobs and them will work with us, I
know we can help them this year. We'll do it on a
performance basis to double those numbers. I see
this gentleman looking at me like I'm crazy as hell
and really --

MR. BURNETT: He looks at me like that all the
time.

MR. STAPLES: But I do mean that. And the
breeders -- everybody. The breeders, anything y'all
need, we'll give some of it away. Some of it we
need to get paid for.

I don't know -- let me ask this. If we could
double the Derby to 10,000, would we -- should we
deserve -- can we legally from a regulatory
standpoint, can we take a percentage of the handle
that is increased? See, she's saying no. I don't
know that.

MR. BURNETT: I think indirectly the track
could pay anybody who can help increase the handle.
That's what they do when they spend half a million
dollars on advertising. You know, certainly we
wouldn't have legislation that designates a piece of
the handle for you. On the other hand, there are
certain recipients of part of the handle that use
part of that money to promote more handle. So it's
certainly something that could happen.
I make one observation to you, Mr. Staples, that we've struggled with and that is that this facility is a wonderful facility and one of the best in the country as far as I'm concerned. The difficulty with it is when you get a crowd above 8 to 10,000 people, it starts becoming a chore to keep that crowd happy. The lines get long. The bathroom lines get long. The concessions have difficulty. The betting has difficulty. What I've been trying to preach for a long time is let's hold that Derby 10,000 or more, and don't let it get any lower than that, but let's look at those other weekends and look at the Colonial Cup.

MR. STAPLES: Right.

MR. BURNETT: That's gotten 6,000. Let's get that to ten.

MR. STAPLES: Right.

MR. BURNETT: Let's get every weekend of racing in Virginia to 10,000 people.

MR. STAPLES: He told me it would hold 20. I mean, that it would. I mean, that's being safe. Is that safe? Is that a safe number to say? Let's drop it down to 16 or 18,000 because we can presell 8,000 tickets this year. I'm gonna bet now. Do they believe that? We can presell 8,000 tickets
this year.

MR. FERGUSON: I have a question.

MR. BURNETT: Yes.

MR. FERGUSON: Who is Bellwether?

MR. STAPLES: Bellwether Productions. It's a Virginia company out of Chesapeake now. It was Portsmouth.

MR. BURNETT: It's Mr. Staples' wife's company now.

MR. STAPLES: She owns it. My wife has taken over Bellwether.

MR. FERGUSON: That does what?

MR. STAPLES: Promotional marketing for horse racing.

MR. FERGUSON: Gotcha.

MR. STAPLES: That's it. That's all we do. We don't promote -- of course, we could get Mick Jagger maybe if we want -- you know, if we --

MR. BURNETT: Bring him on.

MR. STAPLES: Right. But we want to race here, too. We really do. We want to come back home.

MR. FERGUSON: Are you asking permission to do business with Colonial Downs?

MR. STAPLES: I'm asking -- yes, sir. I'm
trying to ask them if they'll just discuss these
things and see if we couldn't work something out.

MR. FERGUSON: Isn't that something that you
should discuss with Colonial Downs since we don't
have the money to give you?

MR. STAPLES: I've tried, but I couldn't get
any communication with them, but I'm dropping all
that.

MR. FERGUSON: So you're not getting
communication --

MR. STAPLES: Nick Nicholson won't call me
either.

MR. FERGUSON: So you're not getting
communication.

MR. STAPLES: Huh-uh.

MR. FERGUSON: So you're asking us to do what.

MR. STAPLES: I'm just asking you if you can
kind of be like a mediator and maybe -- Mr. Wood
already -- Darrell Wood talked with me this morning,
which I appreciate so much, you know, just to give
us the shot is all we're asking.

MR. FERGUSON: For who to give you a shot?

MR. STAPLES: Jacobs Entertainment. Do they
own Colonial Downs?

MR. BURNETT: He's looking at a shot to
promote racing --

MR. STAPLES: To promote racing, yes.

MR. FERGUSON: So that's a discussion that you should have with Jacobs Entertainment.

MR. STAPLES: Well, okay. That's why I'm here. I know that the Commission -- I tried to get them, but like I said, they're not the first ones that wouldn't communicate. The only one that does is Ed Segenfeld with Triple Crown Productions. He does communicate with us, because I'll tell you that nobody has got the ideas we do. You can believe it. They're gonna find -- I guarantee you we couldn't get a snowball here in August. We need a snowball machine, too, up here seriously for the children. We're into carousels. We're into all kinds of things to promote this sport, but nobody is listening seriously. I'll stop.

MR. BURNETT: Mr. Staples, thank you. And we appreciate your having forwarded what you have to Mr. Reynolds, and I'm sure he'll look at it with great interest as will we.

MR. REYNOLDS: I've communicated back. We have no money.

MR. BURNETT: Right. Everybody is tight now.

MR. STAPLES: Right. I understand that. No,
no. We're not asking for any money.

MR. BURNETT: Understood.

MR. STAPLES: Right.

MR. BURNETT: I just want to make sure --

MR. STAPLES: We'll put up some money if Jacobs will.

MR. BURNETT: I just want to make sure you understand the Commission's role.

MR. STAPLES: Oh, I do. Yes, sir.

MR. BURNETT: We cannot direct --

MR. STAPLES: Right.

MR. BURNETT: -- Mr. Jacobs to hire you or anybody else.

MR. STAPLES: I understand that tee totally.

No, no. I understand. That's on me.

MR. BURNETT: But we are delighted that you have such passion, particularly as a Virginian for this game --

MR. STAPLES: Thank you so much.

MR. BURNETT: -- because we need more like you --

MR. STAPLES: Thank you.

MR. BURNETT: -- who show the interest and writing that check for horses to train and come here and the more of that, the better. We're grateful
for it and hope you'll just keep thinking of those ideas, and I'm guessing that Mr. Jacobs and his people will look at them.

MR. STAPLES: One other thing. I want you to know this because they get a bum rap. Charles Town is doing super. The place is clean as a pin. It didn't bring in any gangsters that they didn't already have, and they're gonna have two million dollar races this year y'all, stakes. They're growing. But they won't change that track. That's the only reason I say they can't get huge is because they need a mile and something track.

MR. BURNETT: They had a chance.

MR. STAPLES: Well, but they're doing good. The place really -- I'm impressed with the place. We don't need slots here. We don't promote slots or any kind of foreign game. We promote horse racing, the sport of it. I appreciate you letting me talk. Thanks a lot.

MR. BURNETT: We appreciate you coming, Mr. Staples. Thank you.

MR. STAPLES: Yes, sir.

MR. BURNETT: Would anyone else like to address the Commission as a member of the public? Yes, sir.
MR. CHARLES: My name is Torrey and last year we put together a production series called Fast Facts at the Track. It was something that the Commission helped us with, and we wanted to come and say thank you for letting us do that. Along with that, we wanted to qualify it with saying that -- I'm comfortable with saying that I think it was successful, and there's a couple of things to say how that would have occurred.

The first thing is the hits that we got through YouTube and broadcasting through networks like that were over 6,500 for the 20 videos that we put up. So in general -- for just general videos, that's not bad. You know, maybe some of these crazy ones where people are sticking things up their nose, they get a lot more, but this was just an educational video that we thought was very successful.

Along with that, we had a couple of nuggets thrown our way that we just didn't expect at the time. We had the right cameras and the right mikes and got a great interview with Michael Iavarone where he talks about Virginia racing, how he loves it, how he loves the Virginia Derby, and how he's going to come back every year. So that was a
wonderful thing. We've been broadcasting that.
We've been kind of lobbying his company to actually
put these videos that we have on his website that --
are all branded with Virginia Racing Commission. So
it's not advancing Fast Facts. It's advancing you
as a sponsor.

Along with that, Edgar Prado also gave us a
great interview in the paddock the day of the
Virginia Derby and said, "Virginia isn't for lovers.
It's for horse lovers." We felt that that was a
great little quote, and we tried to get that out as
much as possible through the Fast Facts
distribution.

We had several clients that were at the
Breeders' Cup this last year and while they were
there, it was kind of our job to make sure that they
were entertained. I had called a friend of ours at
the Hollywood Inn prop just to say, hey, I've got
some guys that are in the horsing industry that I'd
like to put on your guest list tonight. He asked
what I did. I told him I was with Fast Facts
Production. And the first thing out of his mouth
was, oh, you do that horse bonus for owners in
Virginia, right? This guy saw one of the fast facts
in some other track in California and remembered
this particular program. So as much as -- I don't know how this happens. I mean, well, I kind of have an idea. I think that it's good production. I think it's put in the right places for people to see these things.

If you just kind of crunch very, very loose numbers, I mean, these aren't Arbitron-type ratings, but based on the distribution of simulcast of Colonial Downs, which Colonial was so cooperative in actually airing these things for us for the Virginia Racing Commission, that those were broadcast through every other track that will take it.

So we just did a quick little crunching of the numbers, and let's just say that there were 20 tracks on a regular basis that aired the numbers and aired that it was here, there very well could have been 60 to 100,000 people that were exposed to those videos over the course of the whole country.

So for a very -- you know, kind of a small job, it was basically just a reporter on the street that gets out and gets the stories, talks about horses in Virginia, talks about how to shoe a horse, you know, in a comical fashion and things like that. We felt that it really -- at least it penetrated deeper outside of maybe in the trade magazines of
the horse industry to regular people and educated regular people about Virginia racing.

As we, you know, developed this thing, Fast Facts at the Track is a pretty dear thing to me. We developed fantastic relationships with Ferris, with Karen and Donna Dennehy, with the VTA, with a lot of people that are here, and we'd love the opportunity to continue to explore that with the standardbred, with a Point-to-Point, and I'm not here to ask for money. I'm here to say we appreciate what it is you let us do because I believe in my heart that what we did advanced the causes of the Virginia racing industry and felt that it was a successful adventure.

So I wanted to say thank you, that we're not giving up. We're going to keep going at it. So if you get some money, I'll take it, but I wanted to say thank you very much and, you know, all those videos are on our website. We've got about 15 different partner websites, like Virginia horse lovers dot com or something like that. All kinds of people picked up these videos and put them on their own website because we made it possible for them to just click the URLs and drag it over to their own website. So it's getting a lot of viewership.
It's not traditional, right? But the thing is let's look at Facebook, look at Twitter, look at these social networking sites, all of which we're really proficient with using and are very simple, very inexpensive, and cheap. It doesn't cost anything to get any one of those accounts and you can actually broadcast your message and get it out there. And in times like today, we need to be looking at these gorilla marketing tactics and these free things that really can broadcast your message.

It doesn't necessarily have to be some huge thing. You know, if you just put it in the right place at the right time and consider core marketing services, you can really get your message out there. Again, I appreciate it and thank you very, very much.

MR. BURNETT: Thank you very much for taking so much time to come here and listen to us chat about all these things, and I hope in better times that we're gonna be in a position not only to support you with good words, but to find some way to help fund you. We are just in really tough financial times at this point as you well know.

MR. CHARLES: I understand. I appreciate it, because I really -- it's something that's dear to my
heart and I really enjoy Virginia horse racing. I can't own a horse. I'm not that rich, but it's a wonderful thing to be involved with people in the horse industry and it's formed some relationships that I certainly won't be giving up anytime soon.

It's been a wonderful event.

MR. BURNETT: Well, thank you, sir.

MR. CHARLES: Thank you.

MR. BURNETT: Yes, sir.

MR. DAVIDSON: My name is Darrell S. Davidson. I'm a Maryland horse owner, and I enjoy coming up here to race.

Back on July 8, '07, I had a serious injury to one of my horses and tried to do this ethically and still want to try to resolve it peacefully. A horse of mine got fileted and got over a hundred stitches. When I approached the officials before, and I said, you know, I bring horses here every year. I buy Virginia hay and employ Virginia people through my trainers. I don't come here to steal the purse. I hate to say it, but I was told on a -- if you can come here to steal the purses, you don't need to be here, which is not -- you know, I own three different businesses. It's not the best thing to be saying. Fortunately, that gentleman is no longer
I would like to try to resolve this peacefully and ethically, and I'm not trying to make money off of this. I had about $3,000 worth of -- a vet bill and a couple of training things. Frank knew about it, and he said it was going to be resolved. Months went by. It never got resolved.

Getting off topic here a little bit, I think you guys have a great shot of doing something here because I can't even get a horse to race in Maryland right now. I mean, 15 -- 25,000 on the turf, didn't even go. They didn't fill the field. Then we drop to 15,000, didn't even go. A mile and an eighth at Charles Town, didn't even go.

This is the same horse who broke his maiden and maiden special weight, and I just want to see if I can resolve this peacefully. I had a lot of insight because I run horses basically drug-free. When I first started out and I had these 8, $900 vet bills and up and they were running for a nickel and losing, I had horses running maiden special weight and holding their own and even George Anne said, oh, the vets must hate you.

So there is some theory for being able to run them clean and not let the vets and even some of the
trainers tell you you've got to do this, this, and
that. You may run at a little slight disadvantage,
but it's so hard to win anyway. You don't need to
be doubling your monthly bill. I just wanted to see
if I could talk to the right person just about
trying to resolve this nicely and ethically.

MR. BURNETT: I'm not sure I can tell you who
the right person is, but I'm going to tell you to
talk to Vic as a starting point just to understand
what we've got here, and we'll certainly listen.

MR. DAVIDSON: That's all I ask.

MR. BURNETT: I don't know if we can do
anything else, but certainly we'll listen and thank
you for -- as long as I've been on the Commission, I
cannot remember when I have said does anybody from
the public -- is there anybody here who would like
to speak --

MR. PETTY: Three is the record.

MR. BURNETT: -- and anybody has stood up.

MR. PETTY: Three is the record.

MR. BURNETT: Yeah. This is a record.

MR. PETTY: Two might have been a record.

MR. DAVIDSON: You guys have a great track,
great facility. It's one of the best turf tracks
around and another -- and maybe I'm off cue here,
but you know, I don't know how many horses were bred this year versus last year, and if the breeders' bonus -- if these bonuses aren't increasing breeding, you do need to, I think, look to cut it and save it for the bigger races because that's what I would think it would be to bring -- to have more people get Virginia-bred horses and breed a foal in Virginia.

MR. BURNETT: That's a good point.

MR. DAVIDSON: If it's not happening, then you know, if nobody is paying 100%, why should you guys. I mean --

MR. BURNETT: We just want to give it enough of a chance to see if it changes a downward trend.

MR. DAVIDSON: Right. I agree.

MR. HARRISON: Are you saying that your horse was injured here due to some kind of negligence?

MR. DAVIDSON: Yeah. I was told that there was -- the rail was separated like this (Indicating). I have pictures I'll show you. When he -- when my horse made the inside move on his first very race that he ever ran, my jockey said, hey, he was -- he was green and he didn't go through the hole. He hit that -- he didn't hit it. He just got nicked -- raised that rail, and it fileted him.
He still finished seven out of ten after being fileted when he was running against --

MR. PETRAMALO: Commissioner Miller, the horse was running close to the guard that's on the rail, and the guard, it jutted out leaving a sharp point, and his horse scraped the rail and was cut severely.

MR. MILLER: I'm not puzzled by the injury. My puzzlement is if a horse was allegedly injured here at the track by some alleged negligence by the track, your claim would be against Colonial Downs and I trust that they have lawyers and they have insurance coverage to cover any negligence at the track.

The Racing Commission, we would have -- I don't think we have a role to play in this particular situation.

MR. DAVIDSON: Well, without the horse -- if this is the kind of treatment a horse owner gets and it's all about the horse and the owners bringing their horses and they're being -- their backs are being turned on them, somebody has got to at least -- I'm not looking to make money off this. I'm trying to do the ethical thing.

MR. MILLER: What I'm trying to explain to you is maybe --
MR. DAVIDSON: Well, if the Commission --

MR. MILLER: We don't have a role other than
to encourage the owner of the track to abide by all
principals of justice and law --

MR. DAVIDSON: Right.

MR. MILLER: -- and that when a claim is made,
you respond to that claim. That's all -- we have
kind of a moral perhaps to -- okay. Mr. Weinberg is
the attorney for the track. I don't know that he
gets into these kind of situations, but I would urge
you to contact Colonial Downs and Colonial Downs
through their legal counsel then will respond, and
then you would have to go from there to get some
kind of satisfaction for your claim.

Now, you can, of course, talk to the executive
secretary, but all he can tell you I think is about
what I'm telling you.

MR. DAVIDSON: But it still makes sense if he
says, hey, Darrell, yes, what you're doing, you have
a legitimate complaint, that the more people -- just
like Frank had told me he thought it was fair.

MR. MILLER: I will tell you on the face of it
anyone -- I used to practice law. I don't anymore.
But anyone that has an alleged -- has a grievance of
any kind, I would always encourage them to exercise
that grievance. If you have a claim, if you feel you have a claim and you feel that you should be reimbursed for some negligence or some fault committed by some other person or entity, certainly you should pursue that. I would encourage you to do that, but I would encourage Colonial Downs as the operator of a track in Virginia to respond adequately to such claim through their legal department.

MR. DAVIDSON: Isn't it better to keep the lawyers out of it because nobody wins?

MR. MILLER: Well, the only problem there is when you have a -- it's a legitimate legal claim. It's not something that you just may handle between yourself and another horse owner or yourself and another -- some supervisor of a track or yourself and a steward or yourself and a racing secretary or yourself and a commissioner, this is a legal claim you're asserting and it has to be handled through legal means.

MR. REYNOLDS: If I could ask a question. When did the accident happen?

MR. DAVIDSON: July 8th of '07. I was told it would be resolved originally. Nobody ever called me back. Like I said, Frank was involved.
MR. MILLER: Now, I will tell you, sir, I don't want to interrupt you. I want to get this out so there's no question about this. You said 2007. I know the personal injury statute of limitations for human beings, I don't know what it is for injuries to horses or property of that kind -- it's five years.

MR. STAPLES: Three or five.

MR. MILLER: Whatever it is, you need to check --

MR. DAVIDSON: It's at least three years.

MR. MILLER: Check with an attorney wherever and make sure that you are within the statute of limitations.

MR. DAVIDSON: No, I checked.

MR. MILLER: Don't let the statute of limitations run out.

MR. DAVIDSON: I don't want to use an attorney. It's so simple. I'm just trying to get a vet bill covered and a month or so of training. That's it.

MR. MILLER: Well, that's up to you. I've done all I can tell you.

MR. DAVIDSON: Okay. Thank you.

MR. BURNETT: Sir, let me just add one comment
to this. I agree with everything Commissioner Miller has said to the extent that this is truly a private dispute. It is not something that the Commission would inject itself in or try and guide you on how to deal with that. I'm an attorney, and I agree with you. If you can resolve things without an attorney, that's great, and I encourage you to try and do that.

The Commission's interest in this would be one of not having more people standing in your shoes saying the same thing happened to them, and our interest would be if there's been any notion of an unsafe condition at this facility, we would want to be comfortable that it's been addressed. I'm sure that the racetrack has taken that into account, but I wanted our executive secretary to know of the circumstances such that he can check with the track so that we're not going to have any more horses getting a hundred stitches, right?

MR. DAVIDSON: Right.

MR. BURNETT: That would be the objective. So that's why I wanted you to speak with Mr. Harrison.

MR. DAVIDSON: He can probably lead me to the right person.

MR. BURNETT: I think he probably could.
MR. DAVIDSON: Perfect.

MR. BURNETT: Great. Thank you for coming.

MR. DAVIDSON: You're welcome.

MR. BURNETT: We've had a lively and spirited public participation session today.

MR. STAPLES: He's raced since then, too. He's came back here and raced.

MR. BURNETT: That's good. Did you promote that?

MR. STAPLES: No. Hey, when I get through promoting, y'all are going to be ashamed of yourselves.

MR. BURNETT: Come on now.

MR. STAPLES: I'm serious. Jamestown proved that, folks. I'm serious.

MR. BURNETT: The next meeting, April 15th, 2009, any problem with that, gentlemen?

MR. FERGUSON: Tax day.

MR. BURNETT: Yeah, tax day. We'll all have long faces on that day or maybe we'll just be writing off our losses. No need for a closed meeting. Do I have a motion to adjourn?

MR. MILLER: So move.

MR. BURNETT: Chair seconds. All in favor, aye.
NOTE: The motion is made by Commissioner Miller and seconded by Commissioner Burnett. All were in favor. The motion carries.

Note: The proceeding concluded at 11:35 a.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 25th, 2009, 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 1st day of April, 2009.

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

My Commission expires:
March 31, 2011

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