VIRGINIA RACING COMMISSION

October 26, 2011

10515 Colonial Downs Parkway

New Kent, VA 23124

Commencing at 10:12 a.m.

COMMISSION MEMBERS:

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

COMMISSION STAFF:

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

ATTORNEY GENERAL'S OFFICE

Amy K. Dilworth, Esquire

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CHAIRMAN MILLER: Good morning. We're getting started a little late. I went to the wrong place. If you folks sitting out in those chairs, if you can't hear, feel free to move those chairs closer. Just let me know. I'll try to speak up. If you have trouble hearing, I'll do like my minister; come on down. Pull those chairs closer. The Lord doesn't bite.

MR. SIEGEL: The Lord doesn't bite.

CHAIRMAN MILLER: I'm just quoting.

MR. SIEGEL: You'd be a good minister.

CHAIRMAN MILLER: Of course this is our regular meeting for this month and we're gonna have a work session to follow.

The first item on our monthly meeting agenda is the approval of the minutes of the September 28th, 2011 meeting. Have all of you had a chance to review? They were very brief, so they were easy to review. Anyone have a motion?

MR. SIEGEL: I move they be approved.

CHAIRMAN MILLER: Second?

MR. S. REYNOLDS: Second.

THE COURT: All in favor, say aye.

NOTE: All the commissioners vote aye.

CHAIRMAN MILLER: The minutes of
September 28th, 2011 are approved.

The next item on the agenda is committee reports and the Standardbred subcommittee is listed on our agenda. Mr. Sargeant Reynolds.

MR. S. REYNOLDS: Yes, sir, Mr. Chairman. Thank you. After I read my report, if there are any additions or corrections, you all feel free to make those comments or remarks or in the work session.

A subcommittee of the Virginia Racing Commission met on October 20th at 1:30 at the Virginia Racing Commission's offices at Colonial Downs to focus on the issues facing Standardbred racing at Colonial Downs.

Representing the VHHA were Dr. Charlie Dunavant, Scott Woogen and Ian Woolnough, if I pronounced that correctly. Representing Colonial Downs were Ian Stewart and Jim Weinberg and representing the Virginia Racing Commission were David Lermond, Bernie Hettel and myself, Sarge Reynolds.

Over all, the meeting was a good and open dialogue about the challenging issues facing the overall health of Standardbred racing in Virginia. Unfortunately, after close to a two-hour discussion, very little progress, if any, was made on a cohesive
The group did agree that we would all focus and work hard to resolve these open issues in today's work session.

The biggest issue facing Colonial Downs and the VHHA is agreement on the proposed number of race dates for 2012, as well as the next two years, in a proposed three-year contract.

Colonial Downs stated in the meeting, as they have been stating all year long, that the Standardbred industry is contracting; that it is becoming cost prohibitive to run as many live dates as they are running now.

Colonial Downs believes that 12 days makes sense because the races will be of a higher quality and the purses would also be higher.

Colonial Downs feels the horses are over worked because of so many race dates and lower purses. The horsemen disagree and believe that a reduction to 24 days makes more sense. The horsemen feel strongly that fewer than 24 would deter horsemen from bringing their horses to Colonial Downs.

The other issues brought out at the meeting include: Marketing efforts to increase live traffic to Colonial Downs and to increase the handle in the
satellite wagering facilities. We need to analyze the purse structure and discuss the purse money flowing to out-of-state horses versus Virginia-bred horses.

There was discussion on the cost- and revenue-sharing opportunities between Colonial Downs and the VHHA and the OTBs and kiosks.

We also discussed the best time to have a Standardbred meet. Consensus was that Colonial Downs runs in the fall after Ocean Downs and perhaps before Rose Croft. The idea is to create a mid-Atlantic racing circuit.

Both groups discussed ways to reduce operating expenses at the track.

Now, we went into a whole lot more detail, but I just wanted to highlight the things that we discussed that we will discuss in more depth in the working session.

My overall take away is that there is much work to be done in order for these two groups to come up with a three-year plan to get live Standardbred racing on a more solid footing.

I am very concerned that if this group does not come to a mutually beneficial agreement to take bold measures to cut the expenses of a live meet and
increase the overall handle, then we will be doomed to failure and live Standardbred racing in Virginia will be a thing of the past.

Again, we are being told by Colonial Downs over and over that the status quo is not acceptable moving forward. I would think we could all agree on that, so let's roll up our sleeves in this work session and find a way forward together. There is no other option.

Thank you, Mr. Chairman.

CHAIRMAN MILLER: Thank you, Commissioner Reynolds.

Any comments from the other commissioners on the subcommittee report?

NOTE: There is no response.

CHAIRMAN MILLER: We will be discussing this at length in our work session following the regular meeting, but if anyone cares to make any comment at this time in response to the report, you may do so, but just be reminded that during the work session, we're gonna have to discuss this at length.

I believe it's a very important issue and it's one that is going to -- the race dates will have to be resolved and we're probably going to suggest that at our next meeting of the Commission, which is yet
to be determined. I'm not sure we'll have a meeting in November; that's an issue we'll address shortly.

But at our next regular meeting of the Commission, we are going to set the race days for harness racing for 2012, so it behooves the interested parties to try to work out something they can agree upon so that we don't have -- so that this Commission doesn't have to set race dates that might be contrary to what either or both of or all the interested parties in harness racing might want.

So anyone have any comments at this time?

NOTE: There is no response.

CHAIRMAN MILLER: Okay. We'll discuss this further at the work session, which you can attend, Dr. Dunavant? You can attend the work session?

DR. DUNAVANT: I've got three horses racing today. I have to give Lasix at 10:45.

CHAIRMAN MILLER: Okay.

DR. DUNAVANT: I'm in the first, third and sixth race. I've got to warm up and be in the paddock at 12:00 o'clock.

CHAIRMAN MILLER: When do you have to be there?

DR. DUNAVANT: Twelve o'clock.

CHAIRMAN MILLER: Well, if you have any comments you want to make at this time, that'd be
MR. SIEGEL: Are you here until twelve?

DR. DUNAVANT: I've got to leave. I've got to go over there to give Lasix to the horses at 10:45.

MR. SIEGEL: Okay.

DR. DUNAVANT: I'll send her to get some Lasix and I'll stay a little longer.

MR. SIEGEL: We ought to be well in to it by twelve.

DR. DUNAVANT: But you know, I just want to say that Colonial Downs and myself and Mr. Hettel met yesterday and we had some discussions about race days and the Standardbred meet, some of the things that we had in the subcommittee, and we're still at a little bit of an impasse. You know, I don't know. It may come down that the Race Commission has to award dates that are not satisfactory to the horsemen or Colonial Downs.

We are willing to continue to work with Colonial Downs to try to come up with a solution. We have raced -- We have enough purse money to race 30 days and we figured cutting back six weeks, almost two weeks of racing, would help them.

We discussed, as we have in the past, another track for harness racing, either at this location,
at the state fair or back up at Oak Ridge where we raced nine days in 2001. I put in a call to the gentleman that owns that track and he is interested in discussing possibilities that we could race there again.

The VHHA told Colonial Downs that we would partner with them. They said it would take 1.2 million to build another race track; that we would partner with that to the tune of 60,000 a year for the next ten years to be half of that cost, but it would be their responsibility to meet there.

If we could have it at the fair ground site, that would be great, but we would need to race 30 days there, not just ten days as Colonial wants to do at the fair grounds. I don't know about the logistics of that, if we can get that done.

If we can get something that we get days at that Oak Ridge facility, a new track at the state fair, a couple days where you're from, Mr. Miller, at Woodstock, the horsemen are willing to do that.

The plan that I proposed and about half of my boys was on board with was not palpable to all the horsemen, particularly the out-of-state horsemen that come here, so we compromised and are trying to come up with something that will work.
We have tweaked the purses for our Virginianbred this year. We're gonna do something for Virginia-owned horses that will make it so that it's more profitable to have Virginia-owned horses and feel like that will grow our industry.

Through last Sunday, we're up over a half million dollars in our overall handle at this meet over last year. Percentage-wise, we think that's pretty good. We think we are doing pretty good.

Our racing has been outstanding. There are four or five horses getting to the race track at the same time.

The talk that our horses are over worked; they're a lot different than Thoroughbred horses. We're not over working our horses. They race twice a week. We, in the past, have raced three heats in a day. Up in Woodstock, there, all the races are two heats in a day.

Our horses are quite a bit different than Thoroughbred horses and they're not over worked and they're not hurting and they're putting on competitive racing here at this meet and the handle is up.

The VHHA did a Own A Horse promotion that we feel like has really worked. I don't know if that's
why our handle is up a half a million, but we expended about 21,000 for people to have to be here on Wednesday. They get drawn to own a horse for Sunday's race. They have to be back here Sunday to draw the horses they get. We give them a tour, introduce them to their trainer, let them see their horse and it has gone over real well.

We pay to the person that draws the winning horse exactly what that horse gets on that day.

We feel like it has been positive as far as bringing people out to the track two days.

Our attendance is down slightly. That was due -- last year, we had good days for the New Kent fair. This year, the New Kent fair was basically rained out and it was unfortunate, but we're encouraged that we're up over a half million dollars and look forward to working with them to get this thing resolved and with the Commission and see if we can go forward.

CHAIRMAN MILLER: Thank you, Dr. Dunavant. Anyone else have any comments relating to the harness racing?

MR. STEWART: Well, obviously, we have a few, but we'll save it for the session.

CHAIRMAN MILLER: You'll have some follow-up at
the work session?

MR. STEWART: Yeah.

CHAIRMAN MILLER: Mr. Woolnough, will you be at the work session?

MR. WOOLNOUGH: Yes, I will.

CHAIRMAN MILLER: Okay. Well, we will have further discussion at the work session and work through some of these issues. Some things seem very positive that we hear from Dr. Dunavant.

Of course we know there's still a lot of problems, but hopefully you can reach some resolve, but if you don't, rest assured that the Commission, if it comes down to the Commission making the determination that doesn't fit exactly what any of the interested parties want, rest assured we will take into consideration every issue and every point that you make in trying to determine what we think might be best for the citizens and the industry related to harness racing.

That being said, I noticed we don't have on the agenda commissioner's comments, but of course commissioners can make any comments at any time they want anyway.

Do any of the commissioners have any comments they wish to make relating to any matter at this
time?

MR. SIEGEL: I would just suggest to the extent Dr. Dunavant, either before or after any of these races you're running today, that you try to attend as much of the work session as you can. I think your voice is an important one to the dialogue.

Although Ian I'm sure represents you well and understands it, but if we can reach any kind of conclusions about anything, it would be helpful for you to be in the room.

DR. DUNAVANT: Okay.

CHAIRMAN MILLER: Thank you. The third item on our agenda is the executive secretary's report. Mr. Hettel.

MR. HETTEL: Yes, sir. The state legislature begins in early January. At your suggestion, I put together a group of interested stakeholders. I have invited Glenn Petty, Frank Petramalo, Ian Woolnough, a combination of people from Colonial Downs and a combination of commissioners that interact with me as we anticipate the beginning of the session and I'll call a group together sometime in December to begin work on that.

I think what we really need to do is kind of come together and figure out what we need to do,
maybe change some of the legislation.

The original paperwork for racing has now become dated. The dynamics of the game has certainly changed during the last 15 to 18 years. I think to serve everybody's best interest, I'll ask that group that I just mentioned to come together with some new ideas.

One of my observations -- I've been here six months. One of my observations is we seem to be on the treadmill and not getting anywhere, both Thoroughbred and Standardbred racing. We need to do something to go ahead and kick start it and we need to really get on the map of horse racing in this state. Its been fine. This is a beautiful facility, but I don't want to opine too much on that right now; I'll do that at the work session.

We've got to change the status quo, whatever that means. I'm not sure if that means more days, less days, better days or exactly where I'm going with it, but I haven't seen the needle move yet.

We've been running here since what, 1997, has it been? It's time to get on with it. If we're gonna be a horse racing state, we've got to get with the program. That also includes more breeder incentives to keep breeder circles Thoroughbred-wise
and Standardbred-wise and see if we can't make this a go.

That's my comments and I'm anxious to get to the work session.

CHAIRMAN MILLER: Of course we are cognizant that any proposed new legislation probably should have been in. If we were anticipating any great legislative crusade, those items have to be worked on early in the summer and they have to be really almost in the hands of the legislative draftsmen and women already.

MR. HETTEL: Yes, sir.

CHAIRMAN MILLER: We're not anticipating as far as the Commission is concerned any broad new legislation. We are thinking about trying to work with the stakeholders and the licensee and we'll discuss this in the work session also.

There are some things that probably need to be tweaked as we go forward if we're going to address the Standardbred and Thoroughbred racing in the future in the manner that Bernie has suggested, so we'll discuss that further in the work session that we have this afternoon.

I don't know how many of you got the e-mail or read or get on the Internet and read Internet blogs
and all that sort of stuff, but I might mention there's an interesting comment about our Thoroughbred racing industry, in particular; not just racing in particular. An Internet piece from an entity called The Hook in Charlottesville.

Ian, have you had a chance to look at that that? Frank?

MR. PETRAMALO: Yes.

CHAIRMAN MILLER: Anyway, I just caution everyone that I don't mean to preach, but I will a little bit.

I just caution everyone in this new age of communication you have to take with a grain of salt the kind of stuff you see on the Internet because people make up their own facts. This is not only in this article, but in politics, all the politicians make up their own facts. The preachers make up their own facts. Business people make up their own facts and they get on the Internet and they put all this stuff out there unsubstantiated.

The problem is that a lot of people believe this stuff if it's not responded to, so we can't allow people to create their own facts.

So I hope -- and I did see that Glenn Petty, among others, responded to this article and I thank
Glenn for that and the other people that did respond.

It's important to respond no matter how silly it looks on its face. So anyone that has an interest in responding to this sort of miss-information, I encourage you to do so. You have at least my blessing, if that -- I know that doesn't mean anything, but anyway, I'm proud of people that did respond to that article. It's a misguided article to start with.

But as I said, that's this day and age, so we can't get too excited about it, other than the fact that those kinds of things need responding to, because you can see examples, especially in the political world, that if they don't respond to these kind of made-up facts, then they become reality, so I thank everyone that I noticed responded to that.

Another item that's really not on our agenda but I think merits mentioning, because each commissioner should have received and some of the stakeholders should have received their report of the audit of the Racing Commission. We'll discuss that further at the work session also.

This is the mandatory annual audit that's provided by the auditor of public accounts and
there's a few items raised in there that we'll discuss at the work session also.

But if anyone has any comment on them right now and cannot attend the work session, you may do so. If anyone has any comment on the audit report of the Racing Commission at this time that cannot attend the work session.

Okay. I hear none. It's not probably the most popular reading in the world anyway, so I didn't expect it. I just wanted everyone to have an opportunity to respond if they wished to.

The next item on the agenda is to hear from the stakeholders. Jim or Ian, do you have -- Ian?

MR. STEWART: I have a couple thoughts for you this morning. I'd like to report briefly on the Standardbred meet.

As Dr. Dunavant mentioned, over all, our attendance is down. Through Sunday, we had 9,249 people for 22 days, versus 11,433 a year ago.

As he mentioned, the fair was kind of a wash out, but if you take the fair out of the equation, you take those two days out, it's still down. It's 7,153 versus 8,239; an average of 358 people this year, versus 412 last year.

As Dr. Dunavant mentioned, the VHHA is running
a promotion and I'm sure that's helping. I think the attendance is actually being boosted more by we did a big Groupon effort during the Thoroughbred meet and quite a few of those were not redeemed during the Thoroughbred meet, so we see a lot of those coming in during the Standardbred meet because they expire. Folks that buy these things are kind of value people and they don't particularly want to see their investment expire in the next two weeks.

I wouldn't be surprised if we actually have a pretty good weekend the next two weekends because we got all these coupons out.

CHAIRMAN MILLER: What do these coupons provide for?

MR. STEWART: Darryl can explain it.

MR. WOOD: You get a dinner for two and a couple of bets programs. The neat thing is we put people on a tram and give them a tour of the facility and the race track.

CHAIRMAN MILLER: Okay. Good. Thank you.

MR. WOOD: It's about a half price opportunity for those people.

MR. STEWART: So as I said, there's still quite a few of those left out there, so we might do well over the next two weekends.
Over all, the live handle is down a little bit. It's 442,000 versus 448,000. We are up out-of-state about 433,000, but you have to keep in mind that's three percent money. That's worth about $13,000 to us, which we're happy to have, but it's a little bit of a drop in the bucket in the overall scheme of things.

Over all when you look at the meet, I think it looks a lot like last year. There's sort of a continual deterioration in the attendance.

We've had several horses make their tenth start on Sunday, the 22nd day of the meet. Not withstanding Dr. Dunavant's comments, I think -- and I am working from memory here, but if you check the transcript from a few months back and check Commissioner Brown's comments, I think he had a little different point of view.

Once again, we are seeing the majority of the horses come from out of state.

CHAIRMAN MILLER: Any questions of Mr. Stewart?

NOTE: There is no response.

CHAIRMAN MILLER: Any comments in response to Mr. Stewart's comments?

NOTE: There is no response.

THE COURT: Okay. Hearing none, anything
further from the stakeholders at this point?

NOTE: There is no response.

CHAIRMAN MILLER: From Colonial Downs, rather.

Any other -- Frank, do you have anything you want to comment on?

MR. PETRAMALO: No, sir.

CHAIRMAN MILLER: Robin?

MS. RICHARDS: No, sir.

CHAIRMAN MILLER: All right. Any member of the public? Anyone attending the meeting here today other than the licensee or the horsemen? Anyone have any comments they wish to make to the Commission? Any observations that you wish to make?

NOTE: There is no response.

CHAIRMAN MILLER: Okay. I hear none.

Now, we need to set the next meeting for the Commission. I discussed briefly with the executive secretary prior to our meeting the status for our meetings for the remainder of the year.

We have the holiday season coming up, of course, and it's always something you have to deal with before the end of the year.

We're going to have our work session today and I think the Standardbred folks and the licensee have their agenda set out for what they have to do...
between now and our next meeting.

I'm gonna suggest that we not have a meeting in
November, if that's all right with the other
commissioners and the stakeholders, and that we set
a meeting in December to cover all the items we need
to cover for the balance of this calendar year and
preferably the first part of December, since we
don't want to get into the Christmas shopping season
too much.

What is Wednesday, Pearl Harbor day,
December 7th -- How does that appear to everyone as
a possible date for the next regular meeting of the
Commission?

MR. PETRAMALO: That's in the middle of the
University of Arizona Racing Symposium that a whole
bunch of folks go to.

CHAIRMAN MILLER: Okay. Well, we don't want to
do that then.

MR. PETRAMALO: The 14th the following
Wednesday?

CHAIRMAN MILLER: Yeah. The following
Wednesday, the 14th of December. Does that look
okay to everyone?

MR. HETTEL: I'll be out of town that week,
gentlemen. I'm not going to the symposium. Are you
going to the symposium?

MR. PETRAMALO: Either Robin or I.

CHAIRMAN MILLER: Is that all week?

MR. PETRAMALO: It's usually the Thursday.

MR. HETTEL: It starts --

MR. PETRAMALO: Monday the 5th. Actually, I believe Wednesday the 7th is the last day.

CHAIRMAN MILLER: How about Thursday, December the 1st?

MR. HETTEL: Well, I was going to suggest that.

MR. PETRAMALO: Thursday, December 1st?

CHAIRMAN MILLER: Yes.

MR. PETRAMALO: That's fine.

CHAIRMAN MILLER: That's a good halfway point between the end of November and the end of December. I figured that out. Thursday December the 1st at 9:30. Is that all right with everyone?

MR. PETRAMALO: Yes.

CHAIRMAN MILLER: Let's make it ten o'clock. Ten o'clock worked for today. Let's make it ten o'clock. It's gonna be a dark, wintery day. We might have snow.

So we'll make the next regular meeting of the Commission will be Thursday, December the 1st, 2011 at ten a.m.
MR. D. REYNOLDS: Where?

CHAIRMAN MILLER: Where? That's a good question. Over at the -- We'll have it over at the --

MR. HETTEL: Our usual location.

CHAIRMAN MILLER: Our usual location, which is at the horsemen's building. That's how it's referred to, isn't it?

MR. PETRAMALO: Yes.

CHAIRMAN MILLER: Okay. Now, at that meeting, it's the intention of the Commission that we won't have another meeting unless there is some real emergency. We won't have another meeting in 2011, so at that meeting, the 1st of December 2011, we will be setting the Standardbred race days for 2012 and we pretty well --

MR. HETTEL: The Thoroughbred dates are pretty much finished, I think. Is there any discussion on Thoroughbred? I think we all came to an agreement this year was a pretty successful one, and from what I understand is that will be repeated.

MR. PETRAMALO: We haven't finalized it, but it's 99 percent.

MR. HETTEL: Well, I like 99.9.

CHAIRMAN MILLER: Can we get that additional
one percent between now and December 1st?

MR. PETRAMALO: We can probably do it today.

CHAIRMAN MILLER: Okay. On that date, we need to set our schedule for 2012 on all of our racing dates.

MR. SIEGEL: And our meeting dates.

CHAIRMAN MILLER: And our meeting dates for 2012.

And be thinking about this. All those interested parties, be thinking about this. There's been some thought that perhaps we could have a meeting every other month instead of every month, because we can always have an emergency meeting if there's something that's dire that we really need to address that we can call a special meeting of the Commission on a timely basis.

But as far as the regularly scheduled meetings for 2012, we're thinking in terms of having meetings every other month rather than every month, but we'll make that determination on December the 1st also. So be thinking about that if there's any real concern.

We have no reason for a closed meeting. Any commissioner have an opinion or reason to go into a closed session?
MR. S. REYNOLDS: No.

CHAIRMAN MILLER: Does our counsel have any reason to go into closed session?

MS. DILWORTH: I don't.

CHAIRMAN MILLER: Thank you.

Then that completes the agenda, except for adjournment. So do I hear a motion that we adjourn the regular monthly meeting?

MR. SIEGEL: So moved.

CHAIRMAN MILLER: Second?

MR. S. REYNOLDS: Moved.

CHAIRMAN MILLER: All in favor, say aye.

NOTE: All commissioners vote aye.

CHAIRMAN MILLER: The regular meeting of the Racing Commission is thus terminated.

NOTE: The meeting is adjourned at

10:47 a.m.
CERTIFICATE OF COURT REPORTER

I, Sandra G. Spinner, hereby certify that having first been duly sworn, I was the Court Reporter at the meeting of the Virginia Racing Commission at the time of the hearing herein.

Further, that to the best of my ability, the foregoing transcript is a true and accurate record of the proceedings herein.

Given under my hand this 21st day of November, 2011.

_________________________
SANDRA G. SPINNER
COURT REPORTER