VIRGINIA RACING COMMISSION

DECEMBER 1, 2011

10700 Horsemen's Road

New Kent, VA  23124

Commencing at 9:43 a.m.

COMMISSION MEMBERS:

I. Clinton Miller, Chairman
Stuart Siegel
J. Sergeant Reynolds, Jr.

COMMISSION STAFF:

Bernard Hettel, 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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NOTE: The meeting is called to order at 10:03 a.m.

MR. MILLER: Good morning, everyone. Welcome to the Racing Commission meeting set for today.

Let the record show first off that there is a quorum here, barely -- Commissioner Siegel, Commissioner Sergeant Reynolds, and myself, the Chairman, are present. Absent are Mark Brown, and Dave Reynolds is unavoidably absent due to some very important matters that needed his attention today. But there are three of us here, and we have reached a quorum, and we can make a decision, I guess.

We'll begin the meeting with a motion for the approval of the minutes of the regular meeting of October 26th, 2011. Do I hear a motion?

MR. SIEGEL: So moved.

MR. MILLER: It's been moved, I second that they be approved. All in favor say aye.

NOTE: All indicated by voting aye.

MR. MILLER: The minutes of the regular meeting of October 26th, 2011, are approved.

The second item on the agenda is Commissioners Comments. Any Commissioners have any extraordinary comments they want to make at this time.

MR. SIEGEL: No.

MR. MILLER: Next, Committee Reports. Any
committee reports?

NOTE: There was no response.

MR. MILLER: All right. No reports of committees.

The fourth item on the agenda is to hear from the stakeholders, and first will be a Colonial Downs review of the 2011 Harness Meet.

Mr. Stewart.

MR. STEWART: I think we've said all we need to say about the 2011 Harness Meet.

MR. MILLER: Okay, well, we had some comments at the last meeting, and also there's been filings related to the coming 2012 Meet.

The second item on the agenda under Stakeholders is the request from Colonial Downs for the 2012 Thoroughbred Race Days.

Jim?

MR. WEINBERG: I'd be happy to.

As I believe the Commission is aware and as reflected in the Colonial Downs Race Day Request, Colonial Downs is requesting 32 days of racing from Saturday, June 2nd, to Saturday, July 28th, 2012. The Meet will feature evening thoroughbred racing on the turn as Colonial Downs completes the repositioning of the existing lighting and the addition of new lighting to illuminate the turf course.

Post time for evening races will be 7:00 p.m.,
Thursday through Saturday, and 1:00 p.m. on Sundays, with a few exceptions as noted in the Race Day Request.

I'd like to highlight just a couple of matters. The Meet will commence with the traditional running of the Strawberry Hill races on Saturday, June 2nd, in collaboration with the State Fair of Virginia. That day, racing will commence at 1:00 o'clock. There will be no racing on Sunday, July 22nd, to leave a possible rain date for the Virginia Derby, which is the day before.

Additionally, Colonial Downs will race on Tuesday, July 3rd, instead of Thursday, July 5th, in order to take advantage of the 4th of July holiday.

I would note that I believe you received an e-mail from Mr. Petramalo indicating the VHBPA's support of this request.

I'm happy to pause here for questions or comments from the Commission.

MR. MILLER: Any questions of Mr. Weinberg?

Mr. Siegel?

MR. SIEGEL: Yes, just one quick question. The movement of those lights -- that's a permanent movement and not simply for this season?

MR. WEINBERG: Correct.

MR. SIEGEL: Are those lights -- will they be constructed in a fashion that they can be rotated or other-
MR. STEWART: No, they're not.

MR. SIEGEL: So this is a permanent move that will eliminate lighting on the main track?

MR. WEINBERG: Correct.

MR. SIEGEL: Okay.

MR. MILLER: Mr. Reynolds, do you have any questions?

MR. J. SARGEANT REYNOLDS, JR.: No, I don't at this time.

MR. MILLER: All right.

MR. SIEGEL: I would just make a comment.

When I read this the other day, I feel like it's really a positive move with regard to the timing of the races in particular. I think you've opened yourself up to most people. Most working people found it inconvenient to come at the times that we have been racing previously. Unfortunately, there's lots of people without a job, and those folks don't have any money, so I think that this will help to increase the attendance, and hopefully the purse as well -- I mean the handle as well. I applaud you for taking these steps.

MR. WEINBERG: Thank you.

MR. MILLER: Mr. Petramalo, do you have any
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comments you wish to make?

MR. PETRAMALO: Yes, we support the Race Day Request. I would add a codi-- -- is that what they call it?

MR. MILLER: Codicile?

MR. PETRAMALO: Codicile. Because there will be no lighting on the dirt track, if it rains, we can't move from the turf to the dirt, so the card would be washed out, and we've discussed this with Colonial, and Ian and I have agreed that if that happens, the whole card will be run on the following Wednesday if we have a total rain-out, cor-rect?

MR. STEWART: Yes, that's fine.

MR. PETRAMALO: That's about it.

I was hoping to be able to pick a fight on other grounds, but -- sorry, I mean we've come to an agreement.

MR. MILLER: Well, that's very nice. I commend you.

Thank you Mr. Petramalo. Mr. Petty?

MR. PETTY: Yes, sir. We support the application in full.

MR. MILLER: Anyone else in attendance, any member of the general public or any person wish to make any comments related to the Thoroughbred Race Days?

MS. BOUZEK: Can I add something in addition to the -- this supports what Frank just said. We're also work-

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ing on improving the drainage on the turf track. We are
starting that in conjunction with moving the lights. We've
hired -- we just signed it this morning -- the contract to
work on the drainage on the two turns that are having
trouble, so it used to be that if it rained even a little,
we had to come off, but we're hoping that with this improved
drainage that we can sustain it.

MR. MILLER: Thank you, very much.

Anyone else have any comments?

NOTE: There was no response.

MR. MILLER: Thank you.

The next item on the agenda is item 4c, and
that is the request from Colonial Downs for 2012 Standard-
bred Race Days.

Mr. Stewart?

MR. WEINBERG: Can I just ask a point of
procedure?

MR. MILLER: Oh, yes.

MR. WEINBERG: Is it the Commission's intention
not to act on the Thoroughbred race days?

MR. MILLER: Oh, we'll act on everything when
we get through. We'll make all the appropriate motions and
votes at the end of all the presentations.

MR. WEINBERG: Thank you.

MR. MILLER: If that's all right. Thank you.
Mr. Stewart?

MR. STEWART: Good morning. Colonial Downs requests 12 days of standardbred racing in 2012 during the three-week period commencing Wednesday, September 12, and ending on Sunday, September 30th. The normal schedule would be Wednesday, Thursday, Saturday and Sunday with racing four days a week.

In making this request, Colonial Downs would like to reiterate three key points it has stressed to the Commission over the last year:

Major adverse financial changes have occurred in the industry over the last several years, not just in Virginia, but nationwide.

We -- Colonial Downs, VHHA, the horsemen, and the Commission -- have reached a point where it is obvious that a strategy that attempts to maintain the status quo for live standardbred racing in Virginia, notwithstanding the changes in the industry, is not a viable strategy. A strategy must be found that balances the desires of the standardbred horsemen with the economic realities that we all face.

Colonial Downs believes that the industry's efforts should be directed to determining a successful live racing strategy and that funds should be expended in ways that create a lasting benefit that provides a platform to grow the standardbred industry. Colonial Downs has identi-
fied a number of those possibilities and is prepared to work with the stakeholders to realize upon those that make the most sense provided that it has willing stakeholders to engage in such an exercise. Proposing 32 days of standardbred racing does not evidence a willing stakeholder. The experience of the last few years in other states more than demonstrates that increasing the number of live race days does not equate to long-term success and is frequently cited as one of the sources of the industry's problems.

Let's examine the significant changes that have occurred in the industry and the consequences those changes have upon the operation of a standardbred meet.

I think it would make sense at this point to review the financial situation of Colonial Downs, especially in light of the action that we took on Tuesday to suspend operations at our Hull Street OTB. We did not take that action lightly, but it is a clear reflection of the situation we find ourselves in. All the numbers necessary to understand what is happening in Virginia are in the VRC annual report.

In 2007, total handle in Virginia peaked at $201 million. That year, handle in the live and OTBs peaked at $167.7 million. In 2010, total handle was $158.9 million and live and OTB handle was $105.5 million. In four years, total handle is down 21 percent and live and OTB handle is
down 37 percent. Account wagering handle has partially filled the handle gap growing from $33.2 million to $53.4 million. Rolling these numbers forward for 2011, my projection is that live and OTB handle will fall to $97.8 million and ADW handle will grow to $62.5 million for a slight increase in total handle to $160.3 million. At this point, in five years total handle is down 20 percent and OTB and live handle is down 42 percent.

ADW handle has grown, which helps, but all handle is not created equal. While the horsemen net approximately the same percentage from ADW handle as they do from the OTB handle, Colonial Downs nets less than half. That is why the horsemen can sit here today and tell you that they have plenty of purse money to race for, and I can tell you that Colonial Downs has significantly less money from OTBs and ADW to use to put on those races, and we can both be right.

The reality is though, it is hard to race without a racetrack, and that's the ultimate consequence of the current trends if we collectively don't make changes.

The overall impact on Colonial Downs has been significant. In 2007, Colonial's EBITDA -- earnings before interest, taxes, depreciation and amortization -- was $1,401,000. Given that Jacobs Entertainment has publicly held debt and files reports with the Securities and Exchange Commission, our corporate policy is not to forecast our

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financial results to the public, so all I can say about 2011
is through September 30th, EBITDA was $792,000, which is
down 38 percent from 2007 when the nine month EBITDA was
$1,268,000, and the fourth quarter is coming up which in-
cludes a full month of harness racing in October in which we
lose significant amounts of money. You know, the fourth
quarter's coming up, so . . . .

In reading the VHHA's race day letter, there's
obviously another misconception about Colonial Downs' fin-
ances that needs to be corrected. EBITDA is an investment
banker shorthand for cash flow. It doesn't take into ac-
count capital improvements, taxes or interest. Colonial
Downs has continued to reinvest in this business in the face
of unending losses. In the last nine years and nine months,
even setting aside the $10.4 million spent to buy out the
MJC contract, total EBITDA has been $12 million, and total
CAPEX has been $20 million. If you look at net income which
spreads the CAPEX cost through depreciation over a period of
years, there's been a loss of $11.4 million. This doesn't
include the $10.4 million for the MJC buyout and doesn't
include any interest expense as Mr. Jacobs basically took on
personally all of Colonial Downs' outside debt, which was
significant, many years ago. The reality is that whatever
cash is generated by this business is poured back into it
along with a lot more.

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As long as we're talking about misconceptions, I'd like to address the comments about the health of the OTBs. Let me pass this out.

NOTE: A document is handed out to the members of the Commission and others present.

MR. STEWART: Given my previous comments regarding handle and our recent actions regarding Hull Street and Mulligans, I think it's safe to say that all is not well with the OTBs. Let's look at where we would be through October 31st with the five OTBs at which we have revenue sharing arrangements with the HBPA if those arrangements were not in place.

At Finns, currently the horsemen collectively get, as of October 31st, $89,000, and Colonial Downs is earning $85,000. In Alberta, the horsemen earn $160,000, Colonial Downs only earns about $131,000. At Vinton, the horsemen are earning $63,000, Colonial Downs $10,000. Martinsville, the horsemen earned $228,000, Colonial Downs, $215,000. Scott County, the horsemen earned $275,000, Colonial Downs $249,000. If we didn't have the revenue sharing deal, at Finns, the horsemen men would be earning $105,000, Colonial Downs $69,000, but the problem here is the only reason we did the Finn McCool deal was because the HBPA was willing to go into it with us. Otherwise, we never would have opened the place because we weren't willing to take the risk by
ourselves under the concept.

Alberta, the horsemen would be earning 242,000, Colonial Downs 149,000. The problem here is we wouldn't be operating a business where somebody else earns five times as much as we do and we take all the business risk and make all of the investment, so Alberta would be closed without the revenue sharing.

Without the revenue sharing arrangement, our share of Vinton would be a loss of 133,000. Vinton would be closed.

Going to Scott County, our share would be a loss of $28,000. Scott County would be closed. The only one that would be open is Martinsville.

The truth here is the HBPA took it upon themselves to preserve these OTBs, which has allowed the VHHA to earn approximately $150,000 annually in purse money which they would otherwise not have if they did not participate in preserving the situation.

When you add it all up, the financial paradigm for racing in Virginia has fundamentally and dramatically changed. However, the VHHA refuses to recognize this. In spite of what has happened, they want to increase race days from 30 to 32, which is exactly what they were in 2007 when the handle peaked. The simple fact that there's enough purse money to race a certain number of days doesn't mean
that all other factors that significantly impact the overall financial situation can be ignored.

The VHHA's proposal is for 32 days. It is exactly what we did last year plus two days.

Is Ben here? Let's review what that looks like.

We've got a little video.

NOTE: A video is played to the gathering, and at the conclusion of the video, Mr. Stewart continues:

MR. STEWART: That's what 30 days of harness racing looks like.

If we are to succeed, we need to find a different way of doing business when it comes to standardbred racing. Improved marketing has been suggested as part of the answer. The VHHA tried a new promotion to own-a-horse-for-a-day. However, let's look at the costs and benefits of this promotion.

Qualifications for the promotion, which is the attraction, was on Wednesdays. Total Wednesday attendance was 1100 people. This compares to Thursdays when total attendance was 896. There was no increase in weekend attendance. Arguably, the promotion attracted 204 additional fans -- the difference between Wednesdays and Thursdays -- at a cost of, I believe Dr. Dunnivant told me $20,000; I'm not positive of that. I'm sure Mr. Woolnough will enlighten us when it's his turn to speak -- or nearly $100 a fan.
We need to redirect our efforts in a new way if standardbred racing is to sustain itself in Virginia. The issues we face are not unique to Virginia. As reflected in the report shared with the Commission earlier this year, New Jersey is illustrative of the problem. Their Governor created an advisory commission and requested a study and report because New Jersey, the State, was paying for it. The report concluded that the allure of harness racing is disappearing and dramatic changes are needed, including possibly closing Meadowlands, leasing the facilities to the horsemen, or ceasing harness racing entirely.

An award of three weeks of standardbred racing for 2012 is important for a number of reasons: A short meet -- 15 days -- has been successful in the past at Colonial Downs. It can be successful again, particularly if pared with the Maryland circuit. Rosecroft is closer to Colonial Downs than Oak Ridge, the other racetrack providing racing prior to the 15 day meet at Colonial Downs. A short meet provides the incentive to pursue such a circuit, a 32-day meet does not. Furthermore, if a circuit is to succeed, the purses offered in Virginia must be equivalent to the purses offered at the other racetracks participating in the circuit. To achieve higher purses, we must race fewer days. Contrary to the VHHA's assertion, $50,000 a day is not going to be competitive as Rosecroft and Ocean Downs ramp up their...
A short high-quality meet is a proven successful racing model. With fewer days, we can increase the purses significantly. Higher purses attract quality horses.

The VHHA states that no horses will come for a 12-day meet. In 2001, Colonial Downs ran a 15-day meet in October with 163 races that averaged 8.3 horses per race. Purses were $1.2 million, or $80,000 per day. There was also a nine-day meet that year at Oak Ridge in Nelson County.

If 12 days is not satisfactory, Colonial Downs will agree to allow purse money to be used to fund nine days of races at Rosecroft in 2012. Based upon the 2011 schedule, Rosecroft will commence racing within a few weeks of Colonial Downs' closing, or we can coordinate our meet so the horsemen can run in both places. While Rosecroft is just across the border in Maryland, it is actually closer to Colonial Downs than Oak Ridge.

The number of race days is just one component of a comprehensive plan to save harness racing in Virginia. The VHHA has been invited to engage in discussions since February in addressing the challenges facing standardbred racing. The only thing these discussions have yielded is an initial embracing of the idea of a Virginia centric meet by the VHHA where the VHHA tentatively proposed meets of 24, 18
and four days over the next three years, a plan which Colonial Downs endorsed. That tentative plan was replaced with a dramatic reversal to a 24-day six-week meet for the next three years, which has how now evolved into a 32-day eight week meet. To us, this signals a strategy by the VHHA of simply throwing out numbers of days, I guess under that assumption that the process merely involves the VRC adding two numbers together and dividing by two. This approach is not a path to progress. It fails to address any of the issues that have been raised over the last nine months. A 15-day meet brings the VHHA to the table much as the Commission's Standardbred Task Force meeting forced the VHHA to begin to deal with the issues in earnest.

One additional point bears mentioning. The VHHA's race day request is replete with proportionality arguments regarding thoroughbred and standardbred racing, including an argument that the original intention in the award of the license was the proportion of standardbred days to thoroughbred days be one-third to two-thirds, or 50 days of standardbred racing for every 100 days of thoroughbred racing. Under that logic, sixteen days of standardbred racing is proportional to 32 days of thoroughbred racing set for 2012. The true proportionality would be based on handle with the $1 million spent on thoroughbred racing equivalent to $250,000 on live standardbred racing, or less than three
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weeks of racing.

Colonial Downs believes that expanding a program that is not working does not make sense. We believe that the industry's efforts should be directed to determining a successful live racing strategy, and that funds should be expended in ways that create a lasting benefit and grow the industry, including the standardbred industry.

The experience of the last few years in other states more than demonstrates that increasing the number of live race days does not equate to long term success, and is frequently cited as one of the sources of the industry's problems. Therefore, we believe that 12 live standardbred racing days in 2012 is in the overall best interest of the industry in Virginia.

I'll be happy to respond to any questions.

MR. MILLER: Any questions of Mr. Stewart?

MR. J. SARGEANT REYNOLDS, JR.: I have a question.

MR. MILLER: Mr. Reynolds?

MR. J. SARGEANT REYNOLDS, JR.: Yes, that was well-presented. You said, obviously, without a racetrack, there's no racing and that raises a lot of concerns for me.

In our subcommittee meeting, I guess a couple months ago, we talked about it's obvious that there's little on -- there's little live demand for harness racing, but when you go to the OTBs and Advance Deposit Wagering, I know
that's shrinking, but you mentioned that in the meeting, we are getting to the point where that's not even worth having harness racing at all in Virginia. I don't know if and when we meet that threshold, but can you tell us how close y'all are to meeting that threshold where y'all would just throw up your hands and say, you know what, we're just not going to have any more harness racing in Virginia?

MR. STEWART: Well, that's difficult to predict, because I've really tried to avoid in all these conversations ultimatums. I don't think they bring you any more. But on the other hand, when you look at the trend line, is it realistic that our OTB handle goes down 10 percent next year? I think it's entirely possible -- certainly possible. Would that bring us there? It's possible.

I mean, another significant decline in handle could cost us some more OTBs, there's no question about that. I mean we've got OTBs here that, as I said, the only reason those are open is because the HBPA is willing to share -- wanting to share the finances of those. But then the HBPA is going to come to a point where they're not interested in losing money in the OTB business.

Could it happen this year? It could; it's possible.

MR. J. SARGEANT REYNOLDS, JR.: Have y'all had any discussion about this Virginia centric meet where you
can take purse money and throw some days up to Rosecroft and
other areas? Y'all obviously haven't come to any agreement
on that, but have y'all had those discussions?

MR. STEWART: Well, the last conversation I had
with Dr. Dunnavant I believe was the last day of the meet,
but right around then, and yes, the VHHA wasn't really in-
terested in doing that.

MR. J. SARGEANT REYNOLDS, JR.: Okay. That's all
I've got.

MR. MILLER: What was the reason, Mr. Stewart,
that -- what did you base that last comment on where they
said they weren't really interested in doing it? Did they
give some specific reason why they were not interested?

MR. STEWART: Well, I -- honestly, I think that
question's probably better directed to them.

MR. MILLER: Yes, but did Dr. Dunnavant express a
reason to you? That's what I'm getting at.

MR. STEWART: He said that the sense of his --
well, he personally told me that he thought it was a good
idea. He said the sense of his membership was that they
would rather not do it.

MR. MILLER: All right. Does that complete your
presentation?

MR. STEWART: It does.

MR. MILLER: All right. We'll have a response
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from the Virginia Harness Horsemen's Association.

Mr. Woolnough?

MR. WOOLNOUGH: Mr. Chairman, I'll start off not
like I wanted. We'll talk about the movie, and I promise
you I'll not be as long as the movie, and I'll take a state-
ment from one of our late presidents: Here we go again.
Let's blame the harness industry for all the ills and
everything of Colonial Downs.

As Commissioner Siegel said earlier on, he
applauded Colonial Downs for changing their time of racing
to the evenings so you get more people and more handle.
That wasn't the option given to us. We were told run 1:00,
day times during the week when there's nobody, you know --
people working, nobody can come here.

Then you show a movie showing there's nobody here;
you close the third floor, you close the fourth floor, you
close half of the first floor, close the concession stand,
had a hot dog and hamburger basically on a bar, and tell
people you're welcome to come. They thought we were closed.

So we cannot be responsible there, but we went
along with it to help Colonial save money, but don't show a
movie like that with nobody in the building and say, "Why is
that?" I mean I think they're the main reason for it.

When you go back to the OTBs that Mr. Stewart's
referring to that we did not want to be part of it -- when
the HPBA were negotiating a three-year contract, that was part of that three-year contract. We still had a contract in existence, and I explained when we had the summit meeting that we're willing to discuss that, we're willing to do that, but we had a contract that doesn't expire until the end of this year. So going forward, we're more than willing to look at that. All we wanted to know was what is going to be their business plan going forward for those OTBs? Are we just going to sit there and watch them die, or is there some business plan to change the way they operate, change something? That's all we've asked. We've received nothing on that.

As for our meet itself, if you look at it, we were up $761,000 in overall handle. That's not bad. I mean I understand there was not many people here for races, but if you go back to 12 days, I wouldn't get the horses that come here. Everyone needs outside horses to race. Yes, our horses come from Ohio, they come from Kentucky; the thoroughbreds come from Maryland, come from Kentucky, come from Florida, but that's okay. Because ours come from some place else, that's a problem.

If you look at the money, we changed this year and redesigned some of our programs for Virginia. 28 percent of our total funds went to owners of Virginia-bred horses. That's a significant increase from the year before.
The year before, Mr. Stewart said it was 15 percent; it's up to 28 percent of total money.

Projecting in 2012, we want to increase that. We want to encourage people to actually have a Virginia bred, or we've got another program in the works which is not going to cost us a tremendous amount of money, but it's for Virginia-owned. You can be an owner in Virginia, I don't care where your horse was bred -- as long as you're a Virginian and you pay your taxes in the Commonwealth, you're eligible for a bonus.

Comments were made on our own-a-horse program. This was a brand new one; we had fun doing it, we had a lot of people doing it. Was it run the best way? Probably not. We learned an awful lot. I mean I think you turn around and -- we tried to get on with two days, some in mid-week, but that was not basically the best way because I have seen the same names coming up. Maybe do it on a Saturday with a drawing on a Sunday. There are things we can tweak, but I think it did good, it promoted this game, and it only cost us $18,000 actually.

Looking back at our numbers, I think we did very well, and we're looking to -- and we have the funds to continue on.

We're not the problems solely of racing. Racing throughout the United States has a problem. It seems to
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pick out that we're the sole reason that Colonial Downs is in financial straits, as you might say, but it's not. If you lose a little money on our live meet -- I haven't seen the numbers for the 2011, should be significantly down because there was nobody -- no employees here, there's nobody working. On the days that we did have the fourth floor open -- you saw some on the video -- there were people up there. And if it weren't, why was it that their group services came to us and asked me on just about every Saturday could I take some of the overflow crowd in our VHHA suite? And we were happy to do that. We brought them in and they were our guests.

So we request that we get that 32 days, continue racing, continue to have people here in support. That's basically it.

MR. MILLER: Does that complete your presentation?

MR. WOOLNOUGH: Yes, sir. You have our letter.

MR. MILLER: Mr. Siegel, do you have any questions of Mr. Woolnough?

MR. SIEGEL: Well, your letter went into a good deal more detail, which I take it the other members of the Commission have read. I just -- obviously, there's going to be a need for some compromise here. You guys are way, way far apart.

It's going to be difficult to -- obviously, with
no lights on the track to run at night, the lights will have
been moved from the dirt to the grass track, but depending
on the time of the year, you could run later in the day.
That might solve some of the problem with the 1:00 o'clock
post time certainly.

But I think it's sort of left to this Commission
to come up with a solution, since there doesn't seem to be
common ground that, as I understand it at least, that the
parties have reached. Is that fair in your estimation?

MR. WOOLNOUGH: That's true.

MR. SIEGEL: Okay. That's all I have.

MR. MILLER: Mr. Reynolds?

MR. J. SARGEANT REYNOLDS, JR.: I've got a
question.

Earlier, Mr. Stewart said that they had a 15-day
meet -- I can't remember what year he said, but they averag-
ed 8.3 horses a race. Obviously, here y'all have had about
ten horses a race or the ability to race ten, and then your
letter, you said, well, we want to get back to eight, that's
the national standard.

If they had a 15-day meet sometime ago and they
averaged 8.3 horses, I mean it seems like at that time you
were able to get the horses here. Can you explain why you
don't think you can get them here at this time?

MR. WOOLNOUGH: Pretty much you can't. It goes
There are two types of racetracks now; there used to be three. There used to be the major ones, which are the Belmonts and the Churchill Downs and stuff like that. Then you had the bottom end, and you had this great big group in the middle.

Now, it's split. You have the have-nots and the have-nots. You either have slot machines or you don't. We have happen to be in the have-nots, so when we get into slot machines areas, which now you don't even have Rosecroft, you've got Delaware, you've got all those tracks up there that have them, right? They have bigger purse structure than we have here. They did not have that back in 2001. So when we pay down here $50,000 a day, some of the big boys didn't have it, but now they've all got it. They have a big stick, so the horses will not be coming back.

MR. J. SARGEANT REYNOLDS, JR.: So why not shrink -- I mean obviously I feel like there are a lot of days that there are a few people coming down here, which tells me there's too much supply and not enough demand. Why wouldn't you shrink the days, you know, to a reasonable number, therefore you up your purses and quite possibly get a lot better quality horses coming in here?

MR. WOOLNOUGH: Not really. I think you can look at that in the thoroughbred aspect also. Whether you run
with standardbreds for $50,000 a day or $60,000 a day or
$70,000 a day, you've got the same horse. You have to get
above that hundred thousand dollar mark. In the thorough-
breds, if you run for a $100,000 a day or $150,000 a day or
180, same horse. You've got to get above $300,000 a day
where you get the quality horses.

When you turn around and put in your Virginia
Derby, which is a lot of money, you'll see them come down
for that one race.

MR. J. SARGEANT REYNOLDS, JR.: Can y'all do that?

MR. WOOLNOUGH: We tried that. We turned around
here, and we put you up a hundred thousand dollars for a
Patriot Trot, which was a very large sum in the standardbred
industry. We brought the best trotters in the United States
here; Vivid Photo came down twice. We brought another horse
-- Enough Talk came down here from Canada, broke the world
record -- not just the track record, but the world record.
He's the only horse in the world, trotter, that's gone a sub
1:50 mile. Colonial Downs holds that record, and it stands,
so we had those in there.

But in the same vein, those horses -- one was from
Canada, and the other guy -- I think he's from Pennsylvania
-- didn't really do much for Virginia, so what we did, we
dropped it down to $40,000 so we could put more money into
the Virginia program.
What that significantly did, I can run any horse I want for $40,000 right now in Chester. He doesn't have to come to the stake race. So the good horses stayed in Chester, why ship? So you have to notice it's a significant difference in money, so we have kind of dropped the Patriot so we can put more money into overnight for the horsemen.

MR. J. SARGEANT REYNOLDS, JR.: Well, I'll just make a general comment.

You know we had a subcommittee meeting, which I chaired, I suppose. Not a whole lot of progress was made. I will say that I'm very disappointed in all of that; I'm very disappointed in where we are today.

Unfortunately, you-all are going to put the Commission into the position where we're going to make the decision on race days. Quite likely we're not going to make anybody happy, and we'll get to that; but next year, I'm committed to -- I think there were a lot of good ideas thrown out, and for whatever reason, there wasn't agreement for the Virginia centric and other -- maybe this revenue sharing of the OTBs and having you-all get in on that, but I would like those issues that were brought up earlier, I'd like to really focus in and put a lid on that next year and really get under the fingernails a little bit and either make something happen or not.

Now, I don't know that we can agree on race days,
but I agree with Mr. Stewart that the status quo just can't keep going. I mean this is a nationwide problem. Harness racing, in my opinion, is in big trouble, and we all love it and we all want to support it, but at the end of the day, it is a business, and I keep saying -- I ask the question, "Who is our customer?" You know, I think our customer, whether you run the racetrack or whether you're putting horses out there -- without that guy that goes up to the window and puts down his $2 wager, without that guy, thinking about that guy and bringing him some quality or bringing him something he wants to bet on, you know, we can all go home. Unless we take care of that guy, you know, we're all in trouble.

MR. WOOLNOUGH: We're trying to take care of everybody on that issue. When you look at it from the standpoint of the standardbred/thoroughbred issue, Colonial Downs' take on the standardbred signal is more profitable for them than taking thoroughbred. Standardbred racetracks run around, and they have remained at three percent. That was a number that was put out many, many years ago when the first things came out with simulcast. They've remained at three percent. The thoroughbreds have gone to three and a quarter, three and a half, four percent, and in some cases in excess of that. That's a tremendously big difference on the volume of business. So it's more profitable for Colon-
MR. J. SARGEANT REYNOLDS, JR.: Yes, I personally don't know how all the numbers shake out, but I'll say again -- we've got to take care of the guy that goes up to the window and bets $2, but --

And those are the only questions that I have, but I'm committed as a Commissioner next year to really hopefully get you guys together and bridge this gap and come up with some solutions to try to move this thing forward. The status quo is not going to work.

MR. WOOLNOUGH: I think I can speak for the Trotting Board at this time. We're open to discussing on any situation that came up. It's sounds like we've gone against them on everything.

When they mentioned Oak Ridge, when they mentioned the State Fair, when they mentioned Woodstock, we didn't say no, we said fine; but you can't just throw that out there and walk away. There's got to be some specifics: Who's going to do what? Who's going to pay for what? How's this going to work? Those things, we're open to any suggestions.

MR. J. SARGEANT REYNOLDS, JR.: You-all have the letter that you'all threw out there about -- I think it's a three-year -- I don't know if it's a proposal, but you had -- I don't know, I can't remember the dates, it was 24 days, some odd days, and then four days in the third year averaged
out to 18 days of racing.

Why was that pulled back? Why was that presented? Why did I see a copy of that if that's something your Board did not ultimately agree to? It tells me that your Board is not --

MR. WOOLNOUGH: I'll be honest with you --


MR. WOOLNOUGH: On that one, Commissioner, no, the Board was not aware of it. Dr. Dunnavant, who is the president, and we support the president, had evidently discussed this with Mr. Stewart, and it was something he put out there. It wasn't basically an offer, from my understanding.

And when we had our Board meeting and the full Board read it, they said no, that wasn't what they wanted to do.

MR. MILLER: Mr. Weinberg?

MR. WEINBERG: I'll just make an observation.

With all due respect to Mr. Woolnough, I do think that the effort to provide the specificity has been made over the course of this year. In July, Colonial Downs presented VHHA with a contract that laid out exactly what the needs were for Colonial Downs to arrive at a compromise. Bits and pieces were responded to, but we have never received a response or comments to that contract, and so to sort of focus
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on race days or focus on revenue sharing in the OTBs, there are other points in that contract that are vitally important, and Colonial Downs' frustration is similar to what I think Mr. Reynolds just expressed of: How do we get really engaged, with all due respect? You know, moving from seven weeks of racing to six or eight doesn't incentivize VHHA to move off of what has been, in our view, nonresponsiveness to the global issues that we face. Race days is just one little component of it.

This is not a blame game -- this is not blaming the ills of the industry on the harness folks; but it is a recognition that continuing to do what we do is not leading towards a path to success. It's not a business model. Race days are part of that business model, but continuing to incrementally go from eight, seven, six weeks of racing -- and weeks are the critical component for Colonial Downs because that's how expenses are calculated, isn't going to change the paradigm.

I'm sorry we are where we are today, but Colonial Downs has been trying to make these points since February. Obviously, we have not done a good job of sounding the clarion call to get to this point where the Commission feels it's just sort of averaging numbers and picking a number. There are a lot of issues to get resolved, and unfortunately, we've got to find a way to get it going because the
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last ten months have not been successful in that respect.

I'm not here to cast blame, but the fact is as
I look back over the transcripts for the past year, the dis-
cussion we had today is not much different than the discus-
sion we had in December of last year and in February of this
year. So I hope we can do better.

MR. MILLER: Thank you. Do you have anything
further?

MR. J. SARGEANT REYNOLDS, JR.: No.

MR. MILLER: Anyone from the general public,
independent --

Yes, ma'am, could you identify yourself?

MS. JACKSON: Hi, my name is Amanda Jackson. I'm
an owner, trainer, and breeder here in Virginia of standard
breed.

I'll be honest with you, I find it very dis-
appointing that Dr. Dunnavant, our president, is not here
today. I am a Board member of VHHA, and for Dr. Dunnavant
to supposedly represent us and not be here to speak on our
behalf, I do find that disappointing.

As far as Colonial Downs and what they're saying,
I can see their points. From a business point of view, any-
body can see what they're saying is true. But as far as
when they've spoken to Dr. Dunnavant, it has not been passed
on to us. I do not know of any specific business plans that
As far as Oak Ridge, I don't think the horsemen are opposed to that. I myself am closer to Oak Ridge than I am to Rosecroft. It would be more beneficial for me to race there than it would be to race at Rosecroft, if it's going to part of the Virginia Meet. There are people that come from Kentucky that are part of Western Virginia. Oak Ridge would be better for them. I myself contacted Mr. Holland to try to find what he would like to do, what his plan was, with no response.

There are people that want to be involved here in standardbred racing, and to put it all with regards to nobody being, you now, informed, wanting to be a part of it, that's not true. The Board cannot make a decision on something that they're not informed about. You can't bring everybody together one night during the standardbred meet and say hey, let's make a decision tonight. I don't work that way; the other members don't work that way. I want to know what's going on before I vote for it.

As far as attendance at the main side of the grand stands, I can go to two bars in my local town of Farmville and make a bet on a machine at the back of it. Why do I want to drive to an OTB or to the racetrack? My neighbors bet on computers from their homes; it's more beneficial. Your product is changing, people are bidding differently.
So you've got to compare apples to apples. We're comparing apples to oranges at this point.

MR. MILLER: Thank you. Anyone else have any observations, comments?

MR. SIEGEL: I'd just like to -- I think your comments are right on. Dr. Dunnavant made a request yesterday that we postpone this discussion because he was running a horse today or two horses today somewhere, which we didn't feel it was appropriate for us to do at the last minute. It wasn't fair to Colonial Downs or any other of our stakeholders to postpone the event, so I think Iaian is representing him today, but it sounds like there's not any great communication between your president and his own Board.

MS. JACKSON: Well, we have a vice-president that should have been here. There are numerous members, it's not just one person. I'm a nurse, I got off work to come today. I race horses; I'm a mother -- there's numerous things that you have to do. You can't throw out, "Oh, I'm racing a horse."

MR. SIEGEL: Well, this issue is not for this Commission to decide but for your organization to determine whether your leadership is, in fact, leading, and I say that with all due respect to Dr. Dunnavant.

But again, back to the earlier discussion, he made a proposal. The two of you came to my office and made
this proposal to get us down to a four-day meet, and there
was no discussion with your Board before you came to propose
it, and it wasn't proposed, at least to me, as an idea, but
something that you would like to propose to this Commission.
And so -- and then, of course, you didn't have the support
of your Board, which is unfortunate, and I think that's
something you guys need to work on.

MR. MILLER: Thank you.

Anything further?

NOTE: There was no response.

MR. MILLER: I have a couple of questions.

Is it absolutely, vitally necessary that the
standardbred race days be determined for 2012 today at this
meeting?

MR. STEWART: No, probably not.

MR. WOOLNOUGH: You would like to do it as early
as you can because it gives you the chance to do your mar-
keting a little bit. Certain trade publications go out in
January.

MR. MILLER: What time in January do those trade
publications go out?

MR. WOOLNOUGH: Usually, they like to have the
information in by the 10th or something like that.

MR. MILLER: The 10th of January?

MR. WOOLNOUGH: There is a fudge factor in there.
MR. MILLER: Well, I'm just thinking out loud.

It seems to me as I hear this lady, and being cognizant of what's going on this summer and this fall relating to standardbred racing, we do have somewhat of a -- to refer to an old Paul Newman movie, we have somewhat of a failure to communicate.

Now, there's some communication, but are the communications between the right people and under the right circumstances? Are we all talking about the same thing? And does everyone realize the severity of the situation facing standardbred racing in Virginia?

To quote another historical statement by the great Benjamin Franklin, one of our founding fathers, who said, if we don't hang together, we will all hang separately. Now, I don't mean literally, but it seems to me that everyone -- I think you, Mr. Woolnough, Mr. Stewart, Mr. Weinberg, this lady, Dr. Dunnavant, a doctor from -- a dentist from Alexandria who is deeply involved in harness racing whose name I can't recall right now but I should, and he's a very nice fellow, and he spoke to me at length about the travails of standardbred racing not just in Virginia, but in the country. And having had discussions with several drivers and standardbred owners in Shenandoah County where I am from, everyone realizes, I think, that we face real problems in the future of standardbred racing in Virginia.

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Several suggestions have been made to address the problem here in Virginia, but I don't think the communications have led to any kind of decisive recommendations or decisive action by anyone. In other words, everyone I think recognizes all the myriad of problems, and everyone recognizes there are possibly several solutions that could be tried here in Virginia.

Mr. Weinberg stated that it's a very complex -- these are very complex issues. So it just bothers me a little bit that if we proceed today to go forward, we can set the race days for 2012, but it seems to me that even with those days being set, it is vitally necessary that in the months of January, February, March, and April of next year before everyone gets deeply involved in thoroughbred racing that all the people involved in standardbred racing from the stakeholders, general public, the horse industry -- they need to get together and really flesh out some of these suggestions of the interstate type of operation that could be put in place, perhaps, to address the problem. And if that were done seriously, that perhaps you could set in place a schedule, a contract -- you know, we had this contract for the two -- a three year contract where you could set a schedule for a period of years to have some certainty, to have some idea about what you face, the problems that you face, not just for one meet, but for one, two, three, four,
five years out. You know, it could be -- well, to quote another idea of China, a five-year plan, which was never met by the way. But anyway, you set up a plan for a number of years so that people can possibly plan for the future and invest in the future with some degree of certainty. And all these things needs to be thoroughly discussed, and the Board and the president of the Board, vice-president of the Board, chairman of the Board, whoever they are, they need to communicate to their people, and that Board needs to sit down with the Track and work these things out.

And surely you can do it. I think these are -- these are very complex problems, but it can be done.

I think my time here on the Commission -- this is my sixth year, which ends shortly, but in the last six years, you-all have come a long way in thoroughbred in addressing a lot of the problems in the thoroughbred racing industry, and the same can be done in the standardbred industry.

I'm just encouraging you to really be serious, not that you haven't been, but what I'm hearing here, you know, all this failure to understand what each entity is doing or suggesting, that just leads to confusion and acrimony, and it doesn't help to push the ball forward.

So I'm hoping that next spring that you-all will work with the Executive Secretary, that you-all, the
Commission, the stakeholders, horsemen can work out a plan to really put forward a plan for the future of standardbred racing, and I agree with Commissioner Reynolds, and I think Iain agrees too -- the status quo just isn't working. It's got to change, so I'm hoping that that will take place.

Now, I came here today prepared to vote for the race days in 2012, but with the degree of uncertainty that I've heard about some of remedies to some of the problems that you face, it seems to me like a few more things might be able to be worked out. Maybe you could have a meeting the first part of January, and if the parties are serious about trying to work out a few things, tweak a few things between then and any meeting that the Commission may have the first part of January, perhaps you can set a more -- set the stage with a little more realistic standard, because really, what I was prepared to do here today is the same old thing that I've done all my life as a lawyer and that is to split the difference. You know, Mr. Weinberg is familiar with that in civil actions. Sometimes not just -- you know you can't go here, you know you can't go there, so try to keep everybody a little bit happy and do something midway.

But as Mr. Weinberg has said and as you have said, the problem is so -- the problem is a lot deeper and needs a better solution than that, in my opinion.

I just throw that out for what it's worth. See,
it's easy for me to say because as of midnight December 31st, I walk away and you people are left with all the problems. But nonetheless, that doesn't mean I'm not, as a citizen of Virginia, I'm interested in the success of racing in Virginia, and I'm interested in the success of the horse industry in Virginia and the agricultural industry, and I'm interested in the success of this track. I don't want to see this be an empty edifice or see it gone and have a housing development -- this housing development simply spread from the back all the way out to the Interstate.

So, that's my perspective.

MR. STEWART: If I might say one thing, Colonial Downs certainly has no problem with that. I've always been in favor of taking the time to get the best answer instead of just getting the fastest answer.

MR. J. SARGEANT REYNOLDS, JR.: Mr. Chairman, I would add that if we are going to go into January, I believe your contract expires at the end of this year. I would make some sort of recommendation that we at least amend the existing contract to take it another 30 days, 60 days, whatever that is, but to make sure that Colonial Downs -- or make sure they're not operating without a contract, because I think that puts them in a tough spot.

MR. MILLER: Well, let me ask a question, Mr. Weinberg -- as their attorney, is there anything that
would transpire beyond the contract termination date that --
what substantive activities is the contract related to that would have to be addressed?

MR. WEINBERG: The existence of the contract, not so much the contractual provisions that survive the December 31st expiration date. In fact, I think virtually everything that would need to be done within that three year period has now been addressed.

What I believe Commissioner Reynolds is referring to is the statute requires that no simulcast signals can be received by Colonial Downs with respect to the harness without a harness contract, and so that there must be a contract in place in order to take harness signals in a satellite wagering facility.

MR. MILLER: Is that do-able?

MR. STEWART: Well, I mean it seems to me that we're at the 1st of December, there's 30 days. If the parties are prepared to work at it, but you know -- I don't know. I think that the issue can be resolved.

MR. REYNOLDS: You-all can sign a contract, but we don't really have to act on it, okay? I'll just throw that out and let you-all decide.

MR. STEWART: We can certainly talk about a contract.

MR. HETTEL: Well, I was just going to suggest we
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put a small extension on the existing one. Let's go ahead and call the two remaining Commission members in early January, say January 10th -- Iain, I think you mentioned January 10th as a necessity date to have stuff in for publication. Would you-all want to go ahead and have that meeting on the 10th?

    MR. SIEGEL: The 10th would not work for me. There are dates that do work.

    MR. HETTEL: Well, we're going to have a new Commissioner. I've been informed that Carol Dawson will be joining us on January 1st as a Commissioner, and I told her I would give her a call once we knew we'd established the January date.

    What's a good date for you?

    MR. SIEGEL: Well, I can throw out a couple dates or several dates, but I think the important thing is that, a, you work out these legal issues with regard to the contract; but b, the challenge that the Chairman has put forward is that you have time to get together and work through these issues, and at the next meeting, present hopefully a unified plan, but at the very least move this ball forward to the point where if this Commission is left to make a decision, we can make a decision that's not quite where this one would be today and other issues are resolved.

    Now, does that give you enough time if we meet
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early in January? You have the holiday coming up -- other
than the first week in January, early parts of January, the
first date that works for me is the 16th or 17th or 18th.

MR. HETTEL: 16th is a State holiday.

MR. SIEGEL: Okay, the 17th or 18th work for me.

There's others involved here too, so don't --

MR. J. SARGEANT REYNOLDS, JR.: Works for me.

MR. HETTEL: Well, just for the moment though, the
necessity to continue simulcast, the urgency for the moment
is you-all can't receive simulcast without a contract.

MR. SIEGEL: Well, it's one piece of paper, I
think. I'm not the lawyer. To just get a 30-day extension
or whatever the number is --

MR. WEINBERG: That is what we have done in the
past. And I think I can consult with Colonial Downs and see
if that's something we can do.

MR. SIEGEL: Well, we need to know that, because
otherwise, we do have to act today, do we not?

MR. STEWART: Well, I mean we've extended it
before. I'm not opposed to extending it.

MR. SIEGEL: So you can agree to extend it for 30
days, the existing contract?

MR. WEINBERG: Yes.

MR. SIEGEL: Well, that gives us license to move
another month.
MR. HETTEL: We need to figure out a January date that's acceptable to Ms. Dawson and to you too. We don't have to have that at this moment, I don't think.

MR. SIEGEL: I mean we could actually pull up a couple of dates and then you can send out something, but I'd like to see --

MR. HETTEL: So you're good from the 17th on?

MR. SIEGEL: No, I'm good on the 16th, 17th, and 18th, and then I'm good again on the 23rd. So it's really those three days, and you said it's a State holiday on Monday the 16th. What is that holiday?

MR. HETTEL: Martin Luther King.

MR. SIEGEL: Okay, so the 17th or 18th.

MR. SIEGEL: So does the 17th or 18th work for the group?

MR. HETTEL: It's good with Sarge, so let me let the new Commissioner know.

MR. SIEGEL: So I would suggest that we tentatively set it the 17th, if that's good, and then use the 18th as a rain date in case she cannot.

MR. HETTEL: And then the 23rd is good just in case --

MR. SIEGEL: 23rd or the 24th.

MR. HETTEL: Okay. All right. I will let the membership know and everybody else once I talk with Ms.

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Dawson.

MR. STEWART: I'd like to make one request. I think it would be very beneficial if a member of the Commission or the Executive Secretary was a direct participant in these conversations.

MR. J. SARGEANT REYNOLDS, JR.: I was just going to offer --

MR. PETRAMALO: Boy, this is scary, I was thinking the same thing.

MR. REYNOLDS: I would be happy to do it, or Commissioner Siegel might want to do it.

MR. SIEGEL: Well, Bernie could.

MR. J. SARGEANT REYNOLDS, JR.: I'd rather have Bernie do it, actually.

MR. MILLER: Let me just caution you. Not more than two Commissioners --

MR. J. SARGEANT REYNOLDS, JR.: Yes, right.

MR. HETTEL: I'm not a Commissioner.

MR. SIEGEL: I'm sorry, you were specifically saying a Commissioner?

MR. STEWART: Well, I just think that if Sarge and Bernie participate, I think that would be very beneficial and facilitate the situation.

MR. MILLER: Hold on here just a minute.

Mr. Petramalo?
MR. PETRAMALO: I was going to suggest, given the history here, a mediator would be very helpful, and I was thinking more of offering up Bernie since he's not a member of the Commission and wouldn't be subject to any disabilities, legal disabilities if later on there had to be some kind of vote taken on what went on.

MR. SIEGEL: Is that okay with you, Ian?

MR. STEWART: Sure.

MR. PETRAMALO: How about you, Bernie? You like this job?

MR. HETTEL: I love it. Virginia is for lovers.

MR. MILLER: Well, I didn't mean to -- I really, I didn't mean to defer this --

MR. SIEGEL: I think it's a good idea.

MR. MILLER: I didn't discuss this with my two Commissioners here, and I really want to work well with them in the future.

MR. SIEGEL: We certainly didn't get anything done today, but I think we've made some progress, at least in setting out a forecast for the next 30 days and an assignment for the group in hopes that you will get some of these issues resolved and come up with something that is acceptable to everyone, and I think it gives you a chance, Iain, to get your Board together and your president together and be speaking with one mind. I think that's key for your
MR. MILLER: And make sure that the membership of the Board is involved in addition to the leadership of the Board. In other words, I mean how many members on the Board?

MR. WOOLNOUGH: Fifteen.

MR. MILLER: Well, if it takes having all 15, but you know, I'm just suggesting that everyone needs to know what everyone else is thinking. Everyone needs to know all the possible solutions, everyone needs to know what can realistically be done now; everyone needs to know what might be realistically in a year or two down the road if we work together -- you know, that type of thing. That's the only way you're going to succeed.

And one other parting comment before we leave this subject, and that is that you know that you're working in a hostile environment in Virginia to begin with. You're trying to run a racing operation and a gaming operation in a state that set it up to be done but has no interest in seeing it succeed. I hate to use that word, but I don't think that's too drastic, and that's not overstating it, because in the six years I've been here and in the years before I came, I've seen no evidence of the general membership of the General Assembly of Virginia nor the leadership of the ex-
ecutive branch, neither Democrat nor Republican, coming forward and saying we've got to work this out, we've got to increase purses, we've got to do something to make Colonial Downs track a success, make the horse racing industry a success and get more benefit to the agricultural industry in Virginia through this racing operation. No one has come forward and said that from the political spectrum. That's why I said during our work session it's going to be up to you fellows to get your political friends to get on board.

Well, with that being said then, we're through with the standardbred racing until -- you'll set up a thing, Bernie, if you will do a little synopsis for everyone of what we just did.

MR. HETTEL: All right.

MR. MILLER: And get it out to all the stakeholders and Dr. Dunnnavant and all the interested parties about what the aim is, and try to facilitate setting up this process, if you would.

MR. HETTEL: Yes, sir.

MR. MILLER: It's very important.

MR. SIEGEL: Mr. Chairman, we've tentatively set the next meeting for Tuesday, the 17th of January, subject to confirmation and Bernie will get the word out to --

MR. HETTEL: I will.

MR. PETRAMALO: While we're on this point, do you
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want to go ahead and approve the thoroughbred days?

MR. MILLER: Yes, we'll now entertain a -- that
being done, we're deferring the setting of the race days for
the standardbred races days as of now, so I'll entertain a
motion regarding the establishment of the thoroughbred race
days for 2012.

MR. SIEGEL: So moved.


MR. MILLER: That would be in accordance with the
request of Colonial Downs, and that has been concurred in by
the Virginia Thoroughbred Horse Members Association and the
Virginia HBPA?

MR. PETRAMALO: Yes.

MR. MILLER: And you -- that's all set forth in
this filing, so it establishes it as set forth in the
filings.

All in favor say aye.

NOTE: All indicated by voting aye.

MR. MILLER: So that has been done.

MR. WEINBERG: Thank you, very much.

MR. MILLER: The next item on the agenda was a
request by the VTA for Amendments to Chapter 130.

Mr. Petty?

MR. PETTY: We're requesting to amend the
Breeder's Fund Regulations so that there is two sets of
registration fees, one for members and one for nonmembers, and basically, the fees would -- our fees have never changed, they will stay the same, but the nonmember fee would essentially be the fee plus a membership.

This is done in a lot of other states, they do it in Pennsylvania, they do it Maryland. It's just a way of getting the folks and getting part of that Breeder's Fund paid and be more involved in the industry instead of pushing the ball up the hill.

MR. MILLER: It's all set forth in your --

MR. PETTY: It is, and it's just a matter of amending a couple of sections in the language under fees for each type.

MR. MILLER: You have no objection, Mr. Petty, to this being -- this request being continued until the next meeting of the Commission, do you?

MR. PETTY: I don't. It doesn't impact what we're doing now, which is registering horses for '12. That deadline's December 31st, so I don't think it would make any difference if we did it --

MR. MILLER: The reason I say that is because --

MR. HETTEL: Mr. Picklesimer asked that it be deferred.

MR. MILLER: Yes, he wanted to ask to be here when it's determined.
MR. PETTY: Well, I would point out that he was the only member on the committee that had an issue, and as I said to him in my last communication, "I understand you're opposed to it, but I still don't understand why."

So, I'm going defer to your pleasure, but he was the lone voice that seemed to have an issue.

MR. SIEGEL: How many people are in this group?

MR. PETTY: Five, six.

MR. MILLER: Dave?

MR. HETTEL: It wasn't required that the subcommittee approve this, but I just thought as a courtesy to the subcommittee since it dealt directly with the Breeder's Fund that it would be good to get, hopefully, all their approvals and any comments or concerns. As Mr. Petty was saying, Mr. Picklesimer was the any only one that had any negative comments about it.

MR. MILLER: Well, my concern is, as with anything having to do with process, and that is unless it's absolutely necessary that we make a decision today, if we could defer it, because you know, citizens are entitled to be heard, even if we disagree with them. You know, if there's someone that has concern about the request, we certainly want to hear from them because it may be that some very cogent points may be raised. Maybe not, but in any event, as long as it doesn't -- as long as it's not time sensitive,
if it could be deferred at least until the next meeting, and we'll be sure to put that on the docket that this will be determined at the next meeting. So whoever has any comments about it must appear at the next meeting to make their comments, because the decision will be made by the Commission at that time. Is that --

MR. PETTY: I think as long as we have this resolved in time for the regulations to take effect prior to the 2012 Meet, we'll be all right, because that's always an issue: There's a lot of people calling right before the race meet in a panic to register.

MR. MILLER: Yes, this regulation approval process -- I think --

MR. PETTY: These are emergency regs, so they go faster.

MR. HETTEL: Mr. Chairman, anything dealing with the Breeder's Fund is exempt from the APA process, so a turn around time, once we get an approval from the Commission, would be 30 days, at most 45 days.

MR. MILLER: All right.

MR. HETTEL: We certainly can do it.

I think the VTA was hoping to have it nice and neat and start as of January 1, but we understand your concerns, and deferring it to the next meeting I don't think is going to hurt us too bad.
MR. MILLER: All right. Well, then that will be an item -- an action item on the docket for the next meeting of the Commission.

MR. HETTEL: Yes, sir.

MR. MILLER: Anything further on that?

MR. PETTY: No, sir.

MR. MILLER: Frank, do you have --

MR. PETRAMALO: No.

MR. MILLER: Item Number 5, Applications for Renewal of ADW licenses for 2012 for EZ Horseplay, TVG, XpressBet, TwinSpires.

MR. HETTEL: Mr. Chairman, normally the December meeting is held more in the middle of the month. The deadline for applications being submitted for renewals is actually today, December 1st, but I would like to possibly suggest to the Commissioners that, you know, these are the same four licensees we've had for many years; we haven't had any issues with them; I can't think of anything that Staff would discover in these renewal applications that would prohibit them from being relicensed for 2012, so if it would please the Commission, if possibly you could approve their renewal for 2012 contingent on the application review by Staff.

MR. MILLER: I approve of that motion, that sounds good.

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So that's the motion. Is that all right with --

MR. SIEGEL: Well, somebody has to make it. I think it requires a motion.

MR. MILLER: Yes.

MR. J. SARGEANT REYNOLDS, JR.: I make a motion that we approve the licenses for 2012, EZ Horseplay, TVG, XpressBet, and TwinSpires, contingent upon application review by Staff.

MR. MILLER: Second?

MR. SIEGEL: Yes, second.

MR. MILLER: All in favor say aye.

NOTE: All indicated by voting aye.

MR. WEINBERG: Just an observation, and I offer it only that in the event Staff did find something and this Commission could not meet again, did you want to add that Staff had discretion to extend the existing license until the next meeting of the Commission to address whatever issues they do find?

MR. MILLER: Sounds good. Did you want to make that motion?

MR. REYNOLDS: I have to do it all over again?

MR. MILLER: No, no.

MR. J. SARGEANT REYNOLDS, JR.: I'd like to move that Staff can extend the existing license --

MR. SIEGEL: As part of that motion.
MR. J. SARGEANT REYNOLDS, JR.: -- as part of the original motion.

MR. MILLER: All in favor?

NOTE: All indicated by voting aye.

MR. MILLER: Glad we tied up that lose end. Now someone else may apply today.

MR. HETTEL: Highly unlikely, but possible.

MR. J. SARGEANT REYNOLDS, JR.: Do you want me to make another motion?

MR. MILLER: Now, is there any member of the public here today who wishes to --

MS. PERRY: I would like to.

MR. MILLER: Yes, ma'am.

MS. PERRY: I'll only take about five minutes of your time.

My name is Barbara Martin-Perry, I'm from Midlothian, Virginia, and I thank you for allowing me to speak to you today, and I'm speaking on behalf of all the fans who attend the live races here in the summer and fall.

I've lived here since 1958, and I've waited about 50 years for Colonial Downs to be built. Therefore, I attend every weekend and some weekdays for both thoroughbred and standardbred races, and as a result, Colonial Downs gives me a complimentary table in the Jockey or Turf Club every year. Some of my students have played the national
anthem here several times.

I'm a member of the Virginia Harness Horse Association, the United States Trotting Association, the Hall of Fame of the Harness Horse and Museum in Goshen, New York. My family were the largest retailers of horse equipment in the United States from 1935 to 1960. The company, Martin & Martin, had stores at Roosevelt Raceway, where we had 60,000 people come at night to see harness racing. Good old days. Yonkers Raceway, Belmont Park and Freehold Raceway in New Jersey.

I give a trophy every fall in memory of my late husband, Forrest F. Martin, owner of Martin & Martin. I have owned thoroughbred and standardbred horses and appeared many times as guest speaker on "Off to the Races" with Darryl Wood, when he had that TV program. He is sometimes called the racehorse historian of Virginia.

Before there was baseball, the national pastime, football, basketball, and NASCAR, there was harness racing going back to 1840 -- before baseball -- on Long Island. I've given owners and drivers here T-shirts from the Hall of Fame showing this.

I respectfully ask that both thoroughbred and harness meets be given the same amount of days in 2012 as we had in 2011 and would like more days next fall, if possible, than we had this year for the pacers and the trotters.
The editor of the United States Trotting Association magazine said something in his last editorial in November that's very interesting. The viability of harness racing is measured by handle, not by attendance or concessions or purses. That means that our focus as an industry must shift from marketing willy nilly to get them, the fans, to come to watch, to focusing our efforts on what we have that other forms of gaming don't have -- a puzzle that has to be solved every 15 minutes featuring the most beautiful animals in the world.

Do you have any questions?

MR. MILLER: I thank you very much for your presentation. We appreciate very much you being here. We're honored by your presence.

MS. PERRY: I had to get a dog sitter for my two beagles to get here. I'm the only one that has a dog sit-ter, I'm sure.

MR. MILLER: Well, we thank you, very much.

MS. PERRY: Thank you.

MR. MILLER: Any other member of the public? Yes, sir?

MR. SMITH: I'm Curtis Smith, and that's really nice. I will not be able to speak as eloquently as she did. That's really nice to hear that; but one concern about the thoroughbred race meet that I want to bring up
that I'm very concerned about, and it's that prospect of night racing, turf night racing just seems that really the possibilities could be endless as far as the participation outside from the public. But without an alternative or a real good alternative to Mother Nature, the idea of trying to get more on-track attendance, the first time you cancel a race meet at night or a race day at night when people have already driven out here, and the next time they have weather and they think about coming out to Virginia Downs (sic.) when the weather is dicey, this could really backfire, and if Mother Nature is perfect, it will be fantastic.

Mother Nature can be ruthless and it can be a total disaster for not just the attendants, but the horse people that have to medicate their horses, so I'm really concerned about that.

So one, I would like to ask if we know the number of days that we're off the turf last year? And I understand there's going do be some drainage -- we already mentioned that, but I would like to know how many off-days, you know, last meet? Five?

And again, and in the long-term plans, will there be lights on the dirt track so that, again, if there's any disaster, we have some plan, back up plans so people don't come out to Virginia Downs (sic.), Colonial Downs and not watch racing.
MR. MILLER: Thank you. Those are very good comments. I mean I'm sure they're concerns that the horsemen and the track have thought about.

MR. PETRAMALO: May I respond to that?

MR. MILLER: Yes.

MR. PETRAMALO: We share that concern, but our view was we needed to try something different to generate more interest and have people come to the track. Along with Colonial Downs, which I think also recognizes the problem, we thought we'd try this to see what happens.

Last year, meaning last summer, I think we came off the turf for three full days, if I'm not mistaken, and two part-days. So it's -- it's a serious concern, but as Jeanna points out, one of the big problems is the turn down there never drained, and by fixing that, it may allow us to run on the turf even when it's wet out to the extent that we haven't been in the past.

But it's a concern, and we're certainly going to be looking at it.

MR. STEWART: And I would point out that while I certainly hope that we don't have to cancel any days, every winter they cancel up north, many racetracks, so canceling a day of racing is not a tremendously unusual event. I mean it does happen, and that's why we've agreed with VHBPA to re-run any canceled days on the following Wednesday.
Clearly, if a hurricane comes over Virginia and sits on us for two weeks, it's going to be a problem; but we can sit here where we are and do nothing, or we can try to do better, and we're going to try to do better.

MR. SIEGEL: Would it make any sense to change the post times and run on the main track on a rainy day?

MR. STEWART: I guess you could. It's a little tough because we sell all of our -- we've got a lot of reservations that --

MR. HETTEL: It would be particularly difficult with people shipping in and medication changes.

MR. PETRAMALO: We have at least 35 percent of the starters ship in.

MR. STEWART: Well, I mean it's difficult. I don't even know -- I mean if you go to a baseball game and it gets rained out, you go home. I know I was very disappointed.

UNIDENTIFIED SPEAKER: Some people still have off-track betting.

MR. SIEGEL: Somebody should consider how you market next year to allow people to understand if there's rain, here's what happens rather than to get here and ask the question or to not show up on those alternative days, you know, there's nobody here, they don't know it. So you might be out front with that to let folks know that.
MR. STEWART: And I certainly agree with that. I would also like to point out that our turf track does drain very well. Years ago, there was a phenomenon that when it rained, we came off the dirt and went on the grass because the dirt track was a little rough. Mr. Woolnough, I'm sure remembers --

MR. PETRAMALO: The dirt track was red that year, as I recall. It was all clay.

MR. MILLER: Well, that's a legitimate concern with any sporting franchise be it racing, horseracing, baseball, football -- anything that's done outside is subject to the whims of nature, and that's always taken into consideration by the parties that run the franchise.

MR. WOOLNOUGH: Well, the biggest concern, and Colonial Downs has always stepped up to that, is the safety of the horse's life, and that's what it's done for. I'm sure they'll continue to do that.

MR. MILLER: Yes.

Any other public comments?

MR. PETRAMALO: I'd like to make a comment directed to the Chairman.

Personally, and on behalf of the horsemen, I'd like to thank you for your six years of service. I personally appreciate very much your objective and dispassionate analysis of problems and your recommendations for solutions,
and I'm very sorry that you won't be continuing with the Commission.

    MR. MILLER: Well, thank you, very much. That's very kind of you, Mr. Petramalo. I'm going to miss all of you. I've enjoyed it, it's been a good six years.

    When I was put on this Commission, I had no idea where they met or what they did, and -- but I tell you, it's been a real pleasurable experience for me. Everyone I've met in this position, all of you, I really respect you. You all work hard. You disagree at times about various things, but I think all of you have your hearts in the right place regarding racing in Virginia and what we're trying to accomplish here in Virginia.

    And as I said before in this meeting, you're up against tremendous odds here in the State of Virginia in order to survive, and I commend all of you. I wish I could help you in the future, but as I told Bernie, my politics are wrong in Virginia, because I'm not right-wing enough to survive politically in Virginia. But -- so I could never be a help or bring my kind of political assistance to anybody from this state.

    But this State will learn. If they're going to succeed, they've got to join the 21st century, and it will happen some day. You just have to keep -- you all just have to keep pushing.
MR. PETRAMALO: Now, if you'd like to continue in
the industry as a horse owner, my colleague here, Stephanie
Nixon, can help you in that regard.

MS. NIXON: Yes, I can.

MR. MILLER: Yes, I'm well aware of that.

MR. SIEGEL: I was going to comment before
adjournment as well, but I think on behalf of the Staff and
this Commission, we'll echo everything that Mr. Petramalo
has said and more. I mean you've done an outstanding job
and managed the discourse quite ably, and we appreciate
what you've done.

MR. MILLER: Well, thank you.

Oh, yes, I did want to make another comment, I
should have done this before.

All of you remember Frank Ferguson passed away,
and I would like just to show in the minutes of this meeting
the deep appreciation this Commission had for his efforts
for us and for the horse industry in Virginia. He went to
extraordinary efforts to help this Commission to achieve
what this Commission is supposed to achieve in Virginia
under the Statute, and it's very sad -- his passing is very
sad, and I was so sorry to hear it.

But he was a wonderful human being, an outstanding
lawyer, and just a good person, and we're so sad to hear of
his passing.

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Well, I appreciate the comments from all of you, and I think you're in good hands, and I expect to see great things out of racing in Virginia in the future.

With the next meeting having already been set, or the next meeting having already --

MR. HETTEL: I'd like to check with the new Commissioner, but it should be the 17th, if it's acceptable to her.

MR. MILLER: If there's nothing further remaining to be done, we will adjourn.

Thank you. No closed session.

NOTE: The hearing concluded at 11:47 a.m.
CERTIFICATE OF COURT REPORTER

I, Roy Garrison Wood, hereby certify that
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 16th day of January,
2012.

________________________________         ________________________________         ________________________________         ________________________________
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