AGENDA

1. Approval of the minutes of the regular meeting of July 12, 2012

2. Commissioners' Comments

3. Executive Secretary's Report
   a. Final Amendments to 11VAC10-30-20(B)
   b. Set Deadline for 2013 Race Day Requests

4. Stakeholders
   a. Colonial Downs - SWF Application for Paradocks
   b. Colonial Downs - The Refinancing of Jacobs Entertainment, Inc.

5. Public Participation

6. Set Next Meeting - Nov. 30, 2012 at 10:00 a.m.

7. Closed Meeting

8. Adjournment
CHAIRMAN SIEGEL: Is there any comment from any commissioner before we move forward at this time?

MS. DAWSON: I have one.

CHAIRMAN SIEGEL: Yes.

MS. DAWSON: I just wanted to say that I was so privileged and grateful to be able to go to the meeting of the Association of Racing Commissioners International this summer in Saratoga Springs, New York. It was very worthwhile. I learned a great deal. I would love to share it with all my colleagues. Not enough time in one meeting to do that, but I came back with a lot of new perspectives, and also a very positive reaction to the fact that there are many problems in racing today out there, obviously, but I think Virginia's doing very well.

I don't think we have the problems that I heard about at the meeting, and I hope we never do, but at the same time, it is good to be aware of those things and to keep up with what's going on in the industry.

It's a good organization, I believe, and I think we're doing good work, and I think we should continue to cooperate with them as much as we can.

CHAIRMAN SIEGEL: Thank you for that comment.
Anyone else?

NOTE: There is no response.

CHAIRMAN SIEGEL: Okay. We'll now move forward with the executive secretary's report. Dave -- I might mention that Dave and the staff have been holding things together very well in Bernie's absence. I believe, Dave, you're gonna make the executive secretary's report.

MR. LERMOND: Yes, sir. Thank you, Mr. Chairman.

The first item I have is a amendment to 11VAC10-30-20. Just to give you just a brief background, the way this came about was I was approached by Mike Pearson, who is here today representing the Virginia Gold Cup Association.

They were curious about what they would need to do to have pari-mutuel wagering on the two events they hold each year. They have, I believe it's the first Saturday in May is the Virginia Gold Cup, and they also have the third Saturday in October, the International Gold Cup.

He had been retained by the Gold Cup to look into this and see what they would need to do to have pari-mutuel wagering.

Initially, I told him he was in luck, because
I knew there was a code section that gave the Commission the authority to grant a license without a referendum being passed.

Now to do that, there are certain criteria that must be met. It has to be a steeple chase meeting, has to be less than 14 days, has to be sanctioned by either the NSA or the VSA, National Steeple Chase Association, or the Virginia Steeple Chase Association, and the owner/operator has to be a 501(C) 3 or 4, in accordance with the code of the Internal Revenue.

Unfortunately, what I found when I dug a little deeper, was that our regulations had never been changed to match this new code section. The new section of the code was put in originally in 1996 by an act of the General Assembly, and then in 2000, it was tweaked just a little bit where they added the Virginia Steeple Chase Association as one of the sanctioning bodies, and I believe they made it 501(C) 3 or 4.

In any case, what should have been done back then was the Commission should have gone through their regulations to see that there wasn't anything in the regs that would conflict with the new code section that was approved by the General Assembly.
Apparently, it was not done, so what I'm asking today is more of a housekeeping item than anything else, because our regulation should match what the code says.

So what I've done, or what I'm proposing, is under Paragraph B in the regulation, section 11VAC 10-30-20, we're gonna add at the end of the sentence, and the sentence plainly says, "The Commission shall not grant a limited license without a referendum being held." We're gonna add the words, "However, the Commission may, in accordance with Section 59.1-378.1, grant a limited license to an owner or operator of a steeple chase facility on steeple chase race meetings for a period not to exceed 14 days in any calendar year, if the steeple chase facility has been sanctioned by the Virginia Steeple Chase Association or National Steeple Chase Association, and that the owner or operator of such a facility has been granted tax exempt status under 501(C) 3 or 4 of the Internal Revenue code."

So all we're doing is making this addendum in order to match what the code already says.

Dave and I have discussed this a little bit, and I think I'm clear that it's more of a housekeeping thing to -- as he says, so our regs
will match the state.

This is not an application for approval of a granting of a license, it's only to get the -- to have everything match up, so if there is a license applied for, we don't have a problem in dealing with it, and so I just wanted to make that clear to everyone for the action that we'd be taking today.

Any question on the part of any commissioner with regard to this?

MR. TROUT: I do have a couple questions on that. One is, I was looking back at the original code, both the '96 and the 2000, and one of the things that appears to have been taken out in the adoption of the 2000 amendment was a provision in the '96 one that indicated that, "Provisions of this act shall apply to any county populated between 86,000 and 86,500.\", which I believe is Louden County.

I did not look up the 1990 census to check that out, but there was a provision talking about, I believe Morven Park as being the one that was considered at that time. When the 2000 amendment was passed, was that part taken out?

MR. LERMOND: Yes, sir. It was.

MR. TROUT: Okay, because it's not included in
the code today.

    MR. LERMOND: That's correct.

    MR. TROUT: The other thing I noticed in there, and this is concerning. This is in both parts of it. It does say, "Not withstanding provisions of 59.1-391.", which is the referendum section.

    And then later on, it says, "In deciding whether to grant a license, the Commission shall consider the results of any referendum."

    Does that mean if by chance one was conducted? Is there actually not a requirement of a referendum? Is that legal?

    MR. LERMOND: I think if a referendum had been tried and had failed, you could take that into consideration in determining whether or not to grant a license under this section that spells out the exception.

    MR. TROUT: But it's your opinion, and I guess we have good legal opinion, that this does not require a positive result of a referendum in order to grant a license to the facility?

    MR. LERMOND: That's correct.

    MR. PETRAMALO: I would agree with that, because there were at least two licenses issued in the late 90s at Morven Park.
Georgetown University Hospital used to have a benefit at Morven Park, and pari-mutuel wagering was permitted there, and it was licensed by the Racing Commission. Let me quickly add I did not personally benefit from the fact they had pari-mutuel wagering there. I was present, but...

CHAIRMAN SIEGEL: But you lost.

MR. PETRAMALO: Yes.

MR. TROUT: I haven't benefited from here that much, either.

That was another question I had, is -- and I didn't realize this would -- since this has been around for quite a few years, other than the two he just mentioned, have there been any licenses granted by this Commission, or has it ever come before this Commission before?

MR. LERMOND: Not that I'm aware of. The only one I knew of, as Frank said --

MR. PETRAMALO: Morven Park.

MR. LERMOND: -- was Morven Park, and I think that was 1991 or '92.

MR. WEINBERG: There have been other limited licenses, but not under this provision.

MR. PETRAMALO: Yes.

MR. LERMOND: Right.
MR. TROUT: So there have been some licenses, but not under this provision? The actual regulation didn't have a --

MR. PETRAMALO: Yes. This is strictly steeple chase.

MR. TROUT: Yeah. Okay.

MR. LERMOND: The exception in this code section is only for steeple chase facilities. Harness or Thoroughbred would not have this same...

MR. TROUT: One other thing. In the section involving pari-mutuel betting, which is fairly extensive in its requirements, there are also provisions concerning percentage of payouts to various organizations and that sort of thing. Does that apply to the steeple chase race as well, or is that something that's clear or needs to be cleared up?

MR. LERMOND: As far as the tax to the Commonwealth and the Breeders' Fund, all of those things would be paid. As far as the operator and the purse account --

MR. PETRAMALO: I don't know how that works.

MR. LERMOND: How would you do it with Strawberry Hill?

MR. PETRAMALO: Strawberry Hill is --
CHAIRMAN SIEGEL: It's part of Colonial.

MR. LERMOND: But when they stood alone before that?

MR. PETRAMALO: The statutory take-outs remain the same. We entered into an agreement with Strawberry Hill about sharing the horsemen's share.

CHAIRMAN SIEGEL: We being the horsemen?

MR. PETRAMALO: Yes, correct.

MR. LERMOND: But distribution to the different parties wouldn't be any different?

MR. PETRAMALO: No.

MR. TROUT: That basically defines pari-mutuel wagering.

MR. PETRAMALO: Yeah.

MR. TROUT: That's the definition of it. It's all a percentage basis.

MR. PETRAMALO: Yes.

MR. TROUT: Okay, so that would apply then to one of these licenses?

MR. PETRAMALO: Yes.

CHAIRMAN SIEGEL: I would think that we would assume, unless we do otherwise, that that sharing would remain the same and be consistent with whatever we did in any license; is that correct?

MR. LERMOND: Very correct.
MR. PETRAMALO: Unless this Commission approved otherwise.

CHAIRMAN SIEGEL: Right.

MR. WEINBERG: I was just gonna observe that the definition of licensee includes licenses granted under the provision we're talking about, and then 392, I think, speaks to licensees.

MR. TROUT: Okay. So it is covered by basically all the other provisions, or appropriate ones anyway, would apply to any racing, pari-mutuel betting racing?

MR. WEINBERG: Except the statute in some places differentiates between "limited" and "unlimited", but otherwise, I think "licensee" applies to the whole universe of license.

MR. TROUT: Thank you. Appreciate it.

CHAIRMAN SIEGEL: Question or comments, Sarge?

MR. S. REYNOLDS: I was gonna ask. The language that's put in, do you all put it in, or does that go through the Attorney General's office for legal opinion or some sort of counsel?

CHAIRMAN SIEGEL: I think it's within our purview to make that change.

MR. LERMOND: And in this case, what we're doing is changing the regs to match what the code
already says, so that would be a quicker process.

    CHAIRMAN SIEGEL: If it was the opposite and
the code needed to match with us, we'd have a whole
different problem.

    MR. S. REYNOLDS: Correct.

    CHAIRMAN SIEGEL: So this is certainly within
our purview.

    MR. S. REYNOLDS: Okay. Thank you.

    MS. DAWSON: Mr. Chairman, I just have one
further question. I must have missed this earlier
when this was put into the code, but does anybody
have any background on the legislative environment
at that time? Why did it come up in the
legislature?

    MR. PETRAMALO: I can take a guess. I think it
was for fundraising purposes for charitable or
social groups, like the Georgetown University
Hospital. That would be my guess, but...

    UNKNOWN SPEAKER: Frank, I think the regional
Morven Park license was not granted under this
provision, and the next time they sought a license,
they were looking to make it, A, easier; B, less
expensive; and C, fit into the category discussed to
be part of charitable.

    It was all geared toward Louden County. In
fact at one point, there was mention, I thought, of charity, either in the code or either in the regs, but Donna Rogers brought it forward. I think she had legislative support from May, and that's really the background of it.

It was really kind of Morven's project, and it went through the General Assembly like nobody was paying attention to it, unlike most things we would bring to the General Assembly. It was not controversial; the Commission supported it. The Louden County group ushered it through that.

MS. DAWSON: But it has never been used since that one time?

UNKNOWN SPEAKER: I don't think so.

MR. PETRAMALO: Morven Park is the only place that I know of.

MS. DAWSON: Are there any other places in our regs that we might need to adjust this?

MR. LERMOND: No. This would be the only amendment we would need to make.

CHAIRMAN SIEGEL: Other questions or concerns? Anyone have any comments or anything to add to this?

NOTE: There is no response.

CHAIRMAN SIEGEL: We need to take action on this, and I will ask the commissioners for a motion.
MR. S. REYNOLDS: So moved.
MR. D. REYNOLDS: Second.
MS. DAWSON: Second.
CHAIRMAN SIEGEL: Any opposed?
NOTE: There is no response.
CHAIRMAN SIEGEL: Okay. It is approved. We have a done date.
MR. LERMOND: Very good.
The next item I have is the setting of the
deadline for race day requests. Years ago, it was actually in the code, and there was a date -- Frank, maybe you can help me -- September 15th.
It was very early in the fall, and the thought was the harness meet isn't even done, and they gave the Commission the authority to set a date that worked for them, so what we need to do is figure out a date and issue --
CHAIRMAN SIEGEL: I'm gonna recommend, unless there's reasonable opposition to doing so, that we set a date of November the 15th, which would give us a couple of weeks prior to our November 30 meeting to look these over, and if there's any concerns, to voice them, and then we'd take action and discuss it on November 30. Does that seem to fit with everyone?
MR. STEWART: If I could, I'd request an earlier date. I'd rather have late October.

CHAIRMAN SIEGEL: I don't believe the Commission cares that much about it. I was trying to give you more time, but if you think you -- I guess, actually, a couple months might be enough, so if you want to do it late October, why don't we set the date? Does that work with you as well?

MR. PETRAMALO: That's fine.

CHAIRMAN SIEGEL: What's the last Friday in October? Anybody have that?

MR. LAWS: The 26th, I believe.

CHAIRMAN SIEGEL: Okay. Why don't we set October 26th as that date? It gives you a full week at the end of the month, and it'll be 30 days or so before we consider it, and if you folks can get together and agree, that'd be great, and we'll move on that at the next meeting.

MR. TROUT: Mr. Chairman, is this the deadline for providing the information to the Commission, and then the decision would not be made until the regular November meeting; is that correct?

CHAIRMAN SIEGEL: That's correct. That's what we are proposing.

MR. TROUT: So it's not a meeting on the 26th,
it's the deadline?

CHAIRMAN SIEGEL: No. They would submit this to staff and then have discussions and deliver it to us.

MR. PETRAMALO: Let me just make a comment. Our horsemen's contract expires on December 31st, and race days is always a part of the contract negotiations, so while the horsemen will endeavor to try to come to some agreement on days by October 26th, I wouldn't be totally shocked if we didn't.

CHAIRMAN SIEGEL: Yes. I wouldn't, either.

MR. STEWART: I guess what I was asking, was I would like to make a presentation to the Commission prior to the November meeting. If we make a presentation at the November meeting, history is that it drags on for several months before a decision is made, so I was trying to accelerate the decision process.

CHAIRMAN SIEGEL: Well, we're not scheduled to have a meeting until November 30. I'm not sure whether you're suggesting we have a meeting prior to that.

MR. STEWART: I am.

CHAIRMAN SIEGEL: Well, we could certainly do
so, if -- I think it's unprecedented that we would
have two meetings within a few weeks.

MS. DAWSON: Mr. Chairman, I was gonna bring
this up later, but I'm not gonna be available
November 30th.

CHAIRMAN SIEGEL: All right. We'll try to deal
with that as well. Are you available other days
that week?

MS. DAWSON: No, not until December.

CHAIRMAN SIEGEL: Well, why don't we discuss
that and then circulate information to everyone
about what we're dealing with?

I'd like an opportunity to talk to staff about
that a little bit, because we would then probably
think about maybe adjusting the date from
October 26th. It just depends on when we want to
meet, but yeah.

I'm just gonna recommend that we not decide
that right now; that we circulate the information to
everyone, and we huddle up and make a decision about
how we'd like to do it. We're talking about having
two meetings within two or three weeks. The 26th to
November 30th is only 30 days.

MR. WEINBERG: Or just moving up the date of
the November 30th meeting to make it earlier in the
calendar, and push back the date for -- we just want
to begin the discussion earlier, rather than later,
and our is concern that --

CHAIRMAN SIEGEL: Ian is suggesting that it
might drag on, so if you have it the 15th of
November, it would still drag on in that scenario.

MR. STEWART: Well, I guess what I'm suggesting
is that we make the presentation 30 days from now,
the 20th of October, and the Racing Commission make
a decision whenever, the 20th of November. I mean
typically, up until this year, we've had a meeting
every month.

MR. S. REYNOLDS: That's correct.

CHAIRMAN SIEGEL: I know that, and we could
certainly do that. I guess I was talking about
scheduling a special meeting in between meetings for
this purpose. I'm not aware that we've done that
before.

MR. LERMOND: Mr. Chairman, I think staff would
appreciate having the race day request submitted at
least a week or two before the presentation is made,
so that we do our best to do what we need to do.

MR. STEWART: Sure.

MR. PETRAMALO: What was the deadline last
year? Was it December 1st?
MR. WOOLNOUGH: Yeah, December 1, I think.

MR. WEINBERG: November 1.

CHAIRMAN SIEGEL: Did we have two meetings as you're suggesting here?

MR. WEINBERG: My recollection was I thought we were to provide tentative race days November 1, and then I think it didn't get finalized until much later. I can look back.

MR. PETRAMALO: I think we basically came with a joint request. There was no, here's the horsemen's view, here's the racemen's, track's view. We came with one proposal.

MR. WEINBERG: Correct.

MR. PETRAMALO: It sounds as though something may be different this year. I'm just assuming that, from what Ian has said so far.

MR. STEWART: I don't think you should necessarily read anything into it, but I think it's important for everybody's sake to speedily resolve it. It has never been Colonial Downs' objective to drag out the process.

MR. PETRAMALO: We agree, for a number of reasons, practical reasons, it's best to have the dates set as soon as possible, so we can get out there and start soliciting horsemen and publicizing
when our meet's gonna be.

   CHAIRMAN SIEGEL: Are you suggesting we move
everything forward, including our meeting, our
November 30 meeting?

   MR. PETRAMALO: Maybe the best thing would be
for Ian and Jim and Stephanie and I to talk a little
bit and then get back with you with a suggestion.

   CHAIRMAN SIEGEL: Yeah. I think it would be
difficult, unless everyone had a discussion right
now to set these dates that everyone is happy with.
It might be best for you folks to give us some idea
of, again, respecting Dave's wishes to have it
submitted a week or so prior, then set a date.

   MR. PETRAMALO: Right.

   CHAIRMAN SIEGEL: And then perhaps in early
November or late October, I'd say early November,
and then we perhaps have a December meeting. I just
haven't fully thought it through. I wasn't aware
this was gonna be an issue today.

   MR. TROUT: Mr. Chairman, this is something --
we've looked at some good time tables here, as far
as when the information is needed prior to having a
meeting or even a presentation, but I would
certainly not object to moving up some meeting
dates, if that's going to make it more feasible to
come up with a schedule that can be approved, and they do need to be approved way ahead of time, because you are dealing with something that needs advertising and needs promotion and needs everything else, so it's a sooner-the-better type situation. If this meeting was moved up, which I don't know whether any presentation would have been made if this meeting would have been held in October as originally scheduled, so that does leave a large gap between meetings, and we do have one commissioner who can't be there, so moving it up to something that might be convenient, as was done with this meeting, might be the way to do it.

CHAIRMAN SIEGEL: Well, that's what I am suggesting. I just don't know whether we can set those now. We certainly do need to set a time by which everything must be submitted. If you want to change that to a sooner date than Ian proposed, we can certainly do that now.

MR. STEWART: I don't have a problem with it, other than if we're gonna submit it all in a couple weeks, then we're gonna wait six weeks to have a meeting, that makes no sense.

CHAIRMAN SIEGEL: No, no. I'm not suggesting that. I am suggesting that if we submit it let's
say the second week of October, week we can probably
try to have a meeting the third week of October. We
could schedule it that way, and then we could
especially keep our November meeting, but move
it -- agree on a date that might work for all the
members of the Commission.

MR. STEWART: That's fine.

CHAIRMAN SIEGEL: So how do you feel about
setting it for like the 10th of October to have it
submitted? That's a Wednesday.

MR. WOOLNOUGH: That doesn't even let the
harness meet finish their meet.

MR. S. REYNOLDS: I won't be here.

CHAIRMAN SIEGEL: No, no. That's for the
staff.

MR. S. REYNOLDS: For information.

CHAIRMAN SIEGEL: Not to have a meeting then.
They would submit to the staff their proposed dates.

MR. STEWART: How about the 15th of October?

CHAIRMAN SIEGEL: The 15th of October. I don't
have a problem with that, either. Then we could
perhaps set a meeting for that following week. What
time would you need between the 15th and the meet?

MR. LERMOND: Generally, the staff would like
to have things ten days prior.
CHAIRMAN SIEGEL: Well, is it possible to have the information prior to the -- well, you think you need until the 15th?

MR. STEWART: Well, obviously, we want to sit down with the horsemen and have some constructive conversations, and I imagine there'll be some back and forth. I'd like to accelerate the process, but I think there's a certain amount of time that we need.

MR. PETRAMALO: Well, I'm gonna be out of the country from October 12th through October 24th, so if you want to have some back and forth, it's gonna have to be before then or after then.

MR. STEWART: I guess we'll have to start sooner.

CHAIRMAN SIEGEL: Well, I have no problem setting those dates, and we could set a meeting for the first week in November, which would give staff enough time if you wanted to do -- you said the 15th? Is that the date you suggested?

MR. STEWART: That was the date I suggested.

CHAIRMAN SIEGEL: If we did the first week in November for the meeting, then that would give you time to be back.

MR. PETRAMALO: That's fine.
CHAIRMAN SIEGEL: All right. So you're suggesting the 15th of October to submit, correct?

MR. STEWART: Yes.

CHAIRMAN SIEGEL: Everybody good with that? Let's just go ahead and talk about an early November meeting. How about November 2nd? Does that appeal to everyone?

MS. DAWSON: That works for me.

MR. PETRAMALO: I won't be here. It's the Breeders' Cup in California.

CHAIRMAN SIEGEL: Okay. You're a lucky guy.

MR. PETRAMALO: I'll let you know how lucky I am when I come back. Anytime the next week -- any day the next week is fine, or the week after.

CHAIRMAN SIEGEL: Well, we could do -- How about Wednesday the 7th of November?

MR. STEWART: Okay.

MR. LAWS: That is the day after the election. I don't know if that affects the schedule.

MR. TROUT: Hangovers.

MR. S. REYNOLDS: Some will be happy, some will be sad.

CHAIRMAN SIEGEL: Wednesday, November the 7th. How does that work for a meeting for anyone? Any problems?
MS. DAWSON: That's good.

MR. PETRAMALO: That's good.

CHAIRMAN SIEGEL: At ten a.m.?

MR. STEWART: If you're gonna have the meeting on the 7th, then we back up ten days for the Racing Commission staff, and that would make the submission date on the 24th of October.

CHAIRMAN SIEGEL: You wanted to do it sooner rather than later, and he's gonna be out of town. Why don't you stick with the 15th? That gives you more time to get together, unless you don't think that's enough time.

MR. STEWART: Well, the point in submitting it on the 15th was that then we would add ten days for Dave and then have a meeting, but now we're gonna add 22 days.

CHAIRMAN SIEGEL: Well, we have conflicts in October, so we have to move it to the 1st of November.

MR. STEWART: I understand. I'm just saying that if you have the meeting on the 7th of November, there's no real need to submit it on the 15th of October.

You could have the meeting sooner. I'm just saying that we'd be ready to submit things on the
15th of October. That assumes that you could have a meeting ten days later, which you're saying you can't.

CHAIRMAN SIEGEL: Right.

MR. STEWART: So then the 15th of October really doesn't matter. Might as well give myself another week.

CHAIRMAN SIEGEL: Okay. All right, then. You pick it so we can move on.

MR. STEWART: We'll call it the 22nd.

CHAIRMAN SIEGEL: Let's do the 22nd. We'll meet on November the 7th at ten a.m., and then we will talk about a December meeting as well.

MR. PETRAMALO: Of course that means that you will get a submission from the horsemen no later than October 11th. I'm gonna be gone from the 12th through 24th.

CHAIRMAN SIEGEL: Is that a problem?

MR. PETRAMALO: No. That's fine.

CHAIRMAN SIEGEL: Okay. Do you want to set a December meeting while we're doing these? We could do perhaps December the 5th, which is a Wednesday.

MR. PETRAMALO: That's fine.

MR. D. REYNOLDS: I'm out of the country.

CHAIRMAN SIEGEL: How long are you out of the
country?

MR. D. REYNOLDS: I think I'll be back the 4th or the 5th.

MS. DAWSON: I'm not back until the 10th.

CHAIRMAN SIEGEL: You're not back until the 10th. You're gone until when? From when?

MS. DAWSON: November 9th.

CHAIRMAN SIEGEL: How about December 12th?

MS. DAWSON: That's good.

CHAIRMAN SIEGEL: Wow. Okay. Has everybody got those? Ten a.m. on November the 7th, and ten a.m. on December the 12th.

All right. Arduous, but done. Does that conclude your report?

MR. LERMOND: Actually, Mr. Chairman, I just had two quick things I wanted to mention that aren't on the agenda.

One is that Mr. Hettel wanted me to give you all an update on our quest for a new licensing system. I don't know if you're familiar we've been looking at a system provided by ARCI that is in the very final stages. They're just putting -- dotting the I's and crossing the T's on some reports.

We had a conference call where they actually took control of our computer and we could see the
different screens. Mr. Hettel actually got to see
the same thing from Kentucky.

We were all very, very enthused with
the new system. We think it's really gonna be a big
improvement over what we have, and we've actually
offered to ARCI if they wanted to send somebody up
here in October, November when things are slow, and
we could almost be like a test site for them to get
this thing up and rolling.

We'll have some employees that work full-time
for Colonial that will come in and get renewed
sometime in December normally. We could take that
small group of people and use it as a test to the
new system.

Bernie just wanted me to give you guys an
update. It's a really good sign, and we're really
looking forward to working with ARCI and having
this new system that's gonna be a huge improvement
over what we have right now.

MS. Dawson: Is there a cost associated with
this?

Mr. Lermond: That's the best part of that.
The only cost is the storage for the cloud. I'm not
that computer savvy, but there are clouds up there,
and they have information in them, and for $30 or
$40 a month, we'll be able to store our data in the cloud.

So again, it's one of those things that's almost too good to be true, and I keep pinching myself, but I really do think it's gonna be a big improvement, and we're looking forward to getting started with that, as soon as the live racing is over.

On the topic of live racing, I just wanted to introduce our presiding judge, George Hickman. For commissioners who have never seen George, George has been with us nine or ten years as a judge.

He actually served as a commissioner on the New Hampshire Racing Commission for six years or so. George has a lot of knowledge and experience, and we're lucky to have him as an employee. And that concludes my report, Mr. Chairman.

CHAIRMAN SIEGEL: Welcome, George.

All right. The next item is the action that we talked about with regard to the application for Paradocks. There was a staff report. Dave, I guess you and Joe Roney visited the site, and if you'd like to just give us a brief overview.

MR. LERMOND: Be happy to.

I think it was August 31st, the application was
brought over to our office by Colonial Downs. In this case, myself and Joe Roney, our director of licensing security, each went into our separate offices and reviewed it, and then we usually huddle up and discuss any concerns or anything we would put into the staff report.

I've got to tell you that we really didn't have any concerns at all. I think what we really shared was the optimism for this location.

We were very impressed with the location, the staff, the management. The facility itself is just -- I'm very hopeful that this is gonna be a good one, and as Jim alluded to earlier, Colonial did meet all the requirements for an application of this sort, and staff would recommend that the Commission approves this application. I'd be happy to answer any questions that the Commission would have, in addition to what was already discussed previously.

CHAIRMAN SIEGEL: Any questions from commissioners with regard to this application?

MS. DAWSON: Are there any other facilities located anywhere near the Paradocks?

MR. LERMOND: Wager facilities? There is the existing Chesapeake facility on Indian River Road,
and I think it was brought up earlier it may be four
or five miles away, but the two areas couldn't be
more different.

MS. DAWSON: Okay.

MR. LERMOND: When we visited the site on
Indian River Road, it's the same people that are
there, and I think the good thing about a venue like
this is you're gonna get new faces in there all the
time. They're gonna see the wagering going on and
hopefully will create some new fans, which is really
what this sport needs, is new fans in the game.

We are confident this will have that effect.

MR. S. REYNOLDS: I have a question.

Obviously, you all have the constraint of having ten
licenses to operate the satellite wagering
facilities. Is your model going forward maybe to
get out of the bricks and mortar part of it, and
then replace that with these new deals that you all
are doing with restaurants, or is the idea to go to
the General Assembly and try to increase that limit
of ten, and try to get that higher one day so that
you all can grow?

Because obviously, it's good growth
opportunity, but there seems to be a constraint with
the limit of ten right now.
MR. STEWART: We'd certainly like the ability to have more OTBs, and the ability to place them wherever we would like. I think that the days of significant capitalist expenditure to contract OTBs are over for Colonial Downs. So yeah, I think something along these lines is our future model.

That being said, if we were to be in a jurisdiction that justified a large expenditure, then it's possible that the company would do that.

But I think that there's no question, and I think you look at the rest of the industry, building these large stand-alone facilities in an era where wagering has become mobile and account wagering has become dominant, is probably not the best plan.

MR. S. REYNOLDS: All right.

CHAIRMAN SIEGEL: Other questions, comments from anyone?

NOTE: There is no response.

CHAIRMAN SIEGEL: All right. We need to take action here. Can we get a motion to approve?

MR. S. REYNOLDS: I'll make the motion.

CHAIRMAN SIEGEL: Second?

MS. DAWSON: Second.

THE COURT: All in favor?

NOTE: The Commission votes aye.
CHAIRMAN SIEGEL: No opposed. Okay, gentlemen, you have your approval.

MR. WEINBERG: Thank you very much.

CHAIRMAN SIEGEL: The next item is the refinancing of Jacobs Entertainment, and I'm gonna ask Jim to comment. There's a letter that Jim sent out that I imagine we all got. It was part of an attachment, so everyone has this letter, and we'll either ask questions or offer comments after you bring it forward.

MR. WEINBERG: Thank you. The request from Colonial Downs and Stansley Racing Corp. is really to preserve the status quo. Colonial Downs and Stansley Racing Corp. have been veering towards Jacobs Entertainment debt since 2002.

Periodically, those credit facilities are refinanced, the last one being in 2006. This facility, structurally, for JEI is slightly different, but for Colonial Downs will be very similar to the documentation it has signed, in that logistically, the lead bank for the existing bank is the same bank of the new credit facility, and they are using the same counsel, and so our expectation is that the documents Colonial Downs will be asked to sign will be very similar to the ones it signed
in 2006.

Namely, those documents are a security agreement, which pledges its assets to support its guarantees, and I should have started with the guarantees. A security agreement, deeds of trust for the property that Colonial Downs and related entities own, and in some instances, some lease hold interests as well.

The UCC statement, which is part of the security package, controlled deposit account agreements, which allow the bank to have security interest in bank accounts. To be clear, these are bank accounts that are the sole property of Colonial Downs. They are not purse accounts or the Thoroughbred Partner Account, or the Standardbred Partner Account; purely Colonial Downs.

That is called a perfection certificate, which outlines where all the collateral is and certifies that nothing has been left off the list.

The rationale for why this is important for Colonial Downs is Colonial Downs is heavily dependent on access to capital from Jacobs Entertainment. It could not borrow funds in its own balance sheet in the way and at the interest rates that Jacobs Entertainment has provided it.
What this has meant over the years is the funding or referendums, for the construction of satellite facilities and for general capital improvements that has come from capital provided by Jacobs Entertainment.

More recently, the capital relocated and installed additional lighting for the turf track came from Jacobs Entertainment. The capital needed to expand and develop the ADW kiosk and then to try to implement that strategy in restaurants throughout the state. Again, the capital was sourced from Jacobs Entertainment.

To remain eligible, Colonial Downs would simply continue doing what it is doing, and I'm happy to review the standard of review that this Commission, I think, has an obligation to look at.

It is not crystal clear in the statute. One of the best analogies, I think, is looking at what the Commission needs to look at. There was a change in the ownership of Colonial Downs.

Since this is somewhat of a change in the capital structure and looking up, that standard is, would this be detrimental to horse racing in Virginia, and I'd like to argue sort of the corners of this.
This is really in the best interest of horse racing in Virginia, in that it provides capital to the licensees that they otherwise would not have access to. It provides the opportunity for expansion.

Obviously, there is some risk. I don't think the risk that we're talking about in this credit facility is in any way significantly different from the risks of prior credit facilities. I'm happy to go in to more detail.

The existing facilities consist of some publicly traded notes, as well as some bank debt. This will be all bank debt, and that will be redeemed and that bank debt is being used for a variety of sources, most of which is used to increase assets that can produce revenue. Part of it is used to fund an acquisition. Others are being used for capital projects and working capital throughout the Jacob's Entertainment organization, which obviously includes Colonial Downs as well.

MR. S. REYNOLDS: Can I ask a question?

MR. WEINBERG: Absolutely. No, no. Please interrupt.

MR. S. REYNOLDS: So with the retirement, it's $275 million, and with the new facility, is that --
maybe I'm reading it wrong, but is that gonna be $410 million?

MR. WEINBERG: It's up to 410, that's correct. About 56 of that is used for acquisition of what I would call income-producing assets. Of that, that leaves about a $74 million balance; 64 million is for working capital purposes, which I think, again, is being devoted to increasing revenues, and about ten million is coming out as a dividend to shareholders.

MR. S. REYNOLDS: My next question is --

CHAIRMAN SIEGEL: Wait just one second. Are you finished yet, or are you still going? I'd like to hold the questions until Jim's finished, because I think that many of us have questions.

MR. S. REYNOLDS: I wanted to wait, too, but I thought maybe --

MR. WEINBERG: Oh, no. Feel free to interrupt me. I've covered the substance.

CHAIRMAN SIEGEL: You may cover what my questions are later on.

MR. S. REYNOLDS: I'm sorry.

CHAIRMAN SIEGEL: That's all right. I just think we should get through that.

MR. WEINBERG: In all candor, I have covered
the salient points, so I think it would help in this
dialogue to really focus the discussion on the
matters you have questions about.

CHAIRMAN SIEGEL: All right, so you don't have
comments on the last couple of pages? That's fine.
Sorry.

MR. WEINBERG: Candidly, I'm assuming everyone
has read the letter. I'm happy to review the
letter, but I was --

CHAIRMAN SIEGEL: Yeah.

MR. S. REYNOLDS: I just noticed there's a deed
of trust from Henrico County and Richmond on the
same piece of property, so the property line must go
down the middle of the property?

MR. WEINBERG: Yes. We pay taxes in both
jurisdictions. That's in both jurisdictions.

MR. S. REYNOLDS: That's all I've got.

CHAIRMAN SIEGEL: Questions from anyone else?

MR. TROUT: I just have a couple, Mr. Chairman.
One of them is, does this substantially change the
actual obligation of Colonial Downs? In other
words, is it gonna end up being obligated on more
debt or anything that it has now?

MR. WEINBERG: It could be obligated on a
higher amount of debt.
MR. TROUT: Higher amount because it includes the other facilities, the new facility coming in?

MR. WEINBERG: Just because of the amount of the borrowing of Jacobs Entertainment is greater than the existing facility.

MR. TROUT: What about the amount of collateral? Is it the same collateral that's being put up that's already obligated now?

MR. WEINBERG: That's correct.

MR. TROUT: You indicated something about a risk because you're dealing with actual income-producing operations, as opposed to, I guess, some government paper? Is that what you had?

MR. WEINBERG: No. My point was this: That if you're gonna increase debt and therefore increase your obligation to repay principal and pay more interest because the debt is higher, that are you digging -- are you putting -- increasing the risk of default?

My argument is, well, you're using the funds to acquire income-producing assets that hopefully are going to far exceed in revenue generation the principal in interest payments, and generates more profits for the organization and build a stronger balance sheet.
I think it's important to look at how the funds are being applied, rather than just looking at the absolute dollar number and saying, well, the current facility was $310,000 and this one's gonna be $410,000.

MR. TROUT: Okay. Thank you.

MR. WEINBERG: Million dollars. I'm sorry.

MR. TROUT: I had no trouble with that.

CHAIRMAN SIEGEL: The existing line of 275, is that what's owed on it today?

MR. WEINBERG: That's what is outstanding.

CHAIRMAN SIEGEL: And Sarge pointed out going to 410.

MR. WEINBERG: I have to tell you I have not seen the credit agreement draft yet. I don't know if it's eligible to borrow all 410 on day one. Frequently, there are facilities that the eligibility to draw down has conditions placed in the agreements.

CHAIRMAN SIEGEL: I think it's important to note that in the event of a default, the bank could own this race track, but we would have to approve that transfer, and likely wouldn't. I mean in my view.

But I think it's important that everyone
I understand that's the case, and as far as the use of the proceeds from here, I think they plan to open a casino and pay a dividend to Jacobs' investment as well. That's my understanding. Right?

MR. WEINBERG: And acquire another management.

CHAIRMAN SIEGEL: And acquire another.

MR. WEINBERG: Yes.

CHAIRMAN SIEGEL: I think it's in your letter you mentioned that failure to approve this would impede Colonial's ability to grow live racing, so I think some of us are hopeful that by approving this would give you the ability to grow live racing. So I just needed to make that comment.

MR. S. REYNOLDS: Absolutely.

CHAIRMAN SIEGEL: Is there any other questions or comments? Any question or comments from the public?

NOTE: There is no response.

MR. WEINBERG: I appreciate you highlighting that if there was a foreclosure, then the bank is governed or whoever holds the security interest is governed by racing statute, which provides for the Commission to approve anyone requiring a substantial interest in Colonial, so that is an important concept to bear in mind.
CHAIRMAN SIEGEL: Yes. I don't think any of us, at least on this side, know the value of this facility, but I have a question whether it's worth $410 million, but it's up to the lender to determine that, and not us, I would suspect.

Any other questions? Questions of staff?

NOTE: There is no response.

CHAIRMAN SIEGEL: Is everyone comfortable approving this action? If so, we'll entertain a motion.

MR. S. REYNOLDS: So moved.

CHAIRMAN SIEGEL: And a second?

MR. TROUT: Second.

MS. DAWSON: Second.

CHAIRMAN SIEGEL: Hearing no objection, we'll approve this refinancing.

MR. WEINBERG: Thank you very much.

CHAIRMAN SIEGEL: Okay. While it's not part of the agenda, I think the Commission would be interested in knowing, or at least hearing an update, on the Standardbred meet which is in existence now. Ian, you're, I guess, here representing the Standardbred folks. Would you like to comment?

MR. WOOLNOUGH: Well, I talked to Tom this
morning. He could not be here. He's running a 

horse in the first race, so he's kind of busy.

From a racing point of view, the racing is 

very, very good. From the horse population, it's 

not. Primarily, that is due to the fact that we 

started two weeks earlier than we normally do, and a 

lot of the other states have sire programs and state 

races and they were not over. They were over on the 

17th, so we started to have horses coming in now, so 

we're a little better off on that.

Attendance is slightly up, and I use the word 

slightly. People can come back and say, well, we 

had the fair. Well, we had it last year also. 

We've got people coming out. The betting 

(inaudible) is okay. Where we're suffering there is 

that last year when we ran in the evening, we had 

approximately nine hours of simulcast time. Right 

now, we've got four, if we're lucky.

Our races finish around four o'clock, and it's 

cut right there. I mean right in the middle of 

Belmont program, you shut it down and go home, so 

our people don't get to bet anymore. So that's a 

big -- if you look at the numbers on the simulcast 

over here, it's serious.

Right now, we only take five or six signals.
Last year, we had 15. It's a big difference there. One o'clock post time, which we are doing right now, people taking our signal. Again, I have been asking for the report on exactly who is, and Mr. Stewart says I can have it now. I haven't had it before.

They're not taking us and I don't know why. I could understand why someone like Belmont wouldn't take us; they're busy doing their own thing. There are harness tracks out there that should be taking us and I want to know why. Again, one o'clock is a hard time to get that signal. Those are things that we have to look at.

From the racing point of view, it's doing well.

MR. STEWART: I have a couple of thoughts. I have to take issue with a couple things Mr. Woolnough said.

MR. WOOLNOUGH: Okay.

MR. STEWART: We ran at one o'clock last year as well, and started a week earlier this year. We have never taken 15 signals that I can possibly imagine in the last four or five years.

MR. WOOLNOUGH: Want me to bring the book in?

MR. STEWART: You had your turn to talk. Now it's my turn. You know, there's the numbers. I
think they speak for themselves.

Last year, we're talking apples to apples for eight days running the same post time. Our out-of-state handle for eight days combined was 663,000; this year, it's 377,000. It's down 43 percent.

Attendance is up slightly. There's no question about that. The fair had a better year because it rained last year for two days and this year it didn't rain.

Live handle last year was $137,000 for eight days; this year, it's $108,000, down 21 percent. Simulcast last year 55,000; this year, it's 41,000. Down 25 percent. Last year, we had just under eight horses to race for the eight days; this year, we have just under seven horses to race.

That's an apples to apples comparison.

CHAIRMAN SIEGEL: The only difference is we ran a week earlier last year.

MR. WOOLNOUGH: We started the 17th last year.

CHAIRMAN SIEGEL: You started what day this year?

MR. WOOLNOUGH: The 5th.

MR. S. REYNOLDS: What about the nine-hour signal, versus the four-hour signal? Did that
happen last year also?

MR. STEWART: We ran it the same way.

MR. WOOLNOUGH: No, we didn't.

MS. BOUZEK: Yes, we did.

MR. WOOLNOUGH: No, we didn't.

MS. BOUZEK: We ran at one o'clock.

MR. WOOLNOUGH: I'll bring you the book in.

I'll bring the book in and show you the signals.

MR. S. REYNOLDS: You said something about having a simulcast signal for nine hours.

MR. WOOLNOUGH: They came on at 12:00 o'clock, and they show night tracks also. The numbers I get from Colonial.

MR. S. REYNOLDS: You're saying Colonial Downs is now shutting down at four and kicking everybody out of their seat?

MR. WOOLNOUGH: Right now, our races finish, go off at four o'clock. Our races finish here about four o'clock or 4:10, something in that neighborhood, and right after that, they close. There's nothing.

CHAIRMAN SIEGEL: And last year, you're saying they stayed open?

MR. WOOLNOUGH: I have the number.

CHAIRMAN SIEGEL: You're saying it didn't close
the same time last year?

MS. BOUZEK: What happens after you race live racing is you wait around to see the dates for simulcast. It's not like we say live racing is over, please leave the building.

There's nobody there to -- of course, there's the same one or two or three or four people that are there. We didn't take any night tracks. There's no way we took night tracks, because then you have to get a whole new decoder schedule and pay twice as much in decoders.

MR. S. REYNOLDS: Is it different on weekends? I know you get a few more people here on weekends.

MS. BOUZEK: If there's people here to wager, they wager. We don't take any night tracks. Dave, you approved the schedule. Jeff had to leave because he's got racing now, but...

CHAIRMAN SIEGEL: Do you have any comment, Dave?

MS. BOUZEK: Other than the fair, the weekend of the fair, which that would go to nine o'clock at night.

MR. LERMOND: The Commission approved the tracks on the schedule, but we don't dictate their business hours, as far as how long they have to stay
open or not.

CHAIRMAN SIEGEL: Well, I would just comment
that -- You close when?

MR. WOOLNOUGH: We close the last race here the
14th.

CHAIRMAN SIEGEL: Okay. Well, I think in the
future, I think you guys need to get together and
make sure everybody understands clearly in advance
what will be done, and then so everyone can meet
their own obligations.

Anything else on Standardbred races at the
moment?

NOTE: There is no response.

CHAIRMAN SIEGEL: Hearing none, we offer any
comment from the public. Anybody from the public
that would like to make a comment, public
participation?

NOTE: There is no response.

CHAIRMAN SIEGEL: Otherwise, our next meeting
is set for November the 7th at ten a.m. Any
comments or a question from any of the commissioners
before we close?

NOTE: There is no response.

CHAIRMAN SIEGEL: We will not have a closed
meeting today. We determined that we didn't need
one today. We may have one at the November 7th meeting. We will have to determine that at that time.

MR. TROUT: Mr. Chairman, this is not really a part of the business, but I was asked by one of our supervisors here in the county having a concern with people abandoning horses.

Normally, when you abandon dogs and cats, Animal Control takes over. Horses are a different matter altogether, so if anyone is aware of facilities that take in orphaned horses or some solution to the problem, I'd appreciate information on that and I'll pass that on to the county. Thank you.

CHAIRMAN SIEGEL: Okay. If there's no more business to come before this Commission, we're free to adjourn. Thank you, Ladies and Gentlemen.

NOTE: The hearing is adjourned at 12:12 p.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 30th day of November, 2012.

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SANDRA G. SPINNER
COURT REPORTER