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VIRGINIA RACING COMMISSION

JULY 20, 2010

10700 Horsemen's Road

New Kent, VA 23124

Commencing at 9:43 a.m.

COMMISSION MEMBERS:

Peter C. Burnett, Chairman
I. Clinton Miller,
Mark T. Brown

COMMISSION STAFF:

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

ATTORNEY GENERAL'S OFFICE

Amy K. Dilworth

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1 MR. BURNETT: Good morning. We'll bring this
2 meeting to order. Sorry we're getting a late start. Two of
3 our commissioners are out of town today.

4 We'll start with approval of the minutes of the
5 regular meeting on May 25th, Tab One. Have you gentlemen
6 had a chance to look at those notes?

7 Changes or amendments or any sort of corrections?

8 MR. BROWN: I don't have any.

9 MR. BURNETT: All right. Then do we have a motion
10 to approve?

11 MR. MILLER: I do.

12 MR. BURNETT: The Chair seconds. All in favor
13 indicate by saying aye.

14 NOTE: All indicated by saying aye.

15 MR. BURNETT: All right. Item 2, Commissioner's
16 Comments. Any comment, Mr. Brown?

17 MR. BROWN: Yes, we had a Standardbred
18 Subcommittee meeting earlier this month, and we decided
19 that -- or put together the available funds for the sire
20 stakes this year and for the administration of VHHA, and it
21 looks will like the payments for the sire stakes this year
22 will be comparable to what they were last year. We are
23 going to have some short fields this year. The following
24 year we should have more eligible to our program, and I
25 would like to make a motion that we approve the \$150,000

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1 towards purses through our organization and the remaining
2 money would be made up by the VHHA.

3 MR. BURNETT: Your motion is to recommend spending
4 \$150,000 towards the Virginia-bred stakes races?

5 MR. BROWN: Correct.

6 MR. BURNETT: And then another \$15,000 for the
7 2010 breeder's awards?

8 MR. BROWN: Right, and then keep approximately
9 \$50,000 for reserve in the future, if necessary.

10 MR. BURNETT: The Chair seconds. Any discussion?
11 I have a question, Commissioner Brown.

12 MR. BROWN: Sure.

13 MR. BURNETT: Paragraph two of your report about
14 the short fields --

15 MR. BROWN: Right.

16 MR. BURNETT: Just to be clear, the issue is
17 not one of regulations permitting or not permitting short
18 fields; it's a matter of availability of horses?

19 MR. BROWN: Yes, it's deemed that there were so
20 few bred eligible horses for this year.

21 MR. BURNETT: And so your thought is that based
22 on the survey of the owners and breeders that we're going to
23 see more two year-olds next year, there won't be these short
24 fields?

25 MR. BROWN: Correct, once we've boosted the

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1 purses --

2 MR. BURNETT: Got you.

3 All right. Any other questions of Mr. Brown?

4 All right. All in favor of approving the
5 Standardbred Breeder's Fund Subcommittee's recommendation as
6 set forth by Commissioner Brown, indicate by saying aye.

7 NOTE: All indicated by saying aye.

8 MR. BURNETT: The motion carries unanimously.

9 we'll move to the Executive Secretary's report.

10 Mr. Harrison?

11 MR. HARRISON: Yes. Thank you, Chairman Burnett.

12 The first item I have for you is the revised or
13 amended Thoroughbred Racing Officials List, and you can find
14 that under Tab 4 in the booklet. In it, there were three
15 changes, one of which occurred just prior to the opening day
16 and two of which occurred during the second week of the
17 Meet.

18 On Tab 3, I'm sorry.

19 MR. BURNETT: Yes, I was looking at the
20 Standardbreds thinking I missed a Meet.

21 Got you.

22 MR. HARRISON: So I would ask that you approve
23 that.

24 what happened there with the licensee veterinarian
25 is that Dr. Hefner remained in private practice and Mitzi

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1 Fisher was brought in to be the licensee veterinarian, and
2 then Tracy Campola left her position as Program Coordinator,
3 and they moved Beth in to take her place and then hired Eric
4 to take Beth's place.

5 MR. BURNETT: I take it these folks are otherwise
6 qualified, et cetera, to the extent you can check out their
7 credentials?

8 MR. HARRISON: Yes, they are.

9 I don't know if you want to add anything.

10 MR. LERMOND: No, everybody's either been
11 through the University of Arizona school or has worked as an
12 officiant previously in this jurisdiction or others.

13 MR. BURNETT: Is it Beth Wilterstorm (phonetic) or
14 Witherspoon?

15 MR. HARRISON: Witherspoon.

16 MR. BURNETT: That should be a T?

17 MR. HARRISON: Yes.

18 MR. BURNETT: Thank you.

19 And do you need a motion from the Commission on
20 that approval?

21 MR. HARRISON: I would ask that the Commission
22 approve this amended list, yes.

23 MR. BURNETT: Is there any potential it will be
24 amended again between now and the Meet, if anybody knows?

25 MR. HARRISON: No.

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1 MR. BURNETT: Not likely?

2 MR. HARRISON: No.

3 MR. BURNETT: Do we have a motion to approve?

4 MR. BROWN: I'll make a motion to approve it.

5 MR. BURNETT: Mr. Brown makes a motion to approve
6 it. Do we have a second?

7 MR. MILLER: Second.

8 MR. BURNETT: All in favor indicate by saying aye.

9 NOTE: All indicated by saying aye.

10 MR. BURNETT: The list of officials for the
11 Standardbred Meet in 2010 is approved as submitted.

12 MR. HARRISON: Thank you, Mr. Chairman.

13 By the same token, the Standardbred Racing --

14 MR. BURNETT: I'm sorry if I said Thoroughbred, my
15 bad. Sorry.

16 MR. HARRISON: The Standardbred Racing Secretary
17 has submitted his list of racing officials, and these names
18 are familiar to us, some of whom are in the room with us
19 here today, and I would ask that the Commission approve this
20 list, and if it comes up again, since there are several
21 weeks before the start of the Harness Meet, I'll come back
22 to you with any amendments or additions. But at the very
23 least, we'll be in compliance if we act on this item today.

24 MR. BURNETT: All right. Any questions of
25 Mr. Harrison on this particular list?

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1 Do we have a motion to approve?

2 MR. BROWN: Yes, motion to approve.

3 MR. MILLER: Second.

4 MR. BURNETT: Moved and seconded.

5 All in favor of approving the Standardbred
6 officials List of 2010, indicate by saying aye.

7 NOTE: All indicated by saying aye.

8 MR. BURNETT: Sorry for the confusion on the prior
9 list.

10 MR. HARRISON: The final item I have is the final
11 order for the Standardbred Meet, and that's -- for your
12 reference, this was approved at our last meeting, and it
13 lays out the number of live racing dates, 28. The beginning
14 date is the 17th of September; the ending date is November
15 6th of 2010, and the general starting times of Saturday,
16 Sunday, Friday. I'm sorry, Saturday, Sunday, Tuesday, and
17 Wednesday. The Saturday date starting time should be 5:00
18 p.m. and the other dates are 1:00 p.m. There are exceptions
19 in the opening week and the closing week, but --

20 MR. BURNETT: The closing week having eight days,
21 two Saturdays?

22 MR. HARRISON: The closing week, right, being
23 comprised of no weekdays other than Friday.

24 MR. BURNETT: Saturday, Sunday, Friday, and
25 Saturday?

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1 MR. HARRISON: Eight days a week.

2 MR. BURNETT: There you go. But you're of that
3 era.

4 MR. HARRISON: That's correct. I'm prone to that.

5 MR. BURNETT: And this does not require approval,
6 correct?

7 MR. HARRISON: No, it doesn't, no.

8 MR. BURNETT: All right. Anything further,
9 Mr. Harrison?

10 MR. HARRISON: No, unless there's some other
11 discussion relating to any of these items, but that's my
12 report for today.

13 MR. BURNETT: Thank you.

14 we'll move to item five, Stakeholders, Colonial
15 Downs Update on the 2010 Thoroughbred Meet.

16 MR. STEWART: Thank you, Commissioners.

17 we've completed 38 days of our 40-day Meet.
18 Thanks to Mr. Petramalo, I have the statistics through yes-
19 terday; I thought I had it through Sunday, but through
20 yesterday, our attendance is down a little bit. It's down
21 about 12 percent, give or take. A lot of that is due to the
22 switch from Fridays to Wednesdays. I think overall, that
23 was a successful move on our part. We knew the attendance
24 would go down a little bit, and the Wednesday attendance has
25 been pretty good.

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1 On-track wagering -- overall wagering is up about
2 \$2.4 million, roughly eight and a half percent. What we're
3 seeing here is the on-track wagering is down about 16 per-
4 cent, but out-of-state is up primarily because of the boy-
5 cott last year by TrackNet Media. The horses per race are
6 down to seven and a half, which was -- they were about 8.9
7 last year, and the overall purses, the overnight purses are
8 down about seven percent, which was is basically how it was
9 written.

10 We had the Virginia Derby on Saturday. The
11 overall attendance was down about a hundred people, but the
12 overall wagering was up slightly. I was very encouraged by
13 the \$10 promotion. You could see all the tents going around
14 the turn out there. I think that promotion has been pretty
15 successful.

16 We had 1250 people, which was twice what we had
17 last year, and we need to expand that some more next year.

18 So, you know, we did okay.

19 MR. BURNETT: I will say I was particularly
20 impressed by the stream of folks going into that Hooters On
21 the Hill component of the attendance. They were blocking
22 the parking lot going in there. Long lines, lots of coolers
23 and beach chairs and all the rest.

24 MR. PETRAMALO: That was not without its problems
25 though. I registered this complaint the other day with Mr.

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1 Stewart: Four Hooters girls came charging through a door
2 and just about knocked over an old guy, the old guy being
3 me, and I took appropriate action.

4 MR. BURNETT: I'm glad you survived, Frank.

5 MR. PETRAMALO: Whatever is necessary for the
6 cause.

7 MR. BURNETT: Of course I'd be curious to know how
8 Mr. Stewart intended to remedy the problem.

9 MR. STEWART: As long as Mr. Petramalo is
10 satisfied.

11 MR. BURNETT: One question I always have, because
12 I think sometimes gross handle numbers can be a little mis-
13 leading given that some are eight-cent dollars and some are
14 -- for purposes of purse, they're eight-cent dollars, for
15 purposes of track, they're 20-cent dollars. Some are
16 three-cent, four-cent, five-cent depending how the signals
17 sold and what's negotiated. Do you do any kind of an analy-
18 sis of looking at what the year-against-year analysis of the
19 track's take-out dollars versus gross numbers are?

20 MR. STEWART: Yes, I mean --

21 MR. BURNETT: Was that up or down? I guess that's
22 the question.

23 MR. STEWART: That's kind of how we keep score.

24 MR. BURNETT: I would think in the end your
25 accounting background would almost require it.

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1 MR. STEWART: Yes, you know, when you're trading
2 out-of-state dollars for in-state dollars, you kind of lose
3 it on the transaction. But, you know, our on-track dollars
4 were down I think about \$40,000, so, you know, eight per
5 cent, that's \$3200. I think our out-of-state was up a
6 couple hundred thousand dollars or a hundred thousand dol-
7 lars or something like that, so when you sort it all out, it
8 was pretty much a push.

9 MR. BURNETT: Okay. That's my question. You
10 were up eight and a half percent on overall handle in terms
11 of --

12 MR. STEWART: Oh, you mean just Derby, or total?
13 I was talking Derby.

14 MR. BURNETT: Oh, no, I'm sorry, I was thinking
15 more overall handle of 2.4 million or eight and a half per-
16 cent overall, how did that end up in terms of net take-out
17 dollars or whatever way you want to analyze it?

18 MR. STEWART: We're probably just slightly behind
19 in that transaction.

20 MR. BURNETT: So that really represents a shift
21 in in-state versus out-of-state dollars or signal sales, is
22 that fair? Not signal sales I guess --

23 MR. STEWART: Well, I guess there's a couple ways
24 to look at it. If you look at the last five or six years,
25 there's no question that the out-of-state handle has de-

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1 clined significantly, and you also look at purses. The
2 purses have gone down and the horses per race have gone
3 down. So, you know, I'm not here this morning to draw any
4 conclusions on that, but I'll just point that out to you.

5 The on-track product or the attendance at the
6 track, I'm not sure that's driven so much by the same
7 factors that drive the out-of-state count. I think attend-
8 ance at the track, which drives the on-track count, that's
9 the biggest driver of the on-track count, is more of a
10 factor of weather, you know, what promotions we're running,
11 what the competition is.

12 You know, when we look at some of the things we
13 did this year, you know, it's like everything else: You can
14 take a look at a number of things, some will work a little
15 better than others. I thought we'd do a little better on
16 Memorial Day than we did, and I was a little disappointed in
17 the Turf Cup. On the other hand, I thought even though the
18 numbers were down on July 4th, nobody had to wait three
19 hours in the parking lot to get out. We had kind of a lit-
20 tle carnival afterwards, and I think that was real success-
21 ful. I think that's something we can do again in the fut-
22 ure.

23 Next year -- I don't think anybody anticipated
24 the Monday-Tuesday out-of-state handle would decline. I
25 mean it's about half of what it was two years ago. Of

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1 course on the flip side, you know, wednesday's done very
2 well. So it sort of I guess leads me to believe that next
3 year, we're probably better off running wednesday, Thursday,
4 Friday. Maybe Monday-Tuesday has sort of run its course.

5 Initially, we were successful on Mondays and
6 Tuesdays because there weren't a lot of people out running
7 against us. Well, maybe the public has gotten tired of not
8 having anything to bet on so they're not showing up on Mon-
9 days and Tuesdays anymore. So, I mean it --

10 MR. PETRAMALO: Well, also there's a lot more
11 competition on Monday-Tuesday. It looks like everybody has
12 kind of cracked the code.

13 MR. STEWART: That could be true.

14 But clearly, to run Mondays and Tuesdays and only
15 get four or 500,000 out-of-state is not -- I think we can do
16 better on Thursday and Friday.

17 MR. BURNETT: But overall, you were -- I thought I
18 heard you say you were up out-of-state?

19 MR. STEWART: We are.

20 MR. BURNETT: But that's compared to last year,
21 not necessarily compared to the year before?

22 MR. STEWART: Well, remember, last year we were
23 subjected to a boycott.

24 MR. BURNETT: Understood.

25 MR. STEWART: I think that's probably off

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1 30 percent from even the year before that. If you're going
2 to compare 2010 to 2008, it's still down substantially.

3 MR. BURNETT: It is still down substantially?

4 MR. STEWART: Oh, yes.

5 MR. BURNETT: Okay. Fine.

6 But I mean when you throw in the boycott
7 circumstance of last year, it requires an asterisk to make
8 decent meaning out of the numbers and trends because that
9 had an impact, and comparing it to last year versus a
10 quote-unquote typical year, it's a different breed of cat.
11 That's all I'm saying.

12 MR. STEWART: No, I understand.

13 MR. BURNETT: I'm assuming we're not going to
14 see TrackNet boycotts every other year, and that hopefully
15 is behind us so that we can have some consistency to build
16 on. All I'm looking at is what does this tell us aside from
17 the boycott circumstances?

18 MR. STEWART: Well, I think you have to -- I
19 think we have to take a hard look in the mirror. You know,
20 clearly a product that has seven and half races -- I mean
21 seven and a half horses in the race is a different product
22 than a product that has nine. I didn't check, but I believe
23 it wasn't all that long ago we averaged ten.

24 MR. BURNETT: Pretty close.

25 MR. STEWART: So those are two different products,

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1 and maybe they aren't selling quite the same.

2 MR. BURNETT: I heard that per se sentiment from a
3 well-regarded trainer this morning.

4 Any other questions of Mr. Stewart, gentlemen?

5 I might use this opportunity to ask you a couple
6 of questions about ADW activity.

7 MR. STEWART: Fire away.

8 MR. BURNETT: You've seen this?

9 MR. STEWART: Uh-huh.

10 MR. BURNETT: It looks like Finn McCools is a
11 pleasant and positive experience so far.

12 MR. STEWART: It is doing very well. It's
13 performing probably a little better than we anticipated.
14 Now we're coming into sort of -- sort of a -- you know,
15 business isn't quite as good from here on out for a while.

16 MR. BURNETT: I'm thinking that Finn McCool's has
17 been open a little less than 60 days, is that fair?

18 MR. WEINBERG: From right before the Kentucky
19 Derby.

20 MR. BURNETT: Right. So I didn't take out my
21 calculator, but it looks like it's performing some place
22 between Scott and Vinton on an annualized basis, no?

23 MR. STEWART: Well, Finn's is doing roughly
24 \$150,000. I mean the May numbers are kind of exaggerated
25 because of the Triple Crown, but I think it will ultimately

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1 average out somewhere in the \$150,000-a-month range. That's
2 a model that we can be successful with if we have a lot of
3 them.

4 MR. BURNETT: Right. I mean I assume -- I don't
5 think we need to be rocket scientists to appreciate the
6 difference in cost to put that -- open a facility like that
7 versus what it costs to open a standard sticks-and-bricks
8 Scott or Martinsville or any place else, so that Martins-
9 ville has got to do much better than that.

10 The other thing that I noticed, when it comes to
11 our betting friends in Virginia at all of the sticks-and
12 bricks locations, all of our OTBs, it appears that our
13 Virginia veterans lose a little bit of money. When you go
14 down into the ADW companies, the patrons of Twinspires,
15 Youbet, and XpressBet all seem to make a little bit of money
16 on average as a group. And then EZ Horseplay and TVG lose
17 some. Any explanation for that? I'm just curious what --
18 is the ADW bettor more sophisticated or beating the crowd
19 somehow? Or am I missing something here? I'm just curious
20 if you can help me.

21 MR. STEWART: I quite honestly do not have a good
22 explanation for that.

23 MR. BURNETT: Okay. I just noticed it. And I
24 would just point out to anybody that's interested that
25 Virginia ADW bettors are making money against its counter-

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1 parts in other states, and sticks-and-bricks bettors don't.
2 Some day we'll figure that out maybe.

3 Any other questions about numbers? And I should
4 have asked whether Deputy Dave has any explanations for it
5 or any answers for my questions.

6 MR. LERMOND: I think you were very close when
7 you said the sophistication of the bettors that use ADW. I
8 think there's not newcomers in there, you know, people that
9 just come out to the track and they pick their spots.

10 XpressBet, for example, the bettors at XpressBet
11 in Virginia do very well in Maryland, Delaware, Pennsyl-
12 vania. They seem to have a feel for the tracks that are
13 local to this area. So I think it's a combination of those
14 things.

15 MR. BURNETT: Okay.

16 MR. HARRISON: An old friend of mine has been
17 handicapping for 60 years. He particularly looks forward to
18 the Triple Crown events and the Breeder's Cup Races because
19 he refers to that as an opportunity to take what he calls
20 the "mug" money -- these people who really are not very
21 sophisticated at all and are there because it's an event,
22 and he wants to take their money. And I think a lot of
23 people who play ADW and receive rebates and make it more of
24 a business, more serious about it, they do better and
25 they're typically your ADW player. They go to the track,

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1 but they also have ADW.

2 MR. STEWART: And just to be clear on this, I
3 don't think these people are actually ahead. They just are
4 ahead of the take-out money.

5 MR. LERMOND: That's correct.

6 MR. BURNETT: So they may still be a few points
7 down from a hundred percent return?

8 MR. STEWART: Yes, they're about 18 percent down.

9 MR. BURNETT: They might be getting an 82 percent
10 return? Okay.

11 MR. STEWART: But there's no question that there's
12 a difference.

13 MR. BURNETT: All right. Any other questions?
14 Anything further from Colonial Downs?

15 well, thank you. Next comes the public
16 participation. well, let me stop. Section five, the Stake-
17 holders are not only Colonial Downs; do the Horsemen have
18 anything they would like to add?

19 MR. PETRAMALO: No, I don't think so.

20 MR. BURNETT: Okay. Thank you.

21 Public participation. Does any member of the
22 public wish to address the Commission? Now's the time.

23 All right, seeing none, our next meeting is here
24 in this building on August 24th, 2010, at 9:30. Is that
25 okay with the Commissioners who are here?

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1 MR. BROWN: Yes.

2 MR. MILLER: Yes.

3 MR. BURNETT: We are going to go into a brief
4 closed meeting on a personnel matter. I will read the
5 motion.

6 Pursuant to Virginia Code Section 2.2-3711 (A)(1),
7 I move that the Commission be in closed meeting for the pur-
8 poses of discussion and consideration of the performance of
9 specific employees of the Commission.

10 Do I have a second?

11 MR. BROWN: Second.

12 MR. BURNETT: Moved and seconded. All in favor,
13 indicate by saying aye.

14 NOTE: All indicated by saying aye.

15 MR. BURNETT: All right. We're going into closed
16 session. Thank you.

17 NOTE: The Commission goes into closed session at
18 10:08 a.m. and reconvenes in open session at 10:49 a.m. as
19 follows:

20 MR. BURNETT: I hereby certify that pursuant to
21 Virginia Code Section 2.2-3712 that to the best of each
22 member's knowledge, (i) only public business matters law-
23 fully exempted from open meeting requirements under this
24 chapter and (ii) only such public business matters as were
25 identified in the motion by which the closed meeting was

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1 convened were heard, discussed or considered in the meeting
2 by the Commission.

3 This is a rollcall vote. Mr. Brown?

4 MR. BROWN: Aye.

5 MR. BURNETT: Mr. Miller?

6 MR. MILLER: Aye.

7 MR. BURNETT: The Chairman votes aye.

8 That concludes our closed session, and Mr. Brown,
9 do you have a motion for adjournment by any chance?

10 MR. BROWN: I move to adjourn.

11 MR. BURNETT: The Chair will second.

12 All in favor, indicate by saying aye.

13 NOTE: All indicate by saying aye.

14 MR. BURNETT: We are adjourned.

15 NOTE: The meeting is adjourned at 10:50 a.m.

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MEETING ADJOURNED

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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 proceedings 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 July, 2010.

ROY GARRISON WOOD
REGISTERED PROFESSIONAL REPORTER