

APPROVED

CORRECTED

VIRGINIA RACING COMMISSION

MINUTES

OF

COMMISSION MEETING

DECEMBER 15, 2004

STATE CORPORATION COMMISSION
TYLER BUILDING, COURTROOM B
1300 EAST MAIN STREET
RICHMOND, VIRGINIA

In Attendance

Commission Members:

Anne D. W. Poulson, Chairman
Peter C. Burnett, Vice Chairman
Mark T. Brown
Dr. George W. Rimler

Commission Staff:

Stanley K. Bowker, Executive Secretary
David S. Lemond, Jr., Director of Pari-Mutuels
Marvin A. Sniegon, Director of Financial Management and Planning

Attorney General's Office:

Teresa Griggs

At 9:50 a.m., Chairman Poulson called the meeting to order.

Mr. Bowker stated that a paragraph needed to be added to the November 12, 2004 minutes. Approval of these minutes was deferred until the January 2005 meeting.

Chairman Poulson reported that she, Commissioner Rimler, Mr. Bowker and Mr. Lermond attended a symposium at the University of Arizona. There was wide-ranging discussion on what is happening in the horse racing industry and the world-wide market. Chairman Poulson stated the feedback she received from the meeting was that Virginia is creating a good niche with its summer turf meet and, unlike a number of states, is growing race days in a steady, responsible manner consistent with available purse funds, instead of reducing live races due to lack of funding for quality racing.

She reported that at the RCI and NAPRA meetings, there was considerable discussion on tote standards, model rules and the budgets. Also, Lonny Powell is leaving as President of RCI and a search is underway for his replacement.

Commissioner Rimler reported that at the meeting in Arizona there were many displays of the latest state-of-the art equipment for horse wagering facilities. He stated that he hoped Colonial Downs will make a commitment to provide state-of-the-art equipment in its new satellite facilities because he does not believe current facilities have the latest technology.

Chairman Poulson reported on the Eastern States Racing Commissioners meeting in November that was held at Colonial Downs. She described the group's purpose is to promote uniformity and consistency in the regulation of the industry. Those attending were very impressed with the facility and she thanked Colonial Downs for putting on a good show in spite of the rainy conditions.

Commissioner Rimler reported that the Marketing & Economic Development Committee has met three times. He said the Committee has completed its report and has made a number of recommendations to further enhance and grow the horse racing industry in Virginia. He added it should not be viewed as a final document, but a starting point for serious consideration of how to improve the marketing efforts.

Vice Chairman Burnett moved that the report be accepted by the Commission, that it be forwarded to Colonial Downs and the Maryland-Virginia Racing Circuit with strong Commission support for the recommendations and that the two parties report back to the Commission at its February 2005 meeting with their response to the report and any resulting marketing changes or initiatives. Commissioner Brown seconded the motion and it was unanimously approved.

Commissioner Brown reported that the Standardbred Blue Ribbon Committee met in early December. Among the issues being developed are ways to improve the standardbred breeding program, recruiting new owners, benefits from the new satellite wagering facilities and possible regulatory change. The Committee is looking into county fairs for standard bred races. The long-term plan to grow live race days is the next issue to be discussed.

Acting on the recommendation from Mr. Bowker, the Commission approved Colonial Downs' January simulcasting schedule.

Mr. Bowker discussed the current issue of accident insurance coverage for jockeys and exercise riders. Mr. Bowker said it is a complicated issue for several reasons. One, the jockeys want to be classified as independent contractors on one hand but want someone else to provide the insurance coverage. Second, many of the tracks, including Colonial Downs, have joined together to provide over \$2 million per year to the Jockeys Guild. Originally it was to be used to provide umbrella coverage but the Guild dropped the policy about three years ago.

A national task force has been asked to review the insurance situation. Most of the riders at the Colonial meet come from Maryland where they have coverage. It is hoped the issue will be resolved before June when the next Colonial Downs race meet opens or it may be more difficult to have enough available jockeys.

John Mooney, President of the Maryland-Virginia Racing Circuit, stated that Maryland has one of the best insurance plans in the nation. An additional fee is paid by owners and trainers to provide the insurance. The state controls the funds. Mr. Mooney stated he would be meeting with a person from Maryland who was instrumental in establishing the program. Mr. Bowker said the Commission staff would help facilitate any meetings that need to be set up with state officials.

Mr. Bowker stated that he attended a meeting of the Joint Model Rules Committee. The main focus of the meeting involved possible rules on national tote standards including the establishment of The National Office of Wagering Security. It works similar to the stock exchange in tracking the purchase of tote tickets in real time.

Mr. Bowker added that the Stewards' accreditation rules have been modified and were approved by both RCI and NAPRA Boards in Tucson.

Mr. Bowker reported a Virginia Department of Agriculture and Consumer Services task force is making recommendations for removing the need for a local referendum for opening satellite wagering facilities. The task force said the lottery doesn't have to have a local referendum, and horse racing should be treated the same.

James L. Weinberg, counsel for Colonial Downs, stated that Colonial Down's report would consist of a review of the harness meet results, handling complaints, plans for additional satellite wagering facilities and setting race dates.

Mr. Mooney reported that the harness meet was quite successful especially when compared to other tracks. There was a double digit increase in the mutuel handle and in attendance. He believes this was because of additional money spent on marketing and advertising. Colonial was able to run 10 horse fields and 12 races a day. A survey showed that 68% of the people were attending their first harness races. The drawings for patrons to ride in the dual sulkies was a success. The horse population was very good the entire meet with 175 to 225 entries every day. The weather was a factor at the end with considerable rain.

Mr. Mooney stated that procedures are in place for handling complaints at the track and the satellite wagering facilities. Managers at all of the satellite wagering facilities have a process they follow. If a complaint concerns mutuels, the customer lets the teller know, the supervisor is notified and then the mutuel manager. Problems are dealt with immediately. All complaints are recorded.

The Director of Group Sales staff handles all of their complaints immediately. The Director of Security at the track handles all security complaints. The Director of Maintenance handles all maintenance complaints. All complaints are reported to the General Manager in a daily report.

Commissioner Rimler expressed a concern that the person recording and reporting a complaint might be the person affected by the complaint. Commissioner Rimler stated that he felt the Commission staff should be part of the complaint process and should be notified when there is a complaint. Mr. Mooney stated that Colonial Downs would put a notice in the program that wagering comes under the jurisdiction of the Virginia Racing Commission.

Mr. Weinberg stated that Vinton received its final certificate of occupancy. Colonial Downs still is waiting for its alcoholic beverage license. He said that ABC had ruled in favor of Colonial on its license application but the actual license is being held up pending completion of the appeal period. He thought the ABC license should be received in January.

Mr. Weinberg reported there had been numerous meetings in Martinsville on a site for a new satellite facility. Site and floor plans are being developed. A zoning variance will be needed and a meeting is scheduled for January 26. A site visit and hearing will be scheduled early next year. The floor plan calls for 12,500 square feet. Plans are being looked into for facilities in Scott and Westmoreland Counties.

Chairman Poulson asked that Colonial Downs address the numbers at Vinton.

Colonial Downs President Ian Stewart stated that he believes the main reason Vinton is under projections is due in part to not having the alcoholic beverage license and the numbers will pick up after the ABC license is received.

Mr. Mooney stated he agreed that not having an ABC license definitely hurt. Also, the facility didn't have the Belmont signal when it opened. Vinton did about the same as Brunswick during the Breeder's Cup. Also, efforts are being stepped up to educate the local people on wagering.

Turning to the issue of 2005 race days, Mr. Weinberg stated that Colonial Downs was working on arriving at race dates for both the thoroughbred and harness meets. He asked the Commission to defer the race days discussion until January.

Commissioner Rimler stated that he was very disappointed that Colonial Downs had not scheduled these dates. He stated the Commission, with the concurrence of Colonial Downs, had set a deadline of December 3 to apply. He said that missing deadlines or going up to the last minute is a pattern and it shouldn't be happening. He stated that he didn't want to sanction Colonial Downs, but if this continues, sanctions are a possibility. He added a lot of people are affected when Colonial Downs delays scheduling the dates.

Mr. Weinberg stated that the dates would be available by January 12, which is before the next Commission meeting.

Jerry Canaan, counsel for the VHHA stated it had agreed to wait until January for the harness race dates to be heard to give them one more chance to resolve differences.

Chairman Poulson asked Mr. Weinberg if he could present the dates by January 7. Mr. Weinberg stated they would not be ready until January 12.

Mr. Bowker stated that January 12 would not give the staff and Commissioners enough time to review the request for dates. He proposed that the Commission meeting be changed to January 26th if the information is not available until January 12th.

Mr. Weinberg stated that a hearing in Henry County is on January 26.

Chairman Poulson proposed that the meeting be changed to January 25. A motion was made, seconded and approved to reschedule the January Commission meeting on January 25th and the race dates be submitted to the Commission by 4 p.m. on January 12th.

Mr. Bowker said that in eliminating the September 1 deadline to apply for race days it was hoped that by December all issues could be resolved and the days approved without a public hearing. Since it appears possible that there may still be some outstanding issues in January, Mr. Bowker asked if a public hearing should be scheduled? He added it can be cancelled later if the public hearing is not necessary, but if the Commission waited until January to schedule it, the race days could not be finalized until February.

A motion was made, seconded and approved that a public hearing be scheduled on January 25 to set race dates.

Mr. Bowker stated that the harness contract with Colonial Downs will expire at the end of 2005. To make certain that discussions on a new contract got underway early in the year instead of waiting until December, Mr. Bowker suggested that Colonial Downs and the VHHA be asked to provide a contract update every month starting in June. Commissioner Burnett agreed with the suggestion and added a new contract target date should be set as well.

The next Commission Meeting is scheduled for 9:30 a.m. on January 25, 2005, at the Tyler Building.

There being no further business before the Commission, the meeting adjourned at 11:30 a.m.

Following the regular monthly meeting, the Commission held an Informal Fact-Finding Conference on the applications of Colonial Downs PhoneBet and The Racing Channel on their applications for renewal of their Advance Deposit Account Wagering Licenses.

Their 2004 licenses were extended for 90 days through March 31, 2005 pending a decision by the Commission on the renewal applications.