

UNAPPROVED

VIRGINIA RACING COMMISSION

MINUTES

OF THE

COMMISSION MEETING

February 15, 2006

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

In Attendance

Commission Members

Mark T. Brown, Chairman:

Anne D. W. Poulson, Vice Chairman

Peter C. Burnett

David C. Reynolds

Dr. George W. Rimler

Commission Staff:

Stanley K. Bowker, Executive Secretary

Dr. C. Richard Harden, Commission Veterinarian

David S. Lermond, Jr., Director of Pari-mutuels

Joseph M. Roney, Director of Operations and Enforcement

Marvin A. Sniegon, Director of Finance & Planning

Attorney General's Office:

Teresa Griggs

At 9:30 a.m., Chairman Brown called the meeting to order.

The minutes of the January 18, 2006 meeting were approved.

Mr. Bowker said a motion to extend the 2005 account wagering licenses for TVG, XpressBet and Colonial Downs/The Racing Channel until the Commission's January 18, 2006 meeting had been inadvertently left out of the December 19, 2005 minutes and he asked that the Commission amend those minutes. They were amended unanimously.

In his Chairman's Report, Chairman Brown said that he had revised the Committee Assignments for 2006. He said he was trying to seek the involvement of people who had not previously served on the Commission's committees and is still looking for additional members.

Commissioner Poulson, reporting for the Rules Committee, recommended that the pari-mutuel rules governing minimum wagers be changed to reduce the minimum for all wagers except win, place and show be reduced to 10 cents. The recommendation was approved unanimously.

Commissioner Reynolds reported the Racing Industry Partnership Task Force would be meeting later in the day. He said the committee will be reviewing proposed guidelines for making grants and a proposal from Colonial Downs for funding to assist in the development of the Virginia Derby festivities.

After reading from the minutes of the July 15, 2005 minutes of the Commission, Commissioner Rimler asked if the Task Force had developed a strategic plan that would clearly define how the Commission's marketing money is to be spent. He also asked the Commission's counsel, Ms. Griggs, if there are any state procurement policies the Commission needs to follow. Commissioner Burnett stated he also wanted to make certain there is a plan in place to measure the results of any project that receives funding from the Commission.

Ms. Griggs was asked to check on the procurement requirements and Commissioner Reynolds said he would review the Task Force's procedures.

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

Mr. Bowker reported that the only remaining issues for the Commission in the General Assembly involved the 2006-2008 budget. He said the budget bills are due out next weekend.

A request from Glenn Petty, Executive Director of the Virginia Thoroughbred Association, to amend the contract with the Commission for the administration of the Thoroughbred Breeders Fund to allow the VTA to establish registration fees was discussed. At the recommendation of Mr. Bowker, the request was referred to the Thoroughbred Breeders Fund Committee for a recommendation.

At its September 7, 2005 meeting, the Commission had approved a motion to undertake a "best practices" review of the operations of successful racetrack operations. Since nothing has been done to start the review, Mr. Bowker asked if it was the desire of the Commission to proceed. After considerable discussion, the Commission voted to rescind the previously-approved motion.

Iain Woolnough, Vice President and General Manager of Colonial Downs, said new cushion material for the main track is on site and will be installed after the Strawberry Hill races in April. He added he had just returned from a recruiting trip to Florida where there is considerable Colonial Downs interest from trainers. He said Oaklawn Park, Louisiana and Kentucky are other areas from where horsemen are being recruited.

Jeanna Bouzak, Vice President of Satellite Wagering Operations, provided an overview of improvements being made at several of the facilities. One of the major changes involves the Broad Street facility in Richmond. She provided a conceptual drawing of the changes and reported work would be done at nights so that the operation of the facility would not be affected during construction.

Director of Marketing Darrel Wood reported that the 10th anniversary of the opening of the first Colonial Downs satellite wagering facility is coming up Friday, February 17. He said a number of special events have been planned.

Colonial Downs President Ian Stewart said since the buyout of the management contract from the Maryland-Virginia Racing Circuit last September he has been looking at several approaches to the marketing issues that have been raised by the Commission's Marketing and Standardbred Blue Ribbon Committees. While the initial plan was to hire a senior marketing person, he said during his review he found considerable underutilized talent already working for Colonial Downs.

By having Darrel Wood devote fulltime to marketing and with the support of the Lefler group, Mr. Stewart said he believes that is the best approach to addressing the marketing concerns at this time. He said Colonial Downs is placing greater emphasis on marketing the satellite wagering facilities and also will be adding marketing people who will focus on developing new customers in the areas of the new satellite wagering facilities.

James Weinberg, counsel for Colonial Downs, updated the Commission on discussions with YouBet and AmericaTab. He said an agreement has been reached with AmericaTab and the contract documents are being exchanged between attorneys for both parties. Mr. Weinberg added that no progress has been made with YouBet and he believes it is time for the Commission to take a stronger stand against an unlicensed account wagering company operating in Virginia.

Frank Petramalo, Executive Director of the Virginia HBPA, said his Board had met the previous day. He said YouBet should not be allowed to operate in Virginia in violation of Virginia statute and he demanded that the Commission take whatever steps necessary to stop the unlicensed activities.

The Commission said it would seek advice from legal counsel later in the day.

Mr. Weinberg said Jacobs Entertainment, owner of Colonial Downs, is negotiating a new financing package for Colonial Downs and other Jacobs holdings. He said he would have the new financial documents for Commission review prior to the March 15, 2006 Commission meeting,

Mr. Bowker said it would be necessary to have the documents in the hands of the Commission by March 1 so that staff and legal counsel would have adequate time for review. He added that it may be necessary to employ outside counsel with the financial expertise to assist in the review.

Ms. Griggs was asked to check on available counsel and the cost and to report back to the Commission.

Mr. Weinberg also reported that the Virginia Harness Horse Association is reviewing a new three-year contract and it should be ready for Commission approval next month. The Commission approved an extension of the contract that was to expire on December 31, 2005 until March 31, 2006.

In public participation, Martha Moore of the Farm Bureau said she still is seeking full statutory funding for the three horse industry groups that were to receive shares of the pari-mutuel handle. The full funding had been reduced by amendments to the budget bill since Colonial Downs opened in 1997. She also asked if the Commission's guidelines for applying for marketing money would be on the agency's website. Mr. Bowker said they would as soon as the Commission approves the guidelines.

Chairman Brown stated, "In accordance with the provisions of Section 2.2-3711 (A)(1) of the Code of Virginia, I move that the Commission go into closed meeting for the purpose of discussion or consideration of the assignment, appointment, performance or salary of a specific public officer, appointee or employee of the Commission and consultation with legal counsel and briefings by staff members or consultants pertaining to actual or probable litigation, where such consultation or briefing in open meeting would adversely affect the negotiating or litigating posture of the Commission; and consultation with legal counsel employed or retained by the Commission regarding specific legal matters requiring the provision or legal advice by such counsel, regarding the response of YouBet.com to the Commission's request that it mediate its dispute with Colonial Downs regarding the source market fees in conjunction with its application for a license to conduct advance deposit account wagering."

The motion was approved.

Returning from closed meeting, Chairman Brown stated, "I move the adoption of the following resolution:

“Whereas, the Virginia Racing Commission has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of The Virginia Freedom of Information Act; and

“Whereas, Section 2.2-3712 of the Code of Virginia requires a certification by this Commission that such closed meeting was conducted in conformity with Virginia law;

“Now, therefore, be it resolved, that the Virginia Racing Commission certifies that, to the best of each member’s knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Commission in the closed meeting.”

The motion was approved with Chairman Brown, Dr. Rimler, Mr. Reynolds and Ms. Poulson voting in favor of the motion. Mr. Burnett did not participate in the closed meeting.

There being no further business before the Commission, the meeting adjourned.