

VIRGINIA RACING COMMISSION

2008 ANNUAL REPORT



COMMONWEALTH of VIRGINIA

Virginia Racing Commission

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New Kent, Virginia 23124

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February 24, 2009

TO: THE HONORABLE TIMOTHY M. KAINE. GOVERNOR OF VIRGINIA
AND THE MEMBERS OF THE GENERAL ASSEMBLY

Pursuant to the provisions of the Code of Virginia Title 59, Chapter 29, Section 59.1-369 (9) relating to horse racing with pari-mutuel wagering, it is my privilege and pleasure to submit herewith the 2008 Annual Report of the Virginia Racing Commission.

Revenue is generated from a percentage of every pari-mutuel wager made in Virginia – in person at Colonial Downs and its eight satellite wagering facilities as well as online and over the phone. This percentage funds the operations of this regulatory agency and allows us to meet our obligation to the General Fund as per the provisions of the Appropriations Act.

This Racing Commission remains committed to ensuring the integrity of racing for the participants and patrons alike and appreciates the continued support for horse racing and the equine industry from the Administration and the members of the General Assembly.

Respectfully Submitted,

Victor I. Harrison

Victor I. Harrison
Executive Secretary

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Go Between



VIRGINIA RACING COMMISSION

- Peter C. Burnett Chairman, Leesburg



- I. Clinton Miller Vice-Chairman, Woodstock



- Mark T. Brown, Palmyra



- David C. Reynolds, Richmond



- William H. (Trip) Ferguson, Newport News



VRC STAFF

- Victor I. Harrison—Executive Secretary
- David S. Lermond, Jr.—Deputy Executive Secretary
- Joseph M. Roney—Director of Security & Enforcement
- Dennis E. West—Director of Operations
- Kimberly M. Carter—Office Manager
- Peggy E. Mason—Permit Manager
- Marilyn A. Bauer – Assistant to the Deputy Secretary
- Dr. Richard Harden—Equine Medical Director

Activities and Observations of the Commission

The Racing Act, Title 59, Chapter 29, effective on January 1, 1989, vests control of all horse racing with pari-mutuel wagering conducted in the Commonwealth to the Virginia Racing Commission (VRC). The Commission:

- Prescribes regulations and conditions under which racing and wagering is conducted;
- Maintains horse racing in the Commonwealth of the highest quality free of corrupt, incompetent, dishonest or unprincipled practices, and;
- Maintains in such racing complete honesty and integrity.

Such horse racing with pari-mutuel wagering is permitted in the Commonwealth for the "promotion, sustenance and growth of a native industry, in a manner consistent with the health, safety and welfare of the people."

In 2008 the VRC saw a reshuffling of duties due to the retirement of its long-time Executive Secretary, Stan Bowker and its Financial Analyst, Marvin Sneigon. We also witnessed the closing of one of the Colonial Downs SWF's (Chesapeake Military Hwy.). We willingly participated in a unified attempt to push an Omnibus Racing Bill through the VA legislature.

We are seeing an increase in the amount of internet and telephone wagering and an attendant decrease in wagering at the race track and SWF's.

VA Horse Center at Dusk (Campgrounds)



Wagering From Inception

<u>YEAR</u>	<u>Race Track and SWF's</u>	<u>Internet And Telephone Wagering</u>	<u>Wagers From Out-of-State</u>	<u>Total Wagering</u>
1996	\$36,952,607	\$0	\$0	\$36,952,607
1997	95,094,161	0	19,412,236	114,508,394
1998	120,717,190	0	19,998,352	140,715,542
1999	121,324,249	0	22,348,265	143,672,514
2000	121,754,800	0	26,607,001	148,361,801
2001	123,879,396	0	24,042,027	147,921,423
2002	124,064,569	0	27,264,413	151,328,982
2003	130,382,875	0	31,627,734	162,010,609
2004	145,394,480	1,287,541	31,812,210	178,494,231
2005	151,758,202	12,691,398	40,330,328	204,779,928
2006	164,208,077	28,300,972	48,615,505	241,124,554
2007	167,684,686	33,206,726	45,974,680	246,866,092
2008	149,629,200	47,303,439	46,834,843	243,767,482
TOTAL	\$1,652,844,492	\$122,790,076	\$384,867,594	\$2,160,502,162

Total Wagering - Colonial Downs and SWF's

<u>YEAR</u>	<u>Race Track and SWF's</u>	<u>Attendance</u>	<u>Racing Days</u>	<u>Daily Average Attendance</u>	<u>Wagering Per Capita</u>
1996	\$36,952,607	178,570	338	528	\$207
1997	95,094,161	578,831	840	689	\$164
1998	120,717,190	446,859	1,381	324	\$270
1999	121,324,249	544,744	1,351	403	\$223
2000	121,754,800	490,868	1,540	319	\$248
2001	123,879,396	511,856	1,445	354	\$242
2002	124,064,569	523,216	1,441	363	\$237
2003	130,382,875	552,632	1,534	360	\$236
2004	145,394,480	613,084	1,976	310	\$237
2005	151,758,202	665,555	2,490	267	\$228
2006	164,208,077	678,426	3,065	221	\$242
2007	167,684,686	720,325	3,127	230	\$233
2008	149,629,200	659,974	3,021	218	\$227
TOTAL	\$1,652,844,492	7,164,940	23,549	N/A	N/A

Out-of-State Wagering on VA Racing

<u>Year</u>	<u>VA Thoroughbred</u>	<u>VA Harness</u>	<u>TOTAL</u>
1997	\$19,412,236	\$0	\$19,412,236
1998	16,232,300	3,766,052	19,998,352
1999	18,640,650	3,707,615	22,348,265
2000	22,716,226	3,890,775	26,607,001
2001	22,545,623	1,496,404	24,042,027
2002	25,171,620	2,092,793	27,264,413
2003	29,488,341	2,139,393	31,627,734
2004	28,402,323	3,409,887	31,812,210
2005	36,507,736	3,822,592	40,330,328
2006	43,828,004	4,787,501	48,615,505
2007	42,153,392	3,821,288	45,974,680
2008	43,237,534	3,597,309	46,834,843
TOTAL	\$348,335,985	\$36,531,609	\$384,867,594

Internet and Telephone Wagering

<u>Year</u>	<u>EZ Horseplay</u>	<u>TVG</u>	<u>Xpress Bet</u>	<u>AmericaTab</u>	<u>TwinSpires</u>	<u>Youbet</u>	<u>TOTAL</u>
2004	\$1,287,541	\$0	\$0	\$0	\$0	\$0	\$1,287,541
2005	3,939,764	4,080,824	4,670,810	0	0	0	12,691,398
2006	3,736,391	8,169,546	7,816,430	8,578,605	0	0	28,300,972
2007	4,523,353	11,929,412	9,742,446	6,390,447	621,068	0	33,206,726
2008	5,326,767	11,386,057	11,036,049	0	8,269,673	11,284,893	47,303,439
TOTAL	\$18,813,816	\$35,565,839	\$33,265,735	\$14,969,052	\$8,890,741	\$11,284,893	\$122,790,076

*AmericaTab was purchased by TwinSpires in Fall of 2007.

Live Thoroughbred Wagering

<u>YEAR</u>	<u>Total Wagering All Sources</u>	<u>Daily Average</u>	<u>Daily Average SWF</u>	<u>Daily Average On Track Attendance</u>	<u>Daily Avg. Wagering Per Capita</u>
1996	\$0	\$0	\$0	\$0	\$0
1997	28,182,006	939,400	183,594	3,620	51
1998	21,293,467	881,473	141,154	2,263	62
1999	23,420,243	975,854	107,881	1,628	66
2000	27,923,752	872,617	90,589	1,247	73
2001	27,579,707	1,103,188	117,818	1,940	61
2002	31,039,485	1,193,826	140,067	2,202	64
2003	36,090,262	1,203,009	140,305	2,193	64
2004	36,205,494	1,064,867	138,236	2,155	64
2005	44,710,190	1,117,755	124,122	2,028	61
2006	51,587,415	1,258,230	113,438	1,804	63
2007	50,507,580	1,262,689	164,557	1,996	82
2008	50,343,446	1,118,743	126,195	1,668	76
TOTAL	\$428,883,047	\$12,991,651	\$1,587,956	N/A	61

Live Standardbred Wagering

YEAR	Total Wagering All Sources	Daily Average	Daily Average VA SWF	Daily Average On Track Attendance	Daily Avg. Wagering Per Capita
1996	\$0	\$0	\$0	\$0	\$0
1997	0	0	0	0	0
1998	7,260,770	172,875	56,661	1,379	41
1999	5,795,265	193,175	41,319	909	45
2000	5,903,010	147,575	19,270	258	75
2001	2,459,010	163,934	30,912	486	64
2002	3,716,853	154,869	30,860	478	65
2003	4,148,072	148,145	34,585	580	60
2004	5,815,294	181,728	40,361	645	63
2005	6,217,238	172,701	36,959	620	60
2006	6,562,653	182,296	20,498	312	66
2007	5,726,362	178,949	43,183	613	70
2008	5,320,909	156,497	35,945	509	71
TOTAL	\$58,925,436	\$1,852,744	\$390,553	N/A	52

About Colonial Downs

Now 12 years old, Colonial Downs has been the catalyst to a sport that now generates nearly \$200,000,000 in annual pari-mutuel wagering in Virginia. In 2008, total attendance was 659,974 as attendance for the first 11 years totaled 7,164,940.

§ 59.1-364 of the Code of Virginia states that horse racing with pari-mutuel wagering is permitted in the Commonwealth for the promotion, sustenance and growth of a native industry. The stakeholders in Virginia have strived to work together to build the horse breeding and racing industries. Quality racing has always been the goal of Virginia stakeholders.

Colonial Downs is owned by Jeffrey and Richard Jacobs' Jacobs Entertainment. Since the inception of live Thoroughbred racing in September of 1997, Colonial Downs has developed a solid reputation as North America's Thoroughbred turf racing capital. On average, 90% of the Thoroughbred races run at Colonial Downs are contested over the 180-foot wide Secretariat Turf Course (named after Virginia's famous Triple Crown winner).

About Colonial Downs 2

Jacobs Entertainment also sponsors the Grand Slam of Grass, a four-race series for three-year-olds. Two of the Grand Slam races are run at Colonial Downs—the Colonial Cup and the Virginia Derby. The Secretariat Stakes at Arlington Park and the Breeders' Cup Turf race comprise the remainder of the series. A single horse winning all four races receives a total of \$5,000,000 in purses and bonuses. The Colonial Cup has been awarded a Grade III rating while the Virginia Derby is Grade II. In 2008 Jacobs Entertainment sponsored a nationwide telecast of the Virginia Derby on CBS-TV.

In 2008, a Virginia record pari-mutuel handle of \$4,469,223 was bet on Virginia Derby Day. The Colonial Cup Day generated \$2,646,117 in wagering.

About Colonial Downs ³

The Standardbred (harness racing) industry has also elevated the quality of its racing in the Commonwealth. The harness meet features a one-turn-mile for most of its races. As such, each year a number of record and career best times are established in Virginia. For the third straight year, in 2008, Colonial Downs hosted the \$100,000 Patriot Invitational Trot which drew most of the top trotters in the nation. The 2008 winner, Enough Talk, set a world record in the process and the popular Vivid Photo, owned and trained by Roger Hammer, raced powerfully to place second. One of the highlights of the annual harness meet is the Night of Champions - an evening filled with stakes races showcasing Virginia-bred and Virginia-owned horses.

About Colonial Downs 4

Advance deposit account wagering (internet and telephone wagering) is the second largest source of pari-mutuel wagering in Virginia. In 2008, \$47,303,439 in such internet and phone wagering was generated by the five account wagering companies licensed in Virginia—Colonial Downs' EZ Horseplay, TVG, XpressBet, Youbet and TwinSpires - An increase of 42% over the \$33,206,726 wagered through the ADW providers in 2007 when the Youbet numbers were not tallied. North American wagering is witnessing a migration of bettors from ontrack wagering to internet wagering and Virginia is no exception.

2008 Virginia Derby 2008 Colonial Turf Cup

- Gio Ponti (Below, right, teal silks, on the outside) is shown edging out Court Vision in the 2008 \$750,000 Virginia Derby.
- The aptly named Sailor's Cap (Below, Left) winning the rain-soaked \$600,000 Colonial Turf Cup.



RICHMOND SATELLITE WAGERING FACILITY (SWF)



4700 West Broad Street Richmond, VA 23230

- Size: 20,000 Sq. Ft.
- The VIP room of the Richmond Satellite Wagering Facility was remodeled during 2006. The SWF is centrally located on Broad Street in Richmond. The facility can accommodate up to 500 patrons with smoking and non-smoking preferences. The facility has parking capacity for 350 vehicles.

Richmond SWF

<u>YEAR</u>	<u>Total Wagering</u>	<u>Racing Days</u>	<u>Average Daily Handle</u>	<u>Total Attendance</u>	<u>Daily Average Attendance</u>	<u>Wagering Per Capita</u>
1996	\$3,391,418	21	\$161,496	17,403	829	\$195
1997	51,556,304	363	142,028	206,530	569	\$250
1998	50,183,501	363	138,247	178,841	493	\$281
1999	51,347,173	361	142,236	173,378	480	\$296
2000	49,096,147	361	136,000	162,921	451	\$301
2001	50,475,896	362	139,436	164,372	454	\$307
2002	49,986,746	360	138,852	159,222	442	\$314
2003	47,927,303	357	134,250	156,339	438	\$307
2004	40,821,803	362	112,767	123,682	342	\$330
2005	38,066,496	363	104,866	118,343	326	\$322
2006	31,823,009	302	105,374	94,348	312	\$337
2007	36,142,095	362	99,840	107,834	298	\$335
2008	32,302,808	357	90,484	98,200	275	\$329
TOTAL	\$533,120,699	4,294	\$124,155	1,761,413	N/A	\$303

SOUTH RICHMOND SWF

6550 Hull Street Road Richmond, VA 23224

- Size: 11,500 Sq. Ft.
- The South Richmond Satellite Wagering Facility opened on November 12, 2003. Located in the Haynes Plaza, the facility accommodates 300 patrons with seating for 180. Smoking and non-smoking areas are provided.



South Richmond SWF

<u>YEAR</u>	<u>Total Wagering</u>	<u>Racing Days</u>	<u>Average Daily Handle</u>	<u>Total Attendance</u>	<u>Daily Average Attendance</u>	<u>Wagering Per Capita</u>
1996	\$0	0	\$0	0	\$0	\$0
1997	0	0	0	0	0	\$0
1998	0	0	0	0	0	\$0
1999	0	0	0	0	0	\$0
2000	0	0	0	0	0	\$0
2001	0	0	0	0	0	\$0
2002	0	0	0	0	0	\$0
2003	2,001,182	48	41,691	8,634	180	\$232
2004	17,832,357	361	49,397	64,479	179	\$277
2005	18,318,539	363	50,464	63,337	174	\$289
2006	23,560,440	362	65,084	74,216	205	\$317
2007	19,436,532	359	54,141	66,265	185	\$293
2008	17,090,463	357	47,872	61,347	172	\$279
TOTAL	\$98,239,513	1,850	\$53,102	338,278	N/A	\$290

CHESAPEAKE SWF

3376 South Military Highway Chesapeake, VA 23323

- Size: 15,000 Sq. Ft.
- The first satellite wagering facility in Virginia was located in Chesapeake on South Military Highway, 20 miles from Virginia Beach. The facility closed its doors in November of 2008.



Chesapeake SWF

<u>YEAR</u>	<u>Total Wagering</u>	<u>Racing Days</u>	<u>Average Daily Handle</u>	<u>Total Attendance</u>	<u>Daily Average Attendance</u>	<u>Wagering Per Capita</u>
1996	\$33,561,189	317	\$105,871	161,167	508	\$208
1997	35,138,043	363	96,799	148,373	409	\$237
1998	28,929,078	363	79,694	114,682	316	\$252
1999	30,154,358	360	83,762	106,782	297	\$282
2000	29,663,510	362	81,943	100,405	277	\$295
2001	30,031,322	362	82,959	103,778	287	\$289
2002	30,816,019	361	85,363	100,937	280	\$305
2003	32,839,851	359	91,476	102,054	284	\$322
2004	32,771,667	363	90,280	98,618	272	\$332
2005	27,557,180	366	75,293	83,032	227	\$332
2006	14,455,627	350	41,302	48,210	138	\$300
2007	14,825,116	360	41,181	51,409	143	\$288
2008	11,979,016	313	38,272	39,383	126	\$304
TOTAL	\$352,721,976	4,599	\$76,695	1,258,830	N/A	\$280

NEW CHESAPEAKE SWF

4301 Indian River Road, Chesapeake, VA 23325

- Size: 10,000 Sq. Ft.
- The second Chesapeake Satellite Wagering Facility opened on October 12, 2005. It is located near Virginia Beach. The facility can accommodate 291 patrons with seating for 156. Smoking and non-smoking areas are provided.



New Chesapeake SWF

<u>YEAR</u>	<u>Total Wagering</u>	<u>Racing Days</u>	<u>Average Daily Handle</u>	<u>Total Attendance</u>	<u>Daily Average Attendance</u>	<u>Wagering Per Capita</u>
2005	\$4,963,971	80	\$62,050	15,648	196	\$317
2006	23,666,541	362	65,377	69,818	193	\$339
2007	23,829,721	362	65,828	78,627	217	\$303
2008	24,461,630	363	67,387	76,704	211	\$319
TOTAL	\$76,921,863	1,167	\$65,914	240,797	N/A	\$319

HAMPTON SWF

1909 Commerce Drive Hampton, VA 23666

- Size: 13,500 Sq. Ft.
- The Hampton Satellite Wagering Facility is centrally located just off I-64 near the Hampton Coliseum. The facility accommodates up to 580 patrons with smoking and non-smoking preferences. There is one central main bar area, and teller windows for up to 16 tellers. The facility has parking capacity for 270 vehicles.



Hampton SWF

<u>YEAR</u>	<u>Total Wagering</u>	<u>Racing Days</u>	<u>Average Daily Handle</u>	<u>Total Attendance</u>	<u>Daily Average Attendance</u>	<u>Wagering Per Capita</u>
1996	\$0	0	\$0	0	0	\$0
1997	327,811	7	46,830	1,651	236	\$199
1998	22,765,994	363	62,716	114,679	316	\$199
1999	23,298,797	361	64,540	103,945	288	\$224
2000	24,999,787	362	69,060	99,618	275	\$251
2001	26,083,186	362	72,053	99,718	275	\$262
2002	25,058,151	361	69,413	98,362	272	\$255
2003	25,947,756	358	72,480	95,064	266	\$273
2004	28,321,244	363	78,020	95,269	262	\$297
2005	26,720,455	363	73,610	85,723	236	\$312
2006	25,638,907	362	70,826	82,352	227	\$311
2007	24,536,734	362	67,781	77,128	213	\$318
<u>2008</u>	<u>21,505,334</u>	<u>363</u>	<u>59,243</u>	<u>74,903</u>	<u>206</u>	<u>\$287</u>
TOTAL	\$275,204,156	3,987	69,025	1,028,412	N/A	\$268

BRUNSWICK SWF

24 Colonial Downs Place Alberta, VA 23821

- Size: 20,000 Sq. Ft.
- The Brunswick Satellite Wagering Facility is located two miles off Route 1 in Brunswick County, which is 15 miles from the North Carolina border. The facility can accommodate up to 400 patrons with smoking and non-smoking preferences. There is one main bar area, and teller windows for up to 10 tellers. The facility has parking capacity for 500 vehicles.



Brunswick SWF

<u>YEAR</u>	<u>Total Wagering</u>	<u>Racing Days</u>	<u>Average Daily Handle</u>	<u>Total Attendance</u>	<u>Daily Average Attendance</u>	<u>Wagering Per Capita</u>
1996	\$0	0	\$0	0	0	\$0
1997	226,146	14	16,153	1,460	104	\$155
1998	10,573,166	292	36,209	38,657	132	\$274
1999	11,404,545	269	42,396	27,925	104	\$408
2000	11,888,170	279	42,610	28,018	100	\$424
2001	12,085,136	265	45,604	24,821	94	\$487
2002	11,882,404	259	45,878	27,243	105	\$436
2003	14,094,878	292	48,270	28,548	98	\$494
2004	14,152,950	311	45,508	28,067	90	\$504
2005	12,620,398	309	40,843	25,276	82	\$499
2006	9,967,380	269	37,053	21,825	81	\$457
2007	10,646,527	270	39,432	23,708	88	\$449
2008	9,566,019	275	34,786	22,249	81	\$430
TOTAL	\$129,107,719	3,104	\$41,594	297,797	N/A	\$434

VINTON SWF

1135 Vinyard Road, Vinton, VA 24179

- Size: 14,600 Sq. Ft.
- The Vinton Satellite Wagering Facility opened in October, 2004 and is located near Roanoke. The facility can accommodate 450 patrons with seating for 260. Smoking and non-smoking areas are provided.



Vinton SWF

<u>YEAR</u>	<u>Total Wagering</u>	<u>Racing Days</u>	<u>Average Daily Handle</u>	<u>Total Attendance</u>	<u>Daily Average Attendance</u>	<u>Wagering Per Capita</u>
2004	\$2,455,993	81	\$30,321	13,447	166	\$183
2005	10,807,394	357	30,273	49,607	139	\$218
2006	10,471,558	286	36,614	42,806	150	\$245
2007	10,754,287	361	29,790	45,969	127	\$234
2008	7,976,405	282	28,285	36,294	129	\$220
TOTAL	\$42,465,637	1,367	\$31,065	188,123	N/A	\$226

MARTINSVILLE SWF

3951 Greensboro Road, Martinsville, VA 24148

- Size: 12,500 Sq. Ft.
- The Martinsville Satellite Wagering Facility opened on August 15, 2005. Located near Martinsville Raceway, the facility accommodates 539 patrons with seating for 241. Smoking and non-smoking areas are provided.



Martinsville SWF

<u>YEAR</u>	<u>Total Wagering</u>	<u>Racing Days</u>	<u>Average Daily Handle</u>	<u>Total Attendance</u>	<u>Daily Average Attendance</u>	<u>Wagering Per Capita</u>
2005	\$3,529,839	137	\$25,765	18,978	139	\$186
2006	10,358,670	323	32,070	36,231	112	\$286
2007	12,014,060	270	44,497	35,512	132	\$338
2008	9,765,317	275	35,510	33,715	123	\$290
TOTAL	\$35,667,886	1,005	\$35,490	124,436	N/A	\$287

SCOTT COUNTY SWF

358 U.S. Highway 23N, Weber City, VA 24290

- Size: 16,700 Sq. Ft.
- The newest satellite wagering facility is located in Scott County. It opened on January 18, 2006. The facility can accommodate 400 patrons with seating for 246. Smoking and non-smoking areas are provided.



Scott County SWF

<u>YEAR</u>	<u>Total Wagering</u>	<u>Racing Days</u>	<u>Average Daily Handle</u>	<u>Total Attendance</u>	<u>Daily Average Attendance</u>	<u>Wagering Per Capita</u>
2006	\$6,592,864	272	\$24,238	36,100	133	\$183
2007	7,184,714	270	26,610	32,029	119	\$224
2008	7,760,029	275	28,218	29,697	108	\$261
TOTAL	\$21,537,607	817	\$26,362	97,826	N/A	\$220

BREEDERS FUND

Historically funded by a 1% takeout from all wagering except internet and telephone wagering conducted in Virginia, funds have been established for both Thoroughbred and Standardbred breeders and owners. And currently, there is a bill awaiting the Governor's signature that will give the Breeders Fund 1% from internet and telephone wagering.

For 2008, \$1,167,875 was generated for the Thoroughbred Breeders' Fund bringing the 13-year total to \$12,852,572.

Most of the Thoroughbred Breeders' Fund money is distributed during the annual live meet at Colonial Downs, including, in 2008, a 100% bonus for the owners of Virginia-breds earning purse money in open competition. The bonus resulted in additional purse payouts in 2008 of \$1,154,125.

BREEDERS FUND 2



Harness racing, both live and simulcasting, accounts for approximately 20% of total wagering in Virginia. As a result, \$3,675,149 has been generated for the Standardbred Breeders Fund during the past thirteen years.

The Racing Commission has contracted with the Virginia Thoroughbred Association to administer the Thoroughbred Breeders' Fund program and the Virginia Harness Horse Association to manage the Standardbred Breeders' Fund.

Breeders Fund From Inception

Year	VA Thoroughbred	VA Harness	TOTAL
1996	\$263,517	\$105,288	\$368,805
1997	755,900	195,041	950,941
1998	917,484	289,688	1,207,172
1999	915,431	297,811	1,213,242
2000	942,714	274,834	1,217,548
2001	967,123	271,671	1,238,794
2002	970,555	270,091	1,240,646
2003	1,035,181	268,647	1,303,828
2004	1,136,789	317,156	1,453,945
2005	1,176,374	341,208	1,517,582
2006	1,285,476	356,604	1,642,080
2007	1,318,153	358,693	1,676,846
2008	1,167,875	328,417	1,496,292
TOTAL	\$12,852,572	\$3,675,149	\$16,527,721

Thoroughbred Stewards Report



COMMONWEALTH of VIRGINIA

Virginia Racing Commission

10700 Horsemen's Road
New Kent, Virginia 23124
(804) 966-7400; FAX (804) 966-7418

COLONIAL DOWNS BOARD OF STEWARDS

FINAL REPORT—2008 THOROUGHBRED MEETING

Stewards--

Stanley K. Bowker	--	Senior Commonwealth Steward
Philip E. Grove	--	Commonwealth Steward
Jean W. Chalk	--	Commonwealth Steward

In 2008 Colonial Downs and Virginia staged their 12th Thoroughbred live race meet. The meet ran 45 days which was the longest in the track's history.

Because Colonial Downs was assigned five more days for 2008 and because the five extra days were non-weekend days, from a business perspective it is very difficult to make legitimate comparisons with 2007. However with five more racing days in 2008, the total handle was \$50,343,442 down slightly from \$50,507,580 in 2007. Total live on-track handle was \$4,367,548 compared to the record \$5,081,280 in 2007 and \$4,650,971 in 2006. The daily average was \$97,057 compared to \$127,032 in 2007. Total attendance was 75,077 compared to 79,859 in 2007 and 73,975 in 2006.

Simulcasting of the Colonial Downs races to locations around the country generated \$43,237,533 in handle. On the down side the disagreement between the Florida horsemen and Churchill Downs, which was supported by the Virginia horsemen, prevented Colonial Downs from selling its signal to Florida outlets for the first 23 days of racing probably cost at least \$600,000-700,000 in additional handle. Conversely, the addition of RGS and the Elite Turf Club with 37 days left in the meet generated \$5,000,000 (\$137,000 per day) in new handle.

Thoroughbred Stewards Report 2

Turf Courses—

Since 1998 turf racing has been the niche that sets Colonial Downs apart from other racing facilities in the nation. No other racetrack provides turf racing opportunities for horses of all calibers or the number of races run on turf almost every day.

For the meet, 81.2% (329 of 405) of the races were run on the turf courses. This compares to 80.7 % (292 of 363 races) in 2007. Previous turf results were as follows: 79.1% (296 of 374) in 2006; 67.4% (245 of 365) in 2005, 56.9% (193 of 340) in 2004, 80% (235 of 293) in 2003; 91.2% in 2002, 82% in 2001, 80% in 2000, 73% in 1999 and 53% in 1998. (There was no turf racing in 1997, the first year, as the turf courses were not completed).

Because of the five additional racing days this year, one lane on each race course was used a third week. While there were no major issues on the inner course, the outer course on the far turn suffered considerable additional damage during the third week. It should be noted however, that despite the problems the last week, the Colonial turf course were still better than most turf courses in the country.

Races--

The 405 races run were the most ever run in one year at Colonial. The previous record was 374 races in 2006. Steeplechase racing accounted for six of the total races. Two additional steeplechase races are being planned for the upcoming standardbred meet.

A total of 3,192 horses started in the 405 races compared to 3,313 horses in 363 races in 2007 and 3,239 horses in 374 races in 2006. The average number of starters per race was 7.9, the lowest since 1998. The drop was not totally unexpected given the decision by Colonial to stop providing free van service from Maryland. In addition, the large increase in fuel prices affected the cost of private vanning of horses to Colonial. A number of horsemen indicated they believed they needed to finish 1-2-3 just to pay the costs of shipping.

The 7.9 average field size in 2008 compared to 9.1 in 2007 and 8.66 in 2006. In 2005 the average starters was 8.74 and 8.68 in 2004. The highest was 2003 with a 9.91 average.

With average starters in the 8.7-9.1 range for the past 10 years Colonial Downs has far exceeded the national average of 8.1-8.3 starters per race. At 7.9 starters per race for 2008, Colonial has dropped slightly below the average.

Of the 405 races run in 2008, 300 had field sizes of 6, 7, 8 or 9 which accounts for the drop to the 7.9 average. Only 73 races had 10 horses or more. This compares to 150 in 2007. In 2008 only 10 races had fields of 13 or 14 compared to 32 in 2007 and 20 in 2006. This year 32 races had five or fewer starters.

Thoroughbred Stewards Report 3

Colonial has always been above the national average for races run at one mile or over (In 2007 the national average was 34.3%) and it was again this year (198 of 405 races or 48.9%). It is, however, disappointing to see the percentage of route races drop below 50% for the first time in nine years in favor of the myriad of 5, 5 ½ and 6 furlong races that totaled 181 in 2008 compared to 150 in 2007. Only five (5) races were run at 1¼ miles this year--two opening day, two the final week and the Virginia Derby.

Colonial Downs has become very much a meet of maidens (horses that previously have not won races in their careers). In 2008 38.3% of the races (155) were run for maidens. Only 41 races (10.1%) were for open maidens, which are potentially the "best" maidens, while 114 (28.2%) were run for maiden claimers. That compares to the 2007 national average of 11.2% for open maidens and 18.4% for maiden claimers. In 2007 37.7% of the races (137) were run for maidens—90 maiden claiming and 47 open maidens.

Turf racing and \$200,000 per day purses were to combine to offer the best opportunity for quality racing in Virginia. However the most disturbing trend involves the number of races being run for cheaper horses, defined as races for \$7,500 horses and under.

The downward trend in the quality of racing began in 2006 when the number of cheaper races jumped from 39 in 2005 to 49. It continued in 2007 with 69 races and this year there was a dramatic jump to 112. In addition the number of maiden claiming races for \$7,500 and \$5,000 horses jumped from 31 in 2007 to 53 in 2008. The 165 cheaper races run in 2008 represents 40.1% of all races run.

Because of the large percentage of the purse account dedicated to stakes races, it can be very difficult to stay in the \$200,000 per day range for purses without using the large number of cheap races which require smaller purses. Without considering the 100% Virginia-bred bonuses, there were 36 days that the total purses for the day did not exceed \$160,000. Of the nine days exceeding \$160,000 in purses, one day was over \$1,000,000 and another was just under \$1,000,000.

Total purses paid were a record \$9,424,750 but only \$7,792,745, an average of \$173,172 per day, came from the purse account.

Virginia-Breds—

The biggest reason the goal of \$200,000 per day in purses was reached was the success of the Virginia Breeders Fund 100% owners bonuses that averaged \$25,000 per day.

The 100% bonus program for Virginia-breds running in open competition was the biggest success story of the meet. The \$1,152,075 paid in bonuses increased participation by Virginia-breds far in excess of expectations.

Thoroughbred Stewards Report 4

Virginia breders made a record 539 starts in open competition in 2008 compared to 366 in 2007, 345 in 2006, 335 in 2005, 317 in 2004 and 311 in 2003. A total of 388 Virginia-breds finished 1-6 in open races to qualify for the bonus. That compares to 203 in 2007 and 228 in 2006. Seventy (70) Virginia breders won open races compared to 32 in 2007 and the previous record 39 in 2006.

The Virginia-breds won \$1,152,075 in open purse money, \$1,152,075 in bonuses, \$180,000 in Virginias-bred stakes and \$75,000 in other Virginia-bred races for a total of \$2,559,150 or 27.2% of the total purse money paid during the meet.

Grand Slam of Grass—

The two races run at Colonial Downs as part of the Grand Slam of Grass, sponsored by Jacobs Investments, were the catalyst for the two biggest days of the meet. The Virginia Derby carried a purse of \$750,000 and was broadcast live by CBS-TV. The Colonial Cup carried a purse of \$600,000. And both were outstanding races.

The Colonial Cup, run in a rainstorm and on a soft turf course, saw “Sailor’s Cap,” owned by Team Valour, pull away to defeat Allen Farm’s “Nistle’s Crunch.” In the Virginia Derby, “Gio Ponti,” ridden by Garrett Gomez, outlasted Kent Desormeaux and “Court Vission” in a thrilling stretch due for the victory.

Jacobs Investments offers a bonus that, combined with purses won in the Colonial Cup, Virginia Derby, Secretariat and the Breeders Cup Turf provides \$5 million in purse money for a horse winning all four races. Since there were different winners in the two Colonial races, the bonus is safe for another year.

On Colonial Cup Day, the attendance was 4,557, down slightly from 4,905 in 2007, and they wagered \$269,333 on the Colonial races and \$65,892 on other races being simulcast. Both were down from \$349,569 on the Colonial races and \$79,066 on other races in 2007. However the all sources handle of \$2,712,010 was up from the \$2,629,522.

Virginia Derby Day was an outstanding day for racing in Virginia as 9,061 turned out, the second largest crowd in Colonial Downs history. They wagered a total of \$641,702 down slightly from the record \$645,364 set last year.. All sources handle was \$4,546,756 breaking last year’s record of \$4,537,509.

Scratches--

Total scratches were 438, up from 395 in 2007. However the daily average was 9.7 per day compared to 9.9 in 2007. While most scratches are made for veterinary reasons, scratches happen for a number of other reasons. Forty-four (44) scratches were made for parts of entries and 55 involved horses that were scratched by the Commission veterinarians either during the pre-race inspections in the mornings or at the starting gate just prior to a race.

Thoroughbred Stewards Report 5

Thirty-six (36) horses were put on the Vet's list compared to 24 in 2007, 43 in 2006 and 50 in 2005.

On the negative side, eight (8) horses had to be euthanized as a result of injuries while racing or training. This equals the number in 2007 but is less than one-quarter percent of all horses racing. Dr. Hardin is providing a final veterinary report.

Claims--

A total of 306 claiming races were run compared to 268 in 2007 and 212 in 2006. There were 244 in 2005 and 239 in 2004. Claims were made for 32 horses (six were denied by the Stewards), compared to the record 38 in 2007, 30 in 2006 and 37 in 2005.

Total value of the claims was \$425,000 compared to \$426,500 in 2007 and the record \$595,500 set in 2005. Five (5) horses were claimed for \$30,000 each, the most in any one year. Big Lick Farm claimed two of the \$30,000 horses plus another horse for \$16,000 for a total of \$76,000. Most of the claims (17) were for \$5,000-7,500.

*Purses—

Flat Races	--	\$7,659,745
Virginia-bred stakes	--	180,000
Virginia-bred supplements	--	1,152,075
Sponsors	--	34,700
Stakes fees	--	265,230
Steeplechase Races	--	<u>133,350</u>
Total Purses Paid		\$9,424,750
Daily Average	--	\$ 209,439

*NOTE: These numbers are unaudited and subject to change.

A record \$9,424,750 was paid in purses, a daily average of \$209,439 compared to \$9,055,179, a daily average of \$226,379 in 2007. A daily average of \$214,977 was paid in 2006, and \$216,741 was paid in 2005. Previous daily averages included \$203,502 in 2002, \$197,956 in 2003, \$196,726 in 2004 and \$193,472 in 2001. The lowest was \$131,025 in 2000.

Rulings--

The Stewards issued 66 rulings compared to 63 in 2007, 80 in 2006, 59 in 2005, 47 in 2004, 55 in 2003, 51 in 2002 and 63 in 2001.

Thoroughbred Stewards Report 6

Ten medication cases were heard, the most in any year since the track opened. It should be noted that not one violation of the steroids rule was found. The Commission's offer for trainers to have their horses pre-race tested for steroids resulted in only four tests and only one of those tested positive.

While we are not pleased with the number of violations, the positives generally were for therapeutic drugs that had not cleared the horses' systems rather than more nefarious-type drugs.

One trainer had two horses test positive for hydrochlorothiazide, a derivative of chlorothiazide, a diuretic. Two purses were forfeited and the trainer was fined \$500 pursuant to the Commission's Regulations.

Two trainers had horses test positive for glycopyrrolate, a bronchodilator. Both trainers were suspended 15 days which were stayed for 365 days. Provided there are no Class 1, 2 or 3 violations anywhere during that period the suspension will be lifted. If there are violations the days will have to be served consecutively with any other suspension they receive. They also were fined \$1,500 and the purses were redistributed.

A cimetidine (ulcer medication) violation brought a \$500 fine and a diclofenac, (non-steroidal anti-inflammatory drug) violation brought a \$500 fine and loss of purse.

There is a case pending for trichloromethiazide (also an anti-inflammatory). A split sample is out for retesting and if found positive, the purse will be redistributed and the trainer fined \$500.

The jockey colony continues to be very average at best and seven (7) jockeys were suspended three days each for causing interference or other violations in races. One jockey received three suspensions and was fined another time for not riding his horse out. Not a good year for the jocks' room.

Eight trainers were fined for scratching their horses without a reason acceptable to the Stewards. If they ran the horse at other tracks in the region at the same time they were in the entries at Colonial, they were fined \$500. Four trainers were fined (\$200 each) for entering ineligible horses. One trainer was suspended for 30 days for presenting false health papers to bring three horses into the stable area.

Veterinarian Issues

Dr. Harden is issuing a separate report on the medical issues. However, as stated earlier, from the perspective of the Stewards the disappointing thing was for the second straight year eight (8) horses had to be euthanized. As with the summer months, heat can always be a problem for the horses. One again Dr. Harden assigned some of the Test Barn personnel to provide sponges and water hoses to assist in the cooling effort after each race.

Thoroughbred Stewards Report 7

We had an excellent team of veterinarians headed by Dr. Harden. This year we also had the services of Dr. Rose Bowkowski, a professor at Jacksonville University during the school year, and Dr. Bob Calley who will be staying on for the standardbred meet. Dr. Harden also started an intern program this year and had several interns join his staff during the meet.

Racing Office--

Tyler Picklesimer assumed the Racing Secretary's position shortly before the meet started when Randy Wehrman resigned to accept a similar fulltime position at Charles Town.

Coming in so late is very difficult for a Racing Secretary—horse recruiting was about complete, someone else had written the first condition book and most of the officials had been hired.

Tyler moved his officials around to give them experience in a number of positions. The crew worked together very well and really like working for him. The attitude of everyone was the best of any staff since the track opened.

While he had problems filling races for some of the better horses, the horsemen were very complimentary about working with him and the racing office.

With a year under his belt and with the opportunity to recruit his own horses, he will be in a much better position in another year.

It was a pleasure working with Tyler and his staff.

Operations—

Mutuels/Simulcasting: Once again Jeff Wingrove, in his third year, headed up the department. From our perspective he did a very good job and it was a pleasure to work with him. Even on the big days, the tellers seemed to handle their jobs very well.

Teletimer. This was the best year for the timing system. Mandy Judice ran the timer and there were very few problems.

Closed-circuit television. We asked for a bigger lens on the backstretch camera which Iain Woolnough was able to work out with Televue. It was a big help to see the activities in the starting gate for races starting on the backstretch. Guillermo Burgo of Televue has a very experienced staff now and the pictures we receive in dealing with objections and inquiries are very good.

Thoroughbred Stewards Report 8

Photo Finish: Alice Marcacci runs the system very well and the system was upgraded.

Security: Security Director Pat Kelleher has taken over TRPB responsibilities and Jack King is doing a good job in handling the staff at the stable gate.

First Aid: For the second year, the ambulance crews were provided by the Providence Forge Volunteer rescue team. They did an excellent job again.

Maintenance: While the facility now is 12 years old, the overall appearance of the facility is excellent. Maintaining a racetrack facility and making the required changeovers is a never-ending job. Dawes Lee and his crew deserve considerable credit for their efforts.

Management. Once again working with General Manager Iain Woolnough was outstanding. He and his staff deserve a lot of credit for working diligently to make the race meet a success. He was in the stable area every morning and has earned the respect of the horsemen in looking after their needs. He stopped in to see the Stewards two or three times a day and provided valuable input on any issues that came up. Because of the heat, he changed first post times to 6 p.m. on several occasions which was helpful to the horses and jockeys.

VaHBPA--

Frank Petramalo's almost daily presence once again made the VaHBPA an effective advocate for the horsemen. The various programs set up by the VaHBPA are very well received by horsemen. We keep repeating ourselves, but it is still true. Horsemen coming to Colonial Downs continue to be amazed at the support from the VaHBPA--from setting up the dorm rooms, complete with mattresses and air conditioning, to delivering ice, to contests for the best kept barn, best turned out horse in the Paddock, to picnics and other activities.

Security/Permitting--

The Commission has a great permitting team headed by Director of Operations Dennis West and Permit Manager Peggy Mason. Almost everyone that comes into contact with the Permit staff praises them for their friendliness in dealing with permit issues either on the phone or in person. We require everyone to be licensed before they can run their horses and the Commission staff continues to be as helpful as possible in assisting the horsemen and other participants in meeting the permitting needs of the Commonwealth.

Joe Roney, Director of Security and Enforcement, and Investigator Joe Poag are kept extremely busy in dealing with the criminal history reviews and other investigations that come up throughout the meet. Their presence in the stable on a daily basis area is important in keeping security issues to a minimum.

Thoroughbred Stewards Report 9

The Commission is fortunate to have the experience and expertise of Mr. Poag who is the Director of Security for the Maryland Racing Commission. He knows the Maryland horsemen and which ones have security issues.

The Stewards appreciated the efforts of the entire Racing Commission staff. Everyone worked extremely well together and is dedicated to making it as easy as possible for permit holders to conform to the rules and regulations of the Racing Commission.

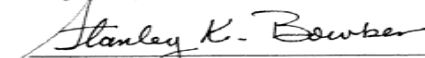
In summary, racing in Virginia continues to be a positive racing environment and experience for everyone involved. It takes the combined effort of Colonial Downs, the horsemen and the Racing Commission working together to make Virginia a place to come to for an outstanding racing experience each summer.

Proposed Rule Changes—

There are two rule changes that need to be addressed:

1. There was an incident this year in which a trainer abused his horse on the racetrack. There was not really a rule covering this so we used the general powers of the stewards (11 VAC 10-70-40.3) and used a non-racing related statute (§ 3.1-796.122 (i) and (iv) to assess a fine of \$1,000. A Commission rule needs to be approved.
2. 11 VAC 10-60-120 S.1 states a jockey may not carry more than seven pounds overweight. 11 VAC 10-140-30 A5 and 7 refers to five pounds. Seven pounds is correct and 11 VAC 10-140-30 A5 and 6 needs to conform to the seven pounds.

Respectfully Submitted:


Stanley K. Bowker
Senior Commonwealth Steward

Standardbred Judges Report

VIRGINIA RACING COMMISSION
BOARD OF JUDGES
FINAL REPORT - - 2008 STANDARDTBRED MEETING

Judges:

Jean Chalk	--	Senior Commonwealth Judge
George Hickman	--	Commonwealth Judge
Philip Wentworth	--	Commonwealth Judge
Dave Lermond	--	Alternate

From the Judges perspective, the thirty-four (34) day standardbred meet went very well. We had a better class of horse this year and sounder horses, which made for better and more competitive races. The driver colony appears to be also on the improve resulting in tighter, more exciting finishes.

For the first time this year, we held a weekly meeting between the Judges and the Horsemen. It was well-received by all and helped bridge the communications gap that in times past has sometimes cropped up.

The racing office did a very good job of filling races. Credit goes to Craig Andow, Colonial Downs' Director of Racing; Crystal Lilly Remy Racing Secretary/Stakes Coordinator; Diane Stevenson, Program Director; Jack Remy, Paddock Judge; Starter, Bill Faucher; Danielle Barr, Office Secretary and Jim Mitchell, Stall Superintendent/ID. All worked well together.

Standardbred Judges Report 2

The VRC Permitting Office did a very good job of licensing the participants. Joe Roney, VRC Director of Operations, and Enforcement did a fine job, as always, in keeping the Judges well informed of the permitting and eligibility of all participants. Anna Jenkins did a good job also as did Marilyn Bauer in all the work they did for the Judges.

Races

During the thirty-four (34) day meet, there were 8 Virginia-Bred stakes and a total of three hundred seventy-six (376) races run. Eight of the races were contested at the distance of one and one-quarter miles, while the remainder of the races were at the traditional distance of one mile. There were thirty-seven (37) qualifying races. Dr. Ada Cruthers returned this year to administer Lasix to the horses. On October 11, 2008, northern invader Enough Talk set a world-record time for trotters while besting runner-up Vivid Photo in one-minute forty-nine and three-fifths seconds.

Purses

The total amount of purses offered during the meeting was \$2,019,800.01. This number includes \$42,726.05, which represents the total paid out for a 20% owners' bonus which was offered to the owners of Virginia-Bred horses that finished first through fifth in any open race. The 20% bonus was financed by the Virginia Breeders' Fund.

Standardbred Judges Report 3

Rulings

The Judges issued a total of seventy-seven (77) rulings:

Drug positives	3
Driving infractions	17
Permitting Issues	42
Late Driver Changes	12
Security Issues	1
Miscellaneous	2

Two (2) rulings were issued to trainers for altering health certificates – Each trainer was given a thirty-day suspension. There were three (3) whipping violations and one (1) horse that showed blood from whip marks.

Breathalyzer Testing

There were no breathalyzer violations this year. A total of 1018 breathalyzer tests were performed throughout the meeting and on a daily basis.

On-Track Accidents

There were two (2) accidents: The first involved two (2) horses that fell due to a horse going off stride and the other, also due to a galloping horse, caused five (5) horses to fall. There were no injuries to any of the involved horses or drivers.

Commission Veterinarians

Dr. Harden, Dr. Kelb and Dr. Calley showed themselves to be very knowledgeable and professional in the application of their duties. Dr. Harden provided the Judges with complete and timely reports on the status of all horses.

Standardbred Judges Report 4

Track Ambulance

The track ambulance arrived daily and on time and did an excellent job providing assistance during the two (2) on-track accidents. The ambulance was also present during the mornings for workouts.

Virginia Breeders Stakes

On November 1, 2008, eight Stake Races were contested for Virginia-Bred Standardbred horses. Total purses of \$375,950.00 were offered on this day, of which \$280,000.00 was provided by the Virginia Breeders' Fund.

Stewards List

Repeated breaks	19
Breaks OQ	44
Lame	59
Injured	2
Performance	8
Fell	5
Total	137

The two (2) horse injuries were stall-and-van related. There were two lame horses identified during a racing performance. The other fifty-seven (57) lame animals were scratched from their scheduled races.

Standardbred Judges Report 5

Handle and Attendance

The total handle for the 2008 Standardbred meet was \$5,320,909.30, which consisted of \$1,222,141.30 wagered at the racetrack, \$501,458.90 wagered at the Virginia OTBs, and \$3,597,309.10 wagered from various out-of-state locations. The total handle was down by 7% compared to last year's meet (which had 2 fewer days than this year). The total attendance was 17,308, which equates to an average daily attendance of 509 per day. Last year's daily average attendance was 613, which means that there were approximately 100 fewer people attending the races on average for a percentage decrease of 17% as compared to the preceding year.

Special Thanks

The Judges would like to thank Vic Harrison and the Commission staff and the Colonial Downs staff and management and the Horsemen for their efforts and cooperation in making the 2008 Standardbred meet a success.

Jean W. Chalk

Senior Commonwealth Judge

Veterinarian's Report

Comments for the Annual Report – 2008 Commission
Veterinarian - C. Richard Harden, D.V.M.

The 2008 Thoroughbred meet at Colonial Downs suffered the plight of racetracks across the country: Fewer horses shipped in to race, in spite of an increased number of racing opportunities. Horses raced more frequently; more than a few horses raced 5 or 6 times during the meet. Racing stress was further aggravated by hard track surfaces, the result of water restrictions caused by the drought. Subsequently 55 horses were scratched for soreness on race day by commission veterinarians, significantly more than in previous years. 8 horses suffered catastrophic injuries while racing, which exceeds the national average and the typical history at Colonial Downs. The number of heat-related injuries was down, in spite of the heat due to an aggressive effort by our test barn staff to sponge horses as they unsaddle. The test barn collected samples from 815 horses, 25.5% of all starters.

Veterinarian's Report 2

Thoroughbred Statistics

	2008	2007	2006	2005	2004	2003	TOTALS
Race Days	45	40	41	40	34	30	230
Races	405	363	374	365	342	293	2,142
Approx. horse Pool	1,685	1,860	1,720	1,695	1,635	1,680	10,275
On Program	3629	3710	3782	3673	3553	3339	21,686
Scratched	438	395	541	499	583	439	2,895
Starters	3191	3312	3241	3174	2970	2900	18,788
On Vet's list	36	25	43	50	7	32	192
Vanned Off Track	5	5	12	7	4	0	33
Fatal injuries	8	8	7	2	2	4	31

Veterinarian's Report 3

The 2008 Standardbred meet at Colonial Downs was a great success, as indicated by the following statistics. The horse pool was larger than past years, resulting in larger fields and fewer instances of over-racing by any particular horse. 783 horses in the pool generated 3211 starts, at an average of 8.7 horses per race. Subsequently, Commission Veterinarians placed fewer horses on the Vet's list for unsoundness. 635 were tested post race; only 2 were found to have prohibited substances. Both were legitimate anti-ulcer medications for which the trainers were reprimanded

Veterinarian's Report 4

Standardbred Statistics

	2008	2007	2006	2005	2004	2003	TOTALS
Race Days	34	32	36	36	32	28	198
Races	369	342	352	368	369	302	2,102
Approx. horse Pool	783	709	615	800	865	715	4,487
On Program	3339	2895	2810	3189	3288	2466	17,987
Scratched	128	168	110	101	128	62	697
Starters	3211	2727	2700	3098	3160	2404	17,300
On Vet's list	4	13	12	15	5	12	61
Fatal injuries	0	0	0	0	0	0	0

Permits - Licensing

Permitting Department

Peggy E. Mason - Permitting Manager

Outline

- I. Staffing
- II. Permits
- III. Emergency Permits For 2008
- IV. Renewal Notifications Sent
- V. Refunds
- VI. Bad Checks
- VII. Approvals (Status of Applications)
- VIII. Fingerprints
- IX. Satellite Wagering Facilities
- X. VITA
- XI. Cross Match
- XII. Data Card
- XIII. State Vehicle Service
- XIV. Special Projects

Permits – Licensing 2

I. STAFFING:

3 Classified positions
Enforcement Manager (vacant).
P-14 Dan St Mary
P-14 Mitzi Levi
P-14 Jason Levi
P-14 Ryan Levi
P-14 Joe Poag
P-14 Anna Jenkins

II. PERMITS:

New (Horse Related)	<u>2041</u> (41.9%)
(Non-Horse)	<u>538</u> (11%)
Renewals (Horse Related)	<u>1456</u> (30%)
(Non-Horse)	<u>484</u> (10%)
National Compact	<u>350</u> (7.1%)
Total	<u>4869</u>

III. EMERGENCY PERMITS:

<u>113</u> (50%) Fully Complied
<u>39</u> (17.2%) Non-Complied (Suspended)
<u>74</u> (32.7%) Other

Total **226**

IV. RENEWAL NOTIFICATIONS SENT:

Total **2634**

V. REFUNDS:

Total 3 Issued For overpayments received by mail

VI. BAD CHECKS:

Total 11

Permits – Licensing 3

VII. APPROVALS:

New Permits		<u>1485</u> (35%)
Renewal Permits	<u>2413</u> (57%)	
Filed W/O Approval (New)	<u>44</u> (1%)	
AUFR (New)		<u>315</u> (7%)
Total	<u>4232</u>	

VIII. FINGERPRINTS:

Processed:

VASP/FBI 1488 **Hits** 315 (21.1%) **Rejects** 80 (5.3%) **Rejected VRC** 17 (0.01%)

Licensing Records Verification Illinois Racing Board 27

Licensing Records Verification California Horse Racing Board 1

Licensing Records Verification Indiana Racing Commission 2

Licensing Records Verification New Mexico Racing Board 1

Licensing Records Pennsylvania State Horse Racing Commission 2

Total Sets Submitted 1488

Permits – Licensing 4

IX. SATELLITE WAGERING FACILITIES:

No location employees were allowed to work with expired permits. They were removed from the schedule until they complied with the licensing requirements of The Virginia Racing Commission. *Chesapeake Military Highway was permanently closed in November 2008. Some employees were transferred to other locations.

Alberta: 20 Active Employees

Visited facility 10 times during year. Facility clean. All permits current each month. Used portable licensing equipment on 4 visits to this location.

Chesapeake Military Highway: 0 Active Employees see note above *

Visited facility 7 times during year. Facility clean. All permits made current each month. Used portable licensing equipment during one visit to this location.

Chesapeake Indian River: 34 Active Employees

Visited site 8 times during year. Facility clean. All permits made current each month. Used portable licensing equipment during 5 visits to this location.

Corporate/Grandstand: 48 Active Employees. Three employees during the year with expired permits. All permits made current.

Hampton: 34 Active Employees

Visited facility 9 times during year. Facility clean. Two employees during the year with expired permits. All permits made current each month.

Martinsville: 23 Active Employees

Visited site 10 times during year. Facility clean. Used portable licensing equipment during one visit to this location. All permits made current each month.

Richmond Broad: 52 Active Employees

Visited facility 9 times during year. Facility clean. Nine employees during the year with expired permits. All permits made current each month.

Richmond Hull: 37 Active Employees

Visited facility 9 times during year. Facility clean. Four employees during the year with expired permits. All permits made current each month.

Scott County: 24 Active Employees

Visited site 9 times during year. Facility clean. Used portable licensing equipment during 4 visits to this location. All permits made current each month.

Vinton: 19 Active Employees Visited site 10 times during year. Facility clean. Used portable licensing equipment during 9 visits at this location. Cleaning crew permits expired-subsequently made current. All permits made current each month.

Permits – Licensing 5

X. VITA:

VITA continues to maintain our computer system.

Total VITA assistance requests: 170

Onsite assistance: 111

XI. Cross Match:

Had to have router replaced twice during year. Fingerprinting system taken to Vinton, Scott, Martinsville, Alberta and Chesapeake sites 10 times during the year.

XII. DATA CARD:

System serviced once during the year.

XIII. STATE VEHICLE SERVICE

Vehicle runs well. Routine maintenance performed during the year.

XIV. SPECIAL PROJECTS

The online-based SAVE Program administered by Homeland Security was used to verify immigration documentation of 234 non-citizen applicants.

Social Security Online Verification System was used to verify social security numbers (used as the VRC's primary identification method) of applicants.

Desktop refresh was completed in May. All printers were replaced in June. Negotiations for Tracs-V upgrade to web-based application were continued throughout 2008. Network upgrade to a full T1 connection was completed. All VRC communication lines were rerouted to the computer room in order to secure VRC access only. The Texas Racing Commission was contacted to pursue the purchase of a copy of their web-based licensing application. Mythics, Inc. was contacted for an estimate on a Tracs upgrade. Systems Automation was also contacted to give estimate on Tracs upgrade. Worked with Department of Health Director and IT staff are to establish a MOA for them to maintain our Tracs-V System and also to explore the possibility of a rewrite of this system.

TAX REVENUE TO COMMONWEALTH FROM PARI-MUTUEL WAGERING

Year	Revenue	Transfer to General Fund
1996	\$631,482	\$0
1997	1,595,802	0
1998	2,065,005	0
1999	2,090,137	4,101
2000	2,103,097	534,813
2001	2,150,599	513,222
2002	2,164,933	585,610
2003	2,280,446	940,127
2004	2,556,126	1,168,349
2005	2,680,582	1,093,966
2006	2,894,004	1,202,525
2007	2,957,209	826,749
2008	2,646,048	815,870
TOTAL	\$28,815,470	\$7,685,332

TAX REVENUE TO LOCALITIES

Year	New Kent	Chesapeake	Henrico	Richmond	Hampton	Brunswick	Vinton	Martinsville	Scott	TOTAL
1996	\$157,871	\$144,304	\$6,783	\$6,783	\$0	\$0	\$0	\$0	\$0	\$315,741
1997	408,498	159,665	113,726	113,726	1,430	855	0	0	0	797,900
1998	520,316	128,530	107,693	107,693	101,062	43,538	0	0	0	1,008,832
1999	524,049	132,641	108,839	108,839	101,396	46,906	0	0	0	1,022,670
2000	532,156	129,419	104,967	104,967	108,412	49,836	0	0	0	1,029,757
2001	539,392	131,455	107,885	107,885	115,242	51,140	0	0	0	1,052,999
2002	544,937	136,127	107,043	107,043	110,778	50,791	0	0	0	1,056,719
2003	574,992	145,928	103,758	112,388	113,880	59,092	0	0	0	1,110,038
2004	645,979	146,406	89,652	167,027	125,476	59,268	9,817	0	0	1,243,625
2005	676,257	146,065	84,164	165,595	119,218	52,244	44,660	14,615	0	1,302,818
2006	727,828	171,176	70,299	175,246	114,814	41,761	44,349	43,288	26,478	1,415,239
2007	743,077	172,558	79,755	165,331	110,160	45,105	46,583	51,189	29,266	1,443,024
2008	656,347	160,286	71,940	148,229	96,737	40,619	35,164	41,901	32,365	1,283,588
TOTAL	\$7,251,699	\$1,904,560	\$1,156,504	\$1,590,752	\$1,218,605	\$541,155	\$180,573	\$150,993	\$88,109	\$14,082,950

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2008

AUDIT SUMMARY

Our audit of the Virginia Racing Commission for the year ended June 30, 2008, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

Report On Audit 2

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Report On Audit 3

- The Virginia Racing Commission controls and prescribes regulations and conditions for all horse racing with pari-mutuel wagering privileges in the Commonwealth. It licenses horse racetracks and satellite facilities and ensures that all their employees have valid Commission permits. The Commission also issues permits to anyone associated with horse racing including horse owners, trainers, jockeys, grooms, veterinarians, and blacksmiths. Pari-mutuel horse racing began in the Commonwealth in September 1997 at Colonial Downs, a privately held racetrack in New Kent County. The Code of Virginia permits up to ten satellite wagering facilities. Currently, there are nine satellite facilities operated by Colonial Downs, which are located in Alberta, Chesapeake (two), Hampton, Martinsville, Richmond (two), Scott, and Vinton. The Commission monitors each of these facilities as a part of their regulatory oversight.
- The Code of Virginia directs the distribution of the funds in the horse racing wagering pools. The percentage distribution varies based on factors such as the type of wagering, whether the race took place within or outside of the Commonwealth, and whether the wagering occurred at the racetrack or at a satellite facility. The Commonwealth retains as a license tax a portion of the wagering pools ranging from 0.75 to 2.25 percent as directed by the Code of Virginia. All revenues received by the Commission go to a special fund known as the State Racing Operations Fund. The Appropriation Act requires the Commission to transfer any funds in excess of the Commission's operating expenses to the General Fund of the Commonwealth. However, the Appropriation Act contains language allowing the Commission to carry forward a portion of its unspent appropriation related to the promotion and marketing, sustenance, and growth of the Virginia horse industry as long as it makes its required transfer to the General Fund. At June 30, 2008, the Commission had a cash balance of \$453,595 in its operating fund related mostly to unspent marketing funds. The Commission transferred the amount required by the Appropriation Act to the General Fund during fiscal year 2008.

Report On Audit 4

- The Code of Virginia also created the Virginia Breeders Fund to support an incentive program to foster the industry of breeding racehorses in Virginia. It receives a one percent distribution of the horse racing wagering conducted in the Commonwealth. The Commission contracted with the Virginia Thoroughbred Association and the Virginia Harness Horse Association to manage the fund. The incentive program provides purses for races restricted to Virginia bred or sired horses and awards to the owners and breeders of Virginia bred horses that win or earn purse money in races designated by the Commission. During fiscal year 2008, the Commission made payments of \$1,934,254 from the Breeders Fund consisting of \$1,082,467 in purse money, \$521,787 in incentives to owners and breeders, and \$330,000 in management fees to the Virginia Thoroughbred Association and the Virginia Harness Horse Association. At year-end, the cash balance in the Breeder's Fund was \$685,734. The cash balance does not revert to the General Fund.
- Below are the results of the fiscal year 2008 financial operations of the Virginia Racing Commission. There was a decline in the amount wagered on horse racing in the Commonwealth due primarily to the conditions of the economy and the price of fuel. The decline started in November of 2007 and continued through the end of fiscal year 2008. The total amount wagered in this eight month period, when compared to the same eight month period of the prior year, was down 8.4 percent. The commission spent less than budgeted for Personal Services mainly due to the fact that the commission has two unfilled full-time positions that are included in the budgeted amount. The variance in the incentive and marketing payments line item is mainly due to unspent marketing funds in the amount of \$322,000.

Report On Audit 5

VIRGINIA RACING
COMMISSION

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES

IN CASH BALANCES - BUDGET AND ACTUAL

For the year ended, June 30, 2008

	Total <u>Budget</u>	Actual		Total <u>Total</u>	Total Variance Positive/ <u>(Negative)</u>
		Breeders <u>Fund</u>	Operations <u>Fund</u>		
Revenues:					
Taxes and pari-mutuel wagering	\$ 5,010,000	\$ 1,608,579	\$3,035,407	\$ 4,643,986	\$ (366,014)
Application fees	150,000	-	144,719	144,719	(5,281)
Fines and assessments	12,000	-	12,775	12,775	775
Interest	<u>35,000</u>	<u>42,564</u>	<u>3,816</u>	<u>46,380</u>	<u>11,380</u>
Total revenues	<u>5,207,000</u>	<u>1,651,143</u>	<u>3,196,717</u>	<u>4,847,860</u>	<u>(359,140)</u>

Report On Audit 6

Expenses:

Personal services	1,210,209	-	1,042,751	1,042,751	167,458
Contractual services	555,454	-	575,507	575,507	(20,053)
Supplies and materials	16,000	-	21,160	21,160	(5,160)
Incentive and marketing payments	3,137,000	1,934,254	858,343	2,792,597	344,403
Continuous charges	42,650	-	95,246	95,246	(52,596)
Equipment	<u>21,239</u>	<u>-</u>	<u>1,297</u>	<u>1,297</u>	<u>19,942</u>
 Total expenses:	 <u>4,982,552</u>	 <u>1,934,254</u>	 <u>2,594,304</u>	 <u>4,528,558</u>	 <u>453,994</u>

Transfers out:

General fund	815,870	-	816,049	816,049	(179)
Literary Fund	<u>12,000</u>	<u>-</u>	<u>12,775</u>	<u>12,775</u>	<u>(775)</u>
 Total transfers	 <u>827,870</u>	 <u>-</u>	 <u>828,824</u>	 <u>828,824</u>	 <u>(954)</u>

Report On Audit 7

Revenues over (under) expenditures					
and transfers out	(603,422)	(283,111)	(226,411)	(509,522)	93,900
Cash Balance at June 30, 2007	<u>1,648,851</u>	<u>968,845</u>	<u>680,006</u>	<u>1,648,851</u>	<u>-</u>
Cash Balance at June 30, 2008	<u>\$ 1,045,429</u>	<u>\$ 685,734</u>	<u>\$ 453,595</u>	<u>\$ 1,139,329</u>	<u>\$ 93,900</u>

Source: Commonwealth Accounting and Reporting System

Report On Audit 8



Walter J. Kucharski, Auditor

Commonwealth of Virginia

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

September 28, 2008

The Honorable *Timothy M. Kaine*
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable *M. Kirkland Cox*
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

Report On Audit 9

We have audited the financial records and operations of the **Virginia Racing Commission** for the year ended June 30, 2008. We conducted this performance audit in accordance with generally accepted Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Commission's internal controls, test compliance with applicable laws and regulations, and review corrective actions of audit findings from prior year reports.

Report On Audit 10

Audit Scope and Methodology

The Commission's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Contractual services expenditures
Incentive and marketing payments
License and permit fees
Payroll expenditures

Small Purchase Charge Card
Tax and pari-mutuel wagering revenues
TRAC V System

We performed audit tests to determine whether the Commission's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel and observation of the Commission's operations. We inspected documents including reconciliations, deposit slips and certificates, wagering reports provided by Colonial Downs, revenue summary reports and contracts. We tested transactions and performed analytical procedures.

Report On Audit 11

Conclusions

We found that the Commission properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Commission records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Commission has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this letter.

EXIT CONFERENCE AND REPORT DISTRIBUTION

We discussed this report with management on October 2, 2008.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

Possible Impact Issues for 2009

- Economic Downturn – Declines in Wagering impact all the parties: The race track, the owners/breeders and the Racing Commission. We all derive revenues ultimately from a percentage of wagering dollars. How do we all adequately deal with the revenue decreases?
- Racing Days – Finding the right and perfect length for the Thoroughbred race meet: 40 days are slotted for 2009 - Should we have shorter or longer meet? Will the economy force a regional racing circuit that would impact this issue?
- Purses – Thoroughbred Gap Funding - Purses are paid to Thoroughbred owners based on a year's worth of wagering. Who covers the shortfall when the thoroughbred meet occurs halfway through the year?
- Purses – Thoroughbred Stakes Races vs. Overnights – One party wants higher purses for the high profile Thoroughbred stakes races. Another party wants to fund higher overnight race purse via a reduction in those stakes purses
- Breeders and Breeders Funds – 1% of all wagers goes to the Breeders Fund – Can we attract a known stallion to VA? Will the Thoroughbred industry adopt the Standardbred policy of shipping frozen semen?
- Internet Wagering - Source Market Fees vs. Host Market Fees/Importing States vs. Exporting States. Is there a national formula that can be satisfactorily applied to states like VA that import the bulk of their annual wagering menu from states that run year-round (exporters)?
- Northern VA OTBs (SWFs) – Rosecroft, Colonial Beach OTB and Charlestown Race Track are all easily accessed by Northern Virginia residents. There must be an expeditious solution for the VA licensee other than holding a referendum.
- Encroachment of Alternative Gaming on the Commonwealth – Slot machines that fund higher purse amounts for horse racing are operational in NY, NJ, PA, DE and WV and are now approved in MD. How can we keep horse racing alive in VA and competitive? Is Instant Racing the answer? Can we expect Slot Machines to ever be approved here?
- License Fee Increase/Outdated VRC Licensing System – The VRC's licensing system is DOS-based and otherwise ponderous. Can we fund its replacement in part through an increase in permit fees?
- Antiquated Betting Machines – The cost of new betting machines at the track and SWF's is high. It has been shown that wagering has been driven higher at race tracks that have installed new wagering terminals that engage new players, younger players and provide greater information to their current betting patrons.
- Internet Betting – Internet betting is increasing while in-person wagering is decreasing. What are the financial ramifications to the VRC, race track and horsemen?
- Medications – There is a move afoot for zero tolerance for steroids in race horses. How is that reconciled with the understanding that some substances occur naturally in the race horse? Can the industry coordinate a national or regional policy?
- Riding Crops vs. Whips – A crop is easier than a whip on a horse's hide. Is there a manufacturer that can offer one that stands up to the rigors of an entire racing season? What are the other ramifications?

Gratitude

Thanks to all who worked diligently in 2008 to and for the benefit of the native equine, horse racing and pari-mutuel wagering industries.

Vic Harrison

Executive Secretary

Virginia Racing Commission

February 26, 2009

