

VIRGINIA RACING COMMISSION
STATE CORPORATION COMMISSION
TYLER BUILDING
COURTROOM B
1300 EAST MAIN STREET
RICHMOND, VA 23219

Thursday, December 13, 2018 at 10:00 a.m.

COMMISSION MEMBERS:

D.G. Van Clief, Jr., Chairman
Stuart Siegel, Vice Chairman
J. Sargeant Reynolds, Jr.
I. Clinton Miller
Stephanie B. Nixon

COMMISSION STAFF:

David S. Lermond, Jr., Executive Secretary
Kimberly C. Mackey, Business Manager
Rhonda Davis, Pari-Mutuel Wagering and Licensing
Coordinator

ATTORNEY GENERAL'S OFFICE:

Robert N. Drewry, Esquire

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1 CHAIRMAN VAN CLIEF: Good morning, Ladies and
2 Gentlemen. We will call the December 13, 2018
3 meeting of the Virginia Racing Commission to order,
4 please. I would note that all of our commissioners
5 are present and I'd like to take just a brief moment
6 to welcome our newest appointee, Stephanie Nixon.

7 Thank you, Stephanie, for joining us. She
8 brings a wealth of experience to this Commission and
9 she's actually giving up quite a bit.

10 As most of you have recognized Stephanie from
11 her usual seat over there representing the HBPA, she
12 has given up her board position there and given up
13 her capacity as a trainer in the state of Virginia,
14 as well as an owner, which is saying something, as
15 she is the owner and proprietor of Horseshoe Hill
16 Farm, a member of the VTA, the HBPA, a long-time
17 Virginia owner, trainer and breeder. She does it
18 all.

19 We are delighted to welcome her to the
20 Commission and we welcome her presence and her
21 expertise and all that experience. Thank you. We
22 know she's going to make a great contribution.

23 Our first order of business is to approve the
24 minutes of the October 2nd meeting, and I believe we
25 have actually got a correction to the minutes that

1 were distributed to each of you Commissioners.

2 That is, if you will go to the second page, one
3 two, three, fourth paragraph up from the bottom.
4 when we approved the resolution bringing us out of
5 our executive session at the last meeting and back
6 into regular open session, the vote was by roll
7 call. That's now reflected as part of our minutes.

8 Are there any other suggestions, questions,
9 modifications that you'd like to make? If not, I
10 need a motion to approve the minutes.

11 COMMISSIONER REYNOLDS: So moved.

12 CHAIRMAN VAN CLIEF: Second, please.

13 COMMISSIONER NIXON: I'll second.

14 CHAIRMAN VAN CLIEF: Thank you. Any opposed,
15 please so indicate. In that case, the minutes are
16 approved unanimously.

17 As we did at our October 2nd meeting, we've
18 changed up what used to be our normal order of
19 business. We thought it made a good deal of sense
20 to invite the public to make comments before we
21 deliberated over any action items that this
22 Commission might have to undertake. We'd like to
23 have your input on any of the items on this agenda
24 and we'd like to hear it in advance of any debate we
25 might have.

1 So we will now open the meeting for public
2 comment. As you know, that takes place on an
3 individual-by-individual basis. If you do wish to
4 speak to any of these items or for that matter any
5 other issue, please feel free to do so.

6 If you do, please stand, identify yourself and
7 give your name for the record and we will limit
8 comments to a maximum of five minutes each. Is
9 there anybody that would like to make any comments
10 at this time? Yes, sir.

11 MR. BERMAN: Good morning. For the record, my
12 name is Tad Berman. Before I begin, I'd like to
13 thank the Commission for moving public comment from
14 the end of today's meeting to the beginning.

15 This is the first meeting I have attended in 20
16 years that I remember this ever being the case.
17 This is a good thing and it allows public input to
18 be taken into consideration before the VRC renders
19 it's decisions on that day's agenda items, instead
20 of hearing it at the end of the meetings after those
21 votes have already been taken. I hope the
22 Commission will consider making this a permanent
23 change in the future, and once again for that, I say
24 thank you and good job.

25 My comments today will be limited to Items 4E

1 and 4J. Let me begin with Item 4E, request for
2 approval of the VEA operating budget for 2019.
3 Lines 17 and 18 show owner bonuses for the
4 Virginia-Certified program for both Thoroughbreds
5 and Standardbreds at a projected cost of over \$1.7
6 million.

7 This program stipulates if you board a foal from
8 out-of-state on a Virginia farm for six months, they
9 will then become eligible for a 25 percent purse
10 bonus when they win races in Maryland, West
11 Virginia, Delaware, New York, Pennsylvania and New
12 Jersey.

13 The Certified program has been created using
14 money intended to be invested in Virginia racing,
15 but instead that money is being used as a subsidy
16 that only serves to enrich the member farms of the
17 Virginia Thoroughbred Association and now to a
18 lesser extent the Virginia Harness Horsemen's
19 Association.

20 This program offers little to no benefit to
21 Virginia racing. After these horses satisfy their
22 six month residency requirement, they will go back
23 to where they came from with absolutely no incentive
24 to ever return to Virginia again.

25 In the meantime, the VEA will continue to use

1 the money meant to promote live racing here in
2 Virginia to pay bonuses all over the Mid-Atlantic
3 region for horses bred out-of-state for the duration
4 of their racing careers. All this program does is
5 provide a lucrative income stream for the VTA's
6 income farms using \$1.7 million of Virginia money to
7 subsidize this program this year alone.

8 The VRC's own mission statement charges, quote,
9 to promote, sustain, grow and control a native horse
10 racing industry. This Virginia-Certified program
11 does nothing to promote our horse racing industry
12 and it only serves to pad the pockets of a small
13 minority of individuals who are members of the VTA.

14 This is not how this money was intended to be
15 used and I would rather see that money stay here in
16 Virginia and be used for other programs that would
17 promote breeding in-state and are available to all
18 horsemen whether they are members of the VTA or not.

19 Let me move on to Item 4J, request for approval
20 of the revenue sharing agreement between Colonial
21 Downs and the VEA. I'll admit that I am no expert
22 at reading proposed revenue sharing agreements, but
23 after close examination, there are a number of items
24 that jump off the page and not in a good way for
25 Virginia interests.

1 These include, number one, a 94 to 6 percent
2 split of revenue in favor of track ownership from
3 the historical horse racing machines. If six
4 percent sounds like an awfully low number, it is in
5 comparison to other states. Actually, it was the
6 lowest that I found.

7 Number two, the horsemen will receive no revenue
8 from historical horse race machines for the first
9 year after opening each individual slot parlor.
10 Colonial will keep 100 percent. That means no
11 revenue until at least April of 2020.

12 Three, this is a ten-year agreement. If our
13 legislatures pass House Bill 1609 to revitalize
14 Virginia racing, then this proposed revenue sharing
15 agreement is the holy grail. The terms of this
16 agreement will determine how much money will be
17 available to invest in the Virginia racing industry
18 for years to come.

19 Virginia needs to make sure it gets its fair
20 share of that money. The Commission need not render
21 a decision on this item today, as there will be no
22 revenue to share until at least late April.

23 I would respectfully suggest that you carry this
24 item over to the January meeting so the Commission
25 and others can have time to evaluate those things

1 mentioned above amongst others in the agreement and
2 make sure it is what is best for Virginia racing,
3 instead of getting locked into a ten-year deal that
4 we will regret later.

5 Finally today, I want to shift gears and speak
6 to the events that transpired over the past year.
7 As much as I have wanted to see live racing return
8 to Virginia, I still remember the past 20 years of
9 our previous track owner and how he played games
10 with us Virginians and how many lives he affected in
11 a negative way, including so many Virginia folks who
12 invested millions in Colonial Downs back in the day,
13 only to see their investments stolen from them, in
14 addition to our horsemen who have watched Virginia
15 racing come to a screeching halt and who have also
16 suffered financial hardship.

17 Do not let my actions criticizing the new
18 ownership of Colonial Downs give you the wrong
19 impression. My sole intention has been to make sure
20 Virginia doesn't suffer the same fate again.

21 So while others joined up with Colonial's new
22 ownership from the very beginning, I have taken a
23 more cautious approach and chosen to do everything
24 in my power to make Colonial's out-of-state
25 leadership realize that if they're going to operate

1 here successfully, they will have to do right by
2 Virginia and our people.

3 So far, I've been pleased with what I see. I
4 might still be critical of some of the things that
5 are presently happening both with the track and the
6 horsemen, but over all, I want to give Colonial and
7 its leadership my vote of confidence.

8 My dad used to always tell me to give credit
9 when credit was due, and today for the first time
10 in five years, we have an application for live
11 racing to return to Virginia.

12 This would have never been possible without
13 Mr. Lucas and Mr. Salter and their willingness to
14 come to Virginia, invest their time and money and do
15 all the hard work necessary to pass House Bill 1609,
16 and because of them live racing will once again
17 return to Virginia in 2019, and for that, I would
18 just like to take a moment -- where are you,
19 Mr. Lucas? To say thank you and congratulations.
20 That's all.

21 CHAIRMAN VAN CLIEF: Thank you, Mr. Berman. If
22 I could just make sure I got the gist of what you're
23 saying. You've got two issues of which you have at
24 least healthy skepticism which might classify how
25 you feel. One is the owner bonuses, which I gather

1 you feel are not sufficient or properly directed to
2 grow a native industry and are too narrow in their
3 focus as to where they will be paid out, and your
4 second issue is with the revenue sharing agreement
5 with regards to the splits between the track
6 ownership and the horsemen or the industry at large
7 I should say, as well as a 12 month waiting period
8 for HHR revenues to flow and the ten-year term for
9 the overall vote. Is that a fair classification?

10 MR. BERMAN: It is.

11 CHAIRMAN VAN CLIEF: All right. Thank you. I
12 will ask the relevant parties if they'd like to just
13 keep those comments in mind and if they could take a
14 few minutes to address the rationale and answer
15 those questions as part of their presentations. I
16 think that might be a good idea.

17 I will share that this Commission had actually
18 some of the same questions and we'd already asked
19 for some of those answers and received them. Other
20 than that, Mr. Berman has I think put his finger on
21 something and actually stole a little bit of our
22 thunder.

23 This is a very significant meeting and as we
24 move now into new business, I wanted to note how an
25 important day we all think this is for this industry

1 and how appreciative we are to be sitting in front
2 of a very well-crafted application for racing and
3 wagering from what appears to be a very well-
4 qualified group of investors and individuals.

5 We also thank Mr. Lucas and Mr. Salter for their
6 initial approach and we look forward to welcoming
7 Mr. Stevens, who is the chairman of the new
8 ownership group and from whom we will hear a little
9 bit later. So a very exciting day and we look
10 forward to getting on with the business at hand.

11 We've got a number of issues to act on, and the
12 first of which is a request and approval of
13 amendment of our fee schedule. Mr. Lermond will
14 address that.

15 MR. LERMOND: Thank you, Mr. Chairman. Behind
16 Tab Two of your books is the fee schedule of Chapter
17 60 of our regulations. Myself and staff have been
18 looking at these fees and it occurred to us that it
19 doesn't seem equitable that the \$50 license fee
20 seems to apply to the racing participants,
21 specifically owners, trainers, riders.

22 Hopefully, this will be one of the first bits of
23 good news the horsemen will hear today if you all
24 agree with our analysis, which is that we feel we'd
25 like to lower those fees down to 25.

1 when you have an owner that comes to run at the
2 Gold Cup and might run two days one horse two days,
3 it just doesn't seem fair that they have to pay \$50.
4 we don't want to do anything to dissuade owners from
5 coming to Virginia racing. I'm hoping by lowering
6 these fees it may in some small way show the
7 horsemen and the participants that we want them
8 here.

9 As far as the effect to the Commission, license
10 revenue is roughly three percent of our total
11 revenue. we don't look at selling licenses as a
12 money-making proposition. It's really a tool for us
13 to ensure the integrity of the participants and also
14 limit access to certain restricted areas by having
15 people having badges.

16 I have spoken with Mr. Drewry and his feeling is
17 that this action would be exempt from the normal VTA
18 process, so if the commissioners today will agree to
19 approve this as final amendments, we can have these
20 effective January 1, which gives us a nice clean
21 starting point for the new year.

22 unless any of you have any questions, I would
23 seek a motion to approve these amendments as
24 follows.

25 CHAIRMAN VAN CLIEF: My reaction is it's nice to

1 think that we're sitting in front of enough revenue
2 that we don't have to worry about license fees too
3 much anymore and nice to be able to turn right
4 around and deliver at least a token savings to our
5 horsemen.

6 Do any of my fellow commissioners have any
7 questions for Mr. Lermond? If not, we'd welcome a
8 motion to approve.

9 COMMISSIONER MILLER: So move.

10 CHAIRMAN VAN CLIEF: We have a motion. Do we
11 have a second?

12 COMMISSIONER REYNOLDS: So moved.

13 CHAIRMAN VAN CLIEF: Second. Thank you. Is
14 there any discussion? In that case, please signify
15 your agreement with the motion by saying aye.

16 NOTE: The Commission votes aye.

17 CHAIRMAN VAN CLIEF: Any opposed? Thank you
18 very much. The motion passes.

19 The next issue is to consider approval of
20 Thoroughbred breeder and Stallion award totals for
21 the current year, 2018. Mr. Lermond is going report
22 on that as well.

23 MR. LERMOND: Okay. Under Tab Three in your
24 books, more good news, Mr. Chairman. Because of the
25 additional OTBs last year, the amount available for

1 the year-end awards has gone up 100,000; it was at
2 550 last year and it's 650 this year.

3 Debbie Easter got together with the Breeders
4 Fund committee and the approval of the Board of
5 Directors and they requested the 650,000 be divided
6 as follows: 620,000 for the year-end breeders awards
7 and 30,000 for the year-end Stallion awards. That's
8 a \$70,000 increase for the breeders and a \$5,000
9 increase for the Stallions.

10 CHAIRMAN VAN CLIEF: Anything further from the
11 VTA on this?

12 MS. EASTER: No. Other than we're just excited
13 that the OTBs continue to do well, and hopefully as
14 the new Colonial Downs takes over, we'll see
15 continued increases to our breeders who continue to
16 breed quality horses here in Virginia.

17 CHAIRMAN VAN CLIEF: Great. Thank you. Any
18 questions on the part of our Commission? In that
19 case, we need again a motion to approve.

20 COMMISSIONER REYNOLDS: So moved.

21 COMMISSIONER SIEGEL: Second.

22 CHAIRMAN VAN CLIEF: So moved. Thank you. We
23 have a motion and a second. Are there any
24 discussions, any questions? All in favor, please
25 signify by saying aye.

1 NOTE: The Commission votes aye.

2 CHAIRMAN VAN CLIEF: Any opposed? Thank you.
3 The motion passes.

4 Item C under New Business is a request for
5 approval of the VTA Breeders Fund administration
6 budget for 2019 and Debbie Easter is going to
7 present that.

8 MS. EASTER: I think that in your packets you
9 would have our request for the 2019 Breeders Fund
10 budget.

11 CHAIRMAN VAN CLIEF: Tab Four.

12 MS. EASTER: Unless you all have any specific
13 questions, it's very similar to budgets that we've
14 put forward in the past. The VTA is paid \$87,000 to
15 administer and promote the fund. The rest of the
16 money that is available is used for advertising our
17 programs here in Virginia or supporting programs
18 that help bring new folks into our business or
19 promote our Virginia horses.

20 Unless anybody has any specific questions, I
21 don't think you're going to see a whole lot of
22 difference in what we've done in the past.

23 CHAIRMAN VAN CLIEF: Similar to the last couple
24 of years, isn't it?

25 MS. EASTER: Yes.

1 COMMISSIONER REYNOLDS: I've got a couple of
2 questions.

3 MS. EASTER: Sure.

4 COMMISSIONER REYNOLDS: Nothing major, but up in
5 Advertising and Promotion on the daily racing form,
6 it looks like you all projected a budget for this
7 year, but then you projected \$6900. Have you spent
8 that this year?

9 MS. EASTER: I can only right now without
10 pulling, doing the direct -- we can tell you what
11 we -- yes. Those are what we've projected that
12 we've probably spent that with the daily racing
13 forms.

14 COMMISSIONER REYNOLDS: And then you're going to
15 budget 1500 for next year?

16 MS. EASTER: Yeah. Because you know why? The
17 racing form for us doesn't hit the circulation of
18 the people we are trying to get to. It hits more of
19 the folks looking at it for wagering and stuff. So
20 I don't think our advertising there is as effective
21 as it should be. That's why the change.

22 COMMISSIONER REYNOLDS: And then a little
23 further down in the middle, Virginia Horse Council,
24 you didn't budget anything. I guess it projects
25 3,000 but then you went back to zero for 2019?

1 MS. EASTER: Because we moved that off into the
2 VTA budget --

3 COMMISSIONER REYNOLDS: Okay.

4 MS. EASTER: -- and just added more advertising
5 and stuff in to this. Quite frankly, as we're able
6 to have more money as the Association, we had a good
7 year with the Stallion auction, so we figured that's
8 more of a VTA item.

9 COMMISSIONER REYNOLDS: Okay. Then finally, you
10 budgeted -- your budget calls for a \$10,200 deficit
11 at the end of '19, but your email said that you
12 would just balance that through the VTA, the
13 operating budget?

14 MS. EASTER: I think VTA's job is promotion of
15 the horses here in Virginia and breeding and
16 whatever we can do, so I didn't want to delete
17 advertising money or something just to balance it.
18 Just that you should know if we come up with a
19 negative balance, we pay for it out of the operating
20 funds of the VTA.

21 COMMISSIONER REYNOLDS: Okay. Thank you.
22 That's all.

23 CHAIRMAN VAN CLIEF: Anything else? In that
24 case, we need a motion to approve the VTA Breeders
25 Fund administration budget for next year.

1 COMMISSIONER SIEGEL: So moved.

2 COMMISSIONER REYNOLDS: So moved.

3 CHAIRMAN VAN CLIEF: Thank you and we have a
4 second. All in favor, signify by saying aye.

5 NOTE: The Commission votes aye.

6 CHAIRMAN VAN CLIEF: Thank you. The motion
7 carries unanimously.

8 We also need approval for the VHHA Harness
9 Association Breeders Fund administration budget for
10 next year. Is Ms. Warnick going to make any
11 comments today? Is she here? Yes. Thank you.

12 MS. WARNICK: I didn't have any comments. It's
13 pretty much at this time exactly the same budget
14 that we've had the last couple of years.

15 CHAIRMAN VAN CLIEF: Okay. It's under Tab 5 and
16 does anybody have any questions for Ms. Warnick?

17 COMMISSIONER MILLER: I move approval.

18 CHAIRMAN VAN CLIEF: We have a motion to
19 approve.

20 COMMISSIONER REYNOLDS: Second.

21 CHAIRMAN VAN CLIEF: Second. All in favor,
22 signify by saying aye.

23 NOTE: The Commission votes aye.

24 CHAIRMAN VAN CLIEF: Any opposed? Thank you.
25 Motion carries unanimously.

1 Item E is a request for approval of the Virginia
2 Equine Association operating budget or Equine
3 Alliance, I should say, operating budget for 2019.
4 That is under Tab 6 in your books and the
5 presentation will be made by Mr. Hannum.

6 MR. HANNUM: Thank you, Mr. Chairman. If you'd
7 like, I could go through the full budget. I won't
8 go each line. I could speak to some of the line
9 items that I think are important and then after
10 going through the whole thing, then any questions,
11 it could be addressed there. Would you like me to
12 go through the whole thing?

13 CHAIRMAN VAN CLIEF: If you would go ahead and
14 pick out what you think are the primary issues that
15 you'd like to bring to our attention, that'd be
16 great and we can ask questions.

17 MR. HANNUM: Okay. Thank you. So first of all,
18 just as a comment, this is a unique budget because
19 it sort of transitions as we are carrying on our
20 normal business for next year, but also
21 transitioning some items with the licensing of the
22 track.

23 So first of all, Line One is the gross proceeds
24 from ADW. By statute, there are distributions that
25 have to come out; that's Line Three. Then we have

1 agreements with ADW companies to rebate them. So
2 Line Four is the net proceeds from ADW, which is a
3 little over \$1.8 million.

4 Line Five is 1,875,000. That's the first
5 scheduled payment from Colonial Downs for the OTB
6 transition. So the OTBs, the operation, control of
7 the OTBs will shift over to Colonial Downs April 1st
8 of next year, and per the revenue sharing agreement
9 which I'll speak to later in the agenda, a payment
10 will come to the VEA for the loss of revenue from
11 the OTBs and for relinquishing the licenses.

12 So that's the first payment of 12.5 million that
13 will come to the VEA over the next five-plus years.
14 Again, that's part of the revenue sharing agreement.

15 Line Six is the OTB revenue. So again, the VEA
16 will be operating four OTBs through the first
17 quarter of next year. That's our estimated revenue.
18 Then if you jump down to Line Nine, OTB Expenses,
19 that would be our expenses for the first quarter.
20 So again, this budget takes into account OTB revenue
21 expenses just for one quarter.

22 Lines 10, 11 and 12 are money to support harness
23 racing at Shenandoah based on the same schedule as
24 this year, including expenses for race day
25 operations, rent at the county fair, and then Line

1 12 is support to Virginia Gold Cup for their rent at
2 Great Meadow.

3 Moving down to Lines 17 and 18, these are funds
4 set aside for the residency or the Certified
5 programs for Thoroughbred and Standardbred. The
6 \$1.3 million for the Thoroughbred program, those
7 funds have been paid by the HBPA, so in this budget
8 the VEA budget will take over funding of the
9 Thoroughbred program which had been the
10 responsibility of the HBPA, and based on the success
11 and significant impact that that program has had,
12 the harness industry wants to create a similar
13 program.

14 The 433,000; 400 will be put into a restricted
15 account held by the VEA for the harness industry.
16 They have a program that will start next year.
17 Horses then will be eligible starting in 2021.
18 They'd like to have a budget of 200,000 for that
19 program in 2021 and 200,000 in 2022. The 33,000
20 remaining will be used for promotion and
21 administration and sitting up the program.

22 Moving down to Line 22, the increase in this
23 line item for benefits includes retirement money for
24 VEA employees of over three years. Line 26 includes
25 moneys for our audit, legal representation and tax

1 counsel.

2 Then jumping down to Lines 36, 38, 39. Line 36
3 is the horse retirement program, so we're doubling
4 the amount of money we put into retirement programs
5 and hope to continue to increase that in years to
6 come.

7 We have support for the Virginia Point To Point.
8 The Point To Point, as you all know, is for the
9 minor league system for the NSA steeplechase meets
10 and the Point To Points are a critical part of
11 maintaining the horses and horsemen coming into the
12 steeplechase meets.

13 So we have money to support the Point To Points,
14 as well as moneys for the other NSA-sanctioned races
15 which we did this year.

16 Then Line 44 is our net income of a little over
17 100,000. If you come up to the top right-hand
18 section of the sheet, you'll notice we have
19 Shenandoah track repair of 100,000.

20 Because of the significant amount of rain we had
21 over the course of the harness meet, unfortunately,
22 the track was overloaded with rain and we realized
23 that we needed to improve the drainage system and we
24 anticipate that the cost for making those necessary
25 repairs will be about \$100,000. So that leaves us

1 with a total cash available of a little over 17,000.

2 I'll pause there, Mr. Chairman and
3 Commissioners, and take any questions you have on
4 the budget.

5 CHAIRMAN VAN CLIEF: Does anyone have any
6 questions for Mr. Hannum?

7 COMMISSIONER REYNOLDS: I have a couple.

8 CHAIRMAN VAN CLIEF: Commissioner Reynolds.

9 COMMISSIONER REYNOLDS: Mr. Hannum, go to Line
10 12, please. You talked about the Virginia Gold Cup
11 rent, but it looks like you're budgeting \$250,000
12 for next year. That's a 53.8 percent increase.

13 MR. HANNUM: Yes. So the Virginia Gold Cup has
14 a lease with Great Meadow Foundation, which is where
15 the races take place. The rent for having the two
16 days of racing is \$250,000 a year. So it had always
17 been our goal to pay that full amount for the Gold
18 Cup.

19 As you know, all of the money that they raise
20 through ticket sales and sponsorship is returned to
21 the horsemen, so this is a significant part of their
22 budget, which if the VEA can pick up provides more
23 money to go back to the horsemen and for purses. So
24 that was always our goal and we are pleased that
25 we're able to address that this year.

1 COMMISSIONER REYNOLDS: Okay. Then Line 20, it
2 looks like salaries are going up to \$370,000. Are
3 you all adding staff?

4 MR. HANNUM: We don't have any plans to add any
5 staff, Commissioner. This is just sort of a place
6 holder. We put in an extra almost 100,000 just in
7 case there were additional needs.

8 What we anticipate is that we may have
9 additional staffing requirements for the inspections
10 that will take place for the Thoroughbred, the
11 Certified program, so it's a fairly time consuming
12 process to get out to all of the farms and check the
13 horses, so we just factored in some money there, but
14 at this time we don't have any plans to use that
15 money.

16 COMMISSIONER REYNOLDS: Okay, and lastly, Line
17 29. You've had Interest Expense and you're
18 budgeting zero for 2019. Does that mean you paid
19 off whatever debt you had?

20 MR. HANNUM: Yes, sir. So we had two loans; an
21 initial loan from the HBPA to help get the VEA up
22 and running back in 2015. Then we had a loan from
23 the VHHA to help up us build the harness track out
24 at Shenandoah and we were able to get both of those
25 paid in full.

1 COMMISSIONER REYNOLDS: Congratulations. Thank
2 you.

3 MR. HANNUM: Thank you.

4 CHAIRMAN VAN CLIEF: Any questions for
5 Mr. Hannum? I've got one sort of minor marketing
6 related. I note you doubled your contributions to
7 horse retirement programs, and while it's not a huge
8 number, I imagine that if you aggregated it with
9 other contributions from members of this industry
10 either individually or organizationally, we'd
11 probably make a fair contribution to re-purposing
12 and rehabbing our race horses.

13 How does that find its way into our narrative
14 and are you, to sound a little bit mercenary,
15 getting the requisite PR value out of that that the
16 industry probably should and could be getting?

17 MR. HANNUM: I think we could probably do more
18 on that front. The statute speaks to the VEA
19 supporting retirement programs. It does not state a
20 specific amount, but we definitely want to increase
21 that.

22 There are a number of very good programs and I
23 think in the years to come, you know, that's going
24 to be a number that we'll look to increase every
25 year. But we haven't spent a lot of time promoting

1 or talking about it, but I think certainly we can do
2 that next year.

3 CHAIRMAN VAN CLIEF: Okay. Great. Thank you.

4 COMMISSIONER REYNOLDS: I have one question.

5 CHAIRMAN VAN CLIEF: Mr. Reynolds has another
6 question.

7 COMMISSIONER REYNOLDS: Mr. Hannum, sorry.
8 Going back to what Mr. Berman said earlier relating
9 to Lines 16 through 18. He made a comment he felt
10 like this was a subsidy he didn't feel should be
11 used to promote and sustain live racing in Virginia,
12 and he felt like this money was going to member
13 farms, so to speak. Can you give us a little more
14 detail about how you would address that comment?

15 CHAIRMAN VAN CLIEF: We might ask Ms. Easter if
16 she wants to --

17 COMMISSIONER REYNOLDS: Or anybody who would
18 like to handle that.

19 MS. EASTER: Sure. I'm happy to handle that.
20 So I might argue that a little bit different than
21 Mr. Berman, in that I think the intent of racing
22 being passed in Virginia was to help support
23 agriculture, help support farms, along with having
24 an avenue for people that breed horses to raise in
25 Virginia.

1 we have to be realistic about what happens here.
2 virginia didn't pass pari-mutuel until very late in
3 the game and we don't have year-round racing like
4 other states to help promote and grow farms in this
5 area. So what we've always had is our Breeders
6 Fund.

7 Our Breeders Fund, while a nice contribution to
8 help folks that do the hard work on farms here and
9 breed quality horses, the reality is we can't
10 compete with other states around us.

11 We have about a million dollars in our Breeders
12 Fund, and if you look what happens in New York and
13 Pennsylvania and Maryland, even West Virginia, our
14 breeders are at a disadvantage.

15 It's hard to talk to somebody economically why
16 to come breed a horse in Virginia because you can do
17 it in other states and have the ability with
18 restricted year-round -- or restricted racing and
19 higher purse incentive programs, it makes more sense
20 economically.

21 So we could try to throw some more money at the
22 Breeders Fund and I'd say our average award right
23 now is about, let's just say it's \$20,000. Say we
24 threw another five million or had \$5 million in the
25 Breeders Fund, which might make us comparable with

1 west Virginia, Maryland.

2 So a guy might get \$200,000 at the end of the
3 year for breeding good horses. Well, I don't know
4 that that's going to incentivize a guy to come to
5 Virginia and buy farms and grow agriculture here.

6 It probably is for the guys already here. They
7 might buy another mare, add another Virginia-bred
8 foal a year to our list.

9 So we had to come up with -- we had a meeting of
10 the whole industry, the Thoroughbred industry and
11 the Standardbred industry also to come up with ideas
12 of what we could do and we came up with the
13 Certified program.

14 One of the biggest things to us Mr. Berman will
15 talk about, padding members' pockets, but this is
16 more about saving the farms that we have. In one
17 year, we've brought 700 registered horses into the
18 state of Virginia. Probably, if I have to estimate,
19 probably 100 of those horses were going to be here
20 anyway. So we brought somewhere in the neighborhood
21 of 600 new horses that are doing business in
22 Virginia.

23 We have farms -- I don't know if I can have
24 Commissioner Nixon speak -- but farms that are
25 hiring new people. They're building capital

1 projects. They're getting year-round business for
2 this. So it's allowing the agriculture in Virginia
3 to grow.

4 First off, we had to save it. Now we're growing
5 Virginia farms like we haven't done. There's
6 somebody in Orange that has been out of business for
7 15 years. He is now open again. He's building
8 fence, hiring people.

9 All that is very positive, and when we talk
10 about it taking money away from Colonial, I don't
11 think that's quite true, because what we hope is now
12 we've brought 500, 600 horses in one year to
13 Virginia.

14 Through our Breeders program, we might have
15 created ten new horses. We got a whole pool of
16 horses now that when we add Virginia to the bonus
17 pool and have restricted races at Colonial, it's a
18 horse population that comes to Colonial also.

19 So I think that instead of looking at it as a
20 negative, I think it's a program. Racing and these
21 incentive programs that we have are all part of what
22 we would like to have as year-round programs.

23 I just don't think we'll ever grow and build our
24 industry on 30 days of racing. I think old Colonial
25 Downs proved that. So that's the way we feel about

1 it.

2 COMMISSIONER REYNOLDS: Thank you.

3 CHAIRMAN VAN CLIEF: would it be fair to say
4 that although we anticipate as this industry comes
5 back and under the hand of the new ownership at
6 Colonial Downs with HHR revenue flowing into various
7 coffers that we're going to be in much better shape
8 than we were, but that you still have had to
9 prioritize where the dollars go and your short-term
10 strategies have included your Certification program
11 as well as your purse structure?

12 If you were to engage in a second round of
13 planning, could we assume that you will be keeping
14 the growth of your breeding industry in mind and
15 continuing consideration of how these bonus funds
16 flow to develop the best incentive for business in
17 Virginia?

18 MS. EASTER: I think -- and I don't want to
19 speak for Standardbred guys, but we all have intent
20 as money grows with the HHR that we do dump some
21 money into the Breeders Fund also because we want to
22 grow people breeding horses here.

23 But you know, the fact remains that we couldn't
24 grow -- even if you threw as much money as you
25 wanted into the Breeders program, I don't believe

1 you could grow the business that we've done in the
2 last year with the same dollars that we're putting
3 here at this program.

4 CHAIRMAN VAN CLIEF: Okay. Thank you. Are
5 there any other questions?

6 COMMISSIONER MILLER: I don't have a question,
7 Mr. Chairman, but I think the Certification program
8 that's been put in place in Virginia really
9 addresses what the legislature envisioned when it
10 passed pari-mutuel way back when I was in the
11 legislature.

12 Most of the legislatures in Virginia that voted
13 for pari-mutuel, I would say most of them at that
14 time, they did it with an emphasis on growing the
15 agricultural industry in Virginia.

16 To them, racing and gaming were tools to get the
17 money into the agricultural sector of Virginia's
18 economy, and I think that Ms. Easter and certainly
19 those who put together the Certification program
20 here in Virginia should be commended for their
21 effort.

22 CHAIRMAN VAN CLIEF: Thank you. I agree. With
23 that then, we do need a motion to approve the VEA
24 operating budget for 2019. Do we have such a
25 motion?

1 COMMISSIONER SIEGEL: So moved.

2 COMMISSIONER REYNOLDS: Second.

3 CHAIRMAN VAN CLIEF: Vice Chairman Siegel makes
4 the motion, Chairman Siegel seconds. Any further
5 discussion? Any further questions? If not, please
6 signify your approval by voting aye.

7 NOTE: The Commission votes aye.

8 CHAIRMAN VAN CLIEF: Are there any opposed?
9 Motion is approved, motion carries unanimously.

10 Mr. Lermond, I think we're up to license
11 renewals for our four ADW companies operating in the
12 Commonwealth, those being TwinSpires, TVG, Xpressbet
13 and NYRabets.

14 MR. LERMOND: Thank you, Mr. Chairman. Our
15 office received renewal applications for our four
16 current ADW providers before the December 1st
17 deadline and each one was accompanied by the
18 appropriate \$1,000 renewal fee.

19 In the case of TwinSpires, TVG and XpressBet,
20 they have been licensees I want to say for at least
21 12 years now in Virginia, with NYRabets coming on a
22 little bit later. I think this would be their
23 fourth year, I believe. We have not had any issues
24 with any of these licensees. They've been good
25 partners here in Virginia.

1 The applications were in order with all of the
2 required information. As we've done the last couple
3 years, if counsel will allow, you can approve all
4 four in one motion, if that's okay.

5 COMMISSIONER MILLER: So moved.

6 CHAIRMAN VAN CLIEF: We have a motion to approve
7 license renewals for our four ADW operators.

8 COMMISSIONER NIXON: Second.

9 CHAIRMAN VAN CLIEF: We have a second. Are
10 there any questions for Mr. Lermond about operations
11 or license applications? If not, please signify
12 your approval by saying aye.

13 NOTE: The Commission votes aye.

14 CHAIRMAN VAN CLIEF: Any opposed? Thank you.
15 Motion passes unanimously.

16 Now we've come to what I think is a very
17 significant moment, and that is to consider the
18 request that has been forwarded to this Commission
19 by Colonial Downs Group, LLC, requesting approval of
20 a significant infrastructure limited license for
21 2019.

22 I believe that presentation is going to be led
23 by Colonial Downs Group, LLC's chairman, Mr. Brent
24 Stevens.

25 MR. STEVENS: while we assemble, if we could

1 have one moment, please.

2 CHAIRMAN VAN CLIEF: Take your time.

3 MR. STEVENS: Thank you.

4 CHAIRMAN VAN CLIEF: By the way, my fellow
5 Commissioners, the staff report is under Tab 7.

6 MR. STEVENS: Okay. Good morning. How is
7 everybody? Mr. Chairman, members of the Virginia
8 Racing Commission, my name is Brent Stevens. I am
9 the chairman and chief executive officer of Colonial
10 Downs Group, LLC, the owner of Colonial Downs
11 racetrack and the applicant.

12 It's a pleasure and it is really a momentous
13 occasion today that we are here and it's really an
14 honor to be before you and to deliberate with you,
15 answer any questions you have, make a few prepared
16 remarks, talk to you about what we're doing over the
17 coming year, and I'm really just quite honored to be
18 here, so thank you.

19 CHAIRMAN VAN CLIEF: Thank you.

20 MR. STEVENS: I am joined by a team, John
21 Marshall, Jonathan Swain, Aaron Gomes, Natalie
22 Schram, Larry Lucas, Prentice Salter, Dustin
23 Mantranak, all of whom can help us address questions
24 that you may have, including myself, and as you can
25 see, we're a team that is deeply committed to and

1 have been for a very long time, to getting to this
2 moment. So again, thank you very much.

3 I thought it might be helpful to provide a bit
4 of background of who we are, our vision for Colonial
5 Downs, our approach, our strategy, and indeed what
6 we hope to accomplish.

7 The company that owns Colonial Downs is known as
8 Peninsula Pacific Entertainment. Through our
9 predecessors and as a team, we have been in business
10 for almost 20 years. We've developed in excess of a
11 billion dollars in projects now in five states.
12 This will be our eighth development as a team.

13 We also operate today in Iowa, Kansas, New York
14 and Louisiana. We've employed over 4,000 people
15 through our various developments and have gained a
16 reputation of creating facilities that create jobs,
17 great entertainment and act as a foundation for
18 further economic development within each community
19 in which we operate.

20 Our philosophy emphasizes service, quality and
21 investment in the community. This is a philosophy
22 that has served us very well over the past 20 years.

23 So when we arrived in the Commonwealth, having
24 witnessed the difficulty of the racing industry and
25 what it had faced for many years since the closing

1 of Colonial Downs, what we saw when we started our
2 initiative last year was a dormant track which was
3 once the pride and a symbol of the racing industry
4 here in the Commonwealth.

5 We saw a horsemen and equestrian industry which
6 had struggled to grow and prosper against
7 significant macro headwinds facing the industry
8 overall, not just here in the Commonwealth, but
9 certainly complicated by the closing of Colonial
10 Downs.

11 Finally, and I think probably most importantly,
12 we saw a passionate, talented group of great leaders
13 that had a vision that came together as the Virginia
14 Equine Alliance.

15 We saw their desire to reimagine an industry
16 with significant investment of capital that with
17 success could ignite development, create economic
18 resurgence in racing and all supporting aspects
19 which create racing and reestablish growth,
20 something deeply significant to the culture and the
21 history of the Commonwealth of Virginia.

22 So I'm going to pause and I'd like to introduce
23 John Marshall, our general manager, who will walk
24 you through what we're doing actually today and then
25 I will come back and tell you more about the vision

1 of the future. John.

2 MR. MARSHALL: Thank you, Brent. Good morning,
3 Mr. Chairman, Commissioners, members of the
4 Commission. At the request of the executive
5 director, we brought you a small presentation of
6 what we're working on out in New Kent at Colonial
7 Downs today.

8 Before you today is an application for a
9 significant infrastructure license pertaining to
10 Colonial Downs racetrack. Also before you is an
11 application for a historic horse racing operation
12 branded as Rosie's, located at the Colonial Downs
13 racetrack.

14 So the team is working diligently on the site.
15 We've got contractors, GCs and subs working in all
16 disciplines of construction getting ready to bring
17 our physical vision to life.

18 When you enter Colonial Downs, you'll come
19 through the doors as you remember them, and to your
20 left you'll see our Rosie's loyalty program where
21 people will sign up for their loyalty card.

22 You'll move forward to see 508 historic horse
23 racing terminals on the first floor. Also to your
24 left is Rosie's kitchen, which will be an upscale
25 casual dining experience, flanked by a bar offering

1 full-card simulcasting opportunities with self-serve
2 betting terminals.

3 As you walk around the front, you'll be able to
4 look outside the glass doors and see the apron and
5 see the Secretariat turf course. Continuing on
6 around, you'll come to the smoking section and see a
7 bar, again offering another point of sale for
8 full-card simulcast wagers through self-service
9 terminals. Rounding the circle, you will see our
10 cage and cashier location.

11 So the esthetics of the building, it will feel
12 social and local. You'll see many odes to horse
13 racing with modern finishes of different textures,
14 look and feel.

15 On the third floor, you'll come out of the
16 elevators and make an immediate right and see our
17 exclusive OTB experience with three live mutual
18 tellers stationed at this location. You also will
19 be surrounded by up to 16 self-service terminals.

20 To your left will be our high limit HHR
21 operation with 92 HHR terminals on this floor, and
22 you'll be able to overlook again the Secretariat
23 turf course, the main track, the apron and a dining
24 option and tiered seating. Vibrant and comfortable
25 is the way we use to describe our motif.

1 To the exterior at the racetrack, we are
2 building temporary accommodations to accommodate up
3 to 8,000 visitors for live racing. The main
4 entrance will be located in this location to the
5 left of the paddock.

6 The paddock will be refreshed and rejuvenated in
7 a way that we can welcome more people to experience
8 the paddock experience and the thrills of live
9 Thoroughbred racing.

10 Also on the far turn will be a social platform
11 where people will gather socially, enjoy live
12 racing, have access to self-service terminals,
13 potentially a live teller and also the social
14 aspects of horse racing.

15 Also around that turn, our plans are to
16 experiment with tailgate features similar to those
17 the NSA and the Gold Cup have executed so
18 successfully around that turn.

19 On the main apron, plans are to situate
20 rail-side suites with beverage service that is
21 covered to where we can bring beverages to our
22 guests who purchase a track-side suite location.

23 Also near the far turn will be our VIP
24 experience with a climate-controlled tent offering
25 à la carte food service, full-card simulcasting, in

1 addition to wagering online and this is the best
2 view on the property of the top of the stretch. The
3 Secretariat turf course is where the thrills begin.

4 We will also need help with concessions, and our
5 plan is to deploy food trucks from the local area to
6 assist with concessions between the VIP experience
7 and the grandstand.

8 And we're off. August 8th is the return of live
9 racing at Colonial Downs, our inaugural opening day,
10 supported by the opening of the stable area on
11 July 25th.

12 So 15 live days in 2019, 2020 and beyond, we are
13 targeting up to 30 days. So once we open on
14 August 8th, our plan is to race Thursday, Friday
15 Saturday, five o'clock p.m. eastern post. Also
16 racing on Monday, Labor Day, with a one o'clock post
17 and the evening on September 7th.

18 I'd be remiss if I didn't mention for the first
19 time today the Virginia Derby, hosted at Colonial
20 Downs, on Saturday, August 31st, where our plan is
21 to fill a field of three-year-olds going long on the
22 turf to generate excitement for the Virginia Derby
23 and for the Commonwealth of Virginia.

24 We've also adopted a strategy called Virginia
25 First that applies to our vendors and our purchasing

1 programs, but in the context of horse racing. It
2 applies to our equine partners, owners, trainers and
3 breeders who have Virginia-owned, Virginia-trained,
4 Virginia-bred horses.

5 We will write races specific to Virginia
6 preferences and we'll also have certain criteria to
7 accommodate Virginia-preferred without degrading the
8 opportunity to deliver boutique elite racing to the
9 Commonwealth. So open opportunities.

10 The week of January 14th is our first live
11 opportunity fair, so our team will stand ready to
12 invite folks to apply for opportunities at Colonial
13 Downs and Rosie's and we say it's a career to get
14 your heart racing. Many hands make light work, and
15 coming soon, our hash tag is to add life to people,
16 to horse racing and to Colonial Downs. Thank you.

17 MR. STEVENS: Thank you very much, John. We
18 have a great team. Thank you for that presentation.

19 MR. MARSHALL: You're welcome.

20 MR. STEVENS: Let's take up our vision. So when
21 I think about what our vision is, short, medium,
22 long-term, I really think about where it all
23 started. It started before last year, but last year
24 was an incredibly important moment and it would
25 be -- I would be remiss without reaching out and

1 thanking a few people and it starts with two very
2 important members of our team; Larry Lucas and
3 Prentice Salter.

4 Gentlemen, thank you very much for all of your
5 efforts for teaming up with all of the members of
6 leadership within this great industry here to make
7 1609 come to life. So thank you very much.

8 I know I'm gonna forget people, but Debbie, Jeb,
9 Dr. Allison, I go to you and I say thank you very
10 much for everything you did. Stephanie, thank you
11 very much. It was great. Thank you for everything
12 that you did to guide our team to get us through
13 this process.

14 There are so many more people that were involved
15 in this that were dedicated to it and without which
16 we just wouldn't have this opportunity. So from the
17 entire team, we offer our absolute sincere thanks.

18 So that was April and about five minutes after
19 the passage of a legislation, we invested
20 \$30 million and we bought Colonial Downs as we said
21 we would. We exercised an option from Mr. Jacobs
22 and I'm not sure who was more surprised, but it was
23 a great day for us to do that.

24 We did it before we received any of the interim
25 regs. It was still a little unclear where we were

1 going to go and how it was going to work, so it was
2 a moment of tremendous certainly financial risk.
3 But it was faith, a continued display of faith and
4 confidence in the resurgence of an industry and
5 being a leader in that. So we were happy to do it
6 then.

7 We went through a long summer. We eventually
8 got our regs. We raised \$250 million of capital and
9 today we are now investing that capital and we are
10 happy to be doing that.

11 what we intend to do is with that capital,
12 invest in four satellite wagering facilities,
13 reimagine Colonial Downs the racetrack, reopen it
14 and start on August 8th with a great crowd and
15 highly relevant meet to the Thoroughbred industry.
16 we're excited to do that.

17 when we finish building the first phase as we
18 call it of Colonial Downs and its initial four
19 satellite wagering facilities, we will have invested
20 close to \$300 million to reimagine racing, to create
21 800 jobs, \$17 million in local taxes, \$25 million in
22 state taxes and approximately the same amount to the
23 VEA to support purses, breeders funds and to help
24 support the Virginia Gold Cup and the
25 administrative, educational and industry expenses

1 that the VEA has as we reviewed earlier today.

2 Dustin gave me a few key dates a few moments
3 ago. They are the track will open on April 15th
4 with our HHR operation in Vinton where we're
5 actually working right now. We have an entire
6 construction team. That will be April 30th.
7 Richmond, June 8th; the stable will open on
8 July 25th. Our racing dates, assuming we are
9 approved, August 8th. In Hampton, we hope to open
10 in late August and then we have in reserve capital
11 for the next month.

12 To say that 2019 will be a busy year is a
13 dramatic understatement, but we're all geared up.
14 We have very many people on our team that are
15 working tirelessly to get us there.

16 That concludes my opening remarks. Thank you
17 very much again. Happy to take any questions you
18 may have.

19 CHAIRMAN VAN CLIEF: Thank you again for being
20 here. It sounds like you've got a very busy year.
21 You'll be running like you're in a six furlong race
22 but you have to carry that speed at least a mile and
23 a quarter.

24 MR. STEVENS: Looking forward to it.

25 CHAIRMAN VAN CLIEF: we look forward to working

1 with you and we are most grateful to all of you for
2 your efforts over the past 18 months.

3 I continue to marvel. I know I sound like a
4 broken record, but this industry has worked as a
5 consolidated unit so very well. It has delivered
6 political dividends, it has delivered organizational
7 dividends, and now we look forward to economic
8 success for all of the players.

9 MR. STEVENS: Thank you.

10 CHAIRMAN VAN CLIEF: So we couldn't be more
11 delighted. Thank you.

12 MR. STEVENS: Thank you.

13 CHAIRMAN VAN CLIEF: I'd like to open it for any
14 questions that my fellow commissioners might have
15 for the license applicant.

16 COMMISSIONER SIEGEL: There's a lot of materials
17 to read.

18 MR. STEVENS: We didn't want you be bored.

19 COMMISSIONER SIEGEL: I had to get a hand truck
20 to carry it all in. But I would just commend you on
21 the work that has been put in to it. There's a lot
22 of optimism in our community and I mean the
23 Commonwealth in general. I think optimism from all
24 the horsemen as well as the commissioners.

25 I don't have any specific questions for you, but

1 it seems as though you've done all the homework that
2 needs to be done. Proof is in the pudding, of
3 course, and I'm optimistic personally about what
4 will happen. A lot of people have to get their acts
5 together throughout the Commonwealth and I encourage
6 you to move forward.

7 MR. STEVENS: Thank you.

8 COMMISSIONER NIXON: I have to say I've enjoyed
9 working with you guys on that side of the table.
10 You have been very nice to work with and I look
11 forward to working with you on this side of the
12 table.

13 COMMISSIONER REYNOLDS: I've been out of town
14 the last week-and-a-half and I got back to my office
15 and I saw this huge box on my desk. I thought it
16 was a Christmas present.

17 MR. STEVENS: We wrapped it nicely.

18 COMMISSIONER REYNOLDS: Not really, but I opened
19 it up and saw this huge book and a couple of small
20 books and I spent a lot of time going over it
21 yesterday, hours, and it was a Christmas present
22 because it was very well done. There was a lot of
23 information in there.

24 It was probably the best presentation or book
25 explaining what you all are going to do. You had

1 all these pictures in there and your market analysis
2 and everything and it was very well done and it is
3 indeed a great Christmas present, given what the
4 Commonwealth has been through the last four years.
5 So I would appreciate you all being here and
6 investing your funds in the future of Virginia horse
7 racing. welcome.

8 MR. STEVENS: we look forward to it. Thank you
9 very much, Commissioner Reynolds.

10 CHAIRMAN VAN CLIEF: Just one question.
11 Sometimes our license applicants include and
12 sometimes they don't include a dates request. This
13 obviously includes a dates request, so I just want
14 to make sure before we go to the motion stage and
15 vote on this that those are the dates that you --
16 the dates that you specify in there are the dates
17 you're applying for today.

18 MR. MARSHALL: Mr. Chairman, those are indeed
19 the dates we are applying for today. Thank you.

20 CHAIRMAN VAN CLIEF: Okay. In that case, I
21 don't have any further questions. We do need a
22 motion to approve Colonial Downs Group, LLC's
23 application for a significant infrastructure limited
24 license for 2019.

25 COMMISSIONER SIEGEL: I'll move it.

1 MR. LERMOND: Mr. Chairman?

2 CHAIRMAN VAN CLIEF: Yes.

3 MR. LERMOND: Could you also include the two
4 conditions of the staff report?

5 CHAIRMAN VAN CLIEF: I will do that. Thank you
6 for the reminder.

7 MR. LERMOND: Thank you.

8 CHAIRMAN VAN CLIEF: Before we make the motion,
9 I'd like to note, and it's in your book under Tab 7
10 at the very end, the recommendation from staff,
11 having gone through these large books at least as
12 carefully as the rest of us have.

13 First of all, I'd like to make this known. I
14 have not heard from anybody anything but praise for
15 the levels of cooperation and partnership exhibited
16 by this entire group throughout the last 18 months,
17 including all that went in to this license
18 application, so we thank you for that.

19 Management recommends without reservation that
20 the Commission approve your license application with
21 the following conditions, and I will read them
22 verbatim, and whoever makes this motion, I believe
23 it's already Vice Chairman Siegel, I would ask they
24 be included in the motion.

25 Number one, the horse racing with pari-mutuel

1 wagering shall be operated in accordance with all
2 representations, plans and specifications as
3 submitted in the application and as described at the
4 Virginia Racing Commission's December 13th meeting,
5 and the license shall not deviate materially from
6 these representations, plans and specifications
7 without the prior consent of the Commission or its
8 executive secretary.

9 Condition number two, the horse racing with
10 pari-mutuel wagering shall be operated in accordance
11 with all applicable state and federal statutes and
12 regulations, the regulations of the Commission and
13 all local ordinances. That's it.

14 Mr. Siegel, would you include those conditions
15 in your motion?

16 COMMISSIONER SIEGEL: I will.

17 CHAIRMAN VAN CLIEF: Is there a second?

18 COMMISSIONER REYNOLDS: I'll second.

19 CHAIRMAN VAN CLIEF: Commissioner Reynolds
20 seconds it. Any further questions? Any further
21 discussion? If not, please signify your approval of
22 this application by voting aye.

23 NOTE: The Commission votes aye.

24 CHAIRMAN VAN CLIEF: Are there any opposed? It
25 passes unanimously. The license is granted for next

1 year.

2 MR. STEVENS: Thank you very much.

3 CHAIRMAN VAN CLIEF: Thank you.

4 COMMISSIONER REYNOLDS: Congratulations.

5 MR. STEVENS: Thank you.

6 CHAIRMAN VAN CLIEF: Thank you. The license
7 application always goes in agreement with our
8 horsemen's group, and next up on the agenda is to
9 consider approval of the horsemen's agreement
10 between Colonial Downs Group, LLC and the Virginia
11 HBPA. Mr. Petramalo will be making comments and
12 presenting that.

13 MR. PETRAMALO: Yes. Thank you, Mr. Chairman.
14 First of all, I'd like to introduce Dr. Doug Daniels
15 occupying the seat formerly occupied by Commissioner
16 Nixon. Doug is on our board of directors. He's an
17 equine veterinarian and a horse owner.

18 Also, I'd like to say at the outset that we
19 unequivocally -- we, the HBPA -- unequivocally and
20 enthusiastically support the license application
21 that you've just granted.

22 As I've told you before, the new leadership at
23 Colonial is very professional; a delight to work
24 with. Although sometimes we disagree, it never
25 becomes personal and I think all horsemen, at least

1 all of our organization, looks forward to a
2 successful future with them.

3 Let me turn now to the contract. You probably
4 don't have it in booklet form, but for the most
5 part, I'll just hit the high points. It's a
6 two-year contract governing racing at Colonial in
7 2019 and 2020.

8 In 2019, we've agreed with Colonial to run 15
9 days. You've heard the schedule; August 8th through
10 September 7th. We're still discussing purse levels.
11 We expect that they will ultimately be somewhere
12 between 400,000 and 600,000, and depending on how
13 events unfold, we may come back with some minor
14 amendments to the schedule, but we know we're going
15 to be racing 15 days next year, three days a week,
16 Thursday, Friday, Saturday.

17 Also, I think either John or Brent mentioned we
18 are bringing back from Maryland our graded stakes
19 races, the Virginia Derby and Virginia Oaks, and in
20 addition, we're bringing back from Maryland the
21 Virginia-bred races, stakes races that we've run up
22 there, so we're looking very much forward to doing
23 that.

24 In 2020, we've agreed to run 30 days of racing.
25 We haven't talked yet about any specific dates or

1 schedules, but we've agreed that it will be 30 days.

2 Now, racing aside, the contract looks pretty
3 much like the ones that you've approved over the
4 past 15 years under the old ownership, but there are
5 some improvements that are worth noting.

6 For example, every racing season, the HBPA runs
7 a benevolence program on the back side. We provide
8 free medical and dental care to the grooms, hot
9 walkers, exercise riders, anybody working back there
10 who is licensed. We also provide a chaplaincy
11 program for those folks.

12 We sponsor various recreational programs. We
13 have a food voucher program where folks can come in
14 and get vouchers that are redeemable in the track
15 kitchen, et cetera.

16 Colonial has agreed to contribute a little more
17 than \$100,000 each of the two years to help fund
18 that benevolence program on the back side. That's
19 something.

20 In addition, I think this was also mentioned by
21 Commissioner Reynolds or maybe it was Commissioner
22 Van Clief. During Jeb's discussion of the budget
23 about Thoroughbred retirement programs, well, in our
24 contract, we have taken the \$15 starter fee that's
25 been in effect forever. What that means is each

1 owner who starts a horse pays a \$15 starter's fee.
2 The racetrack collects it and then sends the money
3 to us.

4 That fee has been used for various expenses over
5 the years, including helping to pay for jockey
6 insurance. In the new contract, that whole \$15 goes
7 to the Thoroughbred Aftercare Alliance, which funds
8 various organizations that take care of
9 Thoroughbreds after their flat racing days are over
10 with.

11 Colonial has agreed to match it dollar for
12 dollar. So for example, if we have over 15 race
13 days, we probably will have 1500 starters. You
14 figure 100 a day. So if you do the arithmetic,
15 that's roughly \$45,000 from the race meet that's
16 going to the aftercare foundation. We think that is
17 very important and significant.

18 we also have in the contract a provision for a
19 Maryland shuttle. As you know, many of our horses
20 ship in on a daily basis to run at Colonial. We
21 have that shuttle that will be operated and paid for
22 by Colonial.

23 I mentioned jockey insurance. There's a long
24 story there, but basically, the Jockey Guild, the
25 union for jockeys, used to take care of accident

1 insurance. The guild got into financial trouble;
2 they had to drop that. So in order to incentivize
3 and take care of jockeys to come and race here,
4 Colonial and the HBPA procured a million dollar
5 accident policy.

6 We used to share the cost of that with Colonial
7 Downs. It was roughly -- the premium was roughly
8 \$3,200 a day. Colonial has agreed to shoulder that
9 entire burden going forward to pay for the jockeys'
10 insurance.

11 Finally, you may remember this was often a sore
12 spot with regard to the prior management. The
13 horsemen now get through Colonial a horsemen's suite
14 on the fourth floor. We also have free access to
15 tables in the reserve section on the fourth floor,
16 and on the third floor there's a special horsemen's
17 section overlooking the paddock where the
18 simulcasting and the self-service tote machines, as
19 well as I think three live tellers are there. But
20 anyway, that is also free access for horsemen.

21 Finally, getting to the issue of purse revenue.
22 The purse revenue is improved slightly in the
23 following fashion. Now, you remember for purse
24 revenue with regard to live racing, by statute, the
25 horsemen get between eight and nine percent

1 depending on the type of wager for their purse
2 account from the live wagering.

3 From the satellite, year-round wagering at the
4 satellite facilities, under the contract and by
5 statute, we will receive between five and seven
6 percent. It's graduated depending on handle. When
7 the handle hits \$75 million at the OTBs, it goes up
8 to six percent or five percent. Once it hits
9 150 million, it goes up to seven percent. That's
10 part of our contract now. The statute is in our
11 contract.

12 Under Colonial, we had a rebate program. We
13 were getting the statutory amounts but then giving
14 it back to Colonial because they were having
15 financial problems making a go of it in some of the
16 smaller areas like Martinsville and Vinton, et
17 cetera. That rebate is gone. Now we're getting the
18 full statutory share.

19 The final element of revenue that will
20 contribute to purses is from historical horse
21 racing. That is not covered by our contract because
22 it's covered by a separate revenue sharing agreement
23 that Jeb Hannum will get to in a minute.

24 But in any event, we think revenue source will
25 generate the purse money we need to put on quality

1 racing in Virginia. All in all, I think it's a very
2 good contract for the horsemen and a very good
3 contract for Colonial and I would urge you to
4 approve the contract.

5 CHAIRMAN VAN CLIEF: Does anybody have questions
6 for Mr. Petramalo? Mr. Petramalo, you singled out
7 the jockey insurance as a note, and is this
8 consistent with other racing associations and other
9 jurisdictions around the country, the \$1 million
10 limit?

11 MR. PETRAMALO: Yes, Mr. Chairman. Again,
12 without going on too long. What happened is the
13 racetracks around the country, including Colonial,
14 used to put up the first \$50,000 of insurance and
15 then the Jockeys Guild would cover everything beyond
16 that up to \$1 million.

17 When the Jockeys Guild went belly up, at least
18 with regard to the insurance, all of the racetracks
19 then implemented on their own a \$1 million jockey
20 accident policy.

21 This was current as of 2013. Since haven't been
22 racing, I'm not sure what the situation is now with
23 regard to other tracks.

24 CHAIRMAN VAN CLIEF: Thank you. No further
25 questions from me. If there aren't any questions,

1 might we have a motion to approve the agreement
2 between the VHBPA and Colonial Downs Group, LLC?

3 COMMISSIONER MILLER: So moved.

4 COMMISSIONER NIXON: Excuse me.

5 CHAIRMAN VAN CLIEF: Yes. I'm sorry.

6 COMMISSIONER NIXON: That's okay. That's all
7 right. Because of my previous position with the
8 HBPA, I'll be recusing myself from this vote.

9 CHAIRMAN VAN CLIEF: Thank you, Commissioner
10 Nixon. And so that I don't forget it again, I might
11 note that Commissioner Nixon has also indicated she
12 will recuse herself when we get down to Item J, the
13 revenue sharing agreement.

14 COMMISSIONER NIXON: Yes. Thank you.

15 CHAIRMAN VAN CLIEF: All right. So with that
16 recusal then, might we have a motion to approve?

17 COMMISSIONER SIEGEL: So moved.

18 CHAIRMAN VAN CLIEF: We have a motion. Second?

19 COMMISSIONER REYNOLDS: Second.

20 CHAIRMAN VAN CLIEF: Thank you. All in favor,
21 signify by saying aye.

22 NOTE: The Commission, except Commissioner
23 Nixon, votes aye.

24 CHAIRMAN VAN CLIEF: Anybody opposed? Thank you
25 very much.

1 That brings us back to Mr. Stevens and we are
2 now at the point for considering a license
3 application to conduct pari-mutuel wagering on
4 historical horse racing for 2019, that being
5 submitted by Colonial Downs Group, LLC.

6 MR. STEVENS: Mr. Chairman, thank you again.
7 I have no further comments other than those I have
8 already made, but certainly happy to take any
9 questions that you or Commission members may have.

10 CHAIRMAN VAN CLIEF: Any of my fellow
11 commissioners have questions or comments to make on
12 that very large notebook?

13 COMMISSIONER SIEGEL: It's comprehensive.

14 CHAIRMAN VAN CLIEF: To stay the truth.

15 COMMISSIONER MILLER: I'll make a motion.

16 CHAIRMAN VAN CLIEF: We have a motion.

17 COMMISSIONER MILLER: With the inclusion of the
18 recommendations of staff.

19 COMMISSIONER NIXON: Second.

20 CHAIRMAN VAN CLIEF: We have a motion from
21 Commissioner Miller to approve the license
22 application for pari-mutuel wagering on HHR. That
23 includes or will include the recommendation from
24 staff, which is as in the case of the previous
25 license application, the staff without reservation

1 recommends approval, thanks management for its
2 cooperation in the development of the application,
3 and asks that the motion include the following two
4 conditions. I'll read them verbatim again.

5 Number one, pari-mutuel wagering on historical
6 horse racing shall be operated in accordance with
7 all representations, plans and specifications as
8 submitted in the application and as described at the
9 Virginia Racing Commission's December 13th meeting,
10 and the license shall not deviate materially from
11 these representations, plans and specifications
12 without prior consent of the Commission or its
13 executive secretary.

14 Number Two, pari-mutuel wagering on historical
15 horse racing shall be operated in accordance with
16 all applicable state and federal statutes and
17 regulations, the regulations of the Commission and
18 all local ordinances.

19 That is the motion again.

20 COMMISSIONER REYNOLDS: Can I ask a quick
21 question?

22 CHAIRMAN VAN CLIEF: Of course.

23 COMMISSIONER REYNOLDS: Is this just to approve
24 historical horse racing at Colonial Downs or does
25 this include Rosie's on Midlothian Turnpike or just

1 --

2 MR. LERMOND: Just at the racetrack.

3 COMMISSIONER REYNOLDS: Okay.

4 MR. LERMOND: There will be separate
5 applications for the other location.

6 COMMISSIONER REYNOLDS: Okay. Thank you.

7 CHAIRMAN VAN CLIEF: The protocol is going to be
8 as we go forward, this is on-site, and as I
9 understand it, we'll be receiving separate
10 applications, discreet applications for each of the
11 OTB sites as HHR comes online or prepares to come
12 online.

13 COMMISSIONER REYNOLDS: Thank you.

14 CHAIRMAN VAN CLIEF: All right. Thank you very
15 much. We have a motion, we have a second. One more
16 opportunity for discussion or questions. If not,
17 please signify your approval by saying aye.

18 NOTE: The Commission votes aye.

19 CHAIRMAN VAN CLIEF: Any opposed? The motion
20 carries unanimously and the license to conduct HHR
21 at Colonial Downs in 2019 is approved.

22 MR. STEVENS: Thank you.

23 CHAIRMAN VAN CLIEF: Thank you and thank all of
24 your team.

25 We now need to consider the request to approve

1 the revenue sharing agreement between Colonial Downs
2 Group, LLC and the VEA, to which you heard reference
3 made during the course of this meeting.

4 Mr. Hannum is going to take the lead and I would
5 ask him to include in his remarks some response to
6 Mr. Berman's question at the top of the meeting,
7 which I think had sort of multiple questions
8 embedded.

9 Number one, the splits. Are the splits
10 sufficient for the horse community. Number two,
11 please comment on the 12-month waiting period for
12 HHR revenues to come online from a VEA standpoint
13 and also overall on the ten-year term.

14 These are all questions the Commission has had
15 and I know there's been a fair amount of
16 consideration given to their answers, and
17 Mr. Hannum, if you'd like to call upon Ms. Easter or
18 Mr. Petramalo in answering that question, I know
19 they've all had input so please feel free.

20 MR. HANNUM: Great. Thank you, Mr. Chairman and
21 Commissioners.

22 The revenue sharing agreement is a result of
23 discussions with the Revolutionary Racing Group,
24 which we know led to the passage of HR 1609,
25 allowing for historical horse racing machines.

1 The first discussions with Revolutionary Racing
2 team were back in June 2017, and over the next seven
3 months, the VEA worked to craft an agreement prior
4 to the legislative session.

5 The first memorandum of understanding with the
6 group was in November of 2017, and then we amended
7 the memorandum of understanding in December.

8 So as we know, Delegate Mike Webber introduced
9 HHR Bill 1609 in January, which passed the House and
10 the Senate with about 80 percent support in both
11 chambers, was signed by the governor on April 9th,
12 and then the following week, the VEA reached
13 agreement on the revenue sharing agreement, which is
14 what you see here today.

15 So I just want to point out that during all that
16 time, all four of the member groups of VEA
17 participated in the negotiation process and meetings
18 over months and months and the signed agreement was
19 signed by all four members of the group. So the
20 VHHA, the VTA, the HBPA and the Gold Cup. All four
21 members signed the agreement.

22 So I'd like to speak to three key features of
23 the agreement. First of all, the ADW payments
24 remain unchanged for the VEA and the horsemen.
25 Number two, as I talked about earlier in going

1 through the VEA budget, the Colonial Downs Group
2 will assume operational control of the satellite
3 wagering facility network or the OTBs, for which the
4 VEA will receive \$12.5 million over the course of
5 about five years to offset the loss that we're
6 receiving from the OTBs and for relinquishing the
7 four licenses that we have right now.

8 Thirdly, HHR revenue will be paid to the VEA,
9 and as Mr. Petramalo spoke to, six percent of net
10 revenue up to sixty million and seven percent in
11 excess of sixty million.

12 There are only a few states that have instant
13 racing or historical horse racing, so these rates
14 are a little bit less than what the Kentucky
15 horsemen receive, but they're more than horsemen
16 receive in Wyoming.

17 So this is a very small space in terms of
18 comparing rates, but we feel it's competitive and
19 each market is different in terms of requirements of
20 the horsemen.

21 The funds that will be paid out to
22 municipalities and localities in government are
23 significantly higher in Virginia than they are in
24 Kentucky, for example. So it's hard to compare
25 apples to apples with these things.

1 So importantly, the VEA estimates that by 2023,
2 there will be \$22.5 million from ADW, from HHR and
3 from SWF revenue to support the industry.

4 Importantly, perhaps most importantly, the
5 agreement reopens Colonial Downs for racing in 2019
6 with a significant investment that Mr. Stevens spoke
7 to; over \$300 million with the track and the SWF
8 network.

9 So I think that's important to reflect on that,
10 again looking at Kentucky and Kentucky Downs, you
11 didn't have this significant investment required in
12 the facility there that you had here. So again,
13 difficult to compare different markets.

14 So amongst the priorities for the VEA going
15 forward, the purse support for flat racing at
16 Colonial, we want to expand the harness racing
17 program at Shenandoah. We want to fund the
18 Thoroughbred and Standardbred residency programs as
19 we spoke about earlier and support the Virginia Gold
20 Cup's two days of racing and the full steeplechase
21 community.

22 So the VEA feels this is a very good agreement
23 for the industry and for the new track operator.
24 That was very much the spirit in which we were
25 negotiating it. We wanted Colonial Downs to be

1 successful. We did not want to have the situation
2 before where the operator didn't have the funds
3 necessary to put on a proper racing program.

4 So that was the spirit in which we signed this
5 agreement, so we feel very good about it and we feel
6 it's a very good agreement for the operators as
7 well.

8 So the VEA respectfully requests your approval
9 of the revenue sharing agreement and I'll pause
10 there if there are any additional questions, and I
11 know Mr. Petramalo can speak to the aspects of the
12 agreement as well.

13 CHAIRMAN VAN CLIEF: Questions from
14 commissioners?

15 COMMISSIONER SIEGEL: So I take it following
16 Mr. Berman's comments that even though it may not
17 appear on the surface that we're receiving what we
18 typically would receive, other concessions were
19 made, significant dollars were committed, and
20 therefore the horsemen, the VEA, the VTA are very
21 comfortable with this agreement?

22 MR. HANNUM: Yes. We are. And the gentleman
23 that spoke earlier was incorrect. There is not a
24 typical or standard rate. As I said, we are not
25 receiving the same rate as Kentucky, but we are

1 receiving more than the horsemen are receiving in
2 Wyoming, for example. So there's only a few
3 jurisdictions that have this.

4 So we feel that this is a fair rate for funding
5 our operation, but also enabling the Colonial Downs
6 Group to be successful and to pay back and meet
7 their obligations for the purchase and investment in
8 the track.

9 CHAIRMAN VAN CLIEF: And the ten-year contract?

10 MR. HANNUM: So the ten-year contract has a
11 provision which enables us to renegotiate after ten
12 years. So that was again another aspect of the
13 negotiation.

14 MR. PETRAMALO: I think I'd like to just add to
15 that. The fact of the matter is, and you can
16 probably imagine this from a business standpoint.
17 The Colonial people were going out and raising in
18 excess of \$200 million. When Kentucky Downs started
19 up, I think they spent about \$7 million on their
20 program.

21 But the lenders quite obviously wanted some
22 assurance that they were going to get repaid and
23 they requested a longterm contract. We didn't think
24 that was unreasonable at all.

25 It's fairly difficult to try and compare these

1 two situations, because here, we're starting with a
2 boarded up racetrack and people spending close to
3 \$300 million and they have to get some return on
4 their investment, and of course they have to pay off
5 the debt. So to us, it seemed very reasonable to do
6 it.

7 But again, I'm not exactly familiar with
8 everything that happens in Kentucky, but we looked
9 at a five-year program where we wanted to get in
10 terms of flat racing, Thoroughbreds, jump racing for
11 Thoroughbreds, the harness racing for Standardbreds
12 and the breeding program, costed it out over five
13 years and figured how much would it cost us and we
14 came up with a figure of somewhere between \$20
15 million and \$25 million.

16 well, if you add up all of the revenue sources
17 that are mentioned, that is the ADW revenue, the
18 revenue from the SWFs as well as the HHR, we hit
19 \$22.5 million. That's not bad. So we were fairly
20 comfortable with the whole deal.

21 CHAIRMAN VAN CLIEF: It might be fair, although
22 I'm sitting on the other side of the bench here
23 today, for me to weigh in a little bit.

24 I've been engaged with members of the industry
25 about these very same questions. why did it look

1 different than other states? why does this serve
2 us? seems to me that the overarching principle was
3 that we've got this opportunity. we haven't had it
4 for a long time, if ever, and this industry stands
5 at the threshold of some real success.

6 So the imperative to me, the priority imperative
7 is to launch or relaunch, as the case may be, and
8 create every possible chance of success for our
9 horsemen and our native industry, as well as for the
10 group that has put significant capital at risk
11 coming in to this state.

12 They all deserve the best possible chance to see
13 a return on their investment of hard work and
14 significant amount of money.

15 So I think Frank makes a good point. The VEA at
16 it's own expense undertook a professionally
17 facilitated planning process the year before last
18 and they do indeed have a very specific five-year
19 strategy. This meets their strategy, satisfies
20 their five-year goals. At the same time, it
21 provides a revenue sharing agreement that gives
22 those investors with that at-risk capital to see a
23 satisfactory return.

24 Also, I've reached the conclusion in listening
25 over the last couple of weeks to the industry that

1 they have had to put priorities on what are after
2 all a finite amount of dollars.

3 while we'd like to see enough money available to
4 quickly regrow our farm and breeding industry in
5 this state, the fact is those dollars really aren't
6 available when you put it in the context of
7 competing with our surrounding neighbors; Maryland,
8 Pennsylvania, New York, New Jersey, Kentucky. We
9 just don't have the dollars and won't have the
10 dollars even under the new name and new economic
11 model.

12 So the determination was made that the best
13 thing we could do was launch a vibrant, successful
14 racing business with great product and regional
15 impact, and that would take a very healthy purse
16 structure as well as putting the money into
17 developing customer service in alternative forms of
18 revenue generation, and that's exactly what it looks
19 like has happened.

20 So I think a lot of us have spent some time
21 asking these questions. I thought that the
22 questions Mr. Berman had at the top were thoughtful
23 and legitimate and deserve answers and I'm satisfied
24 that we have those answers, and as we move in to
25 what I'm sure will be a very successful decade,

1 there should be ample opportunity to tweak this
2 model so that it works for everybody.

3 I'm personally happy with it and I thought I
4 should simply weigh in.

5 MS. EASTER: Mr. Chairman, just one thing. I
6 think that what people also ought to understand is
7 even if the VEA had continued ourselves, this
8 revenue sharing is going to bring us somewhere we
9 project \$10 million to \$12 million that we would
10 have never been able to do once we built out the
11 OTBs ourselves.

12 I'm not a finance person, but the investment of
13 \$35 million to \$40 million in Colonial Downs, I
14 don't know how you annualize that, but if you put
15 that on top of what we weren't going to be able to
16 do ourselves, I don't think it's anything this
17 industry would have been able to do ourselves.
18 We wouldn't have been able to purchase Colonial and
19 bring that back.

20 We needed a safe place to race. Unlike some
21 other folks, we didn't want to race in Maryland. We
22 wanted to race here, but we needed a safe place and
23 a quality track to race our horses.

24 So the VEA, the VTA, the HBPA, I don't want to
25 speak for the VHHA, but I think we fully endorse

1 this revenue sharing agreement and we couldn't be
2 happier than we are to have Colonial back here and
3 let's give them the opportunity to earn money;
4 that's what business does and give them a chance to
5 be successful because long-term, that makes us
6 successful. Thank you.

7 CHAIRMAN VAN CLIEF: Thank you. I think that's
8 a good point that what this will do is essentially
9 super charge the revenue sources you could have
10 achieved on your own.

11 I'd also note that Virginia's breeding industry
12 from a numerical standpoint has been in decline for
13 a long time. I grew up around that industry, so
14 I've watched it fairly closely. It has taken a long
15 time to lose some of those farms that carried us
16 back in the middle of the last century. Just put it
17 that way.

18 I think it will come back, but it's going to
19 take time and I think probably the best thing we can
20 do is launch a vibrant horse industry with racing at
21 its center.

22 Any further comments, questions? In that case,
23 we do need a motion to approve the revenue sharing
24 agreement between Colonial Downs Group, LLC and the
25 VEA.

1 COMMISSIONER SIEGEL: I'll move it.

2 CHAIRMAN VAN CLIEF: Thank you, Mr. Vice
3 Chairman. Is there a second?

4 COMMISSIONER REYNOLDS: I'll second it.

5 CHAIRMAN VAN CLIEF: Commissioner Reynolds
6 seconds it. One more chance. If no further
7 discussion, all in favor, signify by saying aye.

8 NOTE: The Commission votes aye.

9 CHAIRMAN VAN CLIEF: Any opposed? Thank you.
10 The motion carries unanimously and the agreement is
11 ratified.

12 Last on our list, and we've got actually two
13 more action items. I'll throw one in with your
14 permission at the end, but the last formal item we
15 have is to approve the request from Colonial Downs
16 Group, LLC for their appointment of an independent
17 testing laboratory for historical horse racing.

18 That item is covered under Tab 11. There's a
19 letter from Colonial Downs. Does anybody need a
20 moment to take a look or have you already had a
21 chance to read it?

22 I would ask our executive secretary. Dave, I
23 hate to put you on the spot, but would you mind
24 saying a few words about what this is, why it needs
25 to be put in place and the types of service and

1 assurance it is going to deliver.

2 MR. LERMOND: I'd be happy to. Part of the
3 regulations that we adopted this year require a
4 third party independent testing laboratory to be
5 selected by the licensee, but it must be approved by
6 the Commission.

7 There are not a whole lot of testing labs out
8 there. GLI, I don't think I'm saying anything
9 incorrect saying they're pretty much the gold
10 standard as far as testing laboratories go in the
11 industry. Kevin from GLI is here. He's the vice
12 president and counsel.

13 If you had any specific questions about GLI
14 services or things like that, I would defer to
15 Kevin, but staff definitely would recommend approval
16 of GLI based on everything that we know, but if you
17 want to dig any deeper in to it, Kevin has traveled
18 to be with us today and maybe just might want to say
19 a few words. I'm not sure.

20 CHAIRMAN VAN CLIEF: Kevin, thank you for being
21 here. Would you like to say a few words?

22 MR. MULLALLY: Just very briefly, Mr. Chairman.
23 Kevin Mullally. I'm the vice president of government
24 relations and general counsel for Gaming
25 Laboratories International. We're a private company

1 that was formed in 1989, really out of economic
2 efficiency. Back then, the only gaming in the
3 United States that was legal was in Nevada
4 and New Jersey and they both have government testing
5 labs.

6 As the pari-mutuel industry started to require
7 more electronic equipment and as the tribal casinos
8 started to emerge and riverboat casinos, our
9 founders started thinking if every type of equipment
10 had to be shipped to a government laboratory
11 somewhere in the United States, it would be very
12 inefficient.

13 So now what started in a spare bedroom in Tom's
14 River, New Jersey in 1989 is now 24 laboratories all
15 over the world. We're on every continent but
16 Antarctica. The sun never sets on GLI and we test
17 pretty much everything that's electronic where
18 wagering occurs.

19 We're really the only lab that does historical
20 racing terminals. We've done it for every
21 jurisdiction here in the United States, and so it's
22 a little different than what you see in other gaming
23 jurisdictions. It's very specialized. You really
24 have to know what you're doing. You have to
25 understand it's pari-mutuel. It's not a slot

1 machine and all the nuances that go along with that.
2 So we're very happy to have been retained.

3 One other thing that's important to understand
4 is while we are retained by the manufacturer, we
5 view the Racing Commission as our client. The
6 certification and the approval of the devices is the
7 responsibility of the Virginia Horse Racing
8 Commission, and because you don't have the expertise
9 internally to do that, you defer that to a third
10 party.

11 So we view it as we're working for you. They
12 are a customer and we want to give them good
13 customer service and great value, but ultimately,
14 the authority lies with you.

15 CHAIRMAN VAN CLIEF: Thank you. Also, could you
16 expand a little bit on that and speak to your
17 independence in terms of ownership? You mentioned
18 it in the letter, but I think it's good for the room
19 to hear that you're truly an independent entity.

20 MR. MULLALLY: So all of our employees are
21 annually backgrounded. We're not allowed to invest
22 in any aspect of any type of gaming. We don't have
23 an ownership interest in any manufacturers, any
24 operators. We don't even allow our employees to
25 play any of the machines. They're not allowed to

1 play anything we test. Because we test everything,
2 they're not really allowed to play anything. So
3 independence is one of our most valued corporate
4 traits and it's really everything. Our reputation
5 rests on our independence.

6 CHAIRMAN VAN CLIEF: Thank you.

7 COMMISSIONER SIEGEL: What's the extent of your
8 on-site reviews and inspections?

9 MR. MULLALLY: So again, that's controlled by
10 the client, which in this case is you. We strongly
11 recommend that we not only test a prototype of the
12 device, but we actually be on site when it's
13 installed to make sure it's implemented properly.

14 You'll see some lotteries cut corners in that
15 respect. Sometimes they'll have us test a RNG, a
16 random number generator, for instance, but they
17 won't bring us on site to test it and monitor it
18 during its first few days of implementation, and
19 honestly, that's usually where the problems lie is
20 in the implementation of the technology. So we have
21 the capability to do both.

22 COMMISSIONER SIEGEL: So you visit in this case
23 Virginia multiple times each year?

24 MR. MULLALLY: We certainly strongly recommend
25 to be there for the initial implementation, and then

1 many regulators, yes, will bring us back for
2 annual -- or sometimes the operator will do it on
3 their own.

4 COMMISSIONER SIEGEL: So this Commission could
5 set a schedule?

6 MR. MULLALLY: Correct.

7 CHAIRMAN VAN CLIEF: Okay. Thank you very much.

8 MR. MULLALLY: You're welcome.

9 CHAIRMAN VAN CLIEF: Mr. Lermond, I take it this
10 request for approval comes with the recommendation
11 of management as well?

12 MR. LERMOND: It absolutely does. Yes, sir.

13 CHAIRMAN VAN CLIEF: Thank you. If there are no
14 further questions, can we entertain a motion to
15 approve our independent testing lab?

16 COMMISSIONER SIEGEL: I move it.

17 COMMISSIONER NIXON: Second.

18 CHAIRMAN VAN CLIEF: We have a motion and a
19 second. Further discussion? If not, please signify
20 your approval by saying aye.

21 NOTE: The Commission votes aye.

22 CHAIRMAN VAN CLIEF: Any opposed? Thank you
23 very much. It passes. Thank you.

24 Commissioners' comments. I think we've all had
25 a little bit of an opportunity, but we're going to

1 have one more. If there's something you'd like to
2 say about any item either on or off the agenda
3 today, I'm going to start to my left. We'll start
4 with Stephanie.

5 COMMISSIONER NIXON: I want to reiterate again
6 how excited I am to have horse racing in Virginia
7 and I guarantee you I'll be the first one watching.

8 COMMISSIONER SIEGEL: As I said earlier, I'm
9 really excited about this potential. I think what
10 we have at the end of the day is a template to go
11 forward to be successful and my hope is that this
12 Commission, the racetrack, Colonial Downs and all
13 the horsemen will work together in partnership,
14 because it has always been that way in Virginia.

15 But I'm excited about the merger of all these
16 groups and cohesive relationship and I hope that
17 continues and hopefully will be flexible as we go
18 forward.

19 CHAIRMAN VAN CLIEF: Commissioner Reynolds.

20 COMMISSIONER REYNOLDS: I walked in the room and
21 I wanted to welcome Commissioner Nixon but she took
22 my seat. I'm just kidding. I want to welcome
23 Commissioner Nixon, and I know that this is
24 Commissioner Miller's last meeting and I wanted him
25 to know what an honor and privilege it has been to

1 serve with him.

2 He was the chairman my first day here probably
3 seven or eight years ago. So we're going to miss
4 you, Commissioner. And with that, I have no more
5 comments.

6 COMMISSIONER MILLER: Thank you.

7 CHAIRMAN VAN CLIEF: I would just like to say
8 once again how absolutely thrilled and pleased I am
9 to be sitting here today. This is a historic,
10 nonetheless, a historic moment for the horse racing
11 industry in Virginia.

12 When you read the next iteration of the history
13 of the horse in Virginia, this group is going to be
14 in it and I have full confidence it will be the
15 beginning of a very, very successful chapter or
16 series of chapters. So I'm just proud and very
17 pleased to be a part of it and thank all of you for
18 your tremendous effort.

19 I don't think we have done anything today that
20 needs immediate litigation, so Counselor, I don't
21 think we need a closed session, do we?

22 MR. DREWRY: I don't think so.

23 CHAIRMAN VAN CLIEF: Okay. Excellent. As I
24 mentioned, I would like to throw one not previously
25 announced item of action on to this agenda.

1 As Commissioner Reynolds mentioned, it is
2 Commissioner Miller's last meeting. It is his last
3 official meeting. Maybe he'll be with us in January
4 or February if we're back to convene, but it is the
5 end of his term and I'd like to take a moment and we
6 would all like to take a moment to recognize this
7 individual whose contributions to his Commonwealth
8 have been valuable in many ways and certainly have
9 been lasting.

10 As we mentioned, his term ends at the end of
11 this calendar year. I'd just like to note that in
12 brief, his service to Virginia has probably spanned
13 more than four decades and has included, if I'm
14 right, 11 terms as a member of the House of
15 Delegates representing his home county.

16 He was a member and chairman of the State
17 Corporation Commission and you can see his picture
18 right outside the door here if you don't believe me
19 from 1996 to 2006.

20 He's been a member, and as Commissioner Reynolds
21 pointed out, he is the former chairman of this
22 Commission. He has unfailingly demonstrated over
23 and over an invaluable knowledge of government, he
24 has exhibited an unquestionable leadership quality.

25 He always seems to choose the high road and he

1 keeps us on it while he's at it. He asks the right
2 questions regardless of consequence and he always
3 stands firm in his conviction that horse racing and
4 the horse racing industry be operated in this
5 Commonwealth in a manner which reflects credit on
6 the state and delivers tangible benefits to his
7 fellow citizens.

8 It's a pleasure today to stand with my fellow
9 commissioners in recognizing Commissioner Miller's
10 service and in thanking him for his leadership.

11 I'll ask for a motion, and as I said standing,
12 so I'm going to stand up and deliver this one. I
13 would like to ask for a motion and the motion will
14 be as follows.

15 Be it hereby resolved that the Virginia Racing
16 Commission recognize I. Clinton Miller for his years
17 of service as a member of this Commission and for
18 the effective leadership which he has demonstrated
19 throughout a variety of chapters and informative
20 history of Virginia's native horse racing industry.

21 We, his fellow Commissioners, offer our thanks
22 and appreciation to Commissioner Miller for his
23 years of service, his keen sense of direction and
24 his unfailing dedication to successfully achieving
25 our Commission's mission. We have no doubt that

1 virginia's horse racing industry stands today in a
2 position to grow and prosper in great measure as a
3 result of Commissioner Miller's diligence, skills
4 and his clear-sightedness.

5 We hope that our paths will continue to cross
6 frequently and we wish him much happiness in the
7 years ahead, and it was actually signed this morning
8 by your fellow commissioners. Dave's staff was so
9 quick, they got it in a frame and we can present it
10 to you right now.

11 COMMISSIONER MILLER: Thank you very much.

12 CHAIRMAN VAN CLIEF: By the way, can I make a
13 motion? We need a second.

14 COMMISSIONER REYNOLDS: I'll second it.

15 CHAIRMAN VAN CLIEF: All right, and all in
16 favor?

17 NOTE: The Commission votes aye.

18 CHAIRMAN VAN CLIEF: Commissioner Miller.

19 COMMISSIONER MILLER: I'd just like to say just
20 a few words. A lot of you who have attended these
21 meetings might get alarmed when I say I want to say
22 a few words, but don't. They will be few.

23 One thing that I want to do is thank everyone,
24 the Commission, everyone in this industry for this
25 recognition.

1 I have spent a long time in public office. My
2 first public office was in 1967 when I was elected
3 Commonwealth's Attorney of Shenandoah County, and
4 then I served in the legislature and thanks to
5 Governor Kaine and Governor McAuliffe, I served
6 several terms here on the Virginia Racing Commission
7 and I have enjoyed every minute of it.

8 In fact, all the years I've served in all those
9 offices, I think I have enjoyed my time here on the
10 Racing Commission as much as any because I have met
11 some of the most wonderful people in the world.

12 The people in this industry are to be commended.
13 I especially want to commend the Virginia Equine
14 group for coming up with that concept and saving
15 racing here in Virginia. You did. Your efforts
16 saved it.

17 It occurs to me I want to mention one of the
18 members I served with here. I wish Dr. Charles
19 Steger could have lived to see this day, because
20 when I came back on the Commission a few years ago
21 for a second time, Dr. Steger had just been
22 appointed to the Commission and I had a chat with
23 him about Colonial Downs sitting there.

24 You know, Dr. Steger was a great businessman and
25 a great leader and a great lover of Virginia, and we

1 had conversations regarding Colonial Downs just
2 sitting there.

3 But he had such faith. He said, It'll come. If
4 this group just keeps its nose to the grindstone and
5 plows ahead and works together, all the horsemen
6 work together, the Thoroughbred people, the harness
7 horsemen, everyone. If you work together toward a
8 goal it will come, and I just wish he could have
9 lived to see this day.

10 I commend all of you and I'm over in Shenandoah
11 County. I'm at the home of Virginia harness racing,
12 which only occurred coincidentally with my being on
13 the Commission.

14 I'll tell you, really, when harness racing came
15 to Shenandoah County, the germ was first planted by
16 Mr. Jacobs, the former owner of Colonial Downs,
17 because he and his folks down there were looking but
18 they weren't really crazy about harness racing and
19 they were hoping to have a venue in Virginia where
20 the harness horsemen could do their thing and
21 Colonial Downs wouldn't be in their eyes probably
22 burdened with harness racing, and they were the
23 first ones that thought about incorporating that
24 track over in Woodstock, my hometown, into the
25 racing system.

1 It was the track we've had racing for 100 years
2 in Shenandoah County. We just didn't have the
3 pari-mutuel wagering and so forth, the means to make
4 it what it should be, and now it is thanks to the
5 Virginia Equine group and Harness Horsemen
6 Association.

7 I thank all of you. I love all of you. Often
8 times we wait until people are gone and then we say,
9 you know, I never ever told him or her that I loved
10 him and then it's too late.

11 I love all of you, I've loved working with you
12 and I know you all are going to be a huge success.
13 And with that, I thank you.

14 CHAIRMAN VAN CLIEF: Thank you, Clinton. We've
15 loved working with you every minute as well.

16 I now would entertain a motion to adjourn.

17 COMMISSIONER REYNOLDS: So moved.

18 CHAIRMAN VAN CLIEF: Second?

19 COMMISSIONER SIEGEL: Second.

20 CHAIRMAN VAN CLIEF: Thank you. Any opposed?
21 So moved. Thank you very much. We stand adjourned.

22

23 NOTE: This meeting of the Virginia Racing
24 Commission is adjourned at 11:57 a.m.

25

1 CERTIFICATE OF COURT REPORTER
2

3 I, Sandra G. Spinner, hereby certify that having
4 first been duly sworn, I was the Court Reporter at the
5 meeting of the Virginia Racing Commission at the time of
6 the hearing herein.

7 Further, that to the best of my ability, the
8 foregoing transcript is a true and accurate record of the
9 proceedings herein.

10 Given under my hand this 9th day of January, 2019.
11
12

13 Sandra G. Spinner

14 SANDRA G. SPINNER

15 COURT REPORTER
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