VIRGINIA RACING COMMISSION

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

Thursday, February 14, 2019 at 10:00 a.m.

COMMISSION MEMBERS:
D.G. Van Clief, Jr., Chairman
Stuart Siegel, Vice Chairman
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. Call to Order
2. Approval of the December 13th minutes
3. Public Comment Period
4. New Business
   a. Request for Approval of Thoroughbred Expenditures from Virginia Breeders Fund
   b. Request for Approval of a 2019 Limited License Submitted by the Virginia Gold Cup Association
   c. Request for Approval of the 2019 Virginia Gold Cup Racing Officials
   d. Request for Approval of a Satellite Wagering Facility License for Breakers Sports Grille and Bar, Submitted by Colonial Downs Group, LLC
   e. Request for Approval of a Satellite Wagering Facility License for Ponies and Pints, Submitted by Colonial Downs Group, LLC
   f. Request for Approval of a Satellite Wagering Facility License for the Quality/Dutch Inn, Submitted by Colonial Downs Group, LLC
   g. Request for Approval of a Satellite Wagering Facility License for Colonial Downs Racetrack, Submitted by Colonial Downs Group, LLC
   h. Request for Approval of a Satellite Wagering Facility License for Rosie's - Vinton, Submitted by the Colonial Downs Group, LLC
   i. Request for Approval of a License to Conduct Pari-Mutuel Wagering on Historical Horse Racing at Rosie's - Vinton, Submitted
5. Commissioners' Comments
6. Closed Session (if necessary)
7. Adjournment
CHAIRMAN VAN CLIEF: Good morning, everybody. I would like to call the meeting of the Virginia Racing Commission to order this morning, and in so doing, note that Commissioner Reynolds has a conflict and is out of town and will not be in attendance today.

Although he called in a few minutes ago and is running a bit late, we are fortunate that Commissioner Miller, although his term expired in December, his replacement has not been yet named, so he has a prerogative to continue to serve and has kindly agreed to do so to make sure we have a quorum.

Actually, with the three of us here, I do want to make a note that we do have a quorum and we can conduct business.

We will get going with the first order of business, which is the approval of the minutes from our December 13th meeting, which is enclosed in your meeting books under Tab One.

If you've had a chance, they were distributed earlier to read them. Do you have any questions, suggestions or modifications you'd like to see made?

COMMISSIONER SIEGEL: I move approval.
COMMISSIONER NIXON: I second it.

CHAIRMAN VAN CLIEF: I concur. The minutes for the December 13th meeting are approved.

As we have conducted our meeting the last couple times, we've moved what used to be at the end of our meeting up to the top because we want to hear from the public at the top of our meetings so they can have a chance, anybody in the room has an opportunity to comment on upcoming items of business.

So we'll conduct any public commentary at this time. If you'd like to make a comment, we would only ask that you state your name for the record and confine your remarks to a maximum of five minutes. Is there anybody that would like to make any comments before we get underway with the new business? Sir?

MR. BERMAN: Good morning.

CHAIRMAN VAN CLIEF: Good morning.

MR. BERMAN: Reports from the media have recently quoted sources from Colonial Downs that have said the purse structure for its upcoming 15 day live race meet will be at least $500,000 per day. This will rank Colonial at the highest end of the scale in comparison to the 70 other tracks
Colonial has also said that it intends to run 30 days next year at 600,000 per day. These purse projections are wrong for Virginia racing and have already proven to be a failed strategy in the past, neither sustaining nor growing our native horse racing industry as is required in horse racing's mission statement in the code of Virginia.

Twenty years ago, Virginia racing was struggling with this same dilemma. Colonial wanted to run similar high-end meets. This strategy used up the available purse money quickly and limited the number of live race days to 25 or 30, which not only kept the track's overhead down, but was also meant to be used as leverage with our legislatures, claiming that the only way to increase live race days was to grant track ownership concessions and give them expanded gambling. Unfortunately, the HBPA and the VTA both supported Jacobs' agenda and in the end, our horse racing and breeding industry were almost destroyed.

A higher purse structure limits the opportunities for Virginia-bred horses to compete
and instead entices ship-ins from other states to come to Virginia when the bulk of the purse money is offered.

In fact, in the year 2000, I did a FOYA request asking how much Virginia purse money was being retained here in Virginia and the total retainage was a meager 17 percent. Virginia horsemen need more opportunities to race at levels they can compete at and be successful. A high purse structure such as the one presently being proposed by Colonial Downs did not back down and will not in the future provide those opportunities.

In addition, by the early 2000s, it had become obvious that Colonial Downs had no intention of growing live racing and Virginia's breeding industry began to suffer.

When Colonial opened in 1997, there was much optimism for the future of racing in Virginia. Many folks excitedly bought mares and a spike in breeding occurred in anticipation of expanded racing opportunities that would provide them with the chance to recoup their initial investments.

But by 2000, it had become painfully clear that Jeb Jacobs and Colonial Downs had no
intention in increasing live race days.

As Virginia horsemen began to lose hope, our breeding industry began a slow and steady decline. In 1998, we had 115 stallions that were bred with 954 mares. Ten years later in 2008, we had 52 stallions that bred to only 141 mares, and by 2013, the last year Colonial held a live race meet, that number had dropped to 19 stallions covering only 57 mares. Same bad news for our Virginia-bred foal crop, dropping from 566 in '98 to 377 in 2008 and only 150 by 2013.

These declines were a direct result of the failed strategy that only served to benefit track ownership, while in the meantime, it didn't just have an adverse affect on the Virginia-breds, it almost destroyed the racing industry in Virginia altogether.

Fast forward to today. In the past 12 months, I have seen purse level projections for this year's 15 day race meet increase from 300,000 to 400,000 and then 500,000, and now I hear talk they might even raise it even higher to perhaps 600,000. Next year, they say they want to race 30 days at 600,000 per day, equal to $18 million in purse money.
How can this possibly be when as stipulated in the revenue sharing agreement between the track and the VEA, the horsemen do not receive a penny from the revenue from the slots until one year after each parlor opens, meaning that when next year's 30 day $18 million proposed live race meet begins, the VEA will have only been receiving their six percent of slot revenue from one site for only four months. So where is the $18 million going to come from?

Colonial Downs' new ownership appears to be taking a page right out of the old Colonial Downs playbook, having purses so high once again they will be at a level that our own Virginia-bred horses cannot compete, and by establishing purses at such a high level, it also sets a precedent that will limit the number of live race days in the future.

I suspect Colonial also has another motive. Politics. We all know Colonial Downs wants more than 3,000 slot machines they were granted in the rules and regulations adopted by this Commission. It behooves the track to run for as high dollar and short a meet as possible so they can argue later that the only way to increase race days is
by granting them more slot machines and expanding
casing, an issue I expect we will begin to hear
more about beginning in 2020.

So what do I want to see? First, I'll tell
you what I don't want to see. I don't want
Virginia to adopt the same failed strategy that
almost destroyed our racing industry the first
time around.

Instead of 500,000 or 600,000 a day, let's
race for purses comparable to what our neighbors
at Laurel run for, averaging around $350,000 per
day. That would equate to a savings of 150,000
per day or a total of 2.25 million in purse money
this year alone. That could be money that could
instead be used to fund an incentive program to
help subsidize Virginia farms to buy mares and
begin to drop Virginia-bred foals.

In the meantime, we should ramp up race days
at a slower pace, giving our breeders a chance to
catch up, maybe adding five days per year. Within
three or four years, we could substantially
increase the number of Virginia-breds that would
be of racing age at around the same time we would
be hitting the targeted 30 days of live racing.
Thirty days should only be seen as a starting
If Colonial fulfills their obligation to try and grow live racing, then we should most definitely give them our blessing when they ask for future consideration to expand the gaming operations.

At the same time, it must be understood beforehand that along with any future expansion of gaming, Virginia will also expect the corresponding increase in race days.

In addition, I would like to see a three to five year plan from our horsemen and Colonial Downs combined outlining their plan to grow racing. This will provide much needed stability and encourage more individuals to get involved by helping them know what to expect in the future.

The old Colonial Downs strategy of high-end racing and limited live racing benefited the racetrack while failing to sustain or grow Virginia racing. The data supports these conclusions and cannot be ignored.

If Virginia chooses to adopt the old Colonial Downs strategy, we will once again be doomed to repeat the mistakes of our past. We cannot afford to allow the growth of Virginia racing to once
again be hijacked by a failed strategy that has
proven to be detrimental to the growth of our
racing industry in the past.

I would hope that the VRC, Virginia horsemen
and Colonial Downs will all take these things into
consideration as we approach the beginning of a
new day in Virginia racing.

Etched into the stone on the exterior of the
Virginia Historical Society building on the newly
renamed Arthur Ashe Boulevard in Richmond's Fan
district is a quote that is attributed to our
great statesman and two-time governor, Patrick
Henry.

It says, quote, I have no way of judging the
future but by the past, end quote. Mr. Henry's
advice is as true today as it was 250 years ago.
I only hope that powers that be remember this
advice as we begin a new chapter in Virginia
racing so that we can achieve the success we all
want to see in the future.

Thank you for the opportunity to address the
Commission and I conclude my remarks.

CHAIRMAN VAN CLIEF: Thank you. Sorry. Did
you state your name for the record?

MR. BERMAN: Tad Berman.
CHAIRMAN VAN CLIEF: Thank you very much. Thanks for your remarks. That's an interesting and complex topic, trying to ascertain the nexus between live racing and the growth of our breeding industry.

I am sure that there are any number of opinions on Mr. Berman's comments from any number of organizations in the room. You may wish to address those in the context of your reports later. I'm not going to turn it into a debate format at the moment.

Is there anyone else who would like to make any comments? If not, we'll move on to new business. Thank you very much.

We have a number of items to consider approval. The first of which is from the Virginia Breeders Fund, a request for approval of Thoroughbred expenditures during the current year. Mr. Hannum, are you going to report on that?

MR. HANNUM: Yes. Thank you, Mr. Chairman.

CHAIRMAN VAN CLIEF: That's under Tab Two for my fellow Commissioners.

MR. HANNUM: Thank you. Debbie Easter couldn't be here today so she asked me to speak to Point A on the agenda.
So there are two requests for additional funds. The first is up to $30,000 for the Virginia-bred 100 percent owner's bonus program on all nonrestricted races at the Virginia Gold Cup's meet on May 4th this spring for horses finishing first through sixth with a cap of $10,000 per award.

The second request is for an additional $13,503.76 in breeders awards for 2018. When the original request was made, a few horses were inadvertently omitted from the original list. So those are the two requests from the Virginia Thoroughbred Association for your consideration.

CHAIRMAN VAN CLIEF: Thank you. Are there any questions for Mr. Hannum on the request for approval? If not, we need a motion to approve.

COMMISSIONER NIXON: I make a motion.

CHAIRMAN VAN CLIEF: Thank you.

COMMISSIONER SIEGEL: Second.

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

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: None opposed? The motion carries unanimously.

MR. HANNUM: Thank you.
CHAIRMAN VAN CLIEF: Thank you. Next is a request from the Virginia Gold Cup Association for approval of its 2019 limited license. Board president and racing co-chairman Dr. Will Allison will make some remarks and open this one.

DR. ALLISON: Mr. Chairman, our sales for this coming year are ahead of last year. That's very promising. Great Meadow is going to do a major development in our sound system, which should be a great help.

The simulcast programs that we had in reform, they're being developed. It's a work in progress and hopefully the next meeting we'll have a report. The only thing we want the Commission to do is pray for good weather. Thank you.

CHAIRMAN VAN CLIEF: If we can get the rain out of our system this month. I hope so. Are there any questions for Dr. Allison on their license request?

If not, we will need a motion to approve and I would like to note, and this will be the case in each and every one of our license approvals, that any motion to approve should at the request of staff management include two caveats. I'll read these verbatim.
Number one, the horse racing with pari-mutuel wagering shall be operated in accordance with all representations, plans and specifications as submitted in the application and as described at the Virginia Racing Commission's February 14th meeting. The license shall not deviate materially from these representations, plans and specifications without the prior consent of the Commission.

The second condition that will be attached to these motions is that horse racing with pari-mutuel wagering shall be operated in accordance with all applicable state and federal statutes and regulations, the regulations of the Commission and all local ordinances.

I just want to stipulate at the top that we will be making those motions with those conditions added in each case this morning.

Do we have such a motion?

COMMISSIONER NIXON: Motion.

CHAIRMAN VAN CLIEF: Thank you. Second?

COMMISSIONER SIEGEL: Second.

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

NOTE: The Commission votes aye.
CHAIRMAN VAN CLIEF: Any opposed? Welcome, Commissioner Miller. We appreciate you making the trip today.

COMMISSIONER MILLER: I'm sorry I didn't take into account for construction and school buses and accidents.

CHAIRMAN VAN CLIEF: In as much as your normal term was up in December, we feel fortunate to have you back at any time. So thank you for joining us.

COMMISSIONER MILLER: I'm glad to fill in until the governor gets around to replacing me.

CHAIRMAN VAN CLIEF: Thank you. We have approved the minutes. We have approved the request for expenditures for the Breeders Fund this year and we just approved the limited license for the Virginia Gold Cup Association.

COMMISSIONER MILLER: Mr. Chairman, I have looked over all of the materials that David sent to me, so let the record show that I vote aye on all of the above.

CHAIRMAN VAN CLIEF: Thank you. That takes us to Number 4C on our agenda and that is a request for approval of the 2019 Virginia Gold Cup racing officials. Under Tab Four in your books you'll
find that list.

Are there any questions for Dr. Allison or for our executive secretary about this list? While you're looking it over a last time, I'll make one note. We are going to be approving this list in mid February and the race day is not until the first Saturday in May. We may need a little flexibility if we lose someone or have to make another appointment.

So I would suggest that we include in our motion today an authorization for our executive secretary to approve on behalf of this Commission any changes to this list. That would be within reason. If it's a wholesale change we'd probably want to know about it.

MR. LERMOND: Absolutely.

CHAIRMAN VAN CLIEF: Any questions about the list? In that case, we need a motion to approve.

COMMISSIONER SIEGEL: Move approval.

CHAIRMAN VAN CLIEF: Thank you. We have a motion. Do we have a second?

COMMISSIONER MILLER: Second.

CHAIRMAN VAN CLIEF: We have a second. Thank you very much. Any further discussion? If not, all in favor of the 2019 Virginia Gold Cup racing
official list as submitted in your books, signify by saying aye.

    NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? Thank you. The motion carries. The list is approved.

The next up are three requests from the Colonial Downs Group, LLC, for satellite wagering facility licenses. These are for Breakers Sports Grille and Bar here in Richmond, as well as Ponies and Pints, also here in Richmond, and the Quality Inn/Dutch Inn.

I'm going to bundle these three license requests. I think we can go ahead and if there are no questions or no need to address them separately, I think once we hear from Mr. Lermond we can entertain a motion to approve all three of these licenses in one motion.

So Mr. Lermond has submitted a report. Hopefully you have all read it, but I would like him to give us a verbal report and recommendation.

MR. LERMOND: Thank you, Mr. Chairman. One of the stipulations in the revenue sharing agreement between the VEA and Colonial Downs group is that the VEA will turn over the operation of all four of their satellite wagering facilities on
April 1st.

The result of that stipulation is that Colonial Downs Group is going to apply to have their name as the licensee for three of the four today.

The reason that we're not going to address the satellite wagering facility in Chesapeake is because in Chesapeake, as you may recall, they had to go through some hoops and had to have a special use permit, and unfortunately, the special use permit is tied into the fact that the VEA holds the license.

So it might take two or three months to get things worked out in Chesapeake to where they can have that special use permit changed and at that time, Colonial Downs Group can apply for a license in Chesapeake.

However, on April 1st, Colonial Downs Group is going to take over the management of the Chesapeake facility. We don't have to take any formal action on that today, but that will consist of requests to the Commission asking to amend their license for the Chesapeake location.

It will also include an agreement between VEA and Colonial Downs Group as to how all that is
going to work out, but it's basically the same 
employees, the same managers. They're just kind 
of switching who is going to sign their paycheck, 
to over-simplify it.

So Breakers opened in November of 2016, 
Ponies and Pints followed shortly thereafter in 
January of 2017, and the Dutch Inn/Quality Inn 
opened in March of 2018.

The Commission has had no issues with any 
three of these locations. They have been ideal 
licensees, conducted themselves accordingly and as 
a result, I would recommend approval.

As Chairman Van Clief said, we can go ahead 
and bundle these three licensees together. I 
would recommend approval for all three to include 
the two conditions that the Chairman enumerated 
earlier on the previous motion.

CHAIRMAN VAN CLIEF: Thank you. Any questions 
for Mr. Lermond or for that matter for Colonial 
Downs Group, LLC, before we move ahead with that 
motion?

COMMISSIONER SIEGEL: You'll come back for 
approval on Chesapeake when it is settled in?

MR. LERMOND: Yes, sir.

CHAIRMAN VAN CLIEF: By the way, I should note
that I mention that the third request was for the facility at the Quality Inn/Dutch Inn. That's in Collinsville, Virginia.

Any other questions or comments?

COMMISSIONER SIEGEL: I move approval.

CHAIRMAN VAN CLIEF: Thank you very much. We have a motion to approve those three licenses. Do we have a second?

COMMISSIONER NIXON: I'll second.

CHAIRMAN VAN CLIEF: Thank you. We have a second. Any further discussion? If not, please signify your approval by saying aye.

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Thank you. Those licenses are approved unanimously. We will take the next three licenses individually and these include a request for approval of a satellite wagering facility license for Colonial Downs racetrack, a request for approval of a satellite wagering facility license for Rosie's in Vinton, and a request for approval for a license to conduct pari-mutuel wagering at historical horse racing at Rosie's in Vinton.

Those will be voted on and reported separately and Mr. Gomes or Mr. Marshall are going to do the
honors in terms of the report this morning.

MR. GOMES: Yes. Good morning, Chairman, Commissioners. Happy Valentine's day as well.
For the record, my name is Aaron Gomes, chief operating officer for the Colonial Downs Group.

We are privileged to be here before you today to present our applications for our satellite wagering facility in Vinton, our satellite wagering facility at Colonial Downs racetrack in New Kent, and our satellite wagering facility license for three of our facilities currently under management by the VEA which we just discussed.

I'm joined up here today by our executive VP and general manager, John Marshall, to my left, and our vice president of finance, Jamie Hartman.

We've provided you with quite a bit of information as we discussed in our applications. That big box delivered to each of you. We've prepared a very brief presentation and feel free to ask any questions throughout. That's why I have the two smart guys on both sides of me to answer them for you.

We've made tremendous progress across the Commonwealth since we last saw you here about I
think back in December and wanted to provide you a quick update where we are at, at all of the facilities.

When we were last in front of you, we had just broken ground in Vinton and Richmond. We are excited that this last Monday, we just broke ground at our Hampton facility and construction is well under way there. Demolition is almost complete.

I'd also like to share with you that last month at Hampton, we received unanimous approval from city council for our special use permit and would also like to point out that every city we've gone to before so far, we've received unanimous city council approval, which I think is testament to everyone's excitement for our concept.

To date, we've invested approximately $100 million, and that number is going to shoot up pretty quickly here in the next nine months as we finalize all of the facilities.

The last time we saw you, we had approximately 20 employees. Now we have about 50 employees and the next time we see you in April, we should have about 350.

So the first slide here, you can just see a
rendering of the outside of our Vinton facility. We are well under way in Vinton with construction and a scheduled opening date shall the license be granted and that would be April 30th of this year. So 75 days and coming very quickly.

You can see the location just outside of Roanoke there with the red star and we're very excited about this location. We will be very busy with the 150 game location and approximately 900,000 people within 50 miles of that location, so we think this will be an overwhelming success.

On this slide, you can see a layout of the interior of the Vinton facility. The main entrance is at the center of the top right under the big red Vinton on the slide. When you walk in, the smaller area to the right of the entrance doors is the high limit room, where we'll have approximately 16 high limit historical horse racing games in it.

As you look to the right corner of the image, down here is our smoking section, which will have about 50 HHR games in it. Down here, you have the cage and players club on the bottom. In the left corner, you have our Rosie's kitchen restaurant.

Right above that, you have the center
simulcast facility, and then in the center, it's anchored by a large center bar which will have TVs that show sporting events and other events that are going on.

There are some pictures of the interior as of Monday. So as you can see, the walls are quickly going up and making a lot of progress prior to our April 30th grand opening. So now I will hand it over to John Marshall to walk you through an update on the track.

MR. MARSHALL: Good morning, Mr. Chairman, members of the Commission. Before getting to the track, we wanted to share with you our re-branding concept of Virginia Bets, which is the brand of the current license area at the partnership OTBs.

Beginning April 1st, the date that Executive Director Lermond quoted our management of the license areas, we are going to re-brand the license space to Virginia Horseplay.

So beginning that day, Virginia Bets will become Virginia Horseplay and this gives you a look and a feel of the brand where we will be managing the pari-mutuel services in that space, both in logo and ads in presentation to the public.
So with that following the agenda, Aaron gave us a fantastic update of the Vinton facility and this is an update of our branding strategy for our partnership OTBs in re-branding Virginia Bets to Virginia Horseplay. I'd like to pause there and allow the chairman to conduct his business. Thank you.

CHAIRMAN VAN CLIEF: Okay. At this point, our first item of business is to consider approval of the satellite wagering facility license for Colonial Downs, and as I mentioned at the top, we will vote on that separately. Any questions for track management?

COMMISSIONER SIEGEL: Not on that issue. No.

CHAIRMAN VAN CLIEF: Okay. Mr. Executive Secretary.

MR. LERMOND: Thank you, Mr. Chairman. I just wanted to say for the record that the reason that Colonial Downs is applying for a satellite wagering facility license for the racetrack is that the code of Virginia states that a limited licensee can only conduct simulcast racing in conjunction with live racing.

After discussion with Mr. Drewry, we determined that in conjunction with live racing
means on live race days. So if they did not apply and were awarded this satellite wagering facility, they would only be able to simulcast on the 15 live days. By applying for this license, that allows them to simulcast year round, just like they do at a simulcast wagering facility.

CHAIRMAN VAN CLIEF: Thank you for the clarification. Good point. Are there any questions? In that case, we need a motion to approve the license as requested.

COMMISSIONER NIXON: So moved.

COMMISSIONER SIEGEL: Second.

THE COURT: We have a motion and a second. Is there any discussion? If not, please signify your approval by saying aye.

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? Thank you.

COMMISSIONER SIEGEL: I have one question.

CHAIRMAN VAN CLIEF: Yes.

COMMISSIONER SIEGEL: For Clarity. So Colonial Downs' OTB will open in April as well?

MR. MARSHALL: Correct. Yes.

COMMISSIONER SIEGEL: So we're not waiting for live racing?

MR. MARSHALL: No.
MR. LERMOND: Mr. Chairman, for the benefit of the staff, will you tell me who made the motion and who seconded it?

CHAIRMAN VAN CLIEF: I think the motion was made by Commissioner Nixon and seconded by our vice chairman.

MR. LERMOND: Thank you.

CHAIRMAN VAN CLIEF: Mr. Marshall, do you have any further comments you want to make or do you want us to go ahead? Is your assumption that we will walk right through the next two license applications now or did you have any further comments you wanted to make?

MR. MARSHALL: Those are all the further comments that we have until we get to the Colonial Downs racetrack progress in J. I went a little out of order there for you.

CHAIRMAN VAN CLIEF: That's okay. We're tracking. Thank you. Okay. The second request that we have to deal with at this point is the approval of a satellite wagering facility license for Rosie's in Vinton. Are there any questions in that regard?

In that case, we need a motion to approve the license request as submitted.
COMMISSIONER SIEGEL: I will make the motion.

CHAIRMAN VAN CLIEF: Thank you. Do we have a second? I'll second it. Any further discussion? All those in favor, please signify by saying aye.

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Are there any opposed? Thank you. Motion carries. That license is approved.

The last license being requested by Colonial Downs Group, LLC, is to conduct pari-mutuel wagering or historical horse racing. This is also at Rosie's in Vinton. Are there any questions in that regard?

I've got just one. Has there been anything that has occurred at this point that makes you think that the original consultant's opinion on your revenue projections are any different than what we've already read in your materials?

MR. GOMES: No. There is not.

CHAIRMAN VAN CLIEF: Okay. Thank you. That's my only question. If there are no others --

COMMISSIONER MILLER: Mr. Chairman, I have a question for Dave.

CHAIRMAN VAN CLIEF: Yes, Commissioner Miller.

COMMISSIONER MILLER: In the summary that you
sent regarding this under Operation Center.

MR. LERMOND: Yes, sir.

COMMISSIONER MILLER: Maybe I just didn't catch it, but where are the 150 machines designated in there for the historical horse racing?

MR. LERMOND: You mean does it state in here that there are 150?

COMMISSIONER MILLER: Yeah. I mean it's in black and white somewhere, but where is it?

MR. LERMOND: It would have been in their full application. That's a good point. I should have put that in there.

COMMISSIONER MILLER: You just didn't mention it?

MR. LERMOND: Yes, sir.

COMMISSIONER MILLER: All right.

MR. LERMOND: The 150 is the maximum allowed by Virginia based on the population.

COMMISSIONER MILLER: So each time that the Commission considers the historical horse racing operation in each of these facilities, the number is set forth in black and white for each respective location?

MR. LERMOND: That's correct.
CHAIRMAN VAN CLIEF: I might ask counsel do we need to include those numbers in our motion?

MR. DREWRY: They're in the regs so they would be violating the regs if they went above that.

CHAIRMAN VAN CLIEF: So by granting a license then, we are automatically authorizing up to 150 machines? It's management's decision as to whether they go less than that?

MR. DREWRY: I believe that's correct.

MR. LERMOND: Because a condition of the license is that they have to comply with the rules and regulations and 150 machines is -- Commissioner Miller, that's an excellent point. I'm pretty sure I had that in for the Colonial Downs one and maybe I just missed that.

CHAIRMAN VAN CLIEF: Okay. With the note that we are approving 150 machines as per set forth in the regulations, then we need a motion to approve.

COMMISSIONER SIEGEL: I'll move it.

CHAIRMAN VAN CLIEF: Thank you.

COMMISSIONER NIXON: I second.

CHAIRMAN VAN CLIEF: We do have a motion and a second. Any further discussion or questions? If not, please signify your approval by saying aye.

NOTE: The Commission votes aye.
CHAIRMAN VAN CLIEF: Any opposed? That motion carries unanimously and the license is hereby granted.

At this point, Mr. Marshall, we look to you for an update on how things are going at Colonial Downs and your other satellite facilities.

MR. MARSHALL: Thank you so much, Mr. Chairman. We put together a brief timeline here with some critical dates that we believe the Commission will find very important.

So as we speak, our team is at the track conducting a job fair, of which we got a photo in realtime where the track kitchen area is 100 percent occupied with 20 other people in line waiting to get into the building to make their application to work at Rosie's at Colonial Downs. So an early success, and we'll be conducting that fair through 8:00 p.m. today.

On February 25th, we plan to move in our executive team and our directors into the grandstand area with a TCO with a second floor office space.

March 14th, we're conducting job fair number two to fill in any open positions remaining after today's job fair.
So with respect to installation, some critical dates for you to be aware of is our carpet completion date, which is March 15th. Our HHR server and cage equipment delivery date is March 18th, which also trigger 24-hour security on post. March 22nd, we're expecting our simulcast AV installation to be complete for OTB at Colonial Downs.

Our HHR terminal delivery date is March 25th, which will trigger our full surveillance integration on March 26th. Our tote installation completion date is March 27th and our HHR terminal install completion date is March 28th.

A few things that will happen the very next day is our security dispatch will be in force and our access control will be in force in anticipation for a TCO clearance for the entire building on March 29th.

So on March 31st, we begin orientating the team that we're building which began long ago but accelerating today. Those on board dates will be March 31st and April 1st, followed by two weeks of departmental training and a lot of simulations and exercises preparing for opening.

So in our effort to prepare to open Rosie's at
Colonial Downs, we'll have a four-hour simulation where our leadership will mock as costumers and do our team rally on April 13th. A four-hour VIP sneak peak for those players that were early sign-ups to the Rosie's Rewards Club to get a first look and a sneak peak, followed by an eight-hour mini training day, of which we intend to mock full service with real customers invited for that day.

Then on April 17th, a 12-hour simulation day which involves a shift change which triggers many standard operating procedure activities on our end as we change shifts of team members.

Finally on April 18th is our anticipated ribbon cutting day at Colonial Downs for Rosie's. We selected Kentucky Oaks day, Friday, May 3rd as our grand opening celebration for the public for Rosie's at Colonial Downs.

So a few views of construction as of Monday. The first picture is a photo of the third floor clubhouse space with pallets of carpet squares to be laid in the near future.

The middle photo is a photo of first the floor condition. You can see the ceiling grids falling into place. As much activity as there is below
the games under the floor, there is just as much
activity above the games in the ceiling.

The third photo there is a photo outside of
the smoking area where you can see the Drywall
between the main HHR floor and the smoking
section.

Also, here's a picture outside where the
outside is beginning to take shape with changes to
the parking area and our porte-cochere leading up
to the building.

On the top right is another shot of the
interior main HHR floor on the first floor. The
bottom left is the current state of our
simulcasting area where you can see the bar and
some floor and overhead work about to take place.

The bottom right is the current progress of
our HHR employee training space on the second
floor.

So that is a track update with the physical
nature of the track, but we also wanted to take
this opportunity to share with you our activities
in the community and this is one example of our
team's presence in the community.

NOTE: Video played to the Commission
and the public.
MR. MARSHALL: Let's pause and get our audio functioning. That's our vice president of marketing announcing our pledge for $500,000 to Miles Jones Elementary School in Richmond, Virginia over the course of five years.

So the team, and ad-libbing for Mike, we visited Miles Jones High School, met Principal Shaw and the children in the gymnasium and held the first ever miniature horse race. So it was a lot of fun to see the kids' delight.

Here is Mark Parsons, our director of community engagement, excited about the first miniature horse race. So our first horse was named Miles Jones, our second horse, Secretariat, and our third horse, Rosie.

And they're off. Secretariat took an early lead and held that position until about the half where Miles Jones picked up his closing speed, closed in on Secretariat heading toward the finish line and forged his way to cross the line first.

The children enthusiastically cheered and cried. A lot of smiles and looks of bewilderment to celebrate the first ever Richmond Derby at Miles Jones Elementary School.

CHAIRMAN VAN CLIEF: Are those Thoroughbreds
or Standardbreds?

MR. MARSHALL: I know that they were Virginia-breds. Thank you.

CHAIRMAN VAN CLIEF: Thank you very much.

MR. MARSHALL: So that is the update for things going on at Colonial Downs racetrack and we're very open to taking questions the Commission may have.

CHAIRMAN VAN CLIEF: Okay. Are there any questions?

COMMISSIONER SIEGEL: Just a couple of quick things. As I understand it, the plan is to race primarily on turf, and the condition of the turf I understand from prior to the meeting is in good shape.

As far as the dirt is concerned, will the dirt track be prepared as well? Obviously, people train on that track and what would be the condition of the dirt track and how often do you think you'll run on that track?

MR. MARSHALL: Sure. Thank you. The stable area opens for occupancy July 25th and our commitment to the VHBPBA is to be open for training beginning the 25th. We're going to have a full complement of training services in the morning on
the dirt. So we do have a critical path for live racing in the stable area outside of the Rosie's preparation as well.

On that critical path, it begins with the reconstruction of the dirt track beginning in April. Our intention is we're going to build a base, we're going to shape the current limestone base, rule and compact, add additional limestone material to get the base where our track superintendent wants to be.

We also have a purchase order out and we've sourced a vendor to purchase 5,000 tons of the proper mix for our cushion, which will be delivered and installed through total reconstruction of the dirt track that will be ready well before the July 25th training date.

As far as the turf-dirt mix and as far as the condition book goes, we've been working with Frank Petramalo and his stakes committee to come up with a stakes schedule first which is near the version to be released in anticipation of releasing in early March to the industry.

Thereafter, we have already begun discussions on what the undercard looks like and what the condition book looks like.
So our viewpoint at this point in time is our condition book will be a full complement of dirt and turf races, a variety of different distances, and without knowing what's going to fill and what's not going to fill.

Commissioner Siegel, we may have certain race dates where more than 50 percent are on the dirt based on what the race secretary tells us is going to go, and in seeking that out, our strong desire is to dominate the cards with turf racing for obvious reasons and our hypothetical balance is 80/20 turf and dirt, but with a mile-and-a-half dirt course, you know, second in size only to Belmont, we anticipate we have to have dirt races and we believe that the horsemen are going to tell us what races are going to go based on what the book says.

The book will reflect a fair balance of turf and dirt and opportunities spanning across different distances that appeal to the horse population in the Mid-Atlantic and the horse population that decides to reside at Colonial Downs.

COMMISSIONER SIEGEL: I would like to follow up with Mr. Berman's comments earlier. They are
well taken and it's not a new question. So we'd be interested in hearing from Colonial Downs' folks about how you intend to address those issues.

MR. MARSHALL: From a purse perspective, we all heard Mr. Berman's comments and they do have some validity in point. The way that we've addressed our starting purse levels so far is we have deferred to the VHBPA, knowing that the VHBPA has generated purse revenues since the time Colonial Downs has closed, through, one, wagering at Virginia Bets license locations and through ADW wagering activity and those purse revenues generated online.

So over the course of five years or so, the VHBPA has managed those revenues and they know the dollars available to fund purses for 2019 and we're heavily reliant on Mr. Petramalo and his board on the starting purse position over 15 days of racing.

The math says what it says as far as the dollars that the VHBPA has available to fund 15 days, and when you look at the sum of the undercard versus the stakes schedule that we're putting together, we feel that we've made some
statements as far as average daily purse is concerned.

When we promote purse levels for 2019 we're talking in terms of average daily purse, where some days, for instance Virginia Derby day, the purse for one race is 250,000 and with a strong supporting undercard, we'll exceed 400,000 or maybe even 500,000, but on other days we may be below five and four.

The statements -- our intention of our statements is to state an average daily purse position for '19 and for '20. Mr. Berman's comments about 2020 are well taken, too, because we have been inconsistent in the statement of the future and we're all forecasting enthusiastically and in anticipation what the future will hold for purses in 2020 and beyond.

Until we know what we don't know, which is revenue volumes at Rosie's, we've made statements to promote to the industry to rally the industry and get the industry behind the reopening of Colonial Downs to anticipate quality, elite racing which is what we're striving to do. But again, our statements are meant to address average daily purse, not necessarily the daily purse for every
It's obviously important. I think the point is this Commission is very conscious about satisfying the needs of the Virginia horsemen, and the horsemen that wish to race in Virginia should have a venue to do so and we would just encourage you to continue to work on that regard so that Mr. Berman and other comments that occurred in that regard are satisfied.

MR. MARSHALL: Certainly. I can also assure everyone and the record that the VHBPA is doing their role in achieving that very goal by establishing percent thresholds on overnights versus stakes and they have a very involved voice in our condition book and we are doing it collaboratively.

So we're not coming out of the gate unilaterally with a condition book or a stake schedule. We're working together to make sure the cross-section of constituents' needs are met.

COMMISSIONER SIEGEL: Good.

CHAIRMAN VAN CLIEF: I might just ask Mr. Hannum if he could weigh in a little bit here, too. Obviously, the working relationship on a
daily basis runs back and forth between Colonial Downs Group, LLC, and the VHBPA, but there are other members who have been heavily involved and who are stakeholders in this whole enterprise under the banner of the VEA and I just want to ask Mr. Hannum.

If your other VEA members such as the VTA are satisfied with the direction we've taken as an industry and feel that this provides a good platform and a launching pad for hopefully what we'll see in the future, the regrowth of our breeding industry.

MR. HANNUM: Yes. So in terms of this season, you know, as John has alluded to, it's a little bit easier for paying for the purses because there has been an accumulation of funds.

Going forward, we have to see how the machines do and see what funds are available. But in terms of this year in terms of the average per day and the 15 day meet, we're all very satisfied and excited and we want to grow the industry and we want to see those breeding numbers pick back up and we want to continue to support the residency program which has been very successful.

But the VEA looks at the flat racing equally
in terms of how we look at the interests of all of our members. We have four member groups and we need to ensure that everybody's programs are growing. So that's kind of how the VEA looks at it.

In terms of the average per day, that's really something for Dr. Daniels and the HBPA to sort of weigh in and we defer to the HBPA because that's their role. So the VEA takes a little bit more of a higher level view on all of this.

So we just hope that the HHR machines do very well and that we have enough money to support all of our member groups.

COMMISSIONER MILLER: Mr. Chairman, I have a question of Mr. Marshall.

CHAIRMAN VAN CLIEF: Yes, sir.

COMMISSIONER MILLER: Could you give us an update on the update in maintenance or any improvements made in the stable area in Colonial Downs, what's happening there and whether you're aware that there was some kind of controversy?

It has been four or five, six years ago between Mr. Jacobs and the subdivision down there. They had a problem there because of accumulation of waste --
MR. LERMOND: I think it was flies.

COMMISSIONER MILLER: -- accumulation of waste in the stable area that brought a hoard of flies to the neighborhood.

I just wonder if you thought of that or had any contact with anyone in that subdivision about what your plans are for the stable area and to assure those people that that won't happen again or stuff like that.

MR. MARSHALL: Yes. Sure. Commissioner Miller, we have not met with the Homeowners Association at Brickshire yet. One of the residents there is also a county councilman and we have had discussions with him and we've been aware of some issues our neighbor may have had in the past with the stable area and we intend on addressing those with the HOA.

From a practical standpoint, we do have a plan to revive the stable area, which is in terrific condition, by the way. Terrific enough to compliment the Jacobs group in the condition that they left it.

The barns themselves are very good structurally. The clay floors in every stall had been leveled and renovated before we moved in.
We have a complete maintenance regiment in the works to do a lot of work back there and we have allocated a significant amount of dollars in our budget to do so.

We do have a team of facilities folks on the ground right now working that plan, making contacts with third party vendors. It's a larger task than for us to take on ourselves and we're going to be looking to contractors for help in some cases to get the stable area ready.

COMMISSIONER MILLER: Thank you.

MR. MARSHALL: But we're fairly confident that we're not going to disappoint resident horsemen when they move in on July 25th.

COMMISSIONER MILLER: Thank you.

MR. LERMOND: Mr. Chairman.

CHAIRMAN VAN CLIEF: Mr. Lermond.

MR. LERMOND: Can I make a couple comments?

CHAIRMAN VAN CLIEF: Sure.

MR. LERMOND: First, I guess I want to say that apparently, Mr. Marshall missed his calling as a racetrack announcer based on his presentation.

But seriously, what I want to say on behalf of the staff and Commission is to thank Mr. Marshall
and his team thus far. Specifically, Stephanie Wisneski, who I think they call the Queen of Compliance. Stephanie is the one responsible for those large boxes of notebooks that have shown up on your doorsteps recently.

MR. MARSHALL: She's here this morning.
MR. LERMOND: Stephanie is here.
AUDIENCE MEMBER: She just went to the ladies' room.
MR. LERMOND: You can't do that during a meeting. Something might happen.

Anyway, Stephanie puts up with my pickiness on the applications, and between Stephanie and Rhonda and I, we get these applications to a really nice place before they even hit your doorsteps and that has been proven to be effective.

Also Molly Procell, who is the human resource director, she and Rhonda have been working very closely to try to figure out how they're going to license these 1,000 people that are going to require licensing between now and the end of the year that will work at the various facilities.

I also want to mention Greg Saloman, who is the director of facilities. Greg was introduced to our equine medical director, Dr. Ada Caruthers,
a couple months ago and he spent a good 20, 25 minutes following her around with a pad of paper in the test barn taking down notes on all the things that Dr. Caruthers wants to see improved, and I have every reason to believe those things will be done in time for live racing.

So I think it's important to note this and the level of cooperation and the commitment to excellence, not only from John, but these staff members is very comforting to the Commission and the staff and I just thought it would be noteworthy for you all to know what we know.

CHAIRMAN VAN CLIEF: Thank you for pointing that out and thank all of you, your team for their cooperation. I'd like to circle back on the operational side as a sort of follow-on to Commissioner Siegel's questions about the racing surface. I'm just curious.

I understand you're replacing the dirt track with all new material, correct? Is that local material? Where is it coming from and do you have a consultant that is doing that or are you doing it all in-house with folks on staff at this point?

MR. MARSHALL: Well, at the moment, we've been relying on J.D. Thomas, Colonial Downs' former
track superintendent, to lead the way on our needs for raw materials. We're sourcing the raw materials from the same entity where he had in the past.

The mix between new and pre-used material is probably going to be 60/40, but we did find the former cushion of which the core we found some available material in the core but not on the peripherals.

So we got an estimate on that core material to try to offset purchase of new. Not to cut corners, but as a matter of convenience more than anything else.

But when horsemen arrive on the track the morning of July 25th, I think we'll have some happy exercise riders and happy horses as they feel what they feel below their feet, which is going to be four-and-a-half inches of reconstructed cushion, new material with a proper mix related to the climate and a lot of people are looking forward to that day.

I know a lot of people in this room are and a lot of folks that are keeping up on us through BloodHorse, the Daily Racing Forum, the Paulick Report, the industry media. I know there's a lot
of attention on the re-introduction of racing at Colonial Downs.

Our VP of racing operations, Jill Byrne, joins us physically on February 27th. Jill has been very active in her circles involving the folks in Lexington at the Breeders Cup and the Jockey Club and getting things in order to set us up for success.

CHAIRMAN VAN CLIEF: All right. Thank you.

MR. MARSHALL: You're welcome.

CHAIRMAN VAN CLIEF: Any other questions for Mr. Marshall or Mr. Gomes or their team? Great. Thank you very much, gentlemen. It's exciting to hear about the progress that's being made.

Congratulations on remaining on track with your deadlines, which is an achievement unto itself, and we look forward to the opening with great excitement. Thank you for your reports today.

That takes us to commissioners' comments. It's open for any commissioner to make any observations they care to.

COMMISSIONER NIXON: I just congratulate you on all of your hard work and looking forward to the 18th.
MR. MARSHALL: Thank you.

MR. GOMES: Thank you.

CHAIRMAN VAN CLIEF: Commissioner Siegel.

COMMISSIONER SIEGEL: It's just exciting.

CHAIRMAN VAN CLIEF: Commissioner Miller.

COMMISSIONER MILLER: I have nothing further other than to apologize again for being late.

CHAIRMAN VAN CLIEF: Nothing further from me, either. We do not need a closed session, thankfully, today and that takes us to adjournment and I'd entertain a motion to adjourn.

COMMISSIONER SIEGEL: So moved.

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

COMMISSIONER NIXON: Second.

CHAIRMAN VAN CLIEF: We have a second. Any opposed? Thank you all for joining us this morning and enjoy the rest of your Valentine's day. We stand adjourned.

NOTE: This meeting of the Virginia Racing Commission is adjourned at 11:08 a.m.
CERTIFICATE OF COURT REPORTER

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

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

Given under my hand this 13th day of March, 2019.

Sandra G. Spinner
Court Reporter