VIRGINIA RACING COMMISSION

COLONIAL DOWNS
HORSEMEN'S BUILDING
10700 HORSEMEN'S ROAD
NEW KENT, VA 23214

Monday, July 22, 2019 at 9:00 a.m.

COMMISSION MEMBERS:
D.G. Van Clief, Jr., Chairman
Stuart Siegel, Vice Chairman
J. Sargeant Reynolds, Jr.
Stephanie B. Nixon

COMMISSION STAFF:
David S. Lermond, Jr., Executive Secretary
Kimberly C. Mackey, Business Manager

ATTORNEY GENERAL'S OFFICE:
Robert N. Drewry, Esquire

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1. Call to Order

2. Approval of the July 10th meeting minutes

3. Public Comment Period

4. New Business
   b. Joint request from the Shenandoah County Agricultural Foundation and the VHHA for the Retainage Percentages of Pari-Mutuel Pools on Live Racing Conducted at Shenandoah Downs for 2019
   c. Request for Approval of an Expenditure from the Standardbred Portion of the Virginia Breeders Fund to Partially Fund Eight Virginia-bred Stake Races to be Contested at Shenandoah Downs in 2019

5. Commissioners' Comments

6. Closed Session (if necessary)

7. Adjournment
CHAIRMAN VAN CLIEF: Good morning. I know that some of you have got a tight schedule this morning. I don't think it will be a long meeting anyway, but we will get right to it.

I'd like to bring the Virginia Racing Commission to order at this time. The first order of business is to approve the minutes of our last meeting, which was July 10th. For my fellow Commissioners, those were circulated by our office. They look fine to me. Does anybody have any comments?

COMMISSIONER SIEGEL: I move they be accepted.

CHAIRMAN VAN CLIEF: We have a motion to approve.

COMMISSIONER REYNOLDS: I second.

CHAIRMAN VAN CLIEF: And a second. Anybody opposed? In that case, the minutes are approved as admitted.

Public comment period. Our agenda today is fairly short, but we invite public comments on the agenda in advance or on any other matter that anybody here feels is important to address with the Commission. Anybody? All right. Great. Thank you.

New business. We're actually taking up a
conversation in which we engaged at the July 10 meeting with regards to what I consider to be a marketing matter, although it's regulatory in nature as well, and that is to set the takeout rates for the upcoming Thoroughbred and Standardbred meets during the course of 2019.

With the Thoroughbred meeting coming up first, I might just throw it to Mr. Marshall if you want to make a few comments about your request, which is, by the way, and as the agenda indicates, is a joint request from track management as well as the Virginia HBPA.

So I'll ask both John and Frank, if both of you would like to comment, we're certainly happy to hear from Mr. Marshall.

MR. MARSHALL: Thank you, Mr. Chairman. Our team at Colonial Downs has worked diligently to be widely inclusive with the revival of Thoroughbred racing in Virginia and we have left no industry group behind. Today we're here to advocate for the driving force behind live racing everywhere, the horse player.

The retainage on handle, commonly referred to as takeout, is the amount of the player pool retained by the track to cover operating expenses
and contributor prize money for horsemen known as purses.

Today more than ever, optimal takeout rates are essential ingredients to a successful race meet. The president of HANA, Jeff Platt, states as horse players, we make careful analysis of factors we see as relevant and weigh our analysis against the odds. If we think value exists, we bet; if we think value is absent, we pass.

Mr. Platt continues: Lower takeout rates translates into more situations worthy of our betting dollar; higher takeout translates into fewer situations worthy of our betting dollar. The more situations where we find value, the more situations we bet. It's that simple.

Interestingly, HANA is based in Keswick, Virginia, which I hadn't known until relocating here, with a lot of their leadership residing in Charlottesville.

Together, Colonial Downs Group and the VHBPA believe the theory supporting lower takeout translating into more dollars available for payouts to horseplayers. Given our belief, we wish to position the wagering value of Colonial Downs among racing's industry elite and to be
competitively situated.

We propose the following takeout schedule for our wagering menu. Win, place and show, 16 percent, positioning us in the upper 25th percentile across the industry. Exacta, trifecta, superfecta, early double, late double, Pick 3, Pick 4, 20 percent, which positions us in a blended position of the upper 15th percentile in the industry.

Lastly, a Pick 5 for a promotional rate of a industry low 12 percent, positioning us in the upper 5th percentile.

So these rates are among the industry best and they are meant to entice larger betting pools, larger payouts, larger rewards for horseplayers, and ultimately increase revenues for state, local government, the Regional College of Veterinary Medicine, the Virginia Horse Center, the Virginia Horse Industry Board and horsemen's purses.

Colonial Downs also agrees to assure the Virginia Breeders' Fund contributions remain whole. The letter before you outlines the joint proposal between the Colonial Downs Group, and the VHBPA and after review of the details, we ask for Commission approval.
CHAIRMAN VAN CLIEF: Thank you very much. Any questions for Mr. Marshall? The proposal does come as a joint request and is required to come as such with participation of the Virginia HBPA. Mr. Petramalo.

MR. PETRAMALO: I concur and would just like to add one thing. We appreciate Colonial Downs' basically giving some of their share to the Breeders' Fund so that remains at one percent. Thank you very much for that.

CHAIRMAN VAN CLIEF: All right. Thank you. I point out to my fellow Commissioners if you haven't already gotten there, on Tab Two you'll see the letter referred to by Mr. Marshall and also a letter from Mr. Petramalo in his capacity as the executive director of the Virginia HBPA verifying their concurrence with the proposal.

Mr. Lermond, is there anything else that you would like to add?

MR. LERMOND: I would just like to add that this request was done verbally in our last meeting, so we had a few technical issues with that. One was that it wasn't on the agenda. That's taken care of because we're all sitting here today.
The other one was that the math didn't quite work out, but with Colonial Downs agreeing to take a little bit less and make everybody else in the code section retain their percentage required.

I would also like to echo Mr. Petramalo and Mr. Marshall or Mr. Petramalo's thankfulness of them making the Breeders' Fund whole.

I think when this was written, there were certain people like the state and localities that were meant not to take a haircut because they couldn't benefit from additional out-of-state handle.

The Breeders' Fund is in that same boat and probably should have been lumped in with those folks. Again, I'm very thankful to Colonial Downs for making that happen and I think that's a great thing.

Very much in favor of the lower takeout for all the reasons that have already been said and I recommend approval of this request.

CHAIRMAN VAN CLIEF: Thank you. Any questions? Yes.

COMMISSIONER REYNOLDS: One question. When we approve this today, do we have to do this every year? Is this in the statute until it's changed
down the road or is this something we have to do annually?

MR. LERMOND: This is something to be determined. I would refer to Mr. Drewry on that.

MR. DREWRY: If it's an ongoing request, it's fine. The statute says it needs to be a joint request for takeouts I think annually. If it's changed, it probably needs to be addressed in the same way. Ideally, it would be changed to make the math work.

So it's an easy request, particularly with the information that we have with the last meeting with the percentages and everything. In the future, it should be pretty simple with just the quick letter like on the agenda today for the harnesses.

COMMISSIONER REYNOLDS: Okay.

CHAIRMAN VAN CLIEF: Any other questions? This is a very brief letter. I'd like to read this into the record. This is a letter from Mr. Marshall on behalf of Colonial Downs and it summarizes what we're being asked to consider and do here this morning.

It was dated July 15, went to Mr. Lermond, our executive secretary. Dear Dave, on behalf of
Colonial Downs and with agreement by the Virginia HBPA, I am requesting Virginia Racing Commission approval to retain the following percentage of pari-mutuel pools generated by wagering at our racetrack and satellite wagering facilities on live racing at Colonial Downs.

Number One, 16 percent on win, place and show wagers; Number Two, 12 percent on Pick 5 wagers; and Number Three, 20 percent on all other wagers. See relevant Virginia Code.

From the retainage, Colonial will make distributions to state and local government, the Regional College of Veterinary Medicine, the Virginia Horse Center and the Virginia Horse Industry Board, as required by the above-cited statutory sections.

On a combined basis, the distributions range from 1.5 percent to 2.75 percent of handle.

Colonial will also make the adjusted contribution to race meet purses required by statute which range from 4.9 percent to 8.2 percent of handle. The adjustment is necessary because our requested retainage or takeout of 12 to 20 percent is lower than the past 18 to 22 percent takeout.
However, Colonial does not propose to make a downward adjustment to the standard one percent contribution to the Virginia Breeders' Fund, even though the statute allows.

Colonial will use funds from its share of a retainage remaining after all the above distributions are made to maintain a one percent Breeders' Fund share. That will leave Colonial with a handle share ranging from 3 to 7.8 percent of handle, depending on the type of wager.

We ask the Virginia Racing Commission to approve our request because we believe lower takeout rates stimulate handle by returning more returns to horseplayers.

Please let me know if you have any questions.
Regards, John Marshall, Executive Vice President.

Is there any change to that letter submitted or does that accurately reflect the request as I've read it?

MR. MARSHALL: It is accurate.

CHAIRMAN VAN CLIEF: Okay. Great. Are there any further questions or comments by members of the Commission or staff or counsel?

If not, I'll make a motion that we approve the modified takeout as requested by Mr. Marshall in
his letter of July 15.

COMMISSIONER NIXON: Second.

CHAIRMAN VAN CLIEF: Thank you. Any further discussion? All in favor of approval, signify by saying aye.

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? Thank you very much. The takeout modification passes unanimously. I should say the takeout modification for Colonial Downs in 2019.

Tab Three is a letter from Mr. Eshelman, Executive Director of the Shenandoah County Agricultural Foundation, and it is likewise a request for us to verify the takeout rates for their 2019 meeting upcoming in Woodstock. Deborah, any --

MS. WARNICK: No.

CHAIRMAN VAN CLIEF: -- further comment on the letter? I'm going to read this letter as well into the record.

The Shenandoah County Agricultural Foundation and the Virginia Harness Horse Association hereby jointly request the Virginia Racing Commission to approve the retainage percentages of 18 percent on win, place and show wagering and 22 percent on all
other wagers for the 2019 live harness racing at Shenandoah Downs, in accordance with § 59.1-392 of the Code of Virginia. Sincerely, Thomas Eshelman, Director for Shenandoah County Agricultural Foundation.

Mr. Lermond, any comments on this request?

MR. LERMOND: I think it speaks for itself, sir.

CHAIRMAN VAN CLIEF: It's identical to previous years; is that correct?

MR. LERMOND: The takeout rate. Yes.

CHAIRMAN VAN CLIEF: Yes. There's no change requested here. We also have on the record a letter from Debbie Warnick, Executive Director of the Virginia Harness Horse Association, verifying their concurrence with the request.

I will likewise make a motion that we approve the request for takeout at 18 and 22 percent as requested.

COMMISSIONER REYNOLDS: Second.

CHAIRMAN VAN CLIEF: Thank you. Any discussion on the matter? Any questions? In that case, those of you who approve, please signify by voting aye.

NOTE: The Commission votes aye.
CHAIRMAN VAN CLIEF: Any opposed? Motion carries unanimously. The takeout rates are approved for the 2019 Standardbred meet.

Our last agenda action item for today is to consider a request for approval of an expenditure from the Standardbred portion of the Virginia Breeders' Fund to partially fund eight Virginia-bred Stakes races to be contested at Shenandoah Downs during the current year, and that is under Tab Four in your book.

Mr. Lermond, comments on that from you or anyone else?

MR. LERMOND: Mr. Chairman, I would just say that this is the same amount as last year. As more OTBs come online with the HHR terminals, I can see this number going up in future years.

Because I don't have the data and didn't want to guess too much about what the results would be this fall, I kind of went conservative and came up with the 125 as a good, reasonable number that I know will be there and I would expect this number maybe to go up to as much as 150 next year based on the additional revenue from the OTBs. But this is what there is and I would recommend approval.

CHAIRMAN VAN CLIEF: Is there a possibility
that given the potential financial experience between now and the meet this autumn that there could be a modification upward of this number if we wanted to do that?

MR. LERMOND: If it would be, it would be so slight that my recommendation would be just to let anything like that carry over and let them see the benefit of it next year.

CHAIRMAN VAN CLIEF: All right. Okay. Any other questions or discussions on the matter? If not, we do need a motion to approve a $125,000 disbursal from the fund which will partially fund the eight Virginia-bred Stakes to be run at Shenandoah Downs this year.

COMMISSIONER NIXON: Make a motion.

CHAIRMAN VAN CLIEF: Thank you. We have a motion.

COMMISSIONER SIEGEL: Second.

CHAIRMAN VAN CLIEF: We have a second. Again, any discussion? If not, please signify your approval by voting aye.

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? Motion passes unanimously and distribution from the fund is hereby approved.
That takes us to Commissioners' comments. I will appeal to my left.

COMMISSIONER NIXON: No comments. Just the racetrack behind us looks fabulous. The dirt course looks really nice as well as the turf course. I'm looking forward. It's getting close.

COMMISSIONER REYNOLDS: I share the exact same comments. We're excited and the track looks beautiful. Can't wait until August 8th.

CHAIRMAN VAN CLIEF: Mr. Vice Chairman.

COMMISSIONER SIEGEL: Just a quick question about a few guys in a position to answer how the recruitment of horses is going for the upcoming meet.

MR. MARSHALL: I'll defer to Jill Byrne for a few comments.

MS. BYRNE: The recruitment is going very, very well and actually has exceeded our expectations to the point that we're opening three more barns to accommodate them, the late influx of horses wanting to come here and stable, and so we're in the process of getting three more barns ready to go and expect about six to seven stables are shipping in on Thursday this week.

COMMISSIONER SIEGEL: That's great. So much
of that is under your control and that is not, so it's great that's working well. That's the key.

MS. BYRNE: And some good quality stables. Our racing secretary's office has done a great job of filtering through a lot, putting some on kind of like a come as we know we have stalls available as well. So everybody is very excited, very supportive and a lot of people planning on shipping in and running.

MR. LUCAS: Could you share some of the trainers that are coming?

MS. BYRNE: We have Joan Scott, Hugh Robertson. A lot of actually -- a pretty good group coming in from Chicago coming in. Mike Campbell. Some Kentucky trainers. A lot of Florida trainers coming up from the Tampa area. Then trainers from New York and Fair Hill, New Jersey like Graham Motion, Brian Lynch, who have all wanted to get six or eight stalls to rotate horses through, keep horses here.

A lot of our Virginia trainers. Doug Foutz, (inaudible) are all setting their stables up as we speak in anticipation of Thursday.

So a real range of region from Parks areas since they don't race. A lot of those trainers
have asked to come in. We're ecstatic to have them here.

COMMISSIONER SIEGEL: We have a shipping incentive, too, right?

MS. BYRNE: Yes, $1,000 for the owner. If you don't earn 1,000 in the race you will get 1,000 per start. Trainers each get 300 per start as well and we're also offering a shuttle service that will originate out of Fair Hill so people could ship from other places to Fair Hill and pick up the van shuttle.

COMMISSIONER SIEGEL: Has that helped?

MS. BYRNE: Oh, yes. I think so. Any time you can help people out with the cost of shipping and running and participating, it certainly is appreciated and it's in line with some of the other racetracks who are doing similar things as well with the competition that we all have for getting horses here.

COMMISSIONER SIEGEL: Great. Looking forward to that.

CHAIRMAN VAN CLIEF: Just a couple comments. I had the opportunity last Thursday, and thank you again, John and Jill for spending time I know you really didn't have to take me all over the place
from the front side to the back side.

I was out walking on the race course and the turf course, both of which look fantastic. The main strip looks really good this morning. That grass course, which I want to say I had never been on before, never set foot out there, is fantastic. It really feels good and so I think it deserves the reputation it has and hopefully the positive signs you all are seeing will pay off and we are going to end up with a real quality race meet.

I'd also like to commend you for taking a proactive and creative marketing approach with your takeout rates today, the reason we're here this morning, which I hope will pay off. I think it will and I know your main customers are looking.

It puts you in a competitive position in the region and I think that's smart business. So we're very happy to help and to approve that request.

I won't keep you any longer because I know you've got a lot to do in the next couple of weeks, so good luck with it. We all can't wait to be here. Thank you very much.
We do not have need for a closed session that I am aware of today; is that correct?

MR. DREWRY: Correct. Thanks for entertaining me and coming out here today.

CHAIRMAN VAN CLIEF: Thanks, everybody, for taking time to be here this morning. I will offer a motion to adjourn.

COMMISSIONER REYNOLDS: Do we need to set the next meeting?

COMMISSIONER SIEGEL: We're searching for the date.

CHAIRMAN VAN CLIEF: I think we can perhaps set the next meeting this morning.

COMMISSIONER SIEGEL: Well, there's a conflict. You asked me earlier.

MR. LERMOND: Yes. I think Commissioner Siegel may have a conflict.

COMMISSIONER SIEGEL: That week.

CHAIRMAN VAN CLIEF: On the 26th.

MR. LERMOND: Yes. It's that week.

CHAIRMAN VAN CLIEF: Well, why don't we get our heads together and we can set that meeting later?

MR. LERMOND: I would ask John would a week sooner or later be better for you? We were trying
to do this in conjunction with the opening of
Hampton and wanted the application to be as close
to complete as possible when we got it. Do you
have a preference?

MR. MARSHALL: A week before or after which
day?

MR. LERMOND: September 25th.

MR. MARSHALL: My preference would be a
week -- I have no preference. We can work with
either option.

MR. PETRAMALO: We're not going to have a
meeting in August then?

MR. LERMOND: We weren't planning on it.

MR. PETRAMALO: Okay.

CHAIRMAN VAN CLIEF: I don't think we've got
any action items that we need addressed that I'm
aware of. Dave?

MR. LERMOND: No. We've taken care of
everything for both race meets.

CHAIRMAN VAN CLIEF: By September we certainly
will. We've got the license coming up and we've
probably got an ongoing conversation with regard
to the dates that may be percolating by then.

MR. LERMOND: Possibly.

COMMISSIONER SIEGEL: So if there's no
preference, then the week after.

MR. MARSHALL: Very well.

MR. LERMOND: Okay.

CHAIRMAN VAN CLIEF: Can you go early that week if it matters, or does it?

MR. LERMOND: What would Tuesday be?

MR. PETRAMALO: Are you talking the week of September 23rd?

COMMISSIONER SIEGEL: No. The week of September 30th.

MR. PETRAMALO: September 30th.

COMMISSIONER SIEGEL: I could not do Tuesday but I could do --

MR. LERMOND: October 1st?

COMMISSIONER SIEGEL: That's Tuesday. Wednesday is fine for me.

CHAIRMAN VAN CLIEF: October 2nd. Is that too late for us?

MR. LERMOND: No.

COMMISSIONER SIEGEL: Does that work for you guys down there?

COMMISSIONER NIXON: Yes.

COMMISSIONER REYNOLDS: Yes.

MR. LERMOND: If the courtroom is not available, this is a nice alternative and I wanted
to thank Frank for his hospitality today.

MR. PETRAMALO: You're welcome to come any
time you want.

CHAIRMAN VAN CLIEF: Thank you very much for
hosting us today.

COMMISSIONER SIEGEL: That will be ten a.m. on
the 2nd?

MR. LERMOND: Yes.

CHAIRMAN VAN CLIEF: Also, somebody very
nicely provided coffee and these low-cal donuts.
All right. Do we want to go ahead and set that?
Put it on the calendar for October 2nd, ten a.m.?

MR. LERMOND: Let's do it.

CHAIRMAN VAN CLIEF: And you'll TBD where
we're going to meet?

MR. LERMOND: Yes, sir.

CHAIRMAN VAN CLIEF: Okay. All right. Great.
Is there anything else that any Commissioner would
like to bring up in the way of new business or
conversation, discussion?

If not, I will offer a motion to adjourn and
we need a second.

COMMISSIONER SIEGEL: Second.

CHAIRMAN VAN CLIEF: Is anybody opposed?

Thank you all very much. Appreciate it.
MR. LERMOND: Thank you.

NOTE: This meeting of the Virginia Racing Commission is adjourned at 9:33 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 23rd day of September, 2019.

Sandra G. Spinner
Court Reporter