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3 **VIRGINIA RACING COMMISSION**

4 COLONIAL DOWNS  
5 BALLROOM 4TH FLOOR  
6 10515 COLONIAL DOWNS PARKWAY  
7 NEW KENT, VA 23124

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13  
14 Thursday, December 19, 2019 at 10:00 a.m.  
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17 COMMISSION MEMBERS:  
18 D.G. Van Clief, Jr., Chairman  
19 Stuart Siegel, Vice Chairman  
20 J. Sargeant Reynolds, Jr.  
21 Stephanie B. Nixon

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

25 ATTORNEY GENERAL'S OFFICE:  
Elizabeth B. Myers, Esquire

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1	1. Call to Order	3
2	2. Approval of the October 2nd meeting minutes	3
3	3. Public Comment Period	3
4	4. New Business	
5	a. Request for Approval of a Significant Infrastructure Limited License and Race Days for 2020 Submitted by Colonial Downs Group, LLC	8
6		
7	b. Request for Approval of Licenses to Conduct Pari-Mutuel Wagering on Historical Horse Racing at Rosie's - New Kent, Rosie's - Richmond, Rosie's - Vinton and Rosie's - Hampton for 2020, Submitted by Colonial Downs Group, LLC	21
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10	c. 2020 ADW License Renewals	23
11	i. Twinspace	
12	ii. TVG	
13	iii. Xpressbet	
14	iv. NYRAbets	
15	d. Request for Approval of the VEA Operating Budget for 2020	25
16	e. Request for Approval of the VTA Breeders Fund Administration Budget for 2020	34
17	f. Request for Approval of the Thoroughbred Breeder and Stallion Award Totals for 2019	37
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20	6. Closed Session (if necessary)	45
21	7. Adjournment	46
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1           CHAIRMAN VAN CLIEF: Good morning,  
2 everybody. It's exactly ten o'clock and I  
3 would like to call our meeting of the Virginia  
4 Racing Commission to order with a special thank  
5 you to the Colonial Downs team for hosting us  
6 all this morning. Thank you very much.

7           Our first order of business -- and I also  
8 note we do have five commissioners present, so  
9 we've got a quorum to conduct business.

10          The first order of business is the  
11 approval of the October 2nd meeting minutes.  
12 Those were distributed to each of my fellow  
13 commissioners and are in your books under Tab  
14 One this morning. Anybody have any comments or  
15 suggestions or requests for modification?

16          COMMISSIONER SIEGEL: I move they be  
17 approved.

18          CHAIRMAN VAN CLIEF: Motion to approve.  
19 We need a second.

20          COMMISSIONER NIXON: Second.

21          CHAIRMAN VAN CLIEF: Any opposed? Thank  
22 you very much. The October 2nd VRC meeting  
23 minutes are approved.

24          As usual, this takes us to the public  
25 comment period. We changed that a few meetings

1 ago to allow the public to comment on our  
2 agenda up front so we can have the benefit of  
3 that input before we take action.

4 Is there any comment anybody would like to  
5 make? Sir.

6 MR. BERMAN: Do you want me to just stand  
7 here?

8 COMMISSIONER SIEGEL: As long as you can  
9 be heard.

10 CHAIRMAN VAN CLIEF: Mr. Berman, you can  
11 stand as long as we can hear you.

12 COMMISSIONER SIEGEL: You're dressed very  
13 nicely, Mr. Berman.

14 MR. BERMAN: Thank you. It's my new look.  
15 Good morning, Mr. Chairman. Today is an  
16 important day for Virginia racing. In just a  
17 few minutes, Colonial Downs will be making  
18 their request for 2020 live race days.

19 For the past two years, Colonial Downs has  
20 promised 30 live race days in 2020. John  
21 Marshall, Mark Hubbard and others representing  
22 Colonial have repeatedly been quoted in the  
23 press claiming we would have in fact 30 days.  
24 Numerous posts on Colonial's own web page have  
25 also represented the same thing.

1           To add the icing to the cake, Debbie  
2 Easter of the VEA and Frank Petramalo of VHBPA  
3 have also both stated publicly on more than one  
4 occasion that we can expect 30 live race days  
5 this year.

6           Today, as you might say, is the moment of  
7 truth. In just a few minutes, Colonial will  
8 announce the number of race days they are  
9 requesting for 2020. Let me say anything less  
10 than the 30 race days Virginians have been led  
11 to believe the track would offer next year will  
12 be unacceptable. Unfortunately, as soon as  
13 this year's live meet ended, we began to hear  
14 reports that Colonial might run less than 30  
15 days. This is a mistake on their part.

16           We all know that the reason our  
17 legislators passed HB 1609 was to revitalize  
18 Virginia racing by sharing part of the revenue  
19 generated by the slot machines, which would be  
20 used to fund purses to increase live race days.

21           To date, under the Revenue Sharing  
22 Agreement signed by our horsemen allowing  
23 Colonial to keep all of the profits from each  
24 parlor for the first 12 months of operation,  
25 the purse account has yet to see a penny of the

1 slot revenue.

2 As a result of this, the track proclaimed  
3 that there is not enough purse money available  
4 next year to run 30 days. So far, without  
5 contributing the agreed six percent of slot  
6 revenue with the horsemen, Colonial Downs has  
7 instead kept all of the profit for themselves.

8 To date, they have already made  
9 \$57,527,253 in gross profit in the last eight  
10 months. With the addition of the Hampton's  
11 Rosie's, they are now raking in more than  
12 \$16.6 million per month or about \$200 million  
13 in gross profit.

14 With the future Rosie's opening in  
15 Danville and Dumfries, their profits will grow  
16 even larger. There's no doubt Colonial is  
17 making money hand over fist.

18 It would only take maybe five million to  
19 make up the shortfall on the purse money for  
20 next year running the 30 live racing days  
21 Virginia has been led to believe and we would  
22 expect to have in 2020 all along.

23 Five million dollars is a drop in the  
24 bucket when you are looking to make \$200  
25 million in gross profit for the next 12 months.

1           It remains to be seen if Colonial is  
2 sincere about their promise to revitalize  
3 Virginia racing and made a sufficient amount of  
4 money to subsidize the existing purse money for  
5 next year so that Virginia will have the 30  
6 days of live racing we have been promised.  
7 Like I said before, anything less would be  
8 unacceptable.

9           It is no secret that Colonial Downs will  
10 once again be active in the 2020 legislative  
11 session. If they expect any cooperation from  
12 our legislators, they need to know that  
13 Colonial will honor the commitment they have  
14 made to have 30 days live racing in 2020.

15           If they don't, it will serve to indicate  
16 that as much as they talk about growing  
17 Virginia racing, it is only hyperbole and  
18 Colonial Downs is more interested in growing  
19 their slots business than honoring their  
20 obligation to Virginia for live racing. Let's  
21 hope Colonial has been telling the truth and  
22 requests 30 days.

23           That concludes my remarks. Thank you.

24           CHAIRMAN VAN CLIEF: Thank you,  
25 Mr. Berman. Is there anybody else that would

1 like to make remarks or have anything to say?  
2 Commentary?

3 If not, thank you very much and we'll move  
4 on to new business, which does take us to our  
5 initial new business item, which is a request  
6 for an approval of a significant infrastructure  
7 limited license and race days for 2020. It has  
8 been submitted by Colonial Downs Group, LLC.  
9 Again, my fellow commissioners, if you look  
10 under Tab Two in your meeting books, you'll see  
11 a Virginia Racing Commission staff report.

12 I think we've got a couple of  
13 presentations on this, so I'm going to ask Mr.  
14 Lermond, our executive secretary, to lead off  
15 with any comments, Dave, that you'd like to  
16 make or any highlights with regards to this  
17 application you feel would be appropriate this  
18 morning.

19 Following which, we have a request for  
20 an amendment to the application that comes from  
21 the Virginia HBPA, so I'll follow Mr. Lermond  
22 and ask Mr. Petramalo if he'd comment on that  
23 and if he has any comments to make or any  
24 explanation with regard to the letter that has  
25 been submitted, which I believe is also in our



1 packet, Frank, if you'd do that as well.

2 MR. PETRAMALO: Yes. I will.

3 CHAIRMAN VAN CLIEF: Dave.

4 MR. LERMOND: Thank you, Mr. Chairman. I  
5 hope you can hear me from my hightop seat over  
6 here. A renewal application for a significant  
7 infrastructure limited license for Colonial  
8 Downs racetrack was submitted to staff.

9 CHAIRMAN VAN CLIEF: Maybe a little  
10 louder.

11 MR. LERMOND: The renewal license was  
12 submitted on December 6th. Staff has reviewed  
13 the application. Contents were -- everything  
14 was contained in the application as required by  
15 the regulations.

16 Staff doesn't have any issues with  
17 anything in the application and we were very  
18 pleased with the way Colonial conducted their  
19 first year as a licensee this past summer,  
20 especially with the successful Thoroughbred  
21 meet that was conducted here at Colonial Downs.

22 The day before on December 5th, I received  
23 a letter from Frank Petramalo from the Virginia  
24 HBPA. The HBPA is requesting that the  
25 Commission amend the race day request, which is

1 contained within the renewal application.

2 The Commission's regulations allow for the  
3 Commission when it receives a race day request  
4 to either approve, deny or modify that request,  
5 and in this case, I believe Mr. Petramalo is  
6 asking for you to consider modifying the race  
7 day request, and at this point, I think it  
8 would be best to just turn it over to Frank and  
9 let you explain a little bit more about their  
10 request today.

11 CHAIRMAN VAN CLIEF: Mr. Petramalo.

12 MR. PETRAMALO: Yes. First, let me start  
13 with a bit of history. Probably 18 months ago,  
14 we, the HBPA representatives, sat down with  
15 Colonial Downs to map out a program for  
16 reinvigorating and restarting racing in  
17 Virginia.

18 We came to the conclusion after looking at  
19 all of the racing in the Mid-Atlantic that our  
20 goal would be to race for 30 days and to offer  
21 purses of at least 500,000 a day because we  
22 both concluded, both sides concluded that one,  
23 for quality racing, we had to offer substantial  
24 purse money; and two, also because we wanted to  
25 establish Colonial as the turf racing center in

1 the Mid-Atlantic, 30 days in the summer made  
2 sense with a high purse. That was our goal.  
3 We then went forward, negotiated a contract, et  
4 cetera.

5 Our first meet this year, we, the  
6 horsemen, only had about \$7.5 million in our  
7 purse account. That money had been accumulated  
8 during the period of time from 2014 to the then  
9 present when Colonial was shut down. We were  
10 still getting money from off track wagering and  
11 most importantly from online wagering, so we  
12 had the money to fund 15 days at 500,000.

13 As Dave pointed out, it was a very  
14 successful meet. We actually wound up paying  
15 out an average of \$507,000 a day. We had full  
16 fields. The average field size was  
17 eight-and-a-half starters per race. Ninety  
18 percent of our races were on the grass and the  
19 attendance was approximately 2500 per day. So  
20 it was a very successful meet.

21 Now, obviously, we would have loved to  
22 jump to 30 days next year, but that would  
23 require \$15 million. We do not have \$15  
24 million. What we do have is \$9 million. Let  
25 me explain where that comes from.

1           We will have \$4 million from online  
2           wagering and the OTBs, and we expect to have \$5  
3           million from the revenue from the HHR machines  
4           which starts in the first quarter of next year.  
5           That's it. We have \$9 million to maintain our  
6           purse level at 500,000. Do the math. That's  
7           18 days.

8           That's what we discussed with Colonial,  
9           even though we understood that because of the  
10          regulations with the ratio in it of one live  
11          race day for every 100 machines, which would  
12          mean 21 days because they have 2150 machines in  
13          operation.

14          We understood, both sides understood, they  
15          would comply with the regulations, but that we  
16          would come in and ask for 18 days and urge you  
17          to use your discretion under the regulations to  
18          modify the request so we could run 18 days.

19          The meet that we have planned starts on  
20          July 23rd and ends on August 29th, racing  
21          Thursday, Friday and Saturday and it's a very  
22          impressive program.

23          Next year, we will be taking part in the  
24          Match Series, which is a Mid-Atlantic series of  
25          five \$100,000 stakes races that travels on a

1 circuit from Penn National Parks, Delaware  
2 Park, Pimlico, Laurel and Charles Town. We are  
3 now part of that. So we think it's a very  
4 attractive program and it will build on our  
5 success.

6 Let me take a minute to explain a little  
7 about the HHR revenue. As you know from having  
8 seen the agreement negotiated between Colonial,  
9 the VEA and the VHBPA and the harness folks and  
10 the Gold Cup folks, as part of the  
11 consideration passing back and forth and  
12 bargaining, we agreed that our share, the  
13 horsemen's share, would start one year after  
14 each site with HHR machines operating. We were  
15 giving them some breathing room to get going.

16 So next year, we're anticipating \$5  
17 million because remember the HHR machines here  
18 started in April. So next year with regard to  
19 Richmond, I think Richmond opened up in June,  
20 Vinton sometime thereafter, and of course  
21 Hampton just in October. So it's a staged  
22 process that we start getting revenue.

23 Bottom line, the VEA will get about \$5  
24 million next year and in 2021, we project \$14  
25 million and 2022, \$17 million.

1           So our hope is next year, we will ramp up  
2           to 18 days and in 2021, we should be able to  
3           ramp up to 24 days, depending how things go,  
4           maybe even more, and certainly by 2022 to 30  
5           days. Again, our metric is \$500,000 at least  
6           per day. So that's our plan.

7           Now, I would kind of be remiss if I didn't  
8           point to a cloud on the horizon that might  
9           upset things, and that is, as you know in the  
10          last session of the legislature, actually this  
11          year's session, the legislature authorized  
12          casinos in five cities; Richmond, Norfolk,  
13          Portsmouth, Danville and Bristol. That doesn't  
14          become effective unless or until the new  
15          legislature coming in in January reenacts that.

16          Bottom line is there is going be a good  
17          bit of action in the General Assembly on the  
18          issue of casinos. Depending on where the  
19          casinos go, if at all, can greatly impact the  
20          HHR revenue that goes to Colonial and of course  
21          that impacts the horsemen's share.

22          You may be familiar with the JLARC study.  
23          JLARC is Joint Legislative Audit and Review  
24          Committee. That's the research arm of the  
25          General Assembly. That came out two or three

1 weeks ago.

2 what it projected was that if there were  
3 five casinos in those cities, HHR revenue would  
4 decline by about 45 percent. That's a  
5 significant hit. Now, not saying that that's  
6 going to happen, but it's a possibility. So  
7 that's the cloud on the horizon.

8 Let me just close by saying our  
9 relationship and the cooperation that we get  
10 from Colonial Downs is outstanding. We have no  
11 complaints whatsoever. We certainly don't  
12 think that Colonial Downs is squirreling away  
13 all of the profits to the disadvantage of the  
14 horsemen. We continue to work with them and we  
15 will in the future, if we have to deal with the  
16 issue of casinos, come to some accommodation.

17 I think it makes sense now for you to  
18 defer to the combined judgment of the racetrack  
19 and horsemen when it comes to race days next  
20 year.

21 Accordingly, we would ask that you  
22 authorize 18 days running Thursday, Friday,  
23 Saturday and starting on July 23rd and ending  
24 on August 29th. If you have any questions --  
25 unless you have any questions, I will sit down.

1 CHAIRMAN VAN CLIEF: Anybody have any  
2 questions for Mr. Lermond or Mr. Petramalo?

3 COMMISSIONER REYNOLDS: I have one for  
4 Mr. Marshall. I want to refer back to  
5 Mr. Berman stated that you all generated  
6 57,527,000 and some change. Mr. Berman has  
7 determined the gross profit. I would think  
8 this is just revenue that didn't include  
9 expenses.

10 Will you make a clarification on that?  
11 \$57 million is you all's share of the revenues,  
12 the commissions that are generated off of the  
13 handle. So would you describe 57 million as  
14 profit or is that before expenses?

15 MR. MARSHALL: Yeah. Well, quoting the  
16 number 57 million, I'm not quite following  
17 Mr. Berman's logic and I'm sure that he has  
18 some, you know, to get to that number, but the  
19 one thing I can assure --

20 COMMISSIONER REYNOLDS: I think that  
21 number is accurate because I have the number  
22 right here and I added up all of what you  
23 generated in revenue since you all started, so  
24 I think that is an accurate number.

25 I just wanted to know is that before



1 expenses? Is that profit or is that just  
2 revenue?

3 COMMISSIONER SIEGEL: Net or gross is what  
4 he's asking.

5 MR. MARSHALL: That is not profit. That  
6 is not profit.

7 COMMISSIONER REYNOLDS: Okay. Thank you.

8 CHAIRMAN VAN CLIEF: Any other questions?  
9 I have a -- I think I know the answer, but just  
10 for the record. I don't see it in my book here  
11 this morning. Mr. Marshall, as well, I take it  
12 that you are in complete agreement on the  
13 amendment to your license application from 21  
14 to 18 days?

15 MR. MARSHALL: We did apply. We have  
16 applied for 21 days of live racing. We are  
17 supportive of Mr. Petramalo's recommendation to  
18 amend to 18. The basis for that support is  
19 that we're sensitive to wanting to maintain a  
20 particular quality level of live racing and  
21 an average of \$500,000 a day increases our  
22 chances to qualify as elite status throughout  
23 the industry.

24 So to answer the question, yes. We have  
25 indeed applied for 21 days and we are in

1 support of Mr. Petramalo's recommendation to  
2 amend.

3 CHAIRMAN VAN CLIEF: Great. Thank you.  
4 Any questions from the Commission?

5 COMMISSIONER NIXON: I was just going to  
6 comment while I initially rejected the 21 days,  
7 I think the 18 day request is a smart move to  
8 enable another successful meet like we had last  
9 year.

10 CHAIRMAN VAN CLIEF: Thank you. I'll just  
11 make a comment as well and I agree with  
12 Commissioner Nixon.

13 I think the \$500,000 is at least for the  
14 moment the right number and the proof was in  
15 the pudding. We conducted what seemed to me to  
16 be a highly successful race meet from any  
17 standard you might want to apply.

18 I think the objective from where we sit is  
19 to grow the industry. We'll be moving from 15  
20 to 18 days and I think the 30 day objective is  
21 very much in our sights going forward and I'm  
22 sure we're going to get there and probably  
23 fairly quickly.

24 So I think that it's important that we  
25 maintain a \$500,000 average daily purse

1 distribution in order to become what we wish to  
2 become and that's an important race meet  
3 certainly regionally, maybe nationally. I  
4 think we're well on our way, so I would support  
5 that as well.

6 with that then, if there are no further  
7 comments or questions or any other discussion,  
8 we do need a motion to approve the Colonial  
9 Downs Group's request for approval of a  
10 significant infrastructure limited license as  
11 well as race days, and they have applied for 21  
12 days is what is in front of us.

13 Our suggestion at this point is, or our  
14 choice is to either approve, deny or modify and  
15 I'm in favor of the modification that has been  
16 put in front of us and approving 18 days for  
17 2020 with races being held on Thursday, Friday  
18 and Saturday beginning July 23rd through  
19 August 29th, post times set for 4:45 p.m. Does  
20 that sound all right?

21 In that case, we do need a motion to  
22 approve, and as usual, that motion should  
23 include two caveats and I will as usual read  
24 them into the record.

25 Number one, that staff has approved the

1 application received from Colonial Downs and  
2 management appreciates that and recommends  
3 approval with the two caveats.

4 Number one, the horse racing with  
5 pari-mutuel wagering shall be operated in  
6 accordance with all representations, plans and  
7 specifications as submitted in the application  
8 and as described at the Virginia Racing  
9 Commission's December 19th meeting, and the  
10 license shall not deviate materially from these  
11 representations, plans and specifications  
12 without the prior consent of the Commission or  
13 its executive secretary.

14 Condition number two, the horse racing  
15 with pari-mutuel wagering shall be operated in  
16 accordance with all applicable state and  
17 federal statutes and regulations and  
18 regulations of the Commission and all local  
19 ordinances.

20 So I'd ask that those two conditions be  
21 included in the motion to approve. Do I have a  
22 motion?

23 COMMISSIONER REYNOLDS: So moved.

24 COMMISSIONER NIXON: Second.

25 CHAIRMAN VAN CLIEF: Thank you. We have a

1 motion and a second. One last time. Any other  
2 discussion? If not, please signify your  
3 approval by voting aye.

4 NOTE: The Commission votes aye.

5 CHAIRMAN VAN CLIEF: Any opposed? Thank  
6 you very much. The motion passes unanimously.

7 Next up is a request also submitted by  
8 Colonial Downs Group to approve licenses to  
9 conduct pari-mutuel wagering on Historical  
10 Horse Racing at Rosie's at New Kent, Richmond,  
11 Vinton and Hampton for 2020.

12 Mr. Lermond, would you care to make any  
13 comments or note any highlights in that  
14 application?

15 MR. LERMOND: Thank you, Mr. Chairman.  
16 December 6th, we also received renewal  
17 applications for the four current HHR locations  
18 from Colonial Downs Group.

19 You may have noticed that the notebooks or  
20 the one notebook that you received was much  
21 smaller than the first go-around where there  
22 was a notebook this thick for each location.  
23 That's because our regulations allow for the  
24 licensee to incorporate by reference documents  
25 that have been previously submitted as long as

1 no changes have been made to those documents.

2 Glad we put that into our regulations  
3 because I think we probably saved a tree or two  
4 along the way.

5 Nonetheless, everything submitted in those  
6 applications was proper. It was reviewed by  
7 staff. All the information required by the  
8 regulations were incorporated and included and  
9 again, staff has had no issues with the  
10 operation of these facilities this past year.

11 Again, we have been pleased with the  
12 cooperation and the level of expertise that we  
13 have seen from Colonial Downs Group and their  
14 employees and I would recommend approval of all  
15 four of these with the same two conditions on  
16 each one that you just read for the limited  
17 license application.

18 I think Mr. Marshall is also here if you  
19 have any specific questions about any of them.  
20 If not, our new Attorney General representative  
21 has said that we can do one sweeping motion for  
22 all four like we have done in the past with the  
23 ADWs. So unless you have any questions for  
24 Mr. Marshall, I would seek a motion to approve.

25 CHAIRMAN VAN CLIEF: I do not, but does

1 anybody have any questions for Mr. Marshall or  
2 Mr. Lermond? Okay. In that case, we can  
3 utilize a single motion to approve four of  
4 these licenses. Would anybody care to make  
5 such a motion?

6 COMMISSIONER NIXON: I make the motion.

7 CHAIRMAN VAN CLIEF: Thank you,  
8 Commissioner Nixon. I'll second it. Any  
9 further discussion? All in favor of approving  
10 these licenses, signify by saying aye.

11 NOTE: The Commission votes aye.

12 CHAIRMAN VAN CLIEF: Any opposed? The  
13 license is unanimously approved.

14 Next up are the 2020 ADW license renewals,  
15 and Mr. Lermond, do you have any comments on  
16 those?

17 MR. LERMOND: I would just say that all  
18 four renewal applications were received by  
19 TwinSpires, TVG, XpressBet and NYRabets prior  
20 to the December 1st deadline and also were  
21 accompanied with the appropriate renewal fee.

22 I was looking back. TVG, XpressBet and  
23 TwinSpires have been licensees since 2006 and  
24 NYRabets who came in a little bit later has  
25 also been a licensee since 2017.

1           We have not had any issues with any of  
2 these companies and I think it's important to  
3 note that when Colonial Downs turned in their  
4 licenses, if it hadn't been for the account  
5 wagering companies continuing to operate in  
6 Virginia and to fund the VEA and to keep things  
7 going for us, we may not be sitting here today.

8           So not only are they good licensees, I  
9 think we probably owe them a little bit of  
10 gratitude for their good business and the  
11 contributions they have made to the Virginia  
12 racing industry. And with that, I would  
13 recommend approval of all four.

14           CHAIRMAN VAN CLIEF: Any questions about  
15 our ADW licenses? If not, I'll make a motion  
16 and I think we can authorize a single motion  
17 here as well. That we renew the licenses for  
18 2020 for the following ADW operators. That's  
19 TwinSpires, TVG, XpressBet and NYRabets.

20           Do we have a second?

21           COMMISSIONER REYNOLDS: I will second.

22           CHAIRMAN VAN CLIEF: Thank you. We have a  
23 second. Any discussion? If not, please  
24 signify your approval by voting aye.

25           NOTE: The Commission votes aye.



1           CHAIRMAN VAN CLIEF: Thank you. Those  
2 licenses are renewed unanimously.

3           Mr. Hannum, are you prepared to walk us  
4 through or at least touch on any highlights you  
5 care to in regards to your operating budget for  
6 2020 before we consider approval of that? The  
7 VEA budget for 2020.

8           MR. HANNUM: Yes. Thank you,  
9 Mr. Chairman. If you'd like, I can, as you've  
10 suggested, point out highlights as opposed to  
11 going through it line by line, and then I also  
12 wanted to update the Commission on another  
13 matter after we go through the budget.

14           CHAIRMAN VAN CLIEF: Excuse me. For my  
15 fellow commissioners, that's under Tab Four in  
16 your booklet if you want to follow along there.  
17 Thank you, Mr. Hannum. I'm sorry.

18           MR. HANNUM: So what I'll do is I'll focus  
19 on the column that says Draft Budget  
20 12/31/2020. That's sort of in the middle to  
21 the right on the page.

22           So starting off under Revenue, and this  
23 sort of gets back to some of the points that  
24 Frank referred to earlier in the meeting.

25           So Line Five, Colonial OTB Agreement.

1           So that represents -- that's 25 million in  
2           revenue to the VEA. That represents the second  
3           payment from the VEA agreement with Colonial  
4           Downs whereby we gave up our four OTB licenses  
5           to the track.

6           Line six, as Frank referenced earlier,  
7           that's what we estimate to be the amount of  
8           revenue that the VEA will receive next year  
9           from HHR. So that's a little over \$5 million  
10          and of course that's an estimate based on how  
11          the machines perform.

12          Moving down to Expenses. Line 11 is a new  
13          item. Shenandoah Fair racing. So as you all  
14          may or may not know, the Shenandoah county  
15          fair, they hold harness racing there as they've  
16          done for 100 years.

17          This year, the VHHA asked us to step up  
18          and support those races in terms of purses  
19          and promotion and administrative costs. The  
20          person that ran those races for many years  
21          sadly died and so a new team had to come in to  
22          run those races and so that went very well so  
23          we'd like to continue that.

24          So the 25,000 will be in support of the  
25          races held during the fair, which is separate

1 from the races that the VEA holds a few weeks  
2 later under the Shenandoah Downs banner.

3 So I just wanted to point that out as the  
4 VEA is trying to support as many different  
5 components of the racing industry as possible.

6 Jumping down to Line 18, that's 18, 19 and  
7 20. Those are funds for owner bonuses for the  
8 Thoroughbred Certified program, which is Line  
9 19. Then Line 20. Line 20 is zero because  
10 this year in 2019, we funded fully the first  
11 two years of the Standardbred Certified  
12 program. So that program will start to pay out  
13 for the 2019 foal crop when those horses are  
14 two and three, so in 2021 and 2022.

15 So that money is in a separate VEA account  
16 right now designated for that purpose and the  
17 VHHA had requested that that money be prefunded  
18 so they could promote the program and get word  
19 out and assure people that money is there.

20 So once we start to need moneys again for  
21 their Certified program, which would really be  
22 actually not until 2022, we will pick up  
23 funding for that program. So it's not that we  
24 are not funding it. We've actually prefunded  
25 it. So I just wanted to point that out.

1           Administrative expenses are fairly similar  
2 from years past. Jumping down to Lines 36, 37,  
3 38 down at the bottom of the page. We're  
4 increasing the amount of money that we'll have  
5 for horse retirement programs, which is  
6 important. We've got money set aside.

7           Line 38 for the other sanctions,  
8 steeplechase meets in Virginia. We've got  
9 money for the Point To Points.

10           Then we have a new line here, Line 40,  
11 \$14,000. This is similar to jumping back up to  
12 Line 11 where we have money for the Shenandoah  
13 fair racing. So Line 40 with the 14,000,  
14 that's money that will go to the  
15 Point-To-Points themselves to help with course  
16 improvements and maintenance costs.

17           These are -- the Point-To-Points are run  
18 really kind of on a shoe string budget in many  
19 cases and this is something that was  
20 communicated to us that will be very helpful to  
21 them.

22           So coming down to the bottom, we have  
23 about \$5,060,000. Then jumping back up to the  
24 top again, we have a final payment of \$50,000  
25 to the Shenandoah county fair.

1           When we started racing there, they  
2 dismantled their permanent stage in order for  
3 us to expand the track and per the terms of our  
4 lease, in the fifth year, we are obligated to  
5 make a \$50,000 payment to them so they can  
6 rebuild their stage at some other place. It  
7 will be in the infield and so that's what the  
8 50,000 represents.

9           So that leaves us with a little over \$5  
10 million of which those funds will flow to the  
11 HBPA to support the flat racing at Colonial  
12 next year.

13           So that's how the budget is expected to  
14 work for next year, Mr. Chairman.

15           CHAIRMAN VAN CLIEF: Thank you. Any  
16 questions for Mr. Hannum?

17           COMMISSIONER REYNOLDS: I've got some.

18           CHAIRMAN VAN CLIEF: Yes, sir.

19           COMMISSIONER REYNOLDS: Mr. Hannum, maybe  
20 I missed this, but go back, please, to Line 3,  
21 Statutory Distributions.

22           MR. HANNUM: Yes.

23           COMMISSIONER REYNOLDS: That's negative  
24 295. That's in the revenue, so does that mean  
25 that was an expense but it came in at negative

1 546? That was the budget that came in at 295?

2 MR. HANNUM: Yes. So this year, we had  
3 expected that we would have to pay out a little  
4 over 500,000 and then we actually only had to  
5 do 295. So what happened there, and I might  
6 ask our CFO to help me with this a little bit.

7 Essentially, a tax is paid to New Kent  
8 County which the VEA was paying on its own, but  
9 the tax has a cap on it, but because of  
10 Colonial's operation, they were paying in to  
11 this tax as well and we met the cap much more  
12 quickly because of Colonial's contributions, so  
13 therefore, the VEA didn't have to contribute  
14 anything more to it once the cap was met. So  
15 is that a fair way to put it?

16 MR. MURRILL: In 2020, we don't expect to  
17 really pay anything to New Kent because the HHR  
18 machines contribute to the cap. It's only  
19 January and we don't expect that. It's usually  
20 been about 275 for every \$1,000 to New Kent.

21 MS. EASTER: That was all back from when  
22 Colonial shut down and New Kent -- and also the  
23 letter groups in the industry had just received  
24 funding from the OTBs and you all also were  
25 lacking in funding, so we put that in the law

1 that we would get funding for the Commission,  
2 the New Kent County and the letter groups out  
3 of the ADW and as this HHR comes in, it's less  
4 than our fee to do that.

5 COMMISSIONER REYNOLDS: Let's jump to Line  
6 22. Looks like you saved \$100,000 in salaries?

7 MR. HANNUM: So yes. So the OTB  
8 operations were shut down, so that meant that  
9 we had significant staff that we no longer were  
10 responsible for and then they went over to the  
11 Colonial team and so that's why our payroll has  
12 been reduced.

13 COMMISSIONER REYNOLDS: Okay. Line 27,  
14 your audit tax legal projected \$50,000. Your  
15 projection to the end of this year is 50,000  
16 and your budget 45,000. Next year, it looks  
17 like you budget 200,000.

18 MR. HANNUM: Right. So we are finding we  
19 have additional legal expenses. This also  
20 includes government affairs, representation and  
21 so that's what that includes.

22 COMMISSIONER REYNOLDS: All right. Thank  
23 you.

24 MR. HANNUM: Thank you.

25 COMMISSIONER REYNOLDS: Actually, I have

1 one more comment. You project it will bring in  
2 a little over \$5 million. What are your plans  
3 to do with that money? Will that go to the  
4 purses?

5 MR. HANNUM: Correct. Yes.

6 COMMISSIONER REYNOLDS: How much of the  
7 check will you be able to write?

8 MR. HANNUM: Directly. Yes, sir.

9 MR. PETRAMALO: Cash.

10 COMMISSIONER REYNOLDS: Thank you.

11 CHAIRMAN VAN CLIEF: Thank you. Any  
12 further questions about the VEA budget?  
13 Mr. Hannum, anything else you care to add?

14 MR. HANNUM: Just another matter after we  
15 finish with the budget I wanted to update the  
16 Commission on.

17 CHAIRMAN VAN CLIEF: All right. Let's go  
18 ahead and address the request for approval. If  
19 there are no further questions, then we need a  
20 motion to approve the 2020 VEA operating  
21 budget.

22 COMMISSIONER SIEGEL: So moved.

23 COMMISSIONER REYNOLDS: Second.

24 CHAIRMAN VAN CLIEF: Thank you. Any  
25 further discussion? If not, please signify



1 your approval by voting aye.

2 NOTE: The Commission votes aye.

3 CHAIRMAN VAN CLIEF: Anybody opposed?  
4 Thank you very much. The budget is approved  
5 unanimously.

6 MR. HANNUM: Great. Thank you. Thank  
7 you, commissioners. So the other thing I  
8 wanted to mention. So I think it was in the  
9 July Commission meeting.

10 There was discussion about the ongoing  
11 attempt to establish some sort of formula for  
12 sharing HHR revenue going forward amongst the  
13 member groups; principally, amongst the two  
14 horsemen's organizations.

15 So I just wanted to report to the  
16 Commission that an agreement has been reached  
17 and the agreement was sent to the executive  
18 secretary, so it has been filed with the  
19 Commission.

20 If you have any questions about it, you  
21 know, I can address those in whatever format  
22 you'd like me to, but I just wanted to report  
23 back to the Commission as you had requested  
24 that there be an update on that process.

25 So I just wanted to let you know that an

1 agreement has been reached, a binding agreement  
2 amongst all of the parties. So all the member  
3 groups have signed off on it, so that puts us  
4 in a good place.

5 Going forward and importantly going to the  
6 next legislative session, which we know may be  
7 complicated with casino legislation, that we're  
8 speaking as one voice and unified, which we  
9 feel is critical for the industry.

10 CHAIRMAN VAN CLIEF: That's a very welcome  
11 report. I know that that agreement wasn't all  
12 that easy to reach for the parties, so well  
13 done on getting it done and getting it done in  
14 advance of the upcoming legislative session,  
15 which as you point out is likely to be somewhat  
16 complicated, at least more than usual from our  
17 standpoint. So I'm delighted to hear that.

18 Any questions for Mr. Hannum about that or  
19 any other VEA matters while we're at it? Okay.

20 Thank you very much.

21 MR. HANNUM: Great. Thank you.

22 CHAIRMAN VAN CLIEF: The next item is a  
23 request for approval of the VTA Breeders Fund  
24 administration budget, and I believe Ms. Easter  
25 is here to address that. That's also under the

1 next tab, Tab 5 in your books. Sorry, Debbie.  
2 If you want to follow along.

3 MS. EASTER: I am open to any questions,  
4 but this budget is very similar to previous  
5 budgets that we've presented to you. I think  
6 the very positive thing is that the VTA's  
7 mission in general is to promote breeding and  
8 business in Virginia and I think we continue to  
9 do that.

10 The unusual thing about our budget is it  
11 has a negative number at the bottom. That's  
12 because it's incorporated into a larger budget  
13 that is the VTA's entire operating budget.

14 So just for you all to note, when it's a  
15 negative number, it means that we're putting at  
16 least that amount of additional funds that are  
17 VTA operating funds into promoting funds and  
18 breeding in Virginia. I won't tell you that we  
19 put in much more than that.

20 Unless you all have any questions, I would  
21 just ask that you approve the 2020 Breeders  
22 Fund promotion budget.

23 CHAIRMAN VAN CLIEF: Thank you. I do not  
24 have any questions. Does anybody else?

25 COMMISSIONER REYNOLDS: I have one. Can

1           you refresh my memory? Of the \$90,000 that  
2           says Breeders Fund admin fee, can you tell me  
3           how that money is spent in a little more  
4           detail?

5           MS. EASTER: So on the admin fee,  
6           actually, Commissioner Siegel, when he first  
7           was chairman and I came here, he noted that  
8           there was a fairly large administration fee  
9           compared to the amount of money we had in the  
10          Breeders Fund budget and encouraged us to bring  
11          that down.

12          So that's a number since we talked about  
13          that that pays the VTA for administrating the  
14          funds, which includes promotion, includes  
15          keeping track -- the software we use to keep  
16          track of wins, cutting the checks to breeders.  
17          Everything we do. So that's what that fund is  
18          all about. That money. Excuse me.

19          COMMISSIONER REYNOLDS: Does it include  
20          salaries?

21          MS. EASTER: We're a little different  
22          because the VTA is not a captive organization.  
23          They have a management contract with Easter  
24          Associates, so it's not labeled straight to  
25          salaries. It's part of the management fee they

1 help pay for us.

2 COMMISSIONER REYNOLDS: Thank you.

3 CHAIRMAN VAN CLIEF: Thank you. Anybody  
4 else?

5 In that case, we need a motion to approve  
6 the VTA Breeders Fund administrative budget for  
7 2020.

8 COMMISSIONER NIXON: I make that motion.

9 CHAIRMAN VAN CLIEF: Thank you. Do we  
10 have a second?

11 COMMISSIONER REYNOLDS: Second.

12 CHAIRMAN VAN CLIEF: Thank you. Any  
13 further discussion? If not, please signify  
14 your approval by voting aye.

15 NOTE: The Commission votes aye.

16 CHAIRMAN VAN CLIEF: Any opposed? That  
17 carries unanimously.

18 Debbie, that carries us to the  
19 Thoroughbred breeder and stallion award totals.  
20 Do you have any comments you care to offer in  
21 that regard?

22 MS. EASTER: Sure. We're going to offer a  
23 total of \$750,000 to breeders and stallions  
24 this year. That's a 15 percent increase over  
25 last year, which I'm very tickled to report.

1           It will break down as it shows in your  
2 packet, which is 712,500 to breeders and 37,500  
3 to stallion owners whose progeny won races  
4 around the country.

5           So it has been a very nice progression  
6 over the last few years that we are able to --  
7 our Breeders Fund when Colonial shut down was  
8 at a low point down under \$500,000 and we're up  
9 over about a million now and that just allows  
10 us to increase the awards we're able to give  
11 the breeders.

12           CHAIRMAN VAN CLIEF: That's good news.  
13 Two questions to refresh my memory. Does the  
14 separation between the breeders and the  
15 stallion award, is that a constant or do you  
16 have some discretion on how you allocate that  
17 in any given year?

18           MS. EASTER: We do have discretion and we  
19 have a committee that looks at that and we look  
20 at the number of stallions that we have here.

21           I would guess that the majority of that  
22 money will go to one stallion owner because  
23 they have a horse that really has runners at  
24 the track and so we kind of look at that and  
25 determine -- that committee determines what

1           they think is fair for both groups.

2           CHAIRMAN VAN CLIEF: I probably shouldn't  
3 ask this question for at least a couple of  
4 years, but do you think that as this continues  
5 to grow, and we hope it will, that you can draw  
6 not just a dotted but a direct line between the  
7 funds that are going out of here and the health  
8 of the racing industry and the breeding  
9 industry that you all oversee?

10          MS. EASTER: I think that I'm hopeful that  
11 we'll see some great -- we still are, compared  
12 to states around us, are under funded.

13          You know, obviously, you all are very  
14 aware of the Certified program. We breed  
15 roughly a little over 100 horses here a year.  
16 The Certified programs bring in about 600  
17 horses a year into this state.

18          I feel like I'm getting calls from people  
19 around the country because of the publicity,  
20 the positive publicity we've been getting off  
21 of the super meet at Colonial.

22          What is going on here with the Certified  
23 program, I feel like I'm getting more calls  
24 than I ever have about, hey, what does it take  
25 to move my mare here or foal here.

1           So I'm hopeful that we're going to see  
2           some growth. To see the kind of growth  
3           compared to what we did with the Certified  
4           program, I don't think that's realistic, but  
5           we're hopeful.

6           CHAIRMAN VAN CLIEF: Do you think that  
7           rebuilding of the breeding industry is going to  
8           take a lot longer than most of the other  
9           components, but presumably you're still seeing  
10          a growth curve in the Certified program than  
11          what we had?

12          MS. EASTER: We know that that program is  
13          saving the farms that we have here in Virginia.  
14          That allows the second thing to happen is the  
15          breeding to happen because that's such a  
16          long-term situation.

17          The whole situation proposed on all fronts  
18          is very positive. The more positive news we  
19          get from our partners, Colonial Downs, I think  
20          that just helps around the country.

21          CHAIRMAN VAN CLIEF: Great. Thank you.  
22          Any questions? In that case, we do need a  
23          motion to approve Thoroughbred breeders  
24          and stallion awards for 2019.

25          COMMISSIONER REYNOLDS: So moved.



1 COMMISSIONER SIEGEL: Second.

2 CHAIRMAN VAN CLIEF: Thank you. Any  
3 further discussion? If none, please signify  
4 your approval by voting aye.

5 NOTE: The Commission votes aye.

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

8 Next up is a request for approval of the  
9 VHHA Breeders Fund administration budget for  
10 2020. Do we have a report on that or any  
11 comments?

12 MS. WARNICK: Basically, the budget is  
13 what it has been for many years. It hasn't  
14 changed hardly at all.

15 CHAIRMAN VAN CLIEF: Okay. The budget  
16 we're looking at which is under Tab 7 is  
17 virtually the same as the one we approved in  
18 2019. I'll ask my fellow commissioners are  
19 there any questions with regards to this one?

20 If there are none, then we need a motion  
21 to approve the budget as submitted.

22 COMMISSIONER SIEGEL: So moved.

23 COMMISSIONER NIXON: Second.

24 CHAIRMAN VAN CLIEF: We have a motion and  
25 a second. Any further discussion? If not, all

1 in favor, please signify by voting aye.

2 NOTE: The Commission votes aye.

3 CHAIRMAN VAN CLIEF: Any opposed? The  
4 budget is unanimously approved for 2020.

5 That takes us now to commissioner  
6 comments. We usually start to my left. I'll  
7 go right to our vice chairman on my right.

8 COMMISSIONER SIEGEL: Well, we've  
9 obviously gone through this agenda pretty  
10 quickly, but it's an important one and I think  
11 we're showing progress.

12 I, like others including Mr. Berman, are  
13 anxious to get more race days as we go forward.  
14 I think we need to do it with care and be well  
15 funded, so I think what has been approved today  
16 for race days is a good thing, but I would  
17 certainly encourage everyone to work toward  
18 getting to that 30 day schedule and hopefully  
19 we can do that in the next couple years anyway.

20 CHAIRMAN VAN CLIEF: Great. Thank you.  
21 Commissioner Reynolds.

22 COMMISSIONER REYNOLDS: I'd just like to  
23 say I think it has been a great year for the  
24 Virginia horse racing industry and I'd like to  
25 thank everybody in this room and everybody who

1 has been involved who is not in this room  
2 today. We look forward to a great 2020 and  
3 great years beyond.

4 I agree with Vice Chairman Siegel. I  
5 would like to get to 30 days, if not even more  
6 days down the road, but I think we're crawling  
7 well and hope that we will be walking soon.  
8 Thank you.

9 CHAIRMAN VAN CLIEF: Commissioner Nixon.

10 COMMISSIONER NIXON: As everyone knows,  
11 the race horse business is tough and in my  
12 opinion, the way we're going to succeed is  
13 everyone working together and I'm very pleased  
14 to see everyone doing that. So I wanted to  
15 wish everyone a Merry Christmas and a new year  
16 filled with a lot of wins.

17 CHAIRMAN VAN CLIEF: Thank you. I'd like  
18 to congratulate all the components of  
19 Virginia's horse race industry; the VEA,  
20 Colonial Downs Group, the VHHA, the HBPA, Gold  
21 Cup.

22 As Stephanie said, it's amazing what can  
23 happen if we work together. I think it has been  
24 in my opinion a highly successful year.

25 The Renaissance racing in Virginia under

1 Colonial Downs and John Marshall and his team's  
2 hand has gotten off to a terrific start and  
3 established itself faster than any of us could  
4 have expected.

5 I, too, look ahead to the continuing  
6 growth and the 30 days. I'd like to see that  
7 achieved as quickly as we can afford to do it.

8 I have great optimism that this industry  
9 is going to flourish. There are to be sure  
10 some challenges coming down the pike and we'll  
11 be dealing with those starting in 2020.

12 Mr. Petramalo very articulately outlined  
13 some of the political challenges that we face  
14 with the introduction of a variety of gaming  
15 related bills.

16 The industry is already on full alert  
17 and fully engaged. We'll be on our toes to do  
18 what we can to ensure that the future course of  
19 gaming in Virginia treats this industry well  
20 and assists us rather than stymies us in our  
21 goals for growth.

22 We are also as a sport and as an industry  
23 under the microscope these days. Our safety  
24 protocols and our medication rules have never  
25 been more important nor under such scrutiny.

1 I'm extremely interested and this  
2 Commission will do everything we can to make  
3 sure we are on the cutting edge.

4 Congratulations to Colonial Downs and  
5 particularly the racing office, Jill, for the  
6 great work this past year in instituting  
7 protocols that delivered what I believe is the  
8 best safety record of any race meet in memory.  
9 It's a great place to be. Let's hope we can  
10 keep it up.

11 So we are going to take a keen interest in  
12 making sure that we are ahead of the curve in  
13 this regard, but we will try to drive unity,  
14 but I do think our voice should be heard if  
15 we've got an opinion and it will be a careful  
16 one, but if we have an opinion, then I think  
17 our voice should be heard in that regard.

18 So we'll be looking to meet with members  
19 of the Colonial Downs management team and the  
20 VEA, again to make sure that we are out front  
21 on this. There's nothing more important.

22 I look forward to 2020, and again,  
23 congratulate and thank all of you for fantastic  
24 work.

25 We do not have any need for a closed

1 session today, so at this point, with a best  
2 wishes for the holidays and a highly successful  
3 2020, I'll ask for a motion to adjourn.

4 COMMISSIONER SIEGEL: So moved.

5 CHAIRMAN VAN CLIEF: Thank you.

6 COMMISSIONER REYNOLDS: Second.

7 CHAIRMAN VAN CLIEF: Any opposed? We  
8 stand adjourned. Thanks very much.

9  
10 NOTE: This meeting of the Virginia  
11 Racing Commission is adjourned at 11:01 a.m.  
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1 CERTIFICATE OF COURT REPORTER  
2

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

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

10 Given under my hand this 17th day of February,  
11 2020.

12  
13 Sandra G. Spinner  
14

15 Sandra G. Spinner  
16 Court Reporter  
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