

1                                    Virginia Racing Commission

2

3                                    COLONIAL DOWNS  
4                                    Horsemen's Building  
5                                    10700 Horsemens Road  
6                                    New Kent, VA 23124

7

8                                    Wednesday, December 6, 2023 at 11:00 a.m.

9

10                                  Commission Members:

11                                  Stephanie B. Nixon, Chair  
12                                  Marsha K. Hudgins, Vice Chair  
13                                  Stuart Siegel  
14                                  John F. Tanner, Jr.  
15                                  Bette Brand

16                                  Commission Staff:

17                                  David S. Lermond, Jr., Executive Secretary  
18                                  Kimberly C. Mackey, Director of Operations  
19                                  Rhonda F. Davis, Pari-Mutuels and Licensing  
20                                  Dr. Ada K. Caruthers, Equine Medical Director  
21                                  Dr. Yolanda Lopez, Commission Veterinarian  
22                                  Israel Saavedra, Commission Investigator  
23                                  Joe Rudisill, Historical Horse Racing Compliance  
24                                  Specialist

25                                  Attorney General's Office:

Elizabeth B. Myers, Esquire

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1 CHAIR NIXON: I'd like to go ahead and call  
2 the meeting to order. Before we get to the  
3 approval of the meeting minutes, the Commissioner  
4 comments was inadvertently omitted on the agenda  
5 and we are going to put that right before the  
6 closed session, so please mark that on your agenda.

7 Did everyone have a moment to look at the  
8 minutes? Stuart?

9 COMMISSIONER SIEGEL: We're good.

10 CHAIR NIXON: We're good. Motion to approve?

11 COMMISSIONER SIEGEL: So moved.

12 COMMISSIONER TANNER: Second.

13 CHAIR NIXON: Commissioner Tanner seconds.  
14 All in favor?

15 NOTE: The Commission votes aye.

16 CHAIR NIXON: Any opposed?

17 NOTE: There is no response.

18 CHAIR NIXON: Next up is the public comment  
19 period. Is there anyone in the public that would  
20 like to speak?

21 NOTE: There is no response.

22 CHAIR NIXON: Hearing none, we will move on to  
23 new business. First for new business is the  
24 request for approval of a significant  
25 infrastructure limited license and Thoroughbred

1 race days for 2004, submitted by Colonial Downs  
2 Group, LLC, and I believe that Gary Palmisano from  
3 CDI will present.

4 MR. PALMISANO: Thank you, Chairwoman. Thank  
5 you, members of the Commission. Again, Gary  
6 Palmisano from Churchill Downs, Incorporated.

7 I want to quickly -- before we talk about  
8 2024, I want to talk about a couple of highlights  
9 from 2023. I tried to send over a PowerPoint, but  
10 not sure why it is not going through, but a couple  
11 of quick notes on '23.

12 Total handle was just shy of \$72 million  
13 during the Colonial Downs 27 day meet. We had a  
14 record handle of \$9.95 million on Arlington Million  
15 day, which was truly an exceptional day of racing.  
16 I think the folks that attended, were able to  
17 attend Million day had a really nice time. We had  
18 an estimated attendance that day of over 6300  
19 people; on-track handle of nearly \$240,000.

20 As you all saw if you were here, a number of  
21 elements that were added in, from fly-overs to  
22 bands to entertainment. I really want to give a  
23 shout out to the Colonial team for putting together  
24 a really nice event on Arlington Million day.

25 As far as the stakes races themselves, we had

1 the Grade 1 Arlington Million, the Grade 1 Beverly  
2 D, the Grade 2 Secretariat. Those races have  
3 performed extremely well afterwards. So the winner  
4 and runner-up of the Beverly D have come back to  
5 both win Grade 1 stakes races since then.

6 Of course Virginia-bred Gigante winning the  
7 Secretariat was an incredible local story for us.  
8 He most recently captured a stakes race at  
9 Churchill Downs this past weekend. So really proud  
10 of how those races turned out in year one and a lot  
11 of momentum as we look into year two.

12 The other sort of highlight for us was  
13 Virginia Derby day. We had a handle of around \$4.4  
14 million. Remember we had significant weather  
15 challenges that day. We actually had about a 45  
16 minute delay in racing due to lightening and rain  
17 and thunder. When that happens, you know, it's  
18 hard to get your momentum back from the wagering  
19 standpoint. It's harder to get the public's  
20 attention again. So a little disappointed with  
21 that handle number, but again attributed to  
22 weather.

23 That race, the Virginia Derby itself, has  
24 turned out to be pretty spectacular. The winner  
25 that day was a horse named Integration who is still

1 undefeated after winning a Grade 2 stakes race at  
2 Aqueduct a couple of weeks ago. The runner-up is a  
3 horse named Program Trading. He just most recently  
4 won a Grade 1, the Hollywood Derby at Del Mar Park,  
5 and the third place finisher in the Virginia Derby  
6 is a horse named Run Away Storm, who captured the  
7 Bryan Station, which is a Grade 3 stakes race at  
8 Keeneland.

9 So when we look at these races and when the  
10 American Graded Stakes Committee eventually  
11 evaluated them and hopes they can either elevate  
12 their grade or maintain their grade, what they look  
13 at is how do horses that come out of that race  
14 perform in subsequent races and that list that I  
15 just kind of quickly rattled off is really, really  
16 special to see that horses that raced at our place  
17 have gone out around the country and shown up and  
18 performed extremely well.

19 Additionally, we had 11 horses that competed  
20 at Colonial Downs that competed in different  
21 Breeders' Cup races. That's outstanding.  
22 Including the Breeders' Cup purse winner, Nobals,  
23 who won the Da Hoss Stakes here at Colonial. So  
24 really impressive sort of racing-related statistics  
25 that came out of our 2023 meet.

1 I'll stop there just to see if there are any  
2 questions or thoughts or comments on kind of how  
3 those shaped up.

4 So as we look to 2024, we have worked closely  
5 with Frank and the horsemen and had input from Deb  
6 and Jeb and we've agreed to a 27 day race meet  
7 starting July 11, which is a Thursday, and  
8 finishing up on September 7, which would be  
9 Virginia Derby Day, closing day. The schedule from  
10 a dates perspective will mirror this year. Three  
11 days a week of racing across nine weeks.

12 From a post time standpoint, I'll work  
13 backwards. On Saturday, we will maintain our 1:30  
14 afternoon post time. We've got the stakes races  
15 and the big days and I feel like that makes sense.

16 On Fridays, we are going to adjust to a 4:30  
17 afternoon post time. Having heard and agree with  
18 the idea that we need to get more bodies to the  
19 racetrack here, our marketing team is going to step  
20 up efforts to have -- I think there's a happy hour  
21 component, I think there's a live music component.  
22 We're gonna really try to go after that sort of  
23 afterward Friday night date night come out to the  
24 track, enjoy the evening crowd.

25 For Thursdays, we have applied for a 1:30 post



1 time. Caveat there is we will continue to work  
2 with Frank and Debbie as well as input from the  
3 Commission whether or not that should also be a  
4 4:30 post. We've got time between now and the meet  
5 to make that adjustment.

6 what I'd like to do and with Frank and Glen is  
7 to have a little bit of a round able with a few of  
8 our horsemen that have to ship up and down from  
9 Fairhill and from Maryland to just make sure that  
10 they're willing to make that trip two days in a  
11 row, understanding that last race might be at 8:30  
12 or nine o'clock in the evening. They've got to  
13 pack up and get home and then go to work that next  
14 morning, then come back again Friday night. So I  
15 think we're flexible from our stance.

16 The 1:30 is what we've applied for and happy  
17 to do that, but if there's a strong sense from the  
18 horsemen or from the Commission that 4:30 Thursday  
19 might also make sense, we're open to that  
20 discussion, but I think we'd like to hear from the  
21 horsemen's perspective that that's not gonna affect  
22 our injuries.

23 If they say we'd rather just run Laurel or  
24 Maryland or whatever, whatever, because back and  
25 forth those two days is tough for us, then that

1 might alter our thoughts on that concept.

2 Million Day will be August 10 and purse levels  
3 will remain pretty close to what they were in 2023.

4 So over all, we thought 2023 was a successful  
5 race meet. Proud of the team's effort for pulling  
6 off a lot of the sort of front side operations.  
7 That was a really big focus of ours was the food  
8 and beverage, the experience, the entry, the  
9 ticketing piece.

10 We implemented a lot of changes in a short  
11 period of time and I think they came off well. I  
12 think for 2024 we're going to maintain that guest  
13 experience on the front side and really focus on  
14 the racing product and the racing operation.

15 We had some empty stalls back here. We're  
16 going to try to fix that next year. We need a full  
17 barn area here and the vibrant racing community  
18 that's ready to participate in our races. So  
19 that's the plan for 2024.

20 CHAIR NIXON: Is that everything?

21 MR. PALMISANO: I'm happy to specifically  
22 cover anything.

23 COMMISSIONER SIEGEL: I would just comment  
24 that it's great to see the horsemen and the  
25 racetrack get together on these things without a

1 lot of discussion beyond typical conversation.  
2 I think that's a step in the right direction.

3 I think we're all pretty pleased with the way  
4 the meet went last year. We obviously had a big  
5 stakes day, which obviously throws the numbers, but  
6 it would be nice to do comps next year against this  
7 year and report those out to see if we are  
8 improving. Getting more people to the racetrack is  
9 always something of importance.

10 CHAIR NIXON: Any other comments or questions?

11 COMMISSIONER TANNER: Yes. I have a couple.  
12 I'd like to echo your congratulations to the front  
13 of the house staff. I thought it was really well  
14 run. Every time I went to the track the people  
15 were very, very helpful and willing to help and it  
16 even seemed over staffed at times, which is a good  
17 thing.

18 I also appreciate the fact that you're going  
19 to check with the Maryland horsemen and the ones  
20 that ship in because that's critical. People are  
21 not going to come if there's four horses in a race.

22 So it doesn't matter what time we start, but I  
23 think taking care of them is going to be a vital  
24 part of our ability to grow the number of days and  
25 when we race.

1 CHAIR NIXON: Just to reiterate what  
2 Commissioner Tanner said, I thought the front side  
3 was a great job on the fly-overs, the champagne,  
4 cigars, everything. It was a really, really nice  
5 touch. The staff, I agree with you, over staffed,  
6 which was nice. Everyone was really pleasant, easy  
7 to work with and I thought you put on a very nice  
8 show. Not just those days but throughout the whole  
9 meet there. So I appreciate that. Thank you.

10 MR. PALMISANO: Thank you.

11 CHAIR NIXON: Did you want to just chime in?  
12 We're commenting on the meet. The wrap-up of the  
13 meet. Do you have anything to add, Marsha? I'm  
14 glad you made it.

15 VICE CHAIR HUDGINS: So am I. I think it went  
16 very well. I think we had some high expectations,  
17 so there were things that could have been better,  
18 as always, but over all I was really pleased and I  
19 feel very positive about improving it, you know,  
20 each year going forward. I think we can do that.

21 CHAIR NIXON: Mr. Lermond, is there anything  
22 else to add?

23 MR. LERMOND: Yes, Madam Chair. I would just  
24 mention for the record that the application  
25 submitted by Colonial Downs Group for their limited

1 significant infrastructure license was thorough,  
2 well organized and contained all of the information  
3 and it also contained the race days that  
4 Mr. Palmisano has just described.

5 So that being said, I would like to seek a  
6 motion to approve the application submitted by  
7 Colonial Downs Group to include the race days as  
8 specified with the two following conditions.

9 The horse racing with pari-mutuel wagering  
10 shall be operated in accordance with all  
11 representations, plans and specifications as  
12 submitted in the application and as described at  
13 the Virginia Racing Commission's December 6  
14 meeting, and the licensee shall not deviate  
15 materially from these representations, plans,  
16 specifications without the prior consent of the  
17 Commission or its Executive Secretary.

18 Secondly, the horse racing with pari-mutuel  
19 wagering shall be operated in accordance with all  
20 applicable state and federal statutes and  
21 regulations, the regulations of the Commission and  
22 all local ordinances.

23 CHAIR NIXON: Do I have a motion to approve?

24 COMMISSIONER SIEGEL: So moved.

25 COMMISSIONER BRAND: Second.

1 CHAIR NIXON: All those in favor?

2 NOTE: The Commission votes aye.

3 CHAIR NIXON: All those opposed?

4 NOTE: There is no response.

5 CHAIRMAN NIXON: Thank you. So moved.

6 Moving on to the request of approval of  
7 licenses to conduct pari-mutuel wagering on  
8 Historical Horse Racing at Rosie's New Kent,  
9 Rosie's Richmond, Rosie's Vinton, Rosie's Hampton,  
10 Rosie's Dumfries, Rosie's Collinsville and Rosie's  
11 Emporia for 2024 submitted by Colonial Downs Group,  
12 LLC, and I believe Jack Sours, the president of  
13 Colonial will present the application.

14 MR. SOURS: Thank you, Madam Chair,  
15 Commissioners. Jack Sours, Churchill Downs,  
16 Incorporated. Pleasure to be here this morning.

17 So we are finishing up another very strong  
18 year for the Historic Horse Racing devices. We're  
19 on pace to do \$4 billion in handle. There are now  
20 seven operational gaming locations. That's an  
21 increase of about 2.5 percent over the prior year.

22 There was an up and down year. We're going to  
23 finish the year with an installed base of 2790; so  
24 2,790 machines we'll finish the year.

25 We replaced 514 cabinets this year and

1       invested over \$9 million into the product to  
2       include new systems as well as good cabinets.

3               The condition of the facilities is in great  
4       shape and the product is very strong. Again, it  
5       was an up and down year. We started the year very,  
6       very strong to the middle of the year. Through the  
7       summer months we did slow down a bit. We believe  
8       the gray games did impact us as the proliferation  
9       of gray games accelerated through summer; however,  
10      as I'm sure everybody's aware, the state and  
11      Supreme Court did overturn the injunction and that  
12      went into effect. That went back into effect  
13      November 15<sup>th</sup>.

14             We have seen an uptick in volume since then,  
15      so of course the last two weeks we've had an uptick  
16      in volume. Too soon to tell where that will lead,  
17      but the first two weeks are very encouraging.

18             Emporia. Emporia opened in September of this  
19      year and is performing very well. About 41 million  
20      in handle in a little over two months. So it's  
21      performing a little bit better than we expected,  
22      which is nice to see. It does have access to North  
23      Carolina, so we're getting some volume from North  
24      Carolina and it's a great location. I don't know  
25      if you all had a chance to see it, but it shows

1 very well, it opened very well and is very well  
2 received and has all brand new product, which is  
3 really helpful.

4 So in 2024, we expect to open the Rose. It  
5 has been quite delayed from initial projections,  
6 but we're looking at an opening mid 2024 for the  
7 Rose and that will add another 1,000 games to the  
8 over all count. Unfortunately, construction is  
9 challenging in these times, but we're hopeful that  
10 we can get this thing open in the middle of 2024.

11 That's my report. I will be happy to answer  
12 any questions.

13 CHAIR NIXON: Thank you. Commissioners, do  
14 you have any questions for Mr. Sours?

15 NOTE: There is no response.

16 CHAIR NIXON: Mr. Lermond, do you have  
17 anything to add on this?

18 MR. LERMOND: Yes, Madam Chair. For the  
19 record, I'd like to state that again, the  
20 application submitted by Commonwealth Downs Group  
21 was well organized and thorough and contained all  
22 of the required information.

23 I'd also like to mention that as our staff has  
24 done site inspections over this year, they always  
25 find the Rosie's places to be very neat, clean and



1 I think they provide a nice environment for the  
2 patrons and we don't have any issues with the way  
3 they have been run or anything like that.

4 So if there is nothing further, I would seek a  
5 motion to approve licenses to conduct pari-mutuel  
6 wagering on Historical Horse Racing at Rosie's New  
7 Kent, Rosie's Richmond, Rosie's Vinton, Rosie's  
8 Hampton, Rosie's Dumfries, Rosie's Collinsville and  
9 Rosie's Emporia for 2024 with the following two  
10 conditions.

11 The Historical Horse Racing will be operated  
12 in accordance with all representations, plans and  
13 specifications as submitted in the application and  
14 as described at the Virginia Racing Commission's  
15 December 6 meeting and the licensee shall not  
16 deviate materially from these representations,  
17 plans and specifications without the prior consent  
18 of the Commission or its Executive Secretary.

19 Two, Historical Horse Racing shall be operated  
20 in accordance with all applicable state and federal  
21 statutes and regulations, the regulations of the  
22 Commission and all local ordinances.

23 CHAIR NIXON: Motion to approve.

24 VICE CHAIR HUDGINS: So moved.

25 COMMISSIONER BRAND: Second.

1 CHAIR NIXON: All those in favor.

2 NOTE: The Commission votes aye.

3 CHAIR NIXON: All those opposed?

4 NOTE: There is no response.

5 CHAIR NIXON: Thank you.

6 MR. SOURS: Thank you.

7 CHAIR NIXON: Next is the request for approval  
8 of the Thoroughbred horsemen's contract and I  
9 believe that Mr. Petramalo will be here to present  
10 the contract.

11 MR. PETRAMALO: Yes. Thank you, Madam Chair.  
12 You have before you a two year contract running  
13 from January 1<sup>st</sup> of 2024 and going through  
14 December 31<sup>st</sup> of 2025. It does contain the  
15 requirement for 27 days in 2024, as Mr. Palmisano  
16 explained.

17 In 2025, we anticipate 40 days, but of course  
18 we didn't put that language in the contract.  
19 What's in the contract is the number of days will  
20 be determined by the number of HHR machines  
21 installed in accordance with the statute mandate.

22 The ratio is 100 to one and we expect that  
23 there will be a sufficient number of machines  
24 installed by the end of next year to justify 40  
25 days.

1           The dates and the days of course are left up  
2 to future negotiations between the horsemen and the  
3 racetrack.

4           We expect our goal as horsemen is to maintain  
5 purse levels. This year, 2023, our average daily  
6 purses were \$691,000; roughly 700,000.

7           Our HBPA purse budget for 2024 envisions  
8 another 27 days at an average of 700,000. Now we  
9 are hoping that we will be able to maintain that in  
10 2025 with 40 days. Our projections are somewhat  
11 imprecise, but I think it's certainly doable. If  
12 we don't hit 700,000 it's not going to be much less  
13 than 700,000.

14           So in terms of race days going forward, it  
15 looks -- excuse me for saying this. It looks  
16 pretty Rosy. I didn't plan that. That just came  
17 out. What did I say?

18           The contract also over the two year period  
19 increases the number of Virginia restricted stakes.  
20 Remember now, Virginia restricted means  
21 Virginia-bred and Virginia-certified. So next year  
22 we are going to have nine of those. In 2025, we'll  
23 have ten.

24           We also are increasing the weekly number of  
25 non-stakes Virginia restricted races. I think next

1 year it's five and six the following year.

2 Now, one of the key features of the new  
3 contract is Colonial will have built an open,  
4 an additional 20 room dorm room before the  
5 beginning of the 2025 meet.

6 The 2024 meet, Colonial will furnish a 10x50  
7 trailer of the sort that we've had before and the  
8 HBPA will outfit it with beds to kind of get us  
9 over the building period, the planning and building  
10 period between '24 and '25.

11 There are also some improvements to the track  
12 surfaces. The irrigation system, half of which was  
13 done for the 2023 meet, will be completed in 2024.  
14 Basically, it's replacing the guns or the  
15 sprinklers on the outer rail, moving them and  
16 installing them.

17 Also, the turf lighting system will be  
18 repaired. You may remember we had some lights out  
19 in the turn right here before you go up the back  
20 side. The thought being if when we do run at 4:30,  
21 if necessary, we can light the turf course.

22 Some of you who have been around here long  
23 enough, I'm looking who has been here long enough.  
24 well, Commissioner Siegel I'm certain. No. I don't  
25 mean on the planet, I mean here at Colonial and

1 well, I'm going to say also the Chairwoman and of  
2 course Dave. But in 2008 and 2009, we were running  
3 five days a week and we were running with posts at  
4 five and six o'clock without any lights on the turf  
5 course. So it's possible that even starting this  
6 year at 4:30 we won't need to light the turf  
7 course, but if necessary, the option is available.

8 Then there are other little minor changes and  
9 improvements on the back side. For example,  
10 hopefully solving the problem of manure removal.  
11 We think that a plan will now be in place where we  
12 will do away with the little dingos going around in  
13 between the barns. I think that's it. We are  
14 adding some fans in the receiving barn and in the  
15 test barn and on the front side.

16 Now also with regard to the track surfaces,  
17 our contract requires Colonial to consult with us  
18 on hiring an over all turf, excuse me, course  
19 superintendent because you remember Ken Brown who  
20 has been here for many years is now permanently in  
21 Maryland, so we need to deal with the issue of the  
22 dirt course.

23 But also, interestingly enough, the HISA  
24 safety regulations, which are incorporated in the  
25 contract, require daily testing of both the turf

1 course and the dirt course for moisture content,  
2 cushion depth, compaction, et cetera, and then  
3 Colonial has agreed to furnish HBPA copies of that  
4 on a daily basis because we have our own consultant  
5 who has worked with Colonial on the 2023 project  
6 who will be looking at the results and giving us  
7 their opinion as to whether something further needs  
8 to be done or whether everything is fine. We think  
9 that's very important because what we need to do is  
10 take care of our most valuable resource and that is  
11 the turf course.

12 That said, everything else you see in the  
13 contract, I hesitate to say this, is boilerplate.  
14 That's the lawyers' term for you've seen it before  
15 and it ain't changed. Unless you have any  
16 questions, I would respectfully urge you to approve  
17 the contract.

18 CHAIR NIXON: Thank you. I'd like to also  
19 thank you and Churchill for working together and  
20 coming together with this. I know sometimes it can  
21 be difficult to get it done and even more so a two  
22 year contract. So thank you very much for getting  
23 that done.

24 MR. PETRAMALO: You are welcome.

25 CHAIR NIXON: Any other comments, questions

1 for Mr. Petramalo?

2 VICE CHAIR HUDGINS: I think again I'm with  
3 you on that. It can be tricky to get all these  
4 things done and get it done on time and with no  
5 real arguments.

6 MR. PETRAMALO: Well, I think it probably  
7 results from the fact that their negotiator and our  
8 negotiator have last names that end in vowels.

9 VICE CHAIR HUDGINS: That's it, I'm sure.  
10 There is it right there. I'm in trouble now.

11 CHAIR NIXON: Okay. If there are no other  
12 questions or comments, I seek a motion to request  
13 the approval of the Thoroughbred horsemen's  
14 contract covering 2024 and 2025.

15 COMMISSIONER TANNER: So moved.

16 CHAIR NIXON: Second?

17 VICE CHAIR HUDGINS: Second.

18 CHAIR NIXON: Commissioner Hudgins seconds.  
19 All those in favor.

20 NOTE: The Commission votes aye.

21 CHAIR NIXON: All those opposed?

22 NOTE: There is no response.

23 MR. LERMOND: Madam Chair, did you make the  
24 motion?

25 CHAIR NIXON: I'm sorry.

1 COMMISSIONER TANNER: I did.

2 CHAIR NIXON: Next is the request for approval  
3 of the VHBPA's withdrawal of administrative costs  
4 from the horsemen's purse account for 2024. I  
5 believe Mr. Petramalo is going to present this item  
6 as well.

7 MR. PETRAMALO: Yes. Thank you. As you may  
8 know, the statute permits the horsemen to withdraw  
9 up to two percent of the horsemen's purse account  
10 for serving the interests of the horsemen. We've  
11 this year for 2024, requested roughly \$370,000.  
12 That's a little less than two percent. We paid out  
13 in purses about \$18.7 million, just a few dollars  
14 short of 19 million.

15 In the letter that I sent to the Commission, I  
16 set forth where that money goes. That's not to say  
17 that's all the money we spent. We do spend more  
18 money than what is shown there, but I wanted you to  
19 have a general idea of the categories that our  
20 spending falls in.

21 Unless you have any questions, I'd request  
22 that you approve that.

23 CHAIR NIXON: Thank you. Commissioners, do  
24 you have any questions for Mr. Petramalo?

25 NOTE: There is no response.



1 CHAIR NIXON: Okay. Hearing none, seek a  
2 motion for request for the approval of the Virginia  
3 HBPA's withdrawal of administrative costs from the  
4 horsemen's purse account for 2024.

5 COMMISSIONER BRAND: So moved.

6 CHAIR NIXON: Commissioner Brand. Second?

7 COMMISSIONER BRAND: I miss one meeting and  
8 you forgot my name.

9 CHAIR NIXON: Do I hear a second?

10 COMMISSIONER TANNER: Second.

11 CHAIR NIXON: Commissioner Tanner. All those  
12 in favor.

13 NOTE: The Commission votes aye.

14 CHAIR NIXON: All those opposed?

15 NOTE: There is no response.

16 CHAIR NIXON: Thank you.

17 Next is the request for the approval of a  
18 limited license submitted by the Shenandoah County  
19 Agricultural Foundation for Spring 2024 at  
20 Shenandoah Downs and I believe that that's you,  
21 Dave.

22 MR. LERMOND: Thank, you Madam Chair.  
23 Normally, Mr. Hannum is here to present this as in  
24 past years, but he's in Tucson, so I will be happy  
25 to seek the motion. But before that, if you do

1 have any questions, Debbie Warnick and or Darrell  
2 wood are both here and they could probably answer  
3 any specific questions about the spring meet at  
4 Shenandoah. You guys are off the hook.

5 Okay. Well, I would seek a motion to approve  
6 a limited license application for Shenandoah Downs  
7 submitted by the Shenandoah County Agricultural  
8 Foundation with the following two conditions.

9 Horse racing and pari-mutuel wagering shall be  
10 operated in accordance with all representations,  
11 plans and specifications as submitted in the  
12 application and as described at the Virginia Racing  
13 Commission's December 6 meeting and the licensee  
14 shall not deviate materially from these  
15 representations, plans and specifications without  
16 the prior consent of the Commission or its  
17 Executive Secretary.

18 And two, the horse racing and pari-mutuel  
19 wagering shall be operated in accordance with all  
20 applicable state and federal statutes and  
21 regulations, the regulations of the Commission and  
22 all local ordinances.

23 CHAIR NIXON: Do we have a motion to approve?

24 VICE CHAIR HUDGINS: So moved.

25 COMMISSIONER TANNER: Second.

1 CHAIR NIXON: All those in favor.

2 NOTE: The Commission votes aye.

3 CHAIR NIXON: All those opposed?

4 NOTE: There is no response.

5 UNIDENTIFIED SPEAKER: Excuse me. What are  
6 the dates?

7 CHAIR NIXON: Sure.

8 COMMISSIONER TANNER: Begins April 6 through  
9 May 19.

10 MS. WARNICK: Saturday to Sunday.

11 COMMISSIONER BRAND: I think we ought to give  
12 him an opportunity to brag a little bit about the  
13 racing season.

14 CHAIR NIXON: Absolutely. Absolutely.

15 COMMISSIONER BRAND: The question period kind  
16 of slipped by really fast, so I'd like to hear what  
17 you thought of the season this year and brag as  
18 much as you have the ability to.

19 UNIDENTIFIED SPEAKER: This was the eighth  
20 season up in Woodstock. We had pari-mutuel harness  
21 racing. It's in a pretty good growth mode right  
22 now. We went from five weeks of racing in 2021 to  
23 eight weeks in '22 to 14 weeks this year.

24 So we had a pair of seven-week seasons; seven  
25 in spring, seven in fall and we anticipate coming

1 to the next meeting to seek approval for a fall  
2 week as well that will mimic the 2023 schedule.

3 The neat thing is that we were able to  
4 simulcast for the first time ever to brick and  
5 mortar and OTBs and ADW facilities and the handle,  
6 you know, probably averaged maybe 77,000, 75,000 a  
7 day.

8 One of the unique experiences we had was we  
9 simulcast on Easter Sunday, and it was only us and  
10 Gulf Stream that raced that afternoon, so we  
11 exposed Shenandoah Downs to a whole lot of new  
12 faces from coast to coast. So that was a really  
13 good growth opportunity for us.

14 We simulcast in the Kentucky Derby for the  
15 first time ever. This spring we hope to do the  
16 Derby and the Preakness as well and just try to  
17 grow the fan base and keep on running.

18 MS. WARNICK: We had a lot of horse support  
19 from all over the country. I don't have the  
20 statistics on how many states, but 12 to 14 states  
21 at least and Canada. We had some new faces and new  
22 trainers, new horses and everything went pretty  
23 well. We had full fields pretty much every race,  
24 every day and raced an average of 13, 14 races a  
25 day so.

1 CHAIR NIXON: Wow. That is amazing. Thirteen  
2 and 14 races.

3 UNIDENTIFIED SPEAKER: When you look at the  
4 long time tracks like Harris, Philadelphia,  
5 Freehold, the Meadows and see that they had 14  
6 races a day with full fields and here's Shenandoah  
7 Downs for the first time also had 14 races a day  
8 with full fields. So it's the simulcasting that  
9 has really helped us grow the horse base and the  
10 fan base, too.

11 CHAIR NIXON: That's fantastic.  
12 Congratulations.

13 COMMISSIONER SIEGEL: It really is great.  
14 It's amazing how you've grown that thing so  
15 successfully. As Mr. Petramalo points out, I've  
16 been around forever and I can remember when you  
17 struggled to get a card filled. So that's great.  
18 Kudos to you guys.

19 MS. WARNICK: Thank you.

20 UNIDENTIFIED SPEAKER: Thank you, Madam Chair.

21 CHAIR NIXON: Any other comments?

22 VICE CHAIR HUDGINS: One more because I always  
23 have a comment. I think that the attention being  
24 paid to the historical value of the sport and how  
25 long it has been around and obviously the facility

1 that it's in, though it has some, you know, issues  
2 because of its age, still it's historically  
3 important and I think you've captured that locally  
4 and now I think you hopefully will be growing based  
5 on another model outside of your area that will  
6 keep you there and keep it going and looking  
7 forward to improving the facilities and what you  
8 have there and that's good for the future.

9 MS. WARNICK: Along those lines, we did have  
10 -- one of our promotions was 137 years racing at  
11 Shenandoah.

12 VICE CHAIR HUDGINS: There you go.

13 MS. WARNICK: Not on the improved track, but  
14 on that same oval; 137 years this year.

15 CHAIR NIXON: Wow.

16 VICE CHAIR HUDGINS: That's a great thing.  
17 Virginia represents a lot of the horse industry  
18 that has been around for a very long time and we  
19 don't want to lose any parts of it. Congrats.  
20 well done.

21 CHAIR NIXON: That's great.

22 MR. WOOD: I'd like to add to that there will  
23 be a number of harness racing participants  
24 recognized in this year's General Assembly and we'd  
25 like everyone to come and support that recognition

1 from our elected officials of harness racing and  
2 the things that enure to the Commonwealth of  
3 Virginia.

4 COMMISSIONER TANNER: Do you know when that  
5 will be? Can you alert us of that, Darrell?

6 MR. WOOD: Sure.

7 CHAIR NIXON: Thank you.

8 MR. LERMOND: Madam Chair, I'd also like to  
9 follow up on Mr. Wood's comment about the  
10 out-of-state handle. Another benefit of that is  
11 that it puts more money into the pools.

12 So from a better standpoint it's better.  
13 People like to bet into pools that are larger and  
14 when it was just the money on track you didn't have  
15 that. So it's another benefit of the signal sales.

16 Also, I'd like to just amend the request for  
17 the motion to include the 14 race days beginning on  
18 Saturday, April 6 and ending on Sunday, May 19.  
19 Racing on Saturdays and Sundays with a 1:05 race  
20 time every day.

21 CHAIR NIXON: Motion to approve?

22 COMMISSIONER SIEGEL: So moved.

23 CHAIR NIXON: Second?

24 VICE CHAIR HUDGINS: Second.

25 CHAIR NIXON: All those in favor.

1                   NOTE: The Commission votes aye.

2                   CHAIR NIXON: All those opposed?

3                   NOTE: There is no response.

4                   CHAIR NIXON: Thank you. Next is the request  
5 for the approval of racing officials at Shenandoah  
6 Downs for 2024, and I believe Mr. Lermond is going  
7 to present that as well.

8                   MR. LERMOND: Thank you, Madam Chair. Behind  
9 Tab 7 of your books there's a list of the racing  
10 officials that are being requested for Shenandoah  
11 Downs. The same racing officials will also be  
12 approved for the fall race meet as well. I don't  
13 anticipate anything changing between the spring and  
14 the fall.

15                  However, I would like to seek a motion to  
16 approve the racing officials, but part of that  
17 motion would be that you give the Executive  
18 Secretary the ability to approve any last minute  
19 changes or any changes that would occur in the fall  
20 and we will certainly make sure that whoever is  
21 replaced is capable of performing those duties.

22                  CHAIR NIXON: Any comments or questions for  
23 Mr. Lermond? Hearing none, I'll seek a motion.

24                  VICE CHAIR HUDGINS: So moved.

25                  CHAIR NIXON: Commissioner Hudgins.



1 COMMISSIONER TANNER: Second.

2 CHAIR NIXON: Commissioner Tanner. All those  
3 in favor.

4 NOTE: The Commission votes aye.

5 CHAIR NIXON: All those opposed?

6 NOTE: There is no response.

7 CHAIR NIXON: Thank you.

8 Next is the 2024 ADW license renewals for  
9 TwinSpires, TVG, XpressBet and NYRabets and I  
10 believe Mr. Lermond will present this item as well.

11 MR. LERMOND: Thank you, Madam Chair. Staff  
12 received renewal applications from TwinSpires, TVG,  
13 XpressBet and NYRabets. I refer to them as the big  
14 four. There are some smaller ADWs, but the four  
15 big ones are operating here in Virginia.

16 The revenue from ADW continues to be fairly  
17 constant. There was about a six percent decrease  
18 from '21 to '22. I think that might have something  
19 to do with sports betting, but it's hard to tell.  
20 It seems this year that the ADW is running just the  
21 same as last year, so that little six percent blip  
22 has now flattened out.

23 All four applications were well presented and  
24 contained all of the information required in  
25 addition to a \$1,000 renewal fee. Unless anyone

1 has any questions, I would seek a motion to approve  
2 the 2024 ADW licenses for TwinSpires, TVG,  
3 XpressBet and NYRabets with the following two  
4 conditions.

5 That the advance deposit pari-mutuel wagering  
6 shall be operated in accordance with all  
7 representations, plans and specifications as  
8 submitted in the application and as described at  
9 the Virginia Racing Commission's December 6 meeting  
10 and the licensee shall not deviate materially from  
11 these representations, plans and specifications  
12 without the prior consent of the Commission or its  
13 Executive Secretary.

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

19 CHAIR NIXON: Any questions or comments for  
20 Mr. Lermond? Seek a motion.

21 COMMISSIONER BRAND: So moved.

22 CHAIR NIXON: Commissioner Brand. Second?

23 COMMISSIONER TANNER: Second.

24 CHAIR NIXON: Commissioner Tanner.

25 All those in favor.

1                   NOTE: The Commission votes aye.

2                   CHAIR NIXON: All those opposed?

3                   NOTE: There is no response.

4                   CHAIR NIXON: Thank you.

5                   Next is a request for approval of the VEA  
6 operating budget for 2024 and I believe Mr. Merrell  
7 [ph] will present this item.

8                   MR. MERRELL: Right. As you all know, Jeb  
9 Hannum usually presents this. He couldn't be here  
10 today. I know he has individually talked with each  
11 of you, gone over the budget with you. I'm really  
12 here for any follow-up questions that you might  
13 have before putting the motion in to hopefully  
14 approval for this.

15                  Does anybody have any additional questions?

16                  COMMISSIONER SIEGEL: Speaking for myself, we  
17 covered a great deal of the detail with Jeb on our  
18 call. I don't have any additional questions. We  
19 did ask him for some additional information for  
20 next year's presentation to give us a sense of, a  
21 better sense, but I think we were satisfied. At  
22 least I was satisfied with our discussion.

23                  MR. MERRELL: Great.

24                  VICE CHAIR HUDGINS: I was very impressed with  
25 Jeb's thoroughness and preparation ahead of time

1 and some of the expenditures I thought were very  
2 smart.

3 MR. MERRELL: We're in a transitional time.

4 VICE CHAIR HUDGINS: It shows and it's good  
5 moving forward and I certainly approve.

6 MR. MERRELL: Right.

7 CHAIR NIXON: Any other questions, comments  
8 for Mr. Merrell? I agree it was very well thought  
9 out and put together very well, so thank you.

10 MR. MERRELL: Great. You're welcome. Thank  
11 you.

12 CHAIR NIXON: Seek a motion for request for  
13 the approval of the VEA operating budget for 2024.

14 COMMISSIONER TANNER: So moved.

15 CHAIR NIXON: Commissioner Tanner.

16 COMMISSIONER BRAND: Second.

17 CHAIR NIXON: Commissioner Brand.

18 All those in favor.

19 NOTE: The Commission votes aye; Chair  
20 Nixon abstains.

21 CHAIRMAN NIXON: All those opposed?

22 NOTE: There is no response.

23 CHAIR NIXON: Next is a request for approval  
24 of the VTA Breeders' Fund administration budget for  
25 2024, and I believe Ms. Easter will be here to

1 present that.

2 MS. EASTER: Thank you. I believe all of you  
3 have a copy of the Breeders' Fund administrative  
4 and promotional budget. The amount requested is  
5 not different than any time it has been in the last  
6 ten years, although the beautiful thing is now it's  
7 about ten percent of the fund, where before it was  
8 probably, back in the day it might have been a good  
9 two-thirds of the fund, but we've been able to grow  
10 it.

11 Just so you know, this only has to do with  
12 administration. You all contract with us to  
13 administer the fund and promote it.

14 So I guess the highlights on this are that we  
15 expect about the same amount in income and we were  
16 way over budget on advertising and promotion this  
17 year and that's because we had the new changes to  
18 the Virginia Breeders' Fund, which is the mare  
19 residency changes and we spent a lot of extra money  
20 advertising that and letting people know that this  
21 is what's happening in Virginia. The mare  
22 residency rule and first through third payouts.  
23 That extra money comes from our operating budget,  
24 which is great with us because that's what the VTA  
25 is here to do.

1           Other than that, I think that we projected  
2           total funds, used them fairly similar to last year  
3           and if there are any other questions, I would be  
4           happy to entertain them.

5           COMMISSIONER SIEGEL: How is that growing?

6           MS. EASTER: The fund is growing itself so the  
7           administrative and promotional part is not as large  
8           a percentage of the total fund.

9           So my guess that we should really for  
10          administration and promotion should really be in  
11          about the ten percent range, versus now the fund is  
12          about \$2 million for 2023 that we're going to pay  
13          out.

14          Back when you were Chairman and you first had  
15          me in to talk about this, the total fund was about  
16          \$500,000, so we're able to award a much bigger  
17          award to our breeders, which I think is helping  
18          grow our numbers.

19          COMMISSIONER SIEGEL: What about the growth of  
20          Virginia-breds, these breeders and those  
21          participating in the fund?

22          MS. EASTER: So I believe in the last few  
23          years I've been talking to you all about there's  
24          about 100 Thoroughbred foals a year. For '22, it  
25          looks like we're going to be in about the 122

1 range. So even though that's not a significant  
2 number percentage-wise, that's a pretty nice  
3 growth.

4 We had in our first year of having these  
5 residency mares -- right now, all of the horse  
6 sales aren't finished where mares can still come  
7 into the state of Virginia. We've got about 220  
8 mares registered, so projecting about a 60 to  
9 70 percent live foal rate, we ought to still be  
10 growing.

11 So percentage-wise, I think we're going to be  
12 able to show that Virginia-breds are growing quite  
13 nicely. It's not an overnight process. As you  
14 know, it's a long-term investment that people make.

15 COMMISSIONER SIEGEL: But it had dropped  
16 dangerously over the years, particularly when we  
17 were quiet at Colonial.

18 MS. EASTER: Terribly.

19 COMMISSIONER SIEGEL: Now with the continuing  
20 success of Colonial here, that's certainly  
21 an incentive to folks and these prizes are  
22 incentive as well and hopefully you've got a good  
23 sound program to pitch those.

24 MS. EASTER: I believe so. In '22 when we  
25 paid breeders' awards, we were still just paying

1 our wins only. But for the wins, the award was  
2 about 49 percent of the winning purse. So that's a  
3 pretty nice thing to be able to advertise.

4 I hope as soon as we finish up the year, I'm  
5 going to be able to advertise we're going to be  
6 paying somewhere in hopefully the 30 percent range  
7 for first, second and third.

8 I think once those start to get out to people  
9 more, that will be -- and we're paying anywhere in  
10 North America, which is unique compared to most  
11 states which only pay for wins or first, second or  
12 third in their own state.

13 Once again, I don't know if you all know, what  
14 that helps us with because we only have part-time  
15 racing and don't see that we're going to have  
16 long-term racing, it makes this much more of a  
17 year-round program than we have in the past and  
18 that's a very positive thing to be able to tell  
19 people.

20 COMMISSIONER SIEGEL: All right. Thank you.

21 VICE CHAIR HUDGINS: Debbie, when do you  
22 expect to see any infrastructure increases  
23 secondary to having more and more and more  
24 Virginia-breds? Is there any correlation that you  
25 have seen?



1 MS. EASTER: Sure. I think that's a slow  
2 deal, too. I think we're seeing that. I'm seeing  
3 some new names with folks that are with mare care  
4 and even foaling, but investments in farms and land  
5 is a big investment.

6 I'm very pleased at what I think the  
7 percentage change we're going to show, but as I've  
8 explained to you all before, the growth in breeding  
9 is going to be much slower than what we were with  
10 the Certified program and that's the beauty of  
11 those two programs running next to each other. At  
12 100 foals breeding, we're bringing in 900 horses a  
13 year in the Certified program and it's rounding out  
14 things very nicely.

15 VICE CHAIR HUDGINS: One is an immediate  
16 response and the other is long-term.

17 MS. EASTER: I do believe so. Yes.

18 VICE CHAIR HUDGINS: I would love to have you  
19 come here some day and say we do not have enough  
20 farms out here for all of the horses they want to  
21 bring in for Virginia-breds. My hope is in the  
22 next five years it would be really nice to see  
23 that.

24 MS. EASTER: If Churchill and Jack keep on  
25 doing what they're doing with the HHR, it just

1 gives us more money to incentivize people to come  
2 here. We think this fund at \$2 million this year  
3 will be -- maybe in '25, it might be '26 by the  
4 time for Dumfries, but we may be in the \$4 million  
5 range, which is again, significant.

6 VICE CHAIR HUDGINS: Yes. That would be nice.  
7 Great. Thank you.

8 CHAIR NIXON: That's great. I know how dire  
9 it was so that's fantastic to hear positive news  
10 like that. That's great.

11 MS. EASTER: Thank you.

12 CHAIR NIXON: Any other comments or questions?  
13 Okay. Thank you.

14 I will go ahead then and request for the  
15 approval of the VTA Breeders' Fund administrative  
16 budget for 2024. Do I hear a motion?

17 COMMISSIONER TANNER: So moved.

18 COMMISSIONER BRAND: Second.

19 CHAIR NIXON: Commissioner Brand seconds. All  
20 those in favor.

21 NOTE: The Commission votes aye.

22 CHAIR NIXON: All those opposed?

23 NOTE: There is no response.

24 CHAIR NIXON: Thank you.

25 Next is a request for the approval of the 2023

1 Thoroughbred breeder and Stallion award totals, and  
2 I believe Ms. Easter is going to do that as well.

3 MS. EASTER: I think in your packet you saw  
4 that we are going to distribute \$2 million for '23  
5 first through third places and that will break down  
6 to about 1.85 million for breeders and \$150,000 for  
7 stallion owners.

8 That's an eight percent increase for the  
9 breeders in Virginia and an 11 percent increase for  
10 the stallion owners over 2022 awards. So again,  
11 nothing but positive things to report.

12 I think in the future you'll see that Stallion  
13 number grow. Right now we have just a handful of  
14 stallions here, but just since the changing of our  
15 rules and what has been going on, I think there  
16 will be five new Stallions in Virginia this year.  
17 So that's all positive.

18 CHAIR NIXON: Wow. That's great. Thank you.  
19 Any other questions or comments for Ms. Easter?  
20 Hearing none, I seek a motion for the request of  
21 approval of the 2023 Thoroughbred Breeder and  
22 stallion award totals.

23 COMMISSIONER TANNER: So moved.

24 CHAIR NIXON: Commissioner Tanner. Second?

25 COMMISSIONER BRAND: Second.

1 CHAIR NIXON: Commissioner Brand, second.  
2 All those in favor.

3 NOTE: The Commission votes aye.

4 CHAIR NIXON: All those opposed?

5 NOTE: There is no response.

6 CHAIR NIXON: Thank you.

7 Next is the designation of races used in  
8 determining Thoroughbred breeder and Stallion  
9 awards, and I believe Ms. Easter as well is going  
10 to present this item.

11 MS. EASTER: Then you'll be done with me. So  
12 you all every year ask to designate the meets where  
13 we can award breeders' awards and we've always for  
14 quite a long time asked you all to designate all  
15 meets in North America.

16 The one change I'm asking for this year, and  
17 it's because of the learning curve, we learned in  
18 our Certified program that we don't pay on any  
19 state-bred or state-sired races around the country.

20 The reason being is that a horse could come --  
21 first of all, we don't need to be propping up  
22 somebody else's breeding program, another state's  
23 breeding program.

24 Secondly, you could potentially have a  
25 Virginia-bred, West Virginia-sired horse. Because

1 of their racing program, they're allowed to go  
2 through their conditions many more times than other  
3 states and we found out in the Certified program  
4 because of that, they took a disproportionate  
5 amount of our awards, so we're just trying to keep  
6 that from happening again.

7 As far as the Virginia-breds not going to be  
8 able to run in a PA race or a West Virginia-bred  
9 race so it doesn't really matter, but it's a sired  
10 thing that's important.

11 So if you all would approve that, we would  
12 like to have us pay open races around the country  
13 and not state-bred or state-sired races.

14 CHAIR NIXON: Any questions?

15 COMMISSIONER TANNER: Does that include  
16 outside of Virginia during Colonial Downs?

17 MS. EASTER: Outside of Virginia, yes. Never  
18 outside of Virginia. We do want to pay those at  
19 Colonial Downs and for any meets in Virginia, but  
20 we don't want to do it for out-of-state. I'm  
21 sorry. I probably didn't define that well.

22 COMMISSIONER TANNER: And all open races in  
23 West Virginia?

24 MS. EASTER: All open races in West Virginia  
25 would work. Anywhere open around the country and

1 then here in Virginia, we would have open plus  
2 sired in Virginia.

3 COMMISSIONER TANNER: Okay.

4 CHAIR NIXON: Mr. Lermond, do you have  
5 anything to add to that?

6 MR. LERMOND: Yes, Madam Chair. Behind Tab  
7 11, I just put this together for you and your  
8 fellow Commissioners to show you that code section  
9 at the bottom highlighted in bold.

10 It says in races or race meets designated by  
11 the Commission. So what we're requesting is your  
12 designation of those races, but it doesn't change  
13 the code; it doesn't change the regulations.

14 So I would seek a motion to have the  
15 Commission as it's designated races, include any  
16 race in North America, except for state-bred and  
17 state-sired races in states other than Virginia.  
18 I think that covers it.

19 CHAIR NIXON: Okay. I seek a motion to  
20 approve.

21 VICE CHAIR HUDGINS: So moved.

22 CHAIR NIXON: Commissioner Hudgins. Second.

23 COMMISSIONER SIEGEL: Second.

24 CHAIR NIXON: Commissioner Siegel, second.  
25 All those in favor.

1                   NOTE: The Commission votes aye.

2                   CHAIR NIXON: All those opposed?

3                   NOTE: There is no response.

4                   CHAIR NIXON: Thank you.

5                   Next is a request for approval of the VHHA  
6 Breeders' Fund administrative budget for 2024 and I  
7 believe that Debbie Warnick will present this item  
8 and answer any questions.

9                   MS. WARNICK: This budget is exactly the same  
10 as it has been like Debbie said for ten or 15  
11 years; however long we have been doing this.  
12 Nothing has changed and it's for the administration  
13 of the Breeders' Fund program. Any questions?

14                  CHAIR NIXON: Any questions or comments for  
15 Ms. Warnick? Okay. I seek a motion for the  
16 approval of the VHHA Breeders' Fund administrative  
17 budget for 2024.

18                  COMMISSIONER BRAND: So moved.

19                  COMMISSIONER TANNER: Second.

20                  CHAIR NIXON: Commissioner Brand and then  
21 Commissioner Tanner seconds.

22                  All those in favor.

23                  NOTE: The Commission votes aye.

24                  CHAIR NIXON: All those opposed.

25                  NOTE: There is no response.

1 CHAIR NIXON: Thank you.

2 Next is the request for the approval of the  
3 VHHA benevolence budget for spring 2024, and I  
4 believe that Ms. Warnick is going to do that as  
5 well.

6 MS. WARNICK: We're requesting that we be  
7 allowed to spend \$7,500 of the benevolence fund for  
8 our spring meet and this is the same as we have  
9 done in the past meets. It's usually for meal  
10 tickets for horsemen and for weekly meals that we  
11 do for the whole horse population. It's increased  
12 slightly just because the cost of food has risen.

13 CHAIR NIXON: Where is the food? Is it food  
14 trucks? How do you do the food?

15 MS. WARNICK: The meal tickets. There's a  
16 vendor that the fairground has up there by the race  
17 by the grandstand. That's where the meal tickets  
18 get used.

19 CHAIR NIXON: Okay.

20 MS. WARNICK: Then the group meal we cook  
21 ourselves in the back stretch in the paddock area.

22 CHAIR NIXON: Okay. Who's the cook?

23 MS. WARNICK: Usually, my husband. Me if he  
24 doesn't show up.

25 COMMISSIONER SIEGEL: He's underpaid, right?



1 CHAIR NIXON: Thank you. Any other questions  
2 or comments? Hearing none, I seek a motion for the  
3 approval for the VHHA benevolence budget for spring  
4 2024.

5 VICE CHAIR HUDGINS: So moved.

6 CHAIR NIXON: Commissioner Hudgins.

7 COMMISSIONER TANNER: Second.

8 CHAIR NIXON: Commissioner Tanner seconds.

9 All those in favor.

10 NOTE: The Commission votes aye.

11 CHAIR NIXON: All those opposed?

12 NOTE: There is no response.

13 CHAIR NIXON: Thank you. All right. I think  
14 that is all of our action items.

15 Next is the report on the HHR study performed  
16 by Victor-Strategies. At our last meeting, we  
17 requested an independent study to be done and I  
18 believe we'll have a presentation at this point.  
19 Gene Johnson will present this item.

20 MR. JOHNSON: Thank you for having me today.  
21 Good afternoon. I'm Gene Johnson. I'm  
22 representing Victor-Strategies, a full-service  
23 gaming consultancy. I'm here with my colleague,  
24 Richard Shoots, who is going to speak a little bit  
25 later on the purposes of regulation.

1           We responded to a bid to do this study, a  
2 competitive bid, and we were asked to look at the  
3 recent report by the Virginia Joint Legislative  
4 Audit and Review; the 2022 JLARC. They've done two  
5 reports on gaming; one in 2019 and one in 2022.

6           The 2019 report looked at gaming in the  
7 Commonwealth and made some very good investigations  
8 of what gaming was doing in Virginia. They used a  
9 market study by one of our competitors, the  
10 Innovation Group, and laid out some very good  
11 recommendations.

12           They also made a case back in 2019 that a  
13 single government agency should be tasked with  
14 representing or regulating all gaming in the state  
15 and that the agency that was best equipped to do  
16 that they said was the Virginia Lottery.

17           So the 2022 report looked in more detail about  
18 how that would happen. So the report was  
19 predicated on the assumption that the Virginia  
20 Lottery should be given regulatory responsibility  
21 for all gaming activity in the Commonwealth.

22           The conclusions of the report reflect this  
23 assumption, and in our opinion, failed to do  
24 justice to the current efforts of the VRC in  
25 regulating HHR gaming.

1           Much of the research is superficial in nature  
2 and displays a lack of understanding for horse  
3 racing and pari-mutuel wagering in general and  
4 Historical Horse Racing in particular.

5           Our research shows that VRC is effectively  
6 regulating HHR and is confidently entrusted to do  
7 so in the future.

8           Then we have some issues with the idea of the  
9 Lottery being responsible for gaming regulation,  
10 which we'll discuss further on in the report.

11           So looking at horse racing and understanding  
12 why Historical Horse Racing was legalized is  
13 important. So horse racing has faced challenges  
14 historically. This is the chart that is done with  
15 data from the Jockey Club looking at in-person  
16 wagering versus off-track wagering. So the red  
17 bars are off-track and that includes the OTB and  
18 the ADW and blue is on-track.

19           As you can see, on-track wagering has become  
20 increasingly less of the total wagering activity.

21           So OTB and ADW have grown, but they don't  
22 benefit track attendance. More than 40 tracks have  
23 closed since 2000. Attendance is hurt by the  
24 expansion of other gambling options in Virginia and  
25 bordering states.

1           So I'm old enough to remember -- well, when I  
2 got into the industry, there were two places where  
3 you could gamble outside of racetracks; that was  
4 Las Vegas and Atlantic City. Now most of the  
5 population in this country lives within 30 minutes  
6 of a gambling opportunity.

7           With the expansion of Lottery, casino gaming,  
8 the gray market, electronic gaming machines and now  
9 sports betting, which has grown tremendously since  
10 it was legalized in 2018, has all contributed to a  
11 decline in visitation to horse tracks. They no  
12 longer have the monopoly of wagering they once did.

13           So the horse racing industry has looked for  
14 ways to reverse that and many are turning to OTBs  
15 and also now to HHR. So instant racing was  
16 originally developed at Oaklawn Park in Arkansas.  
17 It's based on pari-mutuel races that were run  
18 previously.

19           The initial machines were clumsy. Here you  
20 see one of the early machines. But they did offer  
21 an alternative gaming experience, particularly in  
22 states that did not have casino gaming, and as  
23 larger manufacturers become involved, these  
24 machines become much more playable.

25           We did a case study on Kentucky. This chart

1 looks at HHR handle statewide and this is generated  
2 on the tracks. As you can see, Kentucky installed  
3 in 2012. They started producing reports in 2015  
4 and on-track handle increased from 28.9 million in  
5 2015 to 754.6 million as of September 2023.  
6 Year-to-date, statewide on-track handle for  
7 Kentucky totals 8.2 billion in fiscal year 2023.  
8 Gross commissions were \$370,000 in 2015. They're  
9 now 732.2 million for fiscal year 2023.

10 It's also important to note that Kentucky does  
11 not have in-state casinos, which has contributed to  
12 some of this growth.

13 Also for Kentucky, the majority of the  
14 proceeds for commissions go to benefit the horse  
15 racing industry. Currently subject to an excise  
16 tax of 1.5 percent, and as we know, the horse  
17 racing industry generates thousands of jobs and  
18 considerable statewide economic impact.

19 The excise tax represents about 18 percent of  
20 gross commissions. In fiscal year 2020, 2.2  
21 billion was wagered on HHR, which 189 million was  
22 retained by the tracks to benefit horse racing.

23 This looks at the purses in Kentucky. As you  
24 can see, in 2001, Kentucky purses were about  
25 \$32,000 per race. Currently, there are close to

1 7,000 HHR machines and nine locations in Kentucky  
2 and that has dramatically increased individual race  
3 average purse size.

4 Over the first nine years of this chart,  
5 purses averaged about \$32,000. They picked up in  
6 2010 and again in 2011 when HHR machines were  
7 installed in Kentucky Downs. So they're now  
8 averaging in calendar year 2022, \$113,806.

9 This map looks at where HHR is now  
10 operational. Seven states; newest are Alabama and  
11 Kansas, Kentucky, Louisiana, New Hampshire,  
12 Virginia and Wyoming. Two states, Oregon and  
13 Idaho, at one time had HHR and then reversed the  
14 policy and then Nebraska legislation failed to pass  
15 and the originating state of Arkansas is now a  
16 Class 3. They've dispensed with HHR and moved to  
17 casino-style slot machines.

18 If you look at these states and what kind of  
19 regulatory regimes they have, all of them except  
20 for New Hampshire are regulated by a Racing  
21 Commission or Racing and Gaming Commission.

22 New Hampshire is regulated by the state  
23 Lottery, but in New Hampshire, New Hampshire is  
24 also the only state where HHR is not installed at  
25 racetracks, OTBs or satellite wagering facilities.

1           In New Hampshire, they're installed at  
2           charitable gaming locations which were previously  
3           regulated by the Lottery.

4           HHR in Virginia, I think you all know that  
5           story. The bill was signed in 2018. The SWFs or  
6           Rosie's Gaming Emporiums operated by Peninsula  
7           Pacific. Churchill Downs came in and acquired  
8           those assets. VRC's registrations are modeled on  
9           Kentucky and Wyoming and it's taxed at 1.25 percent  
10          of handle.

11          These are the locations. I'd like to  
12          emphasize what was mentioned earlier in the  
13          meeting. We accompanied two of the inspections of  
14          Rosie's facilities and I was very surprised. I  
15          visited a lot of gaming locations, a lot of horse  
16          racing tracks and these are very clean facilities.  
17          They're very well run. I was impressed.

18          This is from the TRP. It looks at the  
19          Virginia handle by year. We're showing very steady  
20          growth over four calendar years, but that growth is  
21          going to decline as casino gaming and sports  
22          betting expand.

23          Sports betting is now legal in Virginia and  
24          you have casinos that are going to be coming online  
25          in areas of high population concentrations.

1 JLARC's 2019 report noted that gaming  
2 expansion will negatively impact HHR growth. The  
3 prediction from the Innovation Group was a  
4 45 percent decline in projected revenue versus if  
5 no casinos open.

6 This is monthly handle at Virginia HHR and you  
7 see here we have the pandemic disruption, but over  
8 all, a general growth trend through October 2023  
9 and the last 20-plus months has consistently been  
10 over 300 million in handle. That's the money that  
11 is put through the machines.

12 Handle has slowed in 2023 as new casinos have  
13 opened in Danville, Bristol and Portsmouth. Also,  
14 as sports betting is gathering momentum.

15 By location, again, that is from the TRPB, you  
16 see that Richmond is the leading property followed  
17 by Hampton and then Colonial Downs and 9.9 billion  
18 wagered between April 2019 and December 2022.

19 So the JLARC reports. The first one  
20 recommended the Virginia Lottery oversee all forms  
21 of gambling in the state and the second one  
22 recommended, among other things, that HHR transfer  
23 from VRC to Lottery. So they would regulate not  
24 just Historical Horse Racing, but also charitable  
25 games, casinos and sports betting.



1           The report accurately profiles the rapid  
2 growth of legal gaming and the correctly makes the  
3 case for a more uniform and systematic approach;  
4 however, the principal conclusion that the Virginia  
5 Lottery should regulate all gaming is fundamentally  
6 flawed, in our opinion.

7           The Lottery's primary function is that of a  
8 gambling provider. One of the fundamental rules of  
9 effective regulation holds that when an operator is  
10 also tasked as a regulator, there is an inherent  
11 conflict of interest.

12           Which mission becomes more important?  
13 Protecting players and ensuring integrity of the  
14 games or operating effectively in maximizing  
15 revenue for the state government?

16           Chapter Three of this report. Regulating  
17 wagering on horse racing drew conclusions regarding  
18 regulation of HHR that are often misleading and  
19 incorrect.

20           The report was basically written to provide a  
21 justification for the Virginia Lottery to assume  
22 regulatory responsibility.

23           The second chapter, Creating A Central Gaming  
24 Agency, lays out the case for consolidating a  
25 single agency and saying that Virginia Lottery is

1 the best positioned existing agency to assume  
2 regulation of casino gaming expansion.

3 However, the Lottery is also an operator.  
4 Lottery requires a leadership focus on marketing  
5 and game development. Regulator requires a  
6 leadership focus on law, compliance and security.

7 Finally in the case of Historical Horse Racing  
8 operations, they're less complex than casino gaming  
9 and also the state tax revenue is more secure  
10 because it's provided from pari-mutuel handle, not  
11 from casino wins. The handle is going to be a much  
12 more stable flow than a win would be.

13 So our research indicates that the JLARC  
14 findings for the most part is inaccurate and  
15 misleading because of that assumption. Much of the  
16 investigative research and report conclusions were  
17 perfunctory.

18 There's a basic assumption that HHR gaming is  
19 identical to casino gaming. We believe that's  
20 fundamentally flawed. The JLARC staff never  
21 interviewed the HHR compliance specialists, other  
22 staff who perform the inspections and never  
23 accompanied an inspection in progress and never  
24 spoke to the staff from the TRPD.

25 Findings of the study shows that VRC is

1 performing its regulatory function effectively and  
2 can continue to regulate HHR gaming. If the  
3 central agency is to be tasked with the regulation  
4 of all forms of gambling in the Commonwealth, we  
5 believe that an independent gaming commission would  
6 be preferable to a gaming operator like the  
7 Lottery.

8 Then the rest of this presentation. The next  
9 section is largely looking at these conclusions  
10 individually. We broke down the JLARC Chapter  
11 Three findings into the bullet points and then  
12 looked at each one in turn.

13 So the number one finding was that HHR carries  
14 the same risks as casinos and wagering is near what  
15 is projected for casinos. It's a misleading  
16 comparison. HHR facilities are much smaller scale  
17 and less complex than casino resorts. They don't  
18 have table games. They don't have poker.

19 The tax revenues are derived from handle, not  
20 win, and the HHR machines basically operate under  
21 pari-mutuel principles. It's peer-to-peer as  
22 opposed to house-banked or random-number-generated.

23 The second major conclusion was that the VRC's  
24 licensing program does not require adequate  
25 scrutiny of the HHR operator. We believe that's

1 an inaccurate assumption. Scrutiny is at a level  
2 sufficient for HHR gaming operations. As I said  
3 before, they're simpler than casino resorts.

4 The single operator, Churchill Downs, is a  
5 publically held company. Many other key executives  
6 are already licensed in other jurisdictions and the  
7 VRC is currently conducting criminal background  
8 checks for key personnel.

9 You could have a more intrusive licensing  
10 process similar to some casino jurisdictions, but  
11 at the level of HHR operations, that's not  
12 necessary.

13 The third conclusion was that the VRC lacks  
14 adequate regulatory programs to ensure proper  
15 operation of HHRs and address problem gambling.

16 This goes through internal controls, software,  
17 hardware and operation specification, inspections,  
18 independent financial audits, supervision of  
19 installation start-up and movement of HHR terminals  
20 and clear methods for enforcement of operational  
21 requirements.

22 These for the most part are all inaccurate  
23 assumptions. The VRC programs currently ensure  
24 proper HHR operation. VRC reviews and approves the  
25 operators' minimal internal control standards, or

1 MICS, and these are very detailed operator  
2 procedures for the major tasks involved in running  
3 the operation.

4 We do not believe that the regulator's  
5 responsibility is to write those detailed level  
6 regulations. That's the operator's responsibility.  
7 The regulator should look at them, approve them and  
8 inspect them.

9 So for internal controls, the VRC does review  
10 the operator minimal internal control standards,  
11 they do have requirements for software, hardware  
12 and operations, they are conducting inspections and  
13 they have the TRPB, the Thoroughbred Racing  
14 Protective Bureau, as the auditor that documents  
15 non-compliance.

16 I visited their offices in Fairhill and was  
17 quite impressed by Curtis's operation there and the  
18 level of statistical competence that he uses in  
19 auditing Exacta results.

20 For independent financial audits, this is one  
21 of the JLARC conclusions that we agreed with. They  
22 may be less critical with HHR, but it's a good  
23 practice to get in to. You can have that done by  
24 an outside agency by a GLI that does it and you can  
25 ask a major accounting firm do it. To some degree

1 that protects the regulator as well.

2 For the supervision, installation, start-up  
3 and movement of HHR terminals, the floor is server-  
4 based. You don't have individual RNG terminals.  
5 It's a central determinant system, as they call it,  
6 and that level of regulation is not necessary.

7 Clear methods for enforcement. That's current  
8 practice. The VRC currently communicates  
9 enforcement penalties for non-compliance and has  
10 the ability to fine up to \$100,000 in instances  
11 where the operator is not compliant with the code  
12 or regulations.

13 This is an extension of the basic finding.  
14 That VRC lacks documented policies and procedures  
15 for ensuring compliance with state laws and  
16 regulations. It's inaccurate. The compliance with  
17 policies and procedures are in place.

18 VRC is currently conducting bi-monthly  
19 inspections to ensure compliance with documented  
20 procedures. We accompanied two of these  
21 inspections and they are achieving their objective  
22 of being sure that the operator is complying.

23 Operational risks are lower at the smaller-  
24 scale HHR facilities than they would be at a casino  
25 resort.

1           The last one is HHR needs policies that  
2 address problem gambling prevention and treatment.  
3 That's entirely accurate, but it's not just VRC.

4           This is a statewide issue and it needs to be  
5 addressed at a statewide level. All Virginia  
6 regulators, including the Lottery, in our opinion,  
7 lack adequate responsible gaming programs and I  
8 believe that there are statewide efforts now taking  
9 place to put that right.

10          The fourth major conclusion is regarding  
11 staff. VRC staff size needs to quadruple to  
12 adequately regulate HHR and that VRC Commissioners  
13 and staff lack relevant experience needed to  
14 regulate HHR.

15          This is probably the most inaccurate of all of  
16 these findings. The VRC staff has combined 94-plus  
17 years of gaming regulatory experience. VRC staff  
18 better understands HHR regulation than the Lottery  
19 would.

20          They have added head count to increase  
21 frequency of facility inspections. One additional  
22 Commissioner investigator, they're now doing  
23 inspections twice a month for every property.

24          The Commissioners, VRC staff knows much more  
25 about HHR than Virginia Lottery knows about either

1 casino gaming or HHR at this point in time.

2 The fifth major finding was regulation of live  
3 horse racing should remain with the VRC, but the  
4 Lottery should regulate HHR. They also say that  
5 improving regulation of HHR is necessary, but doing  
6 so at VRC would significantly change the agency's  
7 culture and mission. Well, that's a false argument  
8 because that's going to do the same thing to the  
9 Lottery.

10 Again, we believe that if a central agency is  
11 deemed necessary, it should not be a gaming  
12 operator like the Lottery. Currently, the VRC is  
13 fully capable of independently regulating HHR in  
14 its current configuration.

15 The VRC's culture and mission is much more  
16 closely attuned to the horse racing industry than  
17 the Virginia Lottery.

18 The JLARC version of Lottery HHR regulation  
19 would add a minimum of 15 new employees and they  
20 expect to add more as additional HHR facilities  
21 open.

22 Then Number Six was safeguards to ensure that  
23 HHR funds continue to support the horse racing  
24 industry. That's an accurate assumption.

25 HHR was authorized to benefit and sustain



1 horse racing in Virginia. The VRC is the state  
2 agency best suited to uphold those interests of the  
3 horse racing community and the horse racing  
4 industry.

5 The Virginia Lottery would have many competing  
6 interests that could weaken the focus on and  
7 support of horse racing that was intended with the  
8 HHR legalization.

9 This was taken from the report. Table 3-4.  
10 Lottery would need at least 15 employees for HHR  
11 regulation. More regulatory employees will be  
12 needed when two additional HHR facilities open.

13 So the JLARC report clearly envisions  
14 expanding the Virginia Lottery to encompass all  
15 gaming in the state and it's a bit of regulatory  
16 empire building.

17 This is a quote from the report. So after  
18 saying that there's no difference between HHR and  
19 casino gambling, this is a quote. According to  
20 gaming experts interviewed by JLARC staff, HHR may  
21 require fewer enforcement staff than casinos while  
22 similar HHR facilities differ from casinos in ways  
23 that somewhat reduce the risks relative to casinos.

24 HHR facilities do not have table games,  
25 machines are server-based rather than having a

1 random number generator on each machine, they host  
2 a smaller number of machines than casinos do.

3 Lastly, while staffing needs for regulating  
4 HHR facilities are likely lower than those with  
5 casinos, as Lottery begins to regulate them, it  
6 should reassess their risks and determine whether  
7 additional staffing is required to adequately  
8 regulate them.

9 Again, this looks more like a bid to increase  
10 the size of a state agency than to effectively  
11 regulate HHR.

12 These are all of the findings and our response  
13 to them laid out in a table form. We just went  
14 through them. These are the recommendations that  
15 the JLARC report made. For the most part, these  
16 recommendations are already current practice. A  
17 few of them are unnecessary and some of them are  
18 reasonable, one of them is questionable.

19 So one of the recommendations the JLARC report  
20 made was require licensing for HHR operators,  
21 suppliers and employees. That's current practice.

22 They also asked for personal, financial and  
23 criminal background investigations for key  
24 individuals. That is usually common practice in  
25 casino regulation in other jurisdictions. We feel

1 it is unnecessary for HHR, especially as you only  
2 have a single operator.

3 They also say that the HHR operator needs to  
4 meet certain conditions before receiving a license.  
5 That is current practice. The license is approved  
6 by the VRC after a submission.

7 Another recommendation was require licensing  
8 fees for Historical Horse Racing. That's current  
9 practice, but those fees should be sufficient to  
10 defray the regulatory costs of licensure and be  
11 consistent with the risks and potential profit.

12 The current license fees are very reasonable  
13 and they're necessary to fund regulation, but this  
14 efficient regulation does not require a major  
15 increase in fees. If you add 15 to 20 employees  
16 that the JLARC report envisions, you would need  
17 higher license fees.

18 But the licensure should depend upon the  
19 integrity, financial stability and full compliance  
20 of the HHR operator, not on the size of the  
21 bureaucracy that's regulating.

22 Another recommendation was promulgate  
23 regulations to ensure proper operations at HHR  
24 facilities and effectively minimize risks. Those  
25 regulations for the most part are already in place

1 and it's current practice.

2 Internal control requirements for day-to-day  
3 operations. The operator submit an annual  
4 independent financial audit and conduct regular  
5 formal inspections and establish mechanisms that  
6 can be used for enforcing regulations.

7 We went through this in the findings. The  
8 minimal internal control standards are in place and  
9 reviewed and approved by the VRC. Bi-monthly  
10 inspections are taking place and there are  
11 enforcement penalties and mechanisms that are  
12 communicated to the single operator.

13 Another recommendation was to develop internal  
14 policies for ensuring the HHR operator's compliance  
15 with all applicable laws and regulations. This is  
16 current practice.

17 The one area that we would agree with is  
18 routine financial and operational audits.

19 So procedures for inspecting facilities;  
20 current practice. The frequency with which  
21 compliance activities are conducted; current  
22 practice. They also use a Veridot system. I went  
23 through that today when I went to the wrong  
24 building to find this building and had to present  
25 my license and be sure that I was 21 years old.

1           Number Seven, develop policies detailing  
2 participation in statewide efforts to prevent and  
3 treat problem gambling. This is necessary. The  
4 VRC is cooperating with other state agencies  
5 through the Problem Gambling Treatment and Support  
6 Advisory Committee, PGTS, in addressing problem  
7 gambling issues.

8           All Virginia gaming operators need to improve  
9 responsible gaming measures, including the Lottery,  
10 and to prevent and treat problem gambling, it's  
11 necessary to know the statewide incidents and  
12 effectiveness of current practices.

13           We agree with the 2019 JLARC recommendations  
14 that Virginia should undertake baseline problem  
15 gambling incident surveys. You have to know what  
16 the incident is now if you're going to be able to  
17 measure it going forward.

18           Also, they made a recommendation to audit  
19 current responsible gaming practices. Don't just  
20 throw money at the problem. Look at how well it is  
21 being addressed.

22           Virginia should also work with the National  
23 Council on Problem Gambling to develop best  
24 practices in addressing problem gambling and  
25 responsible gaming.

1           Last recommendations. There were several of  
2           them. This is to transfer HHR to the Virginia  
3           Lottery, add a Lottery board seat, include language  
4           that would provide continuing support to funding  
5           Virginia's horse racing industry.

6           That's necessary, but you need more than  
7           language. You need to walk the walk.

8           So in our view, it's questionable whether the  
9           Virginia Lottery should be entrusted with all state  
10          gaming regulation. The VRC is better positioned to  
11          ensure that HHR continues to benefit racing and  
12          Lottery oversight of HHR could weaken that focus.

13          With your permission, I'd like to invite  
14          Richard Shoots up to talk a little bit about the  
15          purposes of regulation. Richard.

16          For those of you that don't know Richard, he's  
17          one of the few people I know that has had a stellar  
18          career as both a gaming operator and a regulator  
19          and he's also, oh, by the way, had a career as an  
20          educator and a journalist.

21          MR. SHOOTS: Chairperson Nixon, Members of the  
22          Commission, Executive Director Lermond and Staff, I  
23          would like to thank you for inviting me here today.

24          I'm Richard Shoots. I was a college student  
25          out of the University of Nevada, Reno. When I was

1 a senior in '71, I started dealing Black Jack for  
2 Bill Harrah from nine at night until five in the  
3 morning and went to school all during the day. I  
4 continued that practice during the time I was  
5 working on my master's in finance.

6 I then left Nevada. I went to University of  
7 Utah where I pursued my Ph.D. in economics. I  
8 spent two years working on the Ph.D. dissertation  
9 on the Nevada gaming regulatory experience. Then I  
10 went on to teach and found out I was making  
11 basically half as much as a college professor as I  
12 was as a Black Jack dealer and found out I caused  
13 my career to go in the wrong direction.

14 I then went to Las Vegas and began working. I  
15 had the opportunity to work in finance for Mr.  
16 Winn. I worked for Mr. Sheldon Adelson as the  
17 senior vice president. I worked for the Boyds, I  
18 worked for Harrah organization and a number of  
19 other people.

20 I've worked throughout the United States in  
21 gambling and I was CEO of a fairly large Las Vegas  
22 gaming company. I then tried retirement for the  
23 first time; it didn't work out.

24 I went and became a regulator. I was  
25 appointed by the governor of California as a

1 regulator for the Commission. California is the  
2 largest gaming state in the nation across all  
3 gaming verticals. I also was named as the  
4 governor's office consultant on all iGaming and  
5 gaming matters and also became the legislative  
6 consultant of iGaming and gaming matters.

7 I left California and was invited by the  
8 country of Bermuda to help set up gaming in that  
9 country. That was a curious experience. If you  
10 ever have an interest in working in the offshore  
11 market, don't. You really become close friends  
12 with people in the State Department.

13 I'm on the advisory board of National Council  
14 of Problem Gambling. I've submitted over 122  
15 gaming applications around the world. I've never  
16 had one declined yet.

17 I am a member of the board of All In  
18 Diversity, which pursues opportunities for people  
19 of color and women in the industry, which is  
20 an area that is not well served.

21 I've published about 150 articles on gaming  
22 and gaming regulation. I've taught across the  
23 United States in that area. I was an honorary  
24 professor at University of Houston. I taught at  
25 Mecao Polytechnic Institute and also the University



1 of Macao, casino management and regulation.

2 Also the DHL, which is a European school in  
3 Switzerland, which is a great place to live, which  
4 has probably the finest hospitality in the world of  
5 casino regulation and casino management.

6 There's more to it, but that's enough. My  
7 stories are absolutely wonderful, too, because all  
8 my fact checkers are dying.

9 One of the things we found is we went through  
10 goals of regulation and a number of different  
11 things that are involved in that process.

12 It started in Nevada. I had this great data  
13 for my dissertation. It was all these wire taps  
14 that had been performed by the FBI illegally on  
15 things like executives' bedrooms and we thought  
16 they were -- I had this rich trove of data and this  
17 began the first regulatory experience.

18 Nevada was the only state that had casino  
19 gambling at the time and Nevada was going to lose  
20 it because the federal government was terribly  
21 bothered by a lot of people that were participating  
22 in the gambling venture.

23 The people that were running the casinos in  
24 Las Vegas in the 40s and early 50s were terribly  
25 experienced in gambling. The unfortunate aspect of

1 that reality was they had acquired that experience  
2 in Chicago and Cleveland and Miami and so on and so  
3 forth.

4 That became a problem and they thought they  
5 were going to lose it, remembering that at this  
6 time, Nevada had two senators and one congressman  
7 which is not a very powerful voting block, so they  
8 decided to develop a regulatory agency that became  
9 a reality in the 50s.

10 The first thing has to do with suitability.  
11 I had been through about 120 background  
12 investigations when I was met by the state of  
13 California. I had five bank boxes of documents  
14 which had every check and every investment and  
15 everything I've done for all of my life.

16 This is done to provide that you have suitable  
17 people involved. There's two reasons to have  
18 suitable people involved. One is if you find out  
19 that someone is unsuitable, they have had a bad  
20 past practice or bad associations, it damages the  
21 brand of the industry and it damages the brands of  
22 the regulators in the state in that industry.

23 One of the things that I believe every  
24 regulator needs to embrace is the reality of  
25 creating sustainable systems. That's key. So you

1 go through these exhausting background  
2 investigations.

3 The other thing is we found that the more  
4 appropriate a person's life has been lived, the  
5 probability of him continuing to live that life in  
6 an appropriate manner continues. That is, people  
7 that have a history of creating crimes kind of  
8 carry those. They don't lose that habit  
9 necessarily.

10 The next thing that became important is the  
11 games are fair and honest. I remember the first  
12 time I met a game controller I was dealing on a  
13 dice game and they came and seized the dice.

14 They ran a micrometer on those and they have  
15 to be calibrated to one ten thousandth of an inch  
16 to make sure they're square and stuff like that.

17 They do that with cards and decks and that has  
18 become very challenging with a lot of the  
19 electronic products that are offered; the slot  
20 machines, HHR and the delivery of gaming products  
21 over the internet.

22 That really consumes a great deal of manpower  
23 and a lot of modern agencies. They should have  
24 strong operation and financial controls, minimum  
25 internal controls, the whole rule book for running

1 these places and these should be worked out.  
2 Normally, these are worked out in conjunction with  
3 open meetings between the regulators and the  
4 operators.

5 All fees, taxes and related payment should be  
6 appropriately accounted for. This has its role as  
7 a result of skimming. This is still a huge  
8 problem.

9 The last thing is appropriate controls need to  
10 be the place to protect the vulnerable and underage  
11 people. I live in Pennsylvania now and every  
12 meeting they fine some people for leaving their  
13 kids in trucks and in cars in parking lots.

14 I remember in Atlantic City in the 80s, I was  
15 working and walking around the building and there  
16 was this big dog and a small child. I said, what  
17 are you doing with that dog? And the person said,  
18 I guess he's lonely, too. Those types of things  
19 are vulnerable.

20 The other thing is problem gambling. I've  
21 done a lot of publications on problem gambling and  
22 the harm associated with it and it is irresponsible  
23 for a government not to build a strong control and  
24 I'm very proud to be associated as an advisor for  
25 the National Council of Problem Gambling.

1           There are some other regulatory issues. The  
2 theories of regulation, which is fascinating and  
3 this is something that goes both between the  
4 conservative economist and the liberal economist  
5 when they talk about regulatory agencies tend to  
6 get captured.

7           They become either -- assist the industry in  
8 maintaining stopping entry into the field, helping  
9 with price fixing and schemes like that.

10          John Kenneth Galbraith, who was once an  
11 advisor to President Kennedy, has this wonderful  
12 quote. He has a lifestyle theory of regulation  
13 which is that when the regulatory agencies are  
14 young, they're almost evangelistic. Through time  
15 they become kind of bored and lost and become  
16 captured by the industry.

17          You see a lot of safeguards in place; a  
18 cooling off period. Someone can't go join the  
19 industry for two or three or four years. I had a  
20 two-year sitting out period. I went through that  
21 revolving door backwards. I was an industry  
22 executive, I went into regulation. I was the only  
23 one on the planet that has ever done that.

24          But you know a lot of regulators leave and the  
25 SCC has had huge problems with this. You know, a

1       guy writes an opinion on an anti-trust issue and  
2       four months later you find out he's working for the  
3       firm or his firm is working for the firm. Those  
4       are things.

5               There's also bureaucratic challenges that  
6       regulators -- and lot of people don't look at that,  
7       but bureaucrats soon discover that if they expand  
8       that their staff gets bigger, their offices get  
9       bigger and their salaries get bigger. That's a  
10      theory that people need to be aware of, too.

11             The last thing I want to talk about that I  
12      think is incredibly important is a regulatory  
13      agency as a monopoly.

14             I've studied markets a lot in my life and what  
15      you find with monopoly, anybody that's dealt with a  
16      cable company back in the old days, they have bad  
17      service, higher prices and tend to not be  
18      innovative.

19             Every regulatory agency needs to address the  
20      fact that they are a monopoly and has to have  
21      an action plan that's built to make sure that they  
22      stop and counter-build those tendencies to do what  
23      monopolies do.

24             So that's kind of just my initial speech here  
25      and that's kind of who I am. I don't know where

1       you want to go with this.

2               MR. JOHNSON: Just some thoughts on the  
3       advisability of having a state Lottery regulate all  
4       gaming in the state.

5               MR. SHOOT: That's crazy. It doesn't make  
6       sense. Let me explain the reason for that. One, a  
7       Lottery is a business and it's a business that's to  
8       generate revenues for the state.

9               A lot of times these K through 12, that has  
10      become a popular way to get Lottery bills passed.  
11      They guarantee the money to education. California  
12      did that. That's how they got it passed. The  
13      Lottery provides about three percent of educational  
14      budget.

15              So they're working to support some entity and  
16      by doing that, they're operators of a profit  
17      maximizing business, basically. That's not what a  
18      regulator does, you know, so you have different  
19      skill sets.

20              A good Lottery operator is someone that is  
21      innovative in games and good marketing. That's who  
22      I'm going to hire. A good regulator is someone  
23      generally skilled in the law, understands gambling,  
24      understands compliance and money laundering and  
25      things like that. Fundamentally different skill

1 sets. So to have -- who are you going to hire to  
2 fill those positions? That gets a little goofy.

3 The other thing is I believe you have  
4 an organization of teachers in this state whose  
5 salaries and whatnot are supported by this. If the  
6 Lottery is hurt by the actions of the gaming  
7 regulator with respect to the revenues, then  
8 they're allowing products to compete with Lottery  
9 products.

10 If I was a teacher, I'm going to start calling  
11 the politicians and say what is this regulator  
12 doing. Do they work for us or are they working for  
13 someone else? That's a tremendous conflict of  
14 interest, you know.

15 It just doesn't make sense. People don't do  
16 that. In California we have a Lottery Commission,  
17 you know, and New Jersey. I know that in the study  
18 they looked at a couple places that are kind of new  
19 states that have done a basically bad job, like  
20 Michigan and New York.

21 If you can get an example, my priest used to  
22 tell me everyone serves a purpose. Sometimes it's  
23 only as a bad example, but don't pick one that you  
24 wouldn't model. That just doesn't make sense.

25 I think another thing, what has happened in



1 virginia, it's really been a hodgepodge. It's just  
2 stuff is thrown at someone. Let's stick it over  
3 here and let's stick it over here and let's stick  
4 it over here.

5 I think you better come to grips, somebody,  
6 the adults in the room need to address the issue of  
7 a master plan. What are you trying to accomplish?  
8 Because you see now these things happen.

9 I write a lot of articles. I published about  
10 150 articles and a lot of them are very critical of  
11 regulators.

12 We see that sports betting passed and then ten  
13 days later a politician stands up supporting a bill  
14 and says we're going to be open by Super Bowl or by  
15 March Madness. That's not the appropriate answer.  
16 We're going to open when we believe regulators can  
17 be sufficiently trained.

18 I used to oversee the biggest book in the  
19 world. I was talking to this gentleman about it.  
20 We took more betting action than anybody in the  
21 world. I know sports betting. We had a very good  
22 relationship with the FBI and stuff like that.

23 The people we had supervising sports betting  
24 had ten years almost behind that counter. That's  
25 terribly important. If you think somebody could

1 walk in and regulate sports betting overnight.

2 I know in Kentucky, they hired ten people that  
3 taught guys (inaudible) in 88,000, which is not  
4 good, you know. The ten people they hired when  
5 they budgeted 14 people have zero experience in  
6 regulating casinos and zero experience in  
7 regulating. Let me tell you a lot of people will  
8 say, well, they'll learn.

9 would you hire someone to do your bridges that  
10 had no experience in designing bridges? You're  
11 going to have heart surgery tomorrow. We've got a  
12 regulator that's going to monitor that surgery. He  
13 was an accountant three weeks ago, but trust me,  
14 he's going to learn and if yours gets screwed up,  
15 we'll fix it.

16 It's crazy what some of these states have.  
17 They really need a bit more adult supervision.  
18 That's kind of what I'm about. I normally annoy  
19 people.

20 MR. PETRAMALO: well, it seems clear that the  
21 Lottery can't possibly regulate HHR. It's one  
22 competitor regulating. That's nuts.

23 MR. SHOOT: That's right.

24 MR. PETRAMALO: Is there any -- I don't know  
25 whether you call it economy of scale or cost

1 advantage in having a central agency regulating  
2 versus a central agency and then having something  
3 apart from that?

4 MR. SHOOT: I believe the uniqueness of horse  
5 racing is such that you have to have a dedicated  
6 agency to do that. I believe the Lottery is  
7 sufficiently ridiculous. But then I believe  
8 there's a third entity that can do it good.

9 Some people in the horse racing community want  
10 to have these different components because it keeps  
11 the beast alive. Horse racing has been destroyed  
12 by the launching of gaming verticals in most of  
13 these markets. That's trouble.

14 So if the horse racing people can become  
15 comfortable they're not going to be cut out of the  
16 pie, I think that you do need a third agency  
17 probably like a gaming commission or a gaming  
18 control board as they did in Nevada.

19 I do believe that even with multiple agencies  
20 -- in California we did something quite stupid.  
21 The Lottery did a bunch of investigation both on  
22 the vendors and stuff like that and these back  
23 ground investigations can get very thorough.

24 Then the tribal companies were responsible for  
25 having their people investigate their employees and

1 the poker rooms and horse racing and they were all  
2 done by different agencies.

3 All regulatory entities have this common  
4 denominator of needing investigation, so I think  
5 that should be pooled. You know, just so if the  
6 Lottery needs to investigate a retailer or vendor,  
7 it goes in here and out there. Then you have a  
8 committee made up of relevant executive directors  
9 and chairpersons to make sure that's being handled  
10 admirably and not pushing each other or another.  
11 That's one thing.

12 I'm a firm believer horse racing doesn't need  
13 to be -- you better hold on to that because it can  
14 get messed up and lost real quickly. Lottery, that  
15 has to be stand-alone. It just makes no sense to  
16 do it any other way.

17 Then all those other products, I mean slots do  
18 have something in common with HHR and stuff like  
19 that and there's a lot of your technical standards  
20 and internal controls and audit routines and stuff  
21 like that. The way it has been presented now, if  
22 you want to keep HHR, I think you're making a big  
23 mistake and I think the state is making a huge  
24 mistake.

25 COMMISSIONER SIEGEL: How do we get that

1 message out?

2 MR. SHOOTS: You know, I don't know. You  
3 start talking about it. There's always the  
4 opportunity of public relations and efforts.

5 Papers are always looking for content. I get  
6 two or three calls from the New York Times and  
7 Washington Post. A publication like that, they're  
8 always looking for gaming content.

9 Some of you people should put together  
10 articles and submit them. Get the word out. Start  
11 appearing, you know. This is what's wrong with  
12 that. This is what we're trying to do. The  
13 message needs to be sustainability. We're trying  
14 to build a system that's going to last.

15 As soon as that Lottery number starts going  
16 down, that agency is going to be under political  
17 heat and the teachers are going to start saying we  
18 have to get ourselves out from under this other  
19 group because they're damaging us in the market.

20 COMMISSIONER SIEGEL: You know, the idea of  
21 getting Lottery money to the schools was a very  
22 smart move on those folks that wanted to get the  
23 voting passed --

24 MR. SHOOTS: Right.

25 COMMISSIONER SIEGEL: -- because everybody

1 wants to support the schools.

2 MR. SHOOTs: They also throw in policemen  
3 sometimes.

4 COMMISSIONER SIEGEL: Right. But funds are  
5 (inaudible) and I know in Virginia, this money that  
6 goes to the state for school from the Lottery is  
7 offset by the decrease in state funding for the  
8 Lottery. So we're really not any better off. It  
9 was a sales pitch is what it was.

10 MR. SHOOTs: Right. I can't fix that.

11 COMMISSIONER SIEGEL: I know that, but --

12 MR. SHOOTs: But I get the issue.

13 COMMISSIONER SIEGEL: -- it's false pretense,  
14 is what it is.

15 MR. SHOOTs: Your point is right. You don't  
16 want to let go control of these dollars because as  
17 soon as you do, you've lost control of those  
18 dollars and racing is going to die.

19 MR. LERMOND: Commissioner Siegel, we do plan  
20 on sending this whole report to all the members of  
21 the subcommittee on the study of the Virginia  
22 Gaming Commission. I told them the study was being  
23 done and I would forward it to each of them and it  
24 would be available to answer any questions.

25 COMMISSIONER SIEGEL: That came out of the

1 JLARC study this panel has developed or what?  
2 where did they come from?

3 MS. EASTER: It came from a desire by certain  
4 legislators to, as this gentleman has said, we've  
5 become the wild wild west a little bit here since  
6 HHR has been approved and regulation and everything  
7 is, you know, nobody knows in this state how to do  
8 it, so there's a certain group of legislature that  
9 have put together this joint subcommittee that want  
10 to study this and try and get it right because it's  
11 wacky right now.

12 MR. SHOOTS: I'm not necessarily talking about  
13 Virginia, but there's a lot of lobbying funded  
14 quite well by the industry to develop and it's like  
15 we've got to go regulatory light because we want to  
16 stop offshore traffic, this and that and this and  
17 that.

18 You know, regulation light sounds really cool  
19 until you have a scandal and then everybody at this  
20 table looks bad.

21 COMMISSIONER SIEGEL: And the states that have  
22 done it right, there's probably a few of those,  
23 right?

24 MR. SHOOTS: Yeah. Well, look. Nevada has  
25 been in the business for a billion years. Have

1 they made mistakes? Yeah. They kind of missed.  
2 Mr. Winn had some issues, you know, and two  
3 reporters out of the Wall Street Journal discovered  
4 that.

5 I think one of the best regulatory agencies in  
6 the country is in Massachusetts. They caught it,  
7 you know, and they were tough. They went to Mr.  
8 Winn's lawyer who had written all the  
9 non-disclosure agreements and said you release  
10 those people from the non-disclosure or we're going  
11 to decline your office.

12 They're a privileged industry. Guess what?  
13 They said no and if you follow the activities of  
14 the investigation in Massachusetts, Mr. Winn  
15 stepped aside.

16 You know, Apollo bought The Sands and after  
17 that happened -- and in the book, I had some  
18 involvement with the Caesar's Palace coo.

19 Leon Black had been known to have paid \$154  
20 million to Jeffrey Epstein. That was over \$100,000  
21 a month for a Russian model woman who is now suing  
22 him for that being a pay out for rape.

23 Now those should have been caught. Those are  
24 the types of things that make your regulatory  
25 agency like what are you doing, you know. So no



1 one is perfect, but you know that's what happens.

2 In my office, I had a poster made of the words  
3 of Juvenal, who was a Roman poet. It says, who  
4 guards the guards themselves? who guards the  
5 guards themselves? Every regulator needs to  
6 address that issue. who guards us? That's one  
7 example.

8 MR. LERMOND: So the JLARC recommends the  
9 Lottery but Senator Reeves (inaudible) the chair  
10 and vice chair subcommittee saw what our friend  
11 here said about it's a conflict. Lottery should  
12 not be regulating HHR or charitable gaming, for  
13 that matter.

14 MR. SHOOT: Not only is it a conflict,  
15 and that's the big item, but it's different skill  
16 sets. It's like saying, look, you guys hired some  
17 surgeons. They're really expensive. We got some  
18 plumbers to come in. They're a different skill  
19 set.

20 COMMISSIONER SIEGEL: They're expensive, too.

21 MR. LERMOND: The good thing about the study  
22 is number one, it says that we are doing a good job  
23 of regulating HHR when there was some question,  
24 basically because their understanding I think  
25 wasn't as good as the firm here; and secondly, they

1 don't want it to go under the Lottery and that's  
2 really in line with what the subcommittee is  
3 looking at.

4 COMMISSIONER SIEGEL: Wouldn't it make sense  
5 if these two members of the legislature driving  
6 this thing, they formed a group to study it,  
7 wouldn't it be maybe a good idea to get these folks  
8 in front them and tell the story?

9 I don't think anybody tells it better than  
10 this gentleman and to pay them to get in front of  
11 this group and present more or less what they did  
12 to us today, a shorter version because they're not  
13 very patient to listen, but I think if we funded  
14 that somehow, that might make a lot of sense.

15 MR. LERMOND: When I forward the report to  
16 them, I will offer that if they would like this  
17 group to come and present in front of them to make  
18 that happen.

19 CHAIR NIXON: That's a good suggestion.

20 MR. SHOOT: The two groups that get left out  
21 of these discussions, one is betting. I'm working  
22 with a group now in sports betting. No one  
23 represents sports betters. The regulatory agency  
24 will just have an open meeting, invite all the  
25 operators to come in. They don't invite the

1 players to come in.

2 COMMISSIONER SIEGEL: Right.

3 CHAIR NIXON: I believe, Mr. Berman, were you  
4 raising your hand?

5 MR. BERMAN: If I can just interject. I've  
6 worked closely with the legislature and the members  
7 of the study commission. We actually had another  
8 study group about charitable gaming a few years ago  
9 and it's basically the same guys.

10 I just want to make it known that these guys  
11 already recognize that they don't want the Lottery  
12 to run this because it's competitive with the HHR  
13 machines and the business that they run and their  
14 idea is to turn over the regulation of the HHR  
15 machines to an independent Gaming Commission, but  
16 leave the horse racing aspect of the whole issue to  
17 the Racing Commission and maintain the Racing  
18 Commission. So they're already there on the gaming  
19 Commission and that's what they're working towards.

20 MR. SHOOT: Charitable things make no sense  
21 in this state. It's technology. I mean the way  
22 it's done now.

23 MR. BERMAN: They've been reduced to  
24 an advisory board in the last year and --

25 MR. SHOOT: Am I going to be stalked leaving

1 the state when I go home? Hope I've not offended  
2 anyone.

3 MR. BERMAN: What do you feel about that?  
4 About splitting HHR regulation to the Gaming  
5 Commission and leaving the Racing Commission in  
6 charge of all the horse racing?

7 MR. SHOOT: I believe the horse racing  
8 Commission should be in charge of horse racing.

9 MR. BERMAN: Certainly.

10 MR. SHOOT: I understand clearly why you need  
11 to fight and dig in and get as a guarantee that  
12 your funds are going to be protected.

13 MR. BERMAN: They have no intention of  
14 reducing the amount of money the horsemen are going  
15 to receive.

16 UNIDENTIFIED SPEAKER: To clarify your point,  
17 all pari-mutuel wagering should reside under the  
18 Racing Commission. Any form of pari-mutuel  
19 wagering within the state, Racing Commission.

20 MR. BERMAN: Right.

21 UNIDENTIFIED SPEAKER: Whether it be HHR or --

22 MR. SHOOT: Well, I don't see HHR as  
23 pari-mutuel. I see HHR as very similar to the  
24 system-based slot operation.

25 MR. PETRAMALO: That's the problem. We have

1 created a fiction through past legislation that HHR  
2 is pari-mutuel. Sure. Instead of a random number  
3 generator, it's previously run racing.

4 But you know anybody who looks at it with any  
5 common sense will say, well, these are slot  
6 machines. They're no different.

7 That's the problem we have to face when we try  
8 to convince HHR, convince legislatures that HHR  
9 ought to stay with the Racing Commission. Let's  
10 not kid ourselves. It's not horse racing.

11 MR. SHOOTS: If you maintain a regulation  
12 function, you want to maintain the financial  
13 position.

14 MR. PETRAMALO: I don't think there's any  
15 problem with that.

16 MR. SHOOTS: We looked at horse racing in  
17 California. Bo Derek was on our Racing Commission  
18 and what we found was that she was just absolutely  
19 brilliant, by the way, and very knowledgeable of  
20 horses.

21 MS. EASTER: I thought I heard you say just a  
22 little while ago that to keep horse racing alive  
23 and to keep its funding and everything, that this  
24 entity should be regulating and oversee everything  
25 that has to do with horse racing including HHR.

1 Did I misunderstand what you said?

2 MR. SHOOTS: I think given the problems what  
3 are before you right now, yes.

4 MR. JOHNSON: That was our conclusion from our  
5 report.

6 MS. EASTER: And that concludes if the Gaming  
7 Commission versus -- you're very clear that you  
8 don't think it should go to the Lottery. As  
9 Mr. Berman says, I don't think the subcommittee is  
10 thinking that way now, but they are thinking about  
11 an overall Gaming Commission that would take HHR  
12 from oversight from this Commission.

13 Isn't horse racing much better off if the  
14 Racing Commission keeps its oversight?

15 MR. SHOOTS: If you had a Gaming Commission in  
16 this state that handles casinos, sports betting, I  
17 would recommend that you throw charitable gambling  
18 in that because that's really technology in this  
19 day and age and the other formats that they offer  
20 and also HHR. That would make sense to me.

21 CHAIR NIXON: Okay.

22 MR. PETRAMALO: From a regulatory standpoint,  
23 is there really any different skill set or policy  
24 reason to differentiate HHR regulation from slot  
25 machine regulation?

1 MR. SHOOT: Not in my opinion. I mean there  
2 are some differences in opinion. We have a  
3 system-based slot. That was a big move.

4 CHAIR NIXON: Excuse me one moment. I think  
5 Commissioner Brand has a question.

6 COMMISSIONER BRAND: I'd like to follow up on  
7 we're going to send this to legislature or the  
8 subcommittee and the full committee, then also  
9 offer it to be available to discuss or provide a  
10 presentation or whatever.

11 I would like to request that you go a step  
12 further and actually contact at least some of the  
13 leadership in those committees and be more  
14 proactive to make sure they do understand. I think  
15 they're going get a lot of stuff emailed to them  
16 and it's easy for that to be forgotten.

17 To the extent that a regulator can educate and  
18 inform, we're not lobbying, but we're educating and  
19 informing and offer that in a more proactive  
20 manner.

21 MR. LERMOND: Yes, ma'am. I do have a semi  
22 good relationship with Senator Reeves and the Chair  
23 and the Vice Chair, so I would be happy to reach  
24 out to them personally.

25 CHAIR NIXON: Commissioner Hudgins.

1 VICE CHAIR HUDGINS: She's right about being  
2 proactive for sure.

3 CHAIR NIXON: Do you have any other comments,  
4 Commissioners? Questions?

5 Thank you guys so much for everything. I  
6 appreciate that. Thank you.

7 MR. JOHNSON: Thank you for your time. We  
8 took a lot of it.

9 CHAIR NIXON: Well worth it. Thank you very  
10 much.

11 Next is the introduction of the new Executive  
12 Director for the VHBPA, Glen Berman. I believe,  
13 Frank, you're going to do that.

14 MR. PETRAMALO: Yes. As many of you know, I'm  
15 sneaking off under the cover of darkness at the end  
16 of the month. Many people have asked me what are  
17 you going to do.

18 CHAIR NIXON: Excuse me one second. Excuse  
19 me, guys. One second.

20 COMMISSIONER SIEGEL: You can step out if you  
21 want to.

22 CHAIR NIXON: Thank you.

23 MR. PETRAMALO: What I'm thinking is this HHR  
24 regulation sounds like a good gig, so I may look in  
25 to that. Seriously, I am retiring and I would like



1 to introduce Glen Berman to those of you who have  
2 not yet met him.

3 Glen starts on January 1<sup>st</sup> and he brings with  
4 him a well of experience. Glen was Executive  
5 Director and counsel to the Florida HBPA and prior  
6 to that and after that after Florida, too. He  
7 performed the same job for Illinois horsemen. So  
8 he has been Executive Director and general counsel  
9 for a long time.

10 So Glen starts on January 1<sup>st</sup> and I would just  
11 hope that you extend to him the kindness and  
12 consideration and good cheer that you've always  
13 extended to me.

14 CHAIR NIXON: welcome.

15 VICE CHAIR HUDGINS: welcome.

16 MR. BERMAN: Thank you. Thank you for putting  
17 me on the agenda. I start on January 1<sup>st</sup>, but I've  
18 already attended my first Virginia HBPA meeting  
19 last week and here today I've met many of you  
20 already now and I look forward to getting to know  
21 you all better and working with you all to continue  
22 to improve racing in Virginia.

23 COMMISSIONER SIEGEL: I certainly hope you  
24 pick horses better than he can. He always has a  
25 tip.

1 MR. PETRAMALO: My dog Buster can pick horses  
2 better than I can.

3 MR. BERMAN: That's how I started out as a  
4 kid. You get involved going to the races and one  
5 thing leads to another and here I sit.

6 CHAIR NIXON: well, welcome.

7 MR. BERMAN: Thank you.

8 CHAIR NIXON: I want to have Mr. Petramalo  
9 stand up, if you don't mind, please, sir.

10 MR. PETRAMALO: At my age and my knees?

11 CHAIR NIXON: Yes. Yes. First of all, thank  
12 you for the cookies. Those really good.

13 MR. PETRAMALO: Excellent cookies.

14 CHAIR NIXON: well, I'm happy that you and  
15 Mary Lou are able to ride off on your steeplechase  
16 horse into the sunset.

17 MR. PETRAMALO: There you go. He broke his  
18 lead in the last week, by the way.

19 CHAIR NIXON: How many miles was it?

20 JUROR 4: Three and an eighth.

21 CHAIR NIXON: Three and an eighth. Oh, my  
22 gosh. well, it's a bitter sweet moment for me  
23 and for all of us here and I want to tell you how  
24 much we all personally thank you for all that  
25 you've done in the horse racing industry.

1 I think that there are several other people  
2 that want to thank you for that as well, but for me  
3 personally, I want to appreciate everything that  
4 you've done here. You're close to 30 years.

5 Debbie, is that about right?

6 MR. PETRAMALO: It seems like 100.

7 MS. EASTER: I don't want to count for him.

8 CHAIR NIXON: As most of you know, I've worked  
9 with Mr. Petramalo for a long, long, long time and  
10 if it wasn't on public record, I could tell you  
11 some really good stories about Frank. But the care  
12 and dedication you have put into this industry, I  
13 just think you're irreplaceable. I really do.

14 MR. PETRAMALO: You're very kind.

15 CHAIR NIXON: Thank you again for everything  
16 you've done for us. We appreciate that.

17 MR. PETRAMALO: Thank you for your kind words.

18 CHAIR NIXON: I think there are some other  
19 folks that might want to acknowledge you as well.  
20 Any other Commissioners?

21 COMMISSIONER HUDGINS: I'd like to say that  
22 you are the most enthusiastically argumentative  
23 person I have ever known and I love that. It's so  
24 refreshing.

25 MR. PETRAMALO: I am a lawyer. You understand

1           that?

2           MS. EASTER: You've told us that once or  
3           twice.

4           CHAIR NIXON: Commissioner Siegel.

5           COMMISSIONER SIEGEL: I would like to add to  
6           it as Stephanie has said. Having the opportunity  
7           to know you, Frank, for a very long time and worked  
8           with you, there's no better professional out there.

9           You make your point and I think as Churchill  
10          can testify, you make it in a strong way and often  
11          get heard in the way you should be because you  
12          usually have the right answers and I think that's  
13          important for anybody in your position.

14          You really care about others and how they feel  
15          and I think that's even more important,  
16          particularly on the back side when you work with  
17          these folks who so need your help in so many ways  
18          and I'm sure they're appreciative as well.

19          MR. PETRAMALO: Thank you very much.

20          CHAIR NIXON: Commissioner Tanner.

21          COMMISSIONER TANNER: I would like to say  
22          thank you for all you've done to welcome me into  
23          the horse racing community and particularly in my  
24          role as Commissioner.

25          The passion that you argue for the protection

1 of the HBPA carries through to also how you  
2 educate, how you welcome and I just want to share  
3 with you my appreciation for that personally, but  
4 also I think as a community, you've been a real  
5 special part of this world, so thank you very much.

6 MR. PETRAMALO: Thank you.

7 COMMISSIONER BRAND: I would like to thank you  
8 for your patience as I'm a new person on the block  
9 and learning. You've always been very helpful with  
10 questions.

11 I sit here and think of the years that you  
12 have invested in this industry and there are others  
13 in the room as well and that's what makes this so  
14 special and so good, is there are people that are  
15 so passionate and have invested so much time and no  
16 matter what you're getting paid, it's not going to  
17 be enough to recuperate from the travel, the time  
18 spent, the late nights, the cold weather, all of  
19 that, and on top of that your passion and your  
20 persistence in making sure the things that you  
21 believe in are addressed. So thank you very much.  
22 You're an example for all of us. Thank you.

23 MR. PETRAMALO: Thank you. You know, when I  
24 run into my former Washington, DC lawyer colleagues  
25 and they say what have you been doing for the last

1 20 years, I say to them, you're not gonna believe  
2 this. I get paid to hang out at the racetrack.

3 CHAIR NIXON: I think one other person wants  
4 to say something.

5 MS. EASTER: I'm happy to get the opportunity  
6 again to do this, but I'm not sure I will be as  
7 eloquent as the Commissioners. That's probably why  
8 I don't sit on that side of the table.

9 But for those of you that don't know, most of  
10 our code or a good bit of it has been written by  
11 Frank. That's how long he has been here. Right or  
12 wrong, whatever we feel like, we always thought we  
13 were doing it for the good of this industry and not  
14 for ourselves and so it has been a joy working with  
15 you.

16 MR. PETRAMALO: Thank you.

17 CHAIR NIXON: My goodness. How fitting our  
18 last meeting is here -- Frank's last meeting is  
19 here at the HBPA. Thank you for hosting us all as  
20 well. We appreciate it.

21 MR. PETRAMALO: I appreciate it.

22 CHAIR NIXON: I think before we get to the  
23 Commissioners' comments, Darrell of VEA has a video  
24 to show us that the First Lady was a part of from  
25 the marketing that Jill Byrne has been working on.

1 MS. EASTER: Jill is not here. She's in  
2 Arizona also, but I just thought that you all that  
3 haven't seen it would appreciate what she has been  
4 putting together.

5 I think during the last meeting you saw the  
6 first video of marketing the horse industry and  
7 this is the second one she and everyone have been  
8 involved with and they cut it up, chop it up, it  
9 hits the TV, it hits the radios, it hits social  
10 media, but this one I think is especially good.  
11 I'm just amazed at the quality of what she has been  
12 doing.

13 As Churchill takes over, we have this partner  
14 that runs racing, the VEA becomes more and more of  
15 the marketing for the industry and that's what our  
16 place is probably going to be. We've never had the  
17 funds to do these kinds of things before and I  
18 think it's really exciting.

19 NOTE: The video is played to the public.

20 CHAIR NIXON: Before we wrap this up, we will  
21 go into Commissioner comments. We'll start to my  
22 right down there, Commissioner Hudgins.

23 VICE CHAIR HUDGINS: I have really nothing to  
24 offer other than what I've already said today.  
25 We're looking forward to the future. I think we're

1 on the right path.

2 CHAIR NIXON: Commissioner Siegel.

3 COMMISSIONER SIEGEL: I agree with Marsha. A  
4 lot has been said today and I think we've all  
5 spoken about the importance of what we do here.  
6 Again, I think as the First Lady said, it changes a  
7 lot of folks and I'm proud to be part of it.  
8 Thanks to everyone who does so much.

9 CHAIR NIXON: Commissioner Tanner.

10 COMMISSIONER TANNER: I don't have a lot to  
11 add other than welcome, Glen. Look forward to  
12 working with you. You've got a pair of shoes to  
13 fill and I look forward to working with you.

14 MR. BERMAN: Thank you.

15 COMMISSIONER TANNER: That's about it.

16 COMMISSIONER BRAND: Commissioner, first off,  
17 I'd like to say that I'm very happy to be back. I  
18 missed a lot of the things that happened this  
19 summer. I was in a pretty serious car accident,  
20 but it's good to be back today.

21 Secondly, I guess it came to my attention that  
22 we needed to maybe do a logo or something for our  
23 website and there is an informal logo that has been  
24 used for the Racing Commission, but it hasn't been  
25 formalized.



1           So just to give you a heads up, this is just  
2 kind of an unofficial thought about a logo to be  
3 used and we need to work on some of the, I guess  
4 the logistics of getting it officially approved as  
5 we are a state agency and hopefully that's not  
6 going to be too arduous to do, but we want to do it  
7 right.

8           So anyway, I'd like to thank Jill and Aiden,  
9 too, for their input, the color selection, the  
10 consistency across several of our horse racing  
11 counterparts that there are some connections as  
12 well.

13           I'd like to have a horse that looks more  
14 athletic. This one probably leans more towards  
15 flat racing and it's really hard to get all of the  
16 different racing entities represented.

17           So anyway, if anybody has any strong opinions,  
18 I'd love to hear your feedback on it. It's  
19 probably not a big deal, but it is something that  
20 just kind of closes the loop on our identity as  
21 well.

22           CHAIR NIXON: Thank you. I'll just end  
23 wishing everyone a happy holiday and thank our  
24 speakers from Victor-Strategies for coming today.  
25 I appreciate you taking the time.

1 I don't think there is a need for a closed  
2 session.

3 If that's the case, then we will set our next  
4 meeting date as February 27. Does that work for  
5 all of us? Is that good for our new -- Mr. Glen?

6 MR. BERMAN: Sure. Absolutely.

7 CHAIR NIXON: Debbie, you'll pass it on to Jeb  
8 and everything?

9 MS. EASTER: Sure.

10 CHAIR NIXON: Perfect. All right. That's  
11 everything. The meeting is adjourned.

12 NOTE: This concludes the December 6,  
13 2023 meeting of the Virginia Racing Commission.  
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1 CERTIFICATE OF COURT REPORTER  
2

3 I, Sandra G. Spinner, hereby certify that I,  
4 having been duly sworn, was the court reporter for the  
5 meeting of the Virginia Racing Commission on December 6,  
6 2023, at the time of the meeting herein.

7 I further certify that the foregoing  
8 transcript is, to the best of my ability, a true,  
9 accurate and full record of the incidents of the meeting  
10 herein.

11 Given under my hand this 17<sup>th</sup> day of February,  
12 2024.

13  
14 *Sandra G. Spinner*  
15 \_\_\_\_\_

16 Sandra G. Spinner  
17 Court Reporter  
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