

**VIRGINIA RACING
COMMISSION**

2009 ANNUAL REPORT



COMMONWEALTH of VIRGINIA

Virginia Racing Commission

10700 Horsemen's Road

New Kent, Virginia 23124

(804) 966-7400; FAX (804) 966-7418

February 25, 2010

TO: THE HONORABLE ROBERT F. MCDONNELL. GOVERNOR OF VIRGINIA AND THE MEMBERS OF THE GENERAL ASSEMBLY

Pursuant to the provisions of the Code of Virginia Title 59, Chapter 29, Section 59.1-369 (9) relating to horse racing with pari-mutuel wagering, it is my privilege and pleasure to submit herewith the 2009 Annual Report of the Virginia Racing Commission.

VRC Revenue is generated from a percentage of every pari-mutuel wager made in Virginia – in person at Colonial Downs and its eight satellite wagering facilities as well as online and over the phone. This revenue serves to fund the operation of this regulatory agency and allows us to meet our obligation to the General Fund as per the provisions of the Appropriations Act.

This Racing Commission remains committed to ensuring the integrity of racing for the participants and patrons alike and appreciates the continued support for horse racing and the equine industry from the Administration and the members of the General Assembly.

Respectfully Submitted,

Victor I. Harrison

Victor I. Harrison
Executive Secretary

Table of Contents

- Executive Secretary’s Letter to The Governor..... 2
- Commissioners..... 4
- VRC Staff..... 5
- Activities of the Commission..... 6
- Wagering Statistics 9
- About Colonial Downs..... 15
- Satellite Facilities..... 20
- Breeders Fund..... 38
- Thoroughbred, Stewards’ Report..... 42
- Thoroughbred, Veterinarian’s Report..... 45
- Standardbred, Judges’ Report..... 51
- Standardbred, Veterinarian’s Report..... 56
- Permit / Licensing Report..... 64
- 2009 Tax Revenue Statistics 70
- Audit Report, Fiscal Year Ended June 30, 2008..... 73
- 2010 Issues..... 85

All included photos of race horses at Colonial Downs are courtesy of Coady Photography

Gio Ponti



VIRGINIA RACING COMMISSION

- Peter C. Burnett Chairman, Leesburg



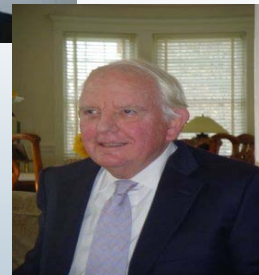
- I. Clinton Miller Vice-Chairman, Woodstock



- Mark T. Brown, Palmyra



- David C. Reynolds, Richmond



- Stuart C. Siegel, Richmond



VRC STAFF

- Victor I. Harrison—Executive Secretary
- David S. Lermond, Jr.—Deputy Executive Secretary
- Joseph M. Roney—Director of Security & Enforcement
- Dennis E. West—Director of Operations
- Kimberly M. Carter—Office Manager
- Peggy E. Mason—Permit Manager
- Marilyn A. Bauer – Administrative Assistant and Assistant to the Deputy Secretary
- Dr. Richard Harden—Equine Medical Director

Activities and Observations of the Commission

The Racing Act, Title 59, Chapter 29, effective on January 1, 1989, vests control of all horse racing with pari-mutuel wagering conducted in the Commonwealth to the Virginia Racing Commission (VRC). The Commission:

- Prescribes regulations and conditions under which racing and wagering is conducted;
- Maintains horse racing in the Commonwealth of the highest quality free of corrupt, incompetent, dishonest or unprincipled practices, and;
- Maintains in such racing complete honesty and integrity.

Horse racing with pari-mutuel wagering is permitted in the Commonwealth for the “promotion, sustenance and growth of the native industry, in a manner consistent with the health, safety and welfare of the people.”

2009 Activities and Observations of the Commission 2

- In 2009 the VRC felt the impact of an economy in recession and witnessed the continued decline, almost 20% from 2008, in wagering at the race track and Satellite Wagering Facilities (SWFs). The only improving segment of wagering in Virginia occurred in Advance Deposit Wagering (ADW or, online wagering) which saw a 5% jump.
- In 2009 the VRC dealt with the fallout from the source-market fee ADW legislation that became effective July 1, 2009. The four Out-of-State ADW providers strongly disapproved of a mandated 10% source market fee going to the racetrack and horsemen. As of the time of the writing of this Annual Report it appears that the parties are close to resolving their differences.
- In September of 2009, Commissioner Trip Ferguson resigned to pursue political interests. His replacement, Stuart C. Siegel was appointed by the Governor in November.
- 2009 saw the VRC settle a long standing dispute with a prior technology provider. At issue, was the upgrade to the VRC's licensing system. While the dispute has been resolved, the licensing system remains in need of upgrading or replacement.
- The first ever increase in VRC license fees was also approved by the Commission. The new rates went into effect on January 1, 2010.
- The ad hoc committee known as the the Virginia Racing Improvement Group (VRIG) was formed and met 6 times. VRIG brings together the interested parties, including the public, to plot a successful potential future for VA horse racing that is sustainable and profitable.

Nicota, shown winning a Day of Champions race in November



Taxable Wagering From Inception

<u>YEAR</u>	<u>Race Track and SWF's</u>	<u>Internet And Telephone Wagering</u>	<u>Total Wagering Handle</u>
1996	\$36,952,607	\$0	\$36,952,607
1997	95,094,161	0	95,096,158
1998	120,717,190	0	120,717,190
1999	121,324,249	0	121,324,249
2000	121,754,800	0	121,754,800
2001	123,879,396	0	123,879,396
2002	124,064,569	0	124,064,569
2003	130,382,875	0	130,382,875
2004	145,394,480	1,287,541	146,682,021
2005	151,758,202	12,691,398	164,449,600
2006	164,208,077	28,300,972	192,509,049
2007	167,684,686	33,206,726	200,891,412
2008	149,629,200	47,303,439	196,932,639
2009	122,461,456	49,850,493	172,311,949
TOTAL	\$1,775,305,948.00	\$172,640,569.00	\$1,947,946,517.00

Total Wagering - Colonial Downs and SWF's*

<u>YEAR</u>	<u>Race Track and SWF's</u>	<u>Total Attendance</u>	<u>Racing Days</u>	<u>Daily Average Attendance</u>	<u>Wagering Per Capita</u>
1996	\$36,952,607	178,570	338	528	\$207
1997	95,094,161	578,831	840	689	\$164
1998	120,717,190	446,859	1,381	324	\$270
1999	121,324,249	544,744	1,351	403	\$223
2000	121,754,800	490,868	1,540	319	\$248
2001	123,879,396	511,856	1,445	354	\$242
2002	124,064,569	523,216	1,441	363	\$237
2003	130,382,875	552,632	1,534	360	\$236
2004	145,394,480	613,084	1,976	310	\$237
2005	151,758,202	665,555	2,490	267	\$228
2006	164,208,077	678,426	3,065	221	\$242
2007	167,684,686	720,325	3,127	230	\$233
2008	149,629,200	659,974	3,021	218	\$227
2009	122,461,456	572,149	2,547	225	\$214
TOTAL	\$1,775,305,948.00	7,737,089	26,096	N/A	N/A

* Taxed at a rate of approximately 1.75%

Out-of-State Wagering on VA Racing*

<u>Year</u>	<u>VA Thoroughbred</u>	<u>VA Harness</u>	<u>TOTAL</u>
1997	19,412,236	0	19,412,236
1998	16,232,300	3,766,052	19,998,352
1999	18,640,650	3,707,615	22,348,265
2000	22,716,226	3,890,775	26,607,001
2001	22,545,623	1,496,404	24,042,027
2002	25,171,620	2,092,793	27,264,413
2003	29,488,341	2,139,393	31,627,734
2004	28,402,323	3,409,887	31,812,210
2005	36,507,736	3,822,592	40,330,328
2006	43,828,004	4,787,501	48,615,505
2007	42,153,392	3,821,288	45,974,680
2008	43,237,534	3,597,309	46,834,843
2009	25,102,402	2,505,420	27,607,822
TOTAL	\$373,438,387	\$36,531,609	\$409,969,996

*Non- taxable

Internet and Telephone Wagering*

<u>Year</u>	<u>EZ Horseplay</u>	<u>TVG</u>	<u>Xpress Bet</u>	<u>America Tab</u>	<u>TwinSpires</u>	<u>Youbet</u>	<u>TOTAL</u>
2004	1,287,541	0	0	0	0	0	1,287,541
2005	3,939,764	4,080,824	4,670,810	0	0	0	12,691,398
2006	3,736,391	8,169,546	7,816,430	8,578,605	0	0	28,300,972
2007	4,523,353	11,929,412	9,742,446	6,390,447	621,068	0	33,206,726
2008	5,326,767	11,386,057	11,036,049	0	8,269,673	11,284,893	47,303,439
2009	4,151,786	12,995,763	10,998,074	0	9,974,871	11,729,999	49,850,493
TOTALS	\$22,965,602	\$48,561,602	\$44,263,809	\$14,969,052	\$18,865,612	\$23,014,892	\$172,640,569

*Taxed at a rate of .05%

Thoroughbred Meet Wagering

<u>YEAR</u>	<u>Total Thoroughbred Meet Handle</u>	<u>Daily Average, All Sources, In-state and Out</u>	<u>Daily Average at Colonial Downs, Live and Imported*</u>	<u>Daily On-Track-Only Average Attendance</u>	<u>Average Wagering Per Capita</u>
1996	0	0	\$0	\$0	\$0
1997	28,182,006	939,400	183,594	3,620	51
1998	21,293,467	881,473	141,154	2,263	62
1999	23,420,243	975,854	107,881	1,628	66
2000	27,923,752	872,617	90,589	1,247	73
2001	27,579,707	1,103,188	117,818	1,940	61
2002	31,039,485	1,193,826	140,067	2,202	64
2003	36,090,262	1,203,009	140,305	2,193	64
2004	36,205,494	1,064,867	138,236	2,155	64
2005	44,710,190	1,117,755	124,122	2,028	61
2006	51,587,415	1,258,230	113,438	1,804	63
2007	50,507,580	1,262,689	164,557	1,996	82
2008	50,343,446	1,118,743	126,195	1,668	76
2009	31,241,633	781,041	128,093	1,712	75
TOTAL	\$460,124,680.00	N/A	N/A	N/A	N/A

*includes some standardbred simulcasts

Standardbred Meet Wagering

<u>YEAR</u>	<u>Total Harness Meet Handle</u>	<u>Daily Average, All Sources, In-state and Out</u>	<u>Daily Average at Colonial Downs, On Track and Imported (Non-Internet)*</u>	<u>Daily On-Track-Only Average Attendance</u>	<u>Average Wagering Per Capita</u>
1996	0	0	\$0	0	\$0
1997	0	0	0	0	0
1998	7,260,770	172,875	56,661	1,379	41
1999	5,795,265	193,175	41,319	909	45
2000	5,903,010	147,575	19,270	258	75
2001	2,459,010	163,934	30,912	486	64
2002	3,716,853	154,869	30,860	478	65
2003	4,148,072	148,145	34,585	580	60
2004	5,815,294	181,728	40,361	645	63
2005	6,217,238	172,701	36,959	620	60
2006	6,562,653	182,296	20,498	312	66
2007	5,726,362	178,949	43,183	613	70
2008	5,320,909	156,497	35,945	509	71
2009	3,885,199	107,922	27,552	353	78
TOTAL	\$62,810,635.00	N/A	N/A	N/A	N/A

*includes some thoroughbred simulcasts

About Colonial Downs

Now 13 years young, Colonial Downs has been the catalyst for a sport that generates nearly \$175,000,000 in annual pari-mutuel wagering in Virginia. In 2009, total combined attendance at the VA track and its satellite wagering facilities (SWFs) was 572,149. Since opening its initial SWF in 1996, nearly 8 million people have wagered at the track and its SWFs (or, OTBs).

§ 59.1-364 of the Code of Virginia states that horse racing with pari-mutuel wagering is permitted in the Commonwealth for the promotion, sustenance and growth of the native industry. The stakeholders in Virginia have strived to work together to build the horse breeding and racing industries. Quality racing has always been and continues to be the goal of Virginia stakeholders.

Colonial Downs is owned by Jacobs Entertainment and controlled by Jeffrey Jacobs. Since the inception of live Thoroughbred racing in September of 1997, Colonial Downs has developed a solid reputation as North America's Thoroughbred turf (grass) racing capital. On average, 90% of the Thoroughbred races run at Colonial Downs are contested over the 180-foot wide Secretariat Turf Course (named after Virginia's famous Triple Crown winner, arguably the greatest Thoroughbred horse ever).

About Colonial Downs ²

Jacobs Entertainment also sponsored the Grand Slam of Grass, a four-race series for three-year-olds. Two of the Grand Slam races are run at Colonial Downs—the Colonial Cup and the Virginia Derby. The Secretariat Stakes at Arlington Park and the Breeders' Cup Turf race made up the remainder of the series. A single horse winning all four races would have receive a total of \$5,000,000 in combined purses and bonuses. The Colonial Cup has been awarded a Grade III rating by the American Graded Stakes Committee, while the Virginia Derby is a Grade II.

In 2009, a pari-mutuel wagering handle of \$3,427,511 was bet on Virginia Derby day and The Colonial Turf Cup day generated \$2,159,488 in wagering. Both totals were down from the record setting 2008 levels.

About Colonial Downs ³

The 2009 Standardbred (harness racing) race meet was highly competitive and entertaining. The annual harness meet features a one-turn mile for most of its races – a long straightaway into the turn and then a long homestretch out of the turn to the finish line. As such, each year a number of record and career best times are established in Virginia. For the fourth straight year, in 2009, Colonial Downs hosted the Invitational Trot with a purse of \$40,000 which drew some of the top trotters in the nation. The 2009 winner, Lolique, beat heavy betting favorite Buck I St. Pat and, in the process, the popular Vivid Photo. One of the highlights of this year's harness meet was the Night of Champions - an evening filled with stakes races showcasing Virginia-bred and Virginia-owned horses. (See photograph, Page 8)

About Colonial Downs 4

Advance deposit account wagering - ADW - (internet and telephone wagering) is the second largest source of pari-mutuel wagering in Virginia. In 2009, \$49,850,493 in such internet and phone wagering was generated by the five account wagering companies currently licensed in Virginia—Colonial Downs' EZ Horseplay, TVG, XpressBet, Youbet and TwinSpires. This represented an increase of more than 5% over the \$47,303,439 wagered through the ADW providers in 2008. Wagering in the Commonwealth and in North America continued to feel the impact of the migration of bettors from the racetrack to internet wagering.

2009 Virginia Derby 2009 Colonial Turf Cup

- Battle of Hastings (8) (below, left) winning the 2009 \$500,000 Colonial Turf Cup.
- Battle of Hastings (yellow and purple cap) winning the \$750,000 Virginia Derby.



RICHMOND SATELLITE WAGERING FACILITY (SWF)



4700 West Broad Street Richmond, VA 23230

- Size: 20,000 Sq. Ft.
- The busiest of the track's OTBs. Offers an accommodating VIP room. The Broad Street SWF is centrally located in the near west-end of Richmond. The facility accommodates up to 500 patrons and is partitioned for smokers and non-smokers alike. The facility has parking capacity for 350 vehicles.

Richmond SWF

<u>YEAR</u>	<u>Total Handle</u>	<u>Racing Days</u>	<u>Average Daily Handle</u>	<u>Total Attendance</u>	<u>Daily Average Attendance</u>	<u>Wagering Per Capita</u>
1996	3,391,418	21	161,496	17,403	829	\$195
1997	51,556,304	363	142,028	206,530	569	\$250
1998	50,183,501	363	138,247	178,841	493	\$281
1999	51,347,173	361	142,236	173,378	480	\$296
2000	49,096,147	361	136,000	162,921	451	\$301
2001	50,475,896	362	139,436	164,372	454	\$307
2002	49,986,746	360	138,852	159,222	442	\$314
2003	47,927,303	357	134,250	156,339	438	\$307
2004	40,821,803	362	112,767	123,682	342	\$330
2005	38,066,496	363	104,866	118,343	326	\$322
2006	31,823,009	302	105,374	94,348	312	\$337
2007	36,142,095	362	99,840	107,834	298	\$335
2008	32,302,808	357	90,484	98,200	275	\$329
2009	25,103,242	309	81,240	86,263	279	\$291
TOTALS	\$558,223,941	4,603	\$121,274	1,847,676	N/A	\$302

SOUTH RICHMOND (Hull Street) SWF

6550 Hull Street Road Richmond, VA 23224

- Size: 11,500 Sq. Ft.
- The South Richmond Satellite Wagering Facility opened on November 12, 2003. Located just off the Hull Street exit from the Midlothian Turnpike, in Haynes Plaza. The facility accommodates 300 patrons with seating for 180. Partitioned smoking and non-smoking areas are provided.



South Richmond (Hull Street) SWF

<u>YEAR</u>	<u>Total Handle</u>	<u>Racing Days</u>	<u>Average Daily Handle</u>	<u>Total Attendance</u>	<u>Daily Average Attendance</u>	<u>Wagering Per Capita</u>
1996	0	0	0	0	0	\$0
1997	0	0	0	0	0	\$0
1998	0	0	0	0	0	\$0
1999	0	0	0	0	0	\$0
2000	0	0	0	0	0	\$0
2001	0	0	0	0	0	\$0
2002	0	0	0	0	0	\$0
2003	2,001,182	48	41,691	8,634	180	\$232
2004	17,832,357	361	49,397	64,479	179	\$277
2005	18,318,539	363	50,464	63,337	174	\$289
2006	23,560,440	362	65,084	74,216	205	\$317
2007	19,436,532	359	54,141	66,265	185	\$293
2008	17,090,463	357	47,872	61,347	172	\$279
2009	14,614,926	314	46,544	54,604	174	\$268
TOTALS	\$112,854,439	2,164	\$52,151	392,882	N/A	\$287

CHESAPEAKE SWF

3376 South Military Highway Chesapeake, VA 23323

- The first satellite wagering facility in Virginia, this Chesapeake SWF closed its doors in November of 2008.



Chesapeake SWF*

<u>YEAR</u>	<u>Total Handle</u>	<u>Racing Days</u>	<u>Average Daily Handle</u>	<u>Total Attendance</u>	<u>Daily Average Attendance</u>	<u>Wagering Per Capita</u>
1996	33,561,189	317	105,871	161,167	508	\$208
1997	35,138,043	363	96,799	148,373	409	\$237
1998	28,929,078	363	79,694	114,682	316	\$252
1999	30,154,358	360	83,762	106,782	297	\$282
2000	29,663,510	362	81,943	100,405	277	\$295
2001	30,031,322	362	82,959	103,778	287	\$289
2002	30,816,019	361	85,363	100,937	280	\$305
2003	32,839,851	359	91,476	102,054	284	\$322
2004	32,771,667	363	90,280	98,618	272	\$332
2005	27,557,180	366	75,293	83,032	227	\$332
2006	14,455,627	350	41,302	48,210	138	\$300
2007	14,825,116	360	41,181	51,409	143	\$288
2008	11,979,016	313	38,272	39,383	126	\$304
2009	0	0	0	0	0	\$0
TOTALS	\$352,721,976	4,599	\$76,695	1,258,830	N/A	\$280

*Closed November, 2008

NEW CHESAPEAKE (Indian River) SWF

4301 Indian River Road, Chesapeake, VA 23325

- Size: 10,000 Sq. Ft.
- This Chesapeake Satellite Wagering Facility opened on October 12, 2005. It is the SWF located nearest to the VA population centers of Norfolk and Virginia Beach. The facility can accommodate 291 patrons with seating for 156. Smoking and non-smoking partitioned areas are provided.



New Chesapeake (Indian River) SWF

<u>YEAR</u>	<u>Total Handle</u>	<u>Racing Days</u>	<u>Average Daily Handle</u>	<u>Total Attendance</u>	<u>Daily Average Attendance</u>	<u>Wagering Per Capita</u>
2005	4,963,971	80	62,050	15,648	196	\$317
2006	23,666,541	362	65,377	69,818	193	\$339
2007	23,829,721	362	65,828	78,627	217	\$303
2008	24,461,630	363	67,387	76,704	211	\$319
2009	27,502,892	358	76,824	86,313	241	\$319
TOTALS	\$104,424,755	1,525	\$68,475	327,110	N/A	\$319

HAMPTON SWF

1909 Commerce Drive Hampton, VA 23666

- Size: 13,500 Sq. Ft.
- The Hampton Satellite Wagering Facility is centrally located just off I-64 near the Hampton Coliseum. The facility accommodates up to 580 patrons and is partitioned for smokers and non-smokers alike. There is one central main bar area, and 16 teller windows. The facility has parking capacity for 270 vehicles and is currently experiencing interior renovation.



Hampton SWF

<u>YEAR</u>	<u>Total Handle</u>	<u>Racing Days</u>	<u>Average Daily Handle</u>	<u>Total Attendance</u>	<u>Daily Average Attendance</u>	<u>Wagering Per Capita</u>
1996	0	0	0	0	0	\$0
1997	327,811	7	46,830	1,651	236	\$199
1998	22,765,994	363	62,716	114,679	316	\$199
1999	23,298,797	361	64,540	103,945	288	\$224
2000	24,999,787	362	69,060	99,618	275	\$251
2001	26,083,186	362	72,053	99,718	275	\$262
2002	25,058,151	361	69,413	98,362	272	\$255
2003	25,947,756	358	72,480	95,064	266	\$273
2004	28,321,244	363	78,020	95,269	262	\$297
2005	26,720,455	363	73,610	85,723	236	\$312
2006	25,638,907	362	70,826	82,352	227	\$311
2007	24,536,734	362	67,781	77,128	213	\$318
2008	21,505,334	363	59,243	74,903	206	\$287
2009	19,709,082	362	54,445	72,346	200	\$272
TOTALS	\$294,913,238	4,349	67,812	1,100,758	N/A	\$268

BRUNSWICK (Alberta) SWF

24 Colonial Downs Place Alberta, VA 23821

- Size: 20,000 Sq. Ft.
- The Brunswick Satellite Wagering Facility is located two miles off Route 1 in Brunswick County, which is 15 miles from the North Carolina border. Easily accessible from US Interstate I-85, the facility can accommodate up to 400 patrons. There is one main bar area, and 10 teller windows. The facility has parking capacity for 500 vehicles.



Brunswick (Alberta) SWF

<u>YEAR</u>	<u>Total Handle</u>	<u>Racing Days</u>	<u>Average Daily Handle</u>	<u>Total Attendance</u>	<u>Daily Average Attendance</u>	<u>Wagering Per Capita</u>
1996	0	0	0	0	0	\$0
1997	226,146	14	16,153	1,460	104	\$155
1998	10,573,166	292	36,209	38,657	132	\$274
1999	11,404,545	269	42,396	27,925	104	\$408
2000	11,888,170	279	42,610	28,018	100	\$424
2001	12,085,136	265	45,604	24,821	94	\$487
2002	11,882,404	259	45,878	27,243	105	\$436
2003	14,094,878	292	48,270	28,548	98	\$494
2004	14,152,950	311	45,508	28,067	90	\$504
2005	12,620,398	309	40,843	25,276	82	\$499
2006	9,967,380	269	37,053	21,825	81	\$457
2007	10,646,527	270	39,432	23,708	88	\$449
2008	9,566,019	275	34,786	22,249	81	\$430
2009	7,085,370	263	26,941	17,729	67	\$400
TOTALS	\$136,193,089	3,367	\$40,449	315,526	N/A	\$432

VINTON SWF

1135 Vinyard Road, Vinton, VA 24179

- Size: 14,600 Sq. Ft.
- The Vinton Satellite Wagering Facility opened in October, 2004 and is located in suburban Roanoke. The facility can accommodate 450 patrons with seating for 260. Smoking is not allowed.



Vinton SWF

<u>YEAR</u>	<u>Total Handle</u>	<u>Racing Days</u>	<u>Average Daily Handle</u>	<u>Total Attendance</u>	<u>Daily Average Attendance</u>	<u>Wagering Per Capita</u>
2004	2,455,993	81	30,321	13,447	166	\$183
2005	10,807,394	357	30,273	49,607	139	\$218
2006	10,471,558	286	36,614	42,806	150	\$245
2007	10,754,287	361	29,790	45,969	127	\$234
2008	7,976,405	282	28,285	36,294	129	\$220
2009	7,333,049	262	27,989	38,896	148	\$189
TOTALS	\$49,798,686	1,629	\$30,570	227,019	N/A	\$219

MARTINSVILLE SWF

3951 Greensboro Road, Martinsville, VA 24148

- Size: 12,500 Sq. Ft.
- The Martinsville Satellite Wagering Facility opened on August 15, 2005. Located near Martinsville Raceway, the facility accommodates 539 patrons with seating for 241. Smoking is prohibited. Texas Hold Em games prove to be a popular attraction at this site.



Martinsville SWF

<u>YEAR</u>	<u>Total Handle</u>	<u>Racing Days</u>	<u>Average Daily Handle</u>	<u>Total Attendance</u>	<u>Daily Average Attendance</u>	<u>Wagering Per Capita</u>
2005	3,529,839	137	25,765	18,978	139	\$186
2006	10,358,670	323	32,070	36,231	112	\$286
2007	12,014,060	270	44,497	35,512	132	\$338
2008	9,765,317	275	35,510	33,715	123	\$290
2009	8,499,236	262	32,440	28,308	108	\$300
TOTALS	\$44,167,122	1,267	\$34,860	152,744	N/A	\$289

SCOTT COUNTY SWF

358 U.S. Highway 23N, Weber City, VA 24290

- Size: 16,700 Sq. Ft.
- The newest satellite wagering facility is located in Scott County. It opened on January 18, 2006. The facility can accommodate 400 patrons with seating for 246. Kingsport, Johnson City, and Bristol, TN are all within a short drive of this OTB. Smoking is prohibited.



Scott County SWF

<u>YEAR</u>	<u>Total Handle</u>	<u>Racing Days</u>	<u>Average Daily Handle</u>	<u>Total Attendance</u>	<u>Daily Average Attendance</u>	<u>Wagering Per Capita</u>
2006	6,592,864	272	24,238	36,100	133	\$183
2007	7,184,714	270	26,610	32,029	119	\$224
2008	7,760,029	275	28,218	29,697	108	\$261
2009	6,118,592	262	23,353	25,252	96	\$242
TOTALS	\$27,656,199	1,079	\$25,631	123,078	N/A	\$225

BREEDERS FUND

Historically funded by a 1% takeout from all wagering conducted in Virginia, funds have been established for both Thoroughbred and Standardbred breeders and owners. In July of 2009 legislation took effect giving the Breeders Fund 1% from internet and telephone wagering.

In 2009, \$960,763 was generated for the Thoroughbred Breeders' Fund, down from 2008's total of \$1,167,875. The 14-year total to the Fund is \$13,813,335. Most of the Thoroughbred Breeders' Fund money is distributed during the annual live meet at Colonial Downs, including, in 2009, a 100% bonus for the owners of Virginia-breds winning races in open competition. The bonus resulted in additional purse payouts in 2009 of \$438,174.

BREEDERS FUND 2

Harness racing, both live and simulcast, accounts for approximately 20% of total bricks-and-mortar wagering in Virginia. As a result, \$3,939,001 has been generated for the Standardbred Breeders Fund during the past thirteen years.

The Racing Commission has contracted with the Virginia Thoroughbred Association to administer the Thoroughbred Breeders' Fund program and the Virginia Harness Horse Association to manage the Standardbred Breeders' Fund.

Breeders Fund From Inception

<u>Year</u>	<u>VA Thoroughbred</u>	<u>VA Harness</u>	<u>TOTAL</u>
1996	263,517	105,288	368,805
1997	755,900	195,041	950,941
1998	917,484	289,688	1,207,172
1999	915,431	297,811	1,213,242
2000	942,714	274,834	1,217,548
2001	967,123	271,671	1,238,794
2002	970,555	270,091	1,240,646
2003	1,035,181	268,647	1,303,828
2004	1,136,789	317,156	1,453,945
2005	1,176,374	341,208	1,517,582
2006	1,285,476	356,604	1,642,080
2007	1,318,153	358,693	1,676,846
2008	1,167,875	328,417	1,496,292
2009	960,763	263,852	1,224,615
TOTALS	\$13,813,335	\$3,939,001	\$17,752,336

Sailor's Cap winning the 2008 running of the Colonial Turf Cup



Thoroughbred Stewards Report

COMMONWEALTH of VIRGINIA

Virginia Racing Commission

10700 Horsemen's Road

New Kent, Virginia 23124

(804) 966-7400; FAX (804) 966-7418

VIRGINIA RACING COMMISSION

BOARD OF STEWARDS

FINAL REPORT FOR THE 2009 THOROUGHBRED MEETING

Stewards:

Jean Chalk	Senior Commonwealth Steward
Phil Grove	Commonwealth Steward
Dave Lermond	Commonwealth Steward
Adam Campoli	Alternate Steward

Overview

The 2009 meeting marked the thirteenth year of Thoroughbred racing at Colonial Downs. From the Steward's perspective, the Forty (40) day Thoroughbred meet went very well. The Colonial Downs racing office did a very good job of filling races and the weather was unusually cool and cooperative.

On the track itself, full fields were the order of the day throughout the 40-day summer thoroughbred meet. Of the 379 races carded, 272 were held over the Secretariat Turf Course, while the other 107 were run on the 1 ¼ mile dirt oval. Turf races averaged 9.49 starters per race, the highest figure in the past six years and significantly higher than the 8.18 average from 2008. Dirt races averaged 7.5 starters per race. Colonial Downs averaged 8.93 starters per race overall, turf and dirt combined, for second highest figure in the past six years. More than 50 races had to be moved to the main (dirt) track from the turf course due to rain.

The Colonial Turf Cup and Virginia Derby proved to be great races for the patrons to view and bet – In both, Straight Story finished second to Battle of Hastings.

The VRC Permitting Office did a very good job of licensing all participants. Joe Roney, VRC Director of Security and Enforcement did a fine job, as always, in keeping the Stewards well informed of the permitting and current eligibility of all participants.

Thoroughbred Stewards Report 2

Purses

The total amount of purses offered during the meeting was \$6,361,479.98. This number includes \$438,174.00, which represents the total paid out for a 100% owners' bonus which was offered to the owners of Virginia-Bred horses that finished first in any open race. The 100% bonus was financed by the Virginia Breeders' Fund.

Rulings

The Stewards issued a total of fifty-five (55) rulings as follows:

Equine Drug Positives	9
Riding Infractions	17
Permitting Issues	15
Miscellaneous	14

Trainer Theresa Connelly was suspended for 45 days for removing her horse from the test barn without permission and prior to testing. The stewards felt that this was a very serious offense as it directly affects the integrity of racing and she was suspended accordingly.

Breathalyzer Testing

A total of 89 breathalyzer tests were performed throughout the meeting on a random basis. There were no breathalyzer violations this year.

On-Track Accidents

There were two accidents which occurred due to careless riding.

Commission Veterinarians

Dr. Harden, Dr. Borkowski and Dr. Calley showed themselves to be very knowledgeable and professional in the application of their duties. Dr. Harden provided the Stewards with complete and timely reports on the status of all horses.

Track Ambulance

The track ambulance arrived daily and on time and did an excellent job providing assistance during live racing. The ambulance was also present during the mornings for workouts.

Thoroughbred Stewards Report 3

Handle and Attendance

The total handle for the 2009 Thoroughbred meet was \$31,214,633.10, which consisted of \$5,123,738.10 wagered at the racetrack, \$988,493.26 wagered at the Virginia OTB's on live racing, and \$25,102,401.74 wagered from various out-of-state locations. From a business standpoint, average on track attendance and handle actually rose over the prior year in a tough economic climate. The 2009 average attendance of 1,722 and on track handle of \$128,141 were 3% and 1 % better than last season's 1,668 and \$126,194 figures respectively. Import and total handle numbers fell though when compared to 2008. The '09 average daily import handle of \$627,560 was 35% off the prior season's mark of \$960,834, while average total handle of \$780,365 was 31% off the '08 average of \$1,118,743.

Special Thanks

The Stewards would like to thank Vic Harrison and the Commission staff, Tyler Picklesimer and the Colonial Downs staff, and the Horsemen for their efforts and cooperation in making the 2009 Thoroughbred meet a success.

Jean W. Chalk

Jean W. Chalk

Senior Commonwealth Steward

Veterinarian's Thoroughbred Report

Comments - 2009 Thoroughbred Meet

C. Richard Harden, DVM

Equine Medical Director

Virginia Racing Commission

Colonial Downs apparently picked a good opening day for the Thoroughbred meet. Although the early opening met with rain and cool weather, the soft and giving turf did manage to hold up for 40 days of racing; and the meet attracted an estimated 1854 horses: the race office had 4015 entries for 379 races, averaging 100.4 entries per day and 10.6 entries per race. 105 horses were scratched because of track conditions out of a total of 632 scratches, which still left a record **3383 starters**, exceeding the previous high of 3312 in 2007. An average of **84.6 horses raced each day**, and **8.9 started each race**, substantially more than last year. From this perspective it was a good meet.

Veterinarian's Thoroughbred Report 2

Thoroughbred Statistics

	2009	2008	2007	2006	2005	2004	2003
Race Days	40	45	40	41	40	34	30
Races	379	405	363	374	365	342	293
Approx. horse Pool	1,854	1,685	1,860	1,720	1,695	1,635	1,680
On Program	4,015	3629	3710	3782	3673	3553	3339
Scratched	632	438	395	541	499	583	439
Starters	3,383	3191	3312	3241	3174	2970	2900
On Vet's list	44	36	25	43	50	7	32
Vanned Off Track	5	5	5	12	7	4	0
Fatal injuries	5	8	8	7	2	2	4

Veterinarian's Thoroughbred Report 3

Horsemen seem to have recovered from the high fuel prices of last year and returned to their practice of shipping in to race. Shipping horses to "race and go" helps make larger fields, but the practice contributes to a logistical problem on the backside. The receiving barn has too few stalls to house the shipped in racehorses and ponies. The congestion, heat, humidity and pre-race jitters create an atmosphere that is rowdy and not ideal for horses preparing to race. As a result, many trainers insist on "squatting" in the stable area, often without consent or knowledge of the stable superintendent. As a result, commission veterinarians expend time and energy locating ship-ins for pre-race exams, and private vets have the same difficulty giving furosemide. Some trainers further complicate the situation by not arriving for the later races until after the early races have begun. The rule requiring arrival four hours prior to respective post time is inadequate and un-enforced, which compromises the pre-race inspection program. The bottom line is that Colonial Downs needs additional permanent stalls. However, until finances allow further barn construction, Colonial Downs must improve the system for locating ship-ins; the stable superintendent needs help.

Veterinarian's Thoroughbred Report 4

An incident of a stall being contaminated painfully reminds the commission and Colonial Downs of the need for proper cleaning of stalls in the stakes barn and receiving barn. Haphazard practices can and did lead to significant consequences to owners and trainers.

Racing injuries were fewer this year compared to the past 3 years; perhaps the lowered permissive level of butazolidin helped. Lower doses of anti-inflammatory drugs allow for better evaluation of racing status. During the meet, 44 horses were put on the vet's list, 40% more than previous years. Racing injuries were fewer: 5 horses were vanned off the track with non-fatal racing injuries; 3 were put down after racing because of injuries; 1 was put down on the track, and 1 other died during a race with a ruptured chamber of the heart. A total of 5 racing fatalities compares favorably to 8 in the past 2 years and 7 the year before. All 5 fatalities in 2009 shipped in to race, and of the 5 horses vanned off, all but 1 shipped in. The horse ambulance was not needed to transport any horses during the morning training hours. Obviously, resident horses training at Colonial Downs sustain fewer racing injuries than ship-ins.

Three horses required minor medical treatment on the track for heat related stress.

Veterinarian's Thoroughbred Report 5

Over the winter, the test barn office was substantially remodeled, which enhanced both utility and security. Some repairs and improvements are still pending.

The test barn staff performed admirably, collecting urine from a record 97.5% of the 733 horses sent to the test barn, proving the experience and skill of our technicians. The previous best record was 94.7%. In addition to outstanding performance in the test barn, our technicians on hot days sponged and sprayed horses after unsaddling, greatly minimizing the risk of heat stress and, of equal importance, publicly demonstrating a positive example of racehorse care.

Nine horses tested positive during the meet: 6 were legitimate therapeutic drugs administered too close to racing. In each case, the horse was disqualified and the trainer fined. Another was an overage of furosemide, for which the trainer and veterinarian received an official reprimand. One was a contaminant of an herbal product fed by the trainer, and one was an extremely unusual case of environmental contamination caused by a practicing veterinarian having treated another horse in the same stall a day earlier. None of these drugs were of a type to enhance racing performance.

For commission veterinarians, we were very fortunate to have Drs Bob Calley and Rose Borkowski return in 2009; last year they gained much professional experience and this year assumed a greater role. They performed ably and hopefully will return for 2010.

Our commission veterinarians continued to mentor 4th-year veterinary students and volunteers. Relationships such as these prove valuable; many of our past volunteers and staff have continued to pursue successful careers in the horse industry and veterinary medicine.

Cashmere, trained by Charlie Dunavant, Chris Page in the bike.



Standardbred Judges Report

VIRGINIA RACING COMMISSION BOARD OF JUDGES FINAL REPORT - - 2009 STANDARDTBRED MEETING

Judges

Jean Chalk	--	Senior Commonwealth Judge
George Hickman	--	Commonwealth Judge
Brent McLaren	--	Commonwealth Judge
Dave Lermond	--	Alternate

From the Judges perspective, the thirty-six (36) day Standardbred meet went well. We had a class of horse this year which made for competitive racing. Similarly the quality level of the driver colony resulted in exciting finishes.

We continued our policy, begun last year, of holding regularly scheduled weekly meetings between the Judges and the Horsemen. It is well-received by all and helps bridge the communications gap that in the past has sometimes arisen.

The racing office did a good job of filling races. They averaged 8.3 starters per race – down from the 8.7 last year but higher than the 8 averaged in 2007. Credit should be paid to Craig Andow, Colonial Downs’ Director of Racing; Crystal Lilly Remy Racing Secretary/Stakes Coordinator; Diane Stevenson, Program Director; Jack Remy, Paddock Judge; Starter, Bill Faucher; Danielle Barr, Office Secretary and Carl Kloentrop, Stall Superintendent/ID. All worked well together.

Standardbred Judges Report 2

The VRC Permitting Office did a superior job of licensing the racing participants. Dennis West and Peggy Mason did a good job managing their seasonal employees all of which were of high quality. Joe Roney, VRC Director of Operations, and Enforcement did a fine job keeping the Judges well informed of the permitting and eligibility of all participants. Marilyn Bauer was greatly appreciated for the administrative work she performed for the Judges.

Races

During the thirty-six (36) day meet, there were 8 Virginia-Bred stakes and a total of three hundred sixty-seven (367) races run.

Three (3) of the races were contested at the distance of one and one-quarter miles, while the remainder of the races were at the traditional distance of one mile except for two races contested at three-quarters of a mile and a half-mile sprint.

There were forty-one (41) qualifying races. Dr. Ada Caruthers and Dr. Laura Markey returned this year to administer Lasix to the horses.

On Saturday October 10, 2009 Scott Woogen's Lolique, a VA Bred, won the \$40,000 Patriot Trot in one-minute fifty-two seconds flat.

Standardbred Judges Report 3

Purses

The total amount of purses offered during the meeting was \$1,707,657 down from \$2,019,800.01 paid out in 2008. This number includes \$35,227.50 which represents the total paid out for a 20% owners' bonus offered to the owners of Virginia-Bred horses that finished first through fifth in any open race. (The 20% bonus was financed by the Virginia Breeders' Fund.)

Rulings

The Judges issued a total of sixty-nine (69) rulings:

Drug positives	4
Kicking and whipping	15
Disorderly Conduct	1
Delaying the Start	10
Safety Vest	3
Other Driving Infractions	4
Late For Lasix	11
Permitting Issues	15
Late Driver Changes	3
Paddock and Security Issues	1
Miscellaneous	2

Breathalyzer Testing

There were no breathalyzer violations this year. A total of 1244 breathalyzer tests were performed throughout the meeting and on a daily basis resulting in 1 positive for alcohol (on the final day of the race meet). The 33 randomly administered drug tests all came up negative.

On-Track Accidents

There were no on track accidents this year. By comparison, in 2008 there were two. There were no breakdowns and no horses were euthanized.

Standardbred Judges Report 4

Commission Veterinarians

Dr. Harden, Dr. Kalb and Dr. Calley showed themselves to be very knowledgeable and professional in the application of their duties. Dr. Harden provided the Judges with complete and timely reports on the status of all horses.

Track Ambulance

The track ambulance arrived daily and on time and did an excellent job providing confidence and comfort. The ambulance was also present during the mornings for workouts.

Cameras

The Judges believe that the 5th camera, the pan 2 camera shot, which was removed for the 2009 race meet, should be returned in 2010 – pan 1 camera alone does not provide adequate coverage of the racing oval.

Whip Rule

Towards the middle of the meet, a house rule was implemented that mandated that the drivers must keep a line in each hand and, thus, control of their horse, from the start of the race to the finish, which allows for only a minimal amount of wrist action. This made for a much better and more competitive presentation of the racing product and the horses appeared healthier and happier as a result.

Virginia Breeders Stakes

On November 7, 2009, eight Stake Races were contested for Virginia-Bred Standardbred horses. Total purses of \$335,160.50 were offered on this day, of which \$280,863.50 was provided by the Virginia Breeders' Fund.

Judges List

A total of 96 horses were placed on the Judges List:

Repeated breaks	27
Breaks OQ	37
Lame, Sick or Injured	21
Performance	7
Other	4
Total	96

Standardbred Judges Report 5

Handle and Attendance

The total handle for the 2009 Standardbred meet was \$4,046,830.92 down from the \$5,320,909.30 wagered in the prior year. 2009 handle was comprised of \$741,807.30 wagered at the track vs. \$1,222,141.30 in 2008, \$415,326.70 at the Virginia OTB's (vs. 2008's \$501,458.90) and \$2,582,248.32 was wagered from various out-of-state locations down from last year's \$3,597,309.10. The total handle was down by 23.9% compared to last year's meet.

The total attendance was 13,198, down from 17,308, which equates to an average daily attendance of 367 per day. Last year's daily average attendance was 509, which means that there were approximately 150 fewer people attending the races on average as compared to the preceding year.

Special Thanks

The Judges would like to thank Executive Secretary Vic Harrison and the Commission staff, Craig Andow and the Colonial Downs staff and the Horsemen for their efforts and cooperation in making the 2009 Standardbred Meet a success.

Jean W. Chalk

Jean W. Chalk

Senior Commonwealth Judge

Veterinarian's Standardbred Report

Comments - 2009 Standardbred Meet

**C. Richard Harden, DVM
Equine Medical Director
Virginia Racing Commission**

Statistics from the fall 2009 harness meet at Colonial Downs seem to reflect the discouraging conditions of our national economy. The purses were smaller, and the number of horses available to race was significantly smaller. Trainers raced many horses too frequently, many racing twice weekly, starting ten or more times during the nine weeks of the meet. Several horses raced twelve or more times. Fewer horsemen sharing the purses would seem to reward a higher portion of horsemen, but smaller stables seemed to fare poorly, which seemed to set the tone for the meet.

Veterinarian's Standardbred Report ²

Standardbred Statistics

	2009	2008	2007	2006	2005	2004	2003
Race Days	36	34	32	36	36	32	28
Races	367	369	342	352	368	369	302
Approx. horse Pool	612	783	709	615	800	865	715
On Program	3173	3339	2895	2810	3189	3288	2466
Scratched	93	128	168	110	101	128	62
Starters	3080	3211	2727	2700	3098	3160	2404
On Vet's list	4	4	13	12	15	5	12
Fatal injuries	0	0	0	0	0	0	0

Veterinarian's Standardbred Report ³

From the disgruntled mood of the meet came rumors of horses being illegally medicated, which forced the security director Joe Roney and commission veterinarians to spend considerable time patrolling and observing the stable area. As one example of our effort, an intravenous fluid bag was found hidden in a trashcan at the stable of a trainer under our surveillance. Laboratory testing found no illegal substances present (costing the commission \$200 and adding little to racing integrity). The added surveillance could prove no illegal activity, but our obvious presence in the barn area seemed to contribute to the horsemen's insolent attitudes. It was typically 5% of the population creating inconvenience for 95%. Nonetheless, rampant rumors this year justify the need for a greater presence of commission security personnel during the hours of live racing. It seems inefficient to have Mr. Roney working the breathalyzer at the critical time racing begins each day, when his investigative skills would be far more productive elsewhere. During racing hours, the Commission needs more security personnel. Colonial Downs security personnel are concerned primarily with safety in the barn area and cannot be reliably expected to enforce the commission's rules of racing.

Veterinarian's Standardbred Report⁴

Many trainers and grooms seemed to resent apparently innocuous regulations, such as presenting an ID badge to enter the paddock. This attitude among horsemen was characterized by a trainer who angrily complained, "Why do you have so many rules when we're only racing for two thousand dollars?" It should seem obvious to horsemen that a better attitude would lead to a more professional presentation of horses and live racing, which would ultimately contribute toward a more dedicated and generous fan base. Horsemen should be called to task for the image they present to the public and its subsequent influence on the future of horseracing.

The laboratory identified four drug infractions during the meet, three within the last week. The first was an overage of the permitted substance flunixin in a horse entered in a qualifying race. The horse was scratched by the trainer upon learning his horse was selected for drug testing. Another horse tested positive for prednisone and prednisolone, common corticosteroids used to treat allergies and generalized inflammatory conditions. Another positive was for acepromazine, a tranquilizer apparently used too close to race day. The final positive was ambroxol, a mucolytic and expectorant product commonly used in Australia, but not recognized by the FDA as an approved animal or human drug. It likely had marginal effect on the horse's performance, but did enable a horse to race that should have been recuperating from a respiratory condition. The three horses were disqualified and trainers were fined. Two trainers received suspensions for 15 days.

Veterinarian's Standardbred Report⁵

The test barn functioned well this meet, however the percent of urine collection was down from prior years, partially due to trainers and grooms being less cooperative with test barn technicians and sabotaging our effort. Holding the horses in the barn for longer periods was often problematic because many of the trainers work as "mom and pop" operations, with no other help. They complain of being held in the barn and still having to get another horse ready for a later race. Due to chain of custody procedures and the burden it places on the test barn staff, we cannot permit horsemen to leave horses unattended in the test barn. This year seemed to bring more of these situations and louder complaints than usual.

On a trial basis for this meet, we instituted pre-race collection of blood samples for TCO₂ testing. This required the use of a veterinary technician as phlebotomist to help the commission veterinarians. Pre-race sampling of several races each day relieved the congestion in the test barn that usually occurs during the harness meet when all horses were held for a full hour. This also conforms to the RMTC model rule recommendation for pre-race TCO₂ sampling. Our technician performed very well and I recommend we continue the program for the Thoroughbred meet. Of the 600 horses tested pre-race for TCO₂, none were over the regulatory limit of 37 mmol/L, and only 26 (about 4%) were elevated, testing between 33.0 and 36.1 mmol/L. Of the 26 samples in question, 18 were generated by 2 trainers.

Veterinarian's Standardbred Report⁶

The test barn is in need of some minor repair before the summer meet next year. A list will be provided Colonial Downs staff during the winter. Also, the condition of the stables has deteriorated to the point of needing significant repairs and painting in order to spruce up the generally shabby appearance.

Commission veterinarians Bob Calley and Charlie Kalb performed their duties well, and have expressed interest in returning next year. Dr. Calley will be furthering his regulatory veterinarian's resume by working for Tampa Bay Downs at the Thoroughbred meet this winter. Dr. Kalb will likely work a Thoroughbred meet this winter in Indiana.

We had a barely adequate supply of private veterinarians for this year, and with the usual controversy. Drs. Ada Caruthers and Laura Markey returned again primarily to administer furosemide, but providing some routine services as well. They did not stay on the grounds after administering furosemide, leaving emergency coverage spotty during live racing. Fortunately Dr. Michele Clarke was available at most hours, but was engaged and then married to a trainer (MacDougal) stabled on the grounds. On order of the judges, she was not allowed to provide medical care to horses entered in the same race with any horse owned or trained by her fiancé. This worked well, for the most part, however by mid-meet, certain trainers preferred she administer furosemide and pre-race medications to their horses; this created some annoyance for the veterinarians giving furosemide, who complained that the loss of furosemide business made it financially unfeasible for them to come to the track.

Veterinarian's Standardbred Report⁷

Dr. David Sachs arrived in the third week of the meet and remained until the end. He refused most requests for furosemide in order to keep peace with other vets. He customarily worked at the track during the day and was available during night racing only when specifically called. Fortunately, no significant emergencies occurred during racing hours.

Veterinary service for the meet was no more than adequate, but would have been grossly inadequate had we suffered a catastrophic accident during racing. The lack of any consistent veterinary presence during racing hours continues to be cause for alarm. It would seem ideal if Colonial Downs and the Virginia Harness Horse Association would cooperate to provide a subsidy for private veterinary services during racing hours for the harness meet, to include routine scoping, post race treatments, and emergency veterinary care in the likelihood of racing accidents.

Richard Harden

C. Richard Harden, DVM

Blind Date noses *Shared Account* to win the 2009 Virginia Oaks.



Permits - Licensing

Permitting Department

Peggy E. Mason - Permitting Manager

Outline

- I. Staffing
- II. Permits
- III. Refunds
- IV. Bad Checks
- V. Fingerprints
- VI. Satellite Wagering Facilities
- VII. VITA
- VIII. Cross Match
- IX. Data Card
- X. State Vehicle Service
- XI. Special Projects

Permits – Licensing 2

I. STAFFING:

3 Classified positions

Enforcement Manager position is vacant.

P-14 Edwing Bustamente (623 Regular Hours worked)

P-14 Courtney Reid (411 Hours)

P-14 Joe Briere (416 Hours)

P-14 Joe Poag (261 Hours)

II. PERMITS:

New - Horse Industry	<u>1847</u> (43.6%)
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New - Non-Horse Industry	<u>444</u> (10.5%)
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Renewals - Horse Industry	<u>1108</u> (26.1%)
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Renewals - Non-Horse Industry	<u>525</u> (12.3%)
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National Racing Compact	<u>319</u> (7.5%)
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Total	<u>4243</u>
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III. REFUNDS:

Total	<u>0</u>
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IV. BAD CHECKS:

Total	<u>2</u>
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V. FINGERPRINTS:

Livescan	<u>952</u>
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Rejected Livescan	<u>4</u>
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Cards	<u>183</u>
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Rejected Cards	<u>33</u>
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Total VASP/FBI Processed	<u>1135</u>
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Permits – Licensing 3

VI. SATELLITE WAGERING FACILITIES:

At no location were employees allowed to work with expired permits. They were removed from the schedule until they complied with the licensing requirements of The Virginia Racing Commission.

All permit expiration dates were converted to a 12-month calendar year in 2009. All permits for 2010 were due to be renewed on December 31, 2009.

In order to comply with a Virginia Law made effective December 1, 2009, some facilities, including the racetrack, became non-smoking. There were four OTBs; Hull St., Broad St., Hampton and Chesapeake, that were upgraded with separate HVAC units, separate seating and entrances in order to allow for legal smoking sections.

Alberta: 20-23 Active Employees

Visited facility 5 times during year. Facility clean.

Chesapeake Indian River: 31-35 Active Employees

Visited site 6 times during year. Facility clean although several maintenance issues were observed by the VRC staff throughout the year.

Corporate/Grandstand: 42-451 Active Employees. Three employees during the year with expired permits. All permits made current.

Permits – Licensing 4

SATELLITE WAGERING FACILITIES continued:

Hampton: 30-40 Active Employees

Visited facility 5 times during year. Facility clean.

Martinsville: 22-27 Active Employees

Visited site 5 times during year. Facility clean.

Richmond Broad: 40-50 Active Employees

Visited facility 5 times during year. Facility clean.

Richmond Hull: 36-42 Active Employees

Visited facility 5 times during year. Facility clean. Flat screen TV's in the bar area have been placed at eye level.

Scott County: 21-30 Active Employees

Visited site 5 times during year. Facility clean.

Vinton: 20-26 Active Employees Visited site 5 times during year. Facility clean.

Permits – Licensing 5

VII. VITA:

VITA/Northrup Grumman continues to maintain our computer system. Total VITA assistance requests: 28

Alternative independent companies were consulted for quotes to replace the telephone system. The VOIP telephone RFS project was put on hold. The Commission Veterinarian gained the use of a VPN remote connection to the Tracs licensing system to use while on the backside of the track. The Commission was transformed to e-support. Billing errors for IT services were discussed with VITA. A settlement was reached with Oracle regarding its work on a Tracs-V upgrade.

VIII. Cross Match:

Fingerprinting system taken to Vinton, Scott, Martinsville, Chesapeake and Alberta site once during the year. Outlying OTB's were directed to obtain fingerprinting either through local law enforcement agencies or by Colonial Downs Chief Security Officer, rather than transporting the VRC fingerprinting system during OTB visits. Technical problems developed with the system as a result of its transportation, rendering it unusable on some occasions. This change did not cause a noticeable delay in fingerprinting requirements. The Virginia State Police relay box maintained by VITA/Northrup Grumman was replaced twice during the year. The power strip for the box was replaced with a more robust model containing a battery back-up.

IX. DATA CARD:

System not serviced during the year.

X. STATE VEHICLE SERVICE

Vehicle runs well. Routine maintenance performed during the year.

XI. SPECIAL PROJECTS

The online-based SAVE Program administered by Homeland Security was used to verify immigration documentation for 142 non-citizen applicants. Social Security Online Verification System was used to verify social security numbers (used as the VRC's primary identification method) of applicants.

From the website of the [VA-MD Regional College of Veterinary Medicine](#)



From the website of the [VA Horse Industry Board](#)



A quarter of a percent of the VRC's 1.75% from on-track and SWF (OTB) wagering goes to these combined entities.

No such contributions are made from ADW or internet wagers.



TAX REVENUE TO COMMONWEALTH FROM PARI-MUTUEL WAGERING

<u>Year</u>	<u>Revenue</u>	<u>Transfer to General Fund</u>	<u>TOTAL</u>
1996	631,482	0	631,482
1997	1,595,802	0	1,595,802
1998	2,065,005	0	2,065,005
1999	2,090,137	4,101	2,094,238
2000	2,103,097	534,813	2,637,910
2001	2,150,599	513,222	2,663,821
2002	2,164,933	585,610	2,750,543
2003	2,280,446	940,127	3,220,573
2004	2,556,126	1,168,349	3,724,475
2005	2,680,582	1,093,966	3,774,548
2006	2,894,004	1,202,525	4,096,529
2007	2,957,209	826,749	3,783,958
2008	2,646,048	815,870	3,461,918
2009	2,166,302	589,127	2,755,429
TOTALS	\$30,981,772	\$8,274,459	\$39,256,231

TAX REVENUE TO LOCALITIES*

<u>Year</u>	<u>New Kent</u>	<u>Chesapeake</u>	<u>Henrico</u>	<u>Richmond</u>	<u>Hampton</u>	<u>Brunswick</u>	<u>Vinton</u>	<u>Martinsville</u>	<u>Scott</u>	<u>TOTAL</u>
1996	157,871	144,304	6,783	6,783	0	0	0	0	0	315,741
1997	408,498	159,665	113,726	113,726	1,430	855	0	0	0	797,900
1998	520,316	128,530	107,693	107,693	101,062	43,538	0	0	0	1,008,832
1999	524,049	132,641	108,839	108,839	101,396	46,906	0	0	0	1,022,670
2000	532,156	129,419	104,967	104,967	108,412	49,836	0	0	0	1,029,757
2001	539,392	131,455	107,885	107,885	115,242	51,140	0	0	0	1,052,999
2002	544,937	136,127	107,043	107,043	110,778	50,791	0	0	0	1,056,719
2003	574,992	145,928	103,758	112,388	113,880	59,092	0	0	0	1,110,038
2004	645,979	146,406	89,652	167,027	125,476	59,268	9,817	0	0	1,243,625
2005	676,257	146,065	84,164	165,595	119,218	52,244	44,660	14,615	0	1,302,818
2006	727,828	171,176	70,299	175,246	114,814	41,761	44,349	43,288	26,478	1,415,239
2007	743,077	172,558	79,755	165,331	110,160	45,105	46,583	51,189	29,266	1,443,024
2008	656,347	160,286	71,940	148,229	96,737	40,619	35,164	41,901	32,365	1,283,588
2009	537,046	121,016	55,955	120,425	88,982	30,613	32,241	37,024	24,824	1,048,126
TOTAL	\$7,788,745	\$2,025,576	\$1,212,459	\$1,711,177	\$1,307,587	\$571,768	\$212,814	\$188,017	\$88,109	\$15,106,252

*From track and SWF/OTB wagering only (no ADW/internet)

Steeplechase - The Punch Line Stakes



APA REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2009

AUDIT SUMMARY

Our audit of the Virginia Racing Commission for the year ended June 30, 2009, found:

- Proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- No matters involving internal control and its operations necessary to bring to management's attention; and
- No instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

Report On Audit 2

-TABLE OF CONTENTS-

<u>Pages</u>	
Audit Summary	
Agency Highlights	1-2
Schedule of Revenues, Expenses and Changes in Cash Balances – Budget and Actual	3
Independent Auditor’s Report	4-5
Agency Officials	6

Report On Audit 3

The Virginia Racing Commission (Commission) controls and prescribes regulations and conditions for all horse racing with pari-mutuel wagering privileges in the Commonwealth. It licenses horse racetracks and satellite facilities and ensures that all their employees have valid Commission permits. The Commission also issues permits to anyone associated with horse racing including horse owners, trainers, jockeys, grooms, veterinarians, and blacksmiths. Pari-mutuel horse racing began in the Commonwealth in September 1997 at Colonial Downs, a privately held racetrack in New Kent County. The Code of Virginia permits up to ten satellite wagering facilities. Currently, there are nine satellite facilities operated by Colonial Downs, which are located in Alberta, Chesapeake (two), Hampton, Martinsville, Richmond (two), Scott, and Vinton. The Commission monitors each of these facilities as a part of their regulatory oversight.

SYSTEM UPGRADE

The Commission uses its TRACS-V system for a number of managerial functions including tracking veterinary records for horses; reconciling wagering data from Colonial Downs race track; tracking fines, penalties, and suspensions; and tracking ongoing investigations. For several years the Commission has been engaged with Oracle to modify the TRACS-V system to a web-based application. Oracle did not deliver a working system and the Commission contends that it should not pay, while Oracle contends they should be paid for the work that they did perform.

The Commission would pay for the system upgrade with a Treasury loan from the General Fund to be repaid over a three year period. However, as the Commission contends it did not receive a usable product, they have not executed the loan and have not paid Oracle.

This matter is currently being resolved by the Attorney General. The Commission will continue to use their current system until the Commonwealth and Oracle reach resolution. The Commission has identified an off-the-shelf product which meets its needs that it intends to purchase once the legal claims are resolved.

Report On Audit 4

FINANCIAL SUMMARY

The Code of Virginia directs the distribution of the funds in the horse racing wagering pools. The percentage distribution varies based on factors such as the type of wagering, whether the race took place within or outside of the Commonwealth, and whether the wagering occurred at the racetrack or at a satellite facility. The Commonwealth retains as a license tax a portion of the wagering pools ranging from 0.75 to 2.25 percent as directed by the Code of Virginia. All revenues received by the Commission go to a special fund known as the State Racing Operations Fund. The Appropriation Act requires the Commission to transfer any funds in excess of the Commission's operating expenses to the General Fund of the Commonwealth. However, the Appropriation Act contains language allowing the Commission to carry forward a portion of its unspent appropriation related to the promotion and marketing, sustenance and growth of the Virginia horse industry as long as it makes its required transfer to the General Fund. At June 30, 2009, the Commission had a cash balance of \$216,012 in its operating fund related mostly to unspent marketing funds. The Commission transferred \$815,870 to the General Fund as required by the 2009 Appropriation Act.

Report On Audit 5

The Code of Virginia also created the Virginia Breeders Fund to support an incentive program to foster the industry of breeding racehorses in Virginia. It receives a one percent distribution of the horse racing wagering conducted in the Commonwealth. The Commission contracted with the Virginia Thoroughbred Association and the Virginia Harness Horse Association to manage the fund. The incentive program provides purses for races restricted to Virginia bred or sired horses and awards to the owners and breeders of Virginia bred horses that win or earn purse money in races designated by the Commission. During fiscal year 2009, the Commission made payments of \$1,938,170 from the Breeders Fund consisting of \$395,000 in purse money, \$1,423,170 in incentives to owners and breeders, and \$120,000 in management fees to the Virginia Thoroughbred Association and the Virginia Harness Horse Association. At year-end, the cash balance in the Breeder's Fund was \$400,711. The cash balance does not revert to the General Fund.

Below are the results of the fiscal year 2009 financial operations of the Virginia Racing Commission. There was a decline in the amount wagered on horse racing in the Commonwealth primarily due to the poor economy. The amount wagered in the Commonwealth was down by 16% and as a result the amount of tax revenue generated was also down. The incentive and marketing budget was reduced in the amended budget bill Chapter 781 from \$700,000 to \$284,908, therefore less money was spent on promoting the horse industry. The variance in the incentive and marketing payments line item is due to unspent marketing funds in the amount of \$233,365.

Report On Audit 6

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES

IN CASH BALANCES - BUDGET AND ACTUAL

For the year ended, June 30, 2009

	Actual				Total Variance Positive/ (Negative)
	Total <u>Budget</u>	Breeders <u>Fund</u>	Operations <u>Fund</u>	<u>Total</u>	
Revenues:					
Taxes and pari-mutuel wagering	\$ 4,200,000	\$ 1,646,169	\$2,689,202	\$ 4,335,371	\$ 135,371
Application fees	145,000	-	133,186	133,186	(11,814)
Fines and assessments	12,000	-	16,950	16,950	4,950
Interest	<u>40,000</u>	<u>6,978</u>	<u>2,156</u>	<u>9,134</u>	<u>(30,866)</u>
Total revenues	<u>4,397,000</u>	<u>1,653,147</u>	<u>2,841,494</u>	<u>4,494,641</u>	<u>97,641</u>

Report On Audit 7

Expenses:

Personal services	1,275,474	-	1,063,568	1,063,568	211,906
Contractual services	555,454	-	531,804	531,804	23,650
Supplies and materials	17,094	-	20,450	20,450	(3,356)
Incentive and marketing payments	2,670,908	1,938,170	499,374	2,437,544	233,364
Continuous charges	42,650	-	148,009	148,009	(105,359)
Undistributed appropriation	51,000				51,000
Equipment	<u>21,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,239</u>
Total expenses:	<u>4,633,819</u>	<u>1,938,170</u>	<u>2,263,205</u>	<u>4,201,375</u>	<u>432,444</u>

Transfers out:

General fund	815,870	-	815,870	815,870	-
Literary Fund	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,000</u>
Total transfers	<u>827,870</u>	<u>-</u>	<u>815,870</u>	<u>815,870</u>	<u>12,000</u>

Report On Audit 8

Revenues over (under) expenditures and transfers out	(1,064,689)	(285,023)	(237,581)	(522,604)	(542,085)
Cash Balance at June 30, 2007	<u>1,045,429</u>	<u>685,734</u>	<u>453,595</u>	<u>1,139,329</u>	<u>(93,900)</u>
Cash Balance at June 30, 2008	<u>\$ (19,260)</u>	<u>\$ 400,711</u>	<u>\$ 216,014</u>	<u>\$ 616,725</u>	<u>\$ (635,985)</u>

Source: Commonwealth Accounting and Reporting System

Report On Audit 9



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

October 28, 2009

The Honorable *Timothy M. Kaine*
Governor of Virginia

The Honorable *M. Kirkland Cox*
Chairman, Joint Legislative Audit
and Review Commission

Report On Audit 10

We have audited the financial records and operations of the **Virginia Racing Commission** for the year ended June 30, 2009. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Commission's internal controls, test compliance with applicable laws and regulations.

Report On Audit 11

Audit Scope and Methodology

The Commission's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Purchase expenses

Incentive and marketing payments

License and permit fees

Purchase Card

Tax and pari-mutuel wagering revenues

TRAC V System administration

We performed audit tests to determine whether the Commission's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel and observation of the Commission's operations. We inspected documents including reconciliations, deposit slips and certificates, wagering reports provided by Colonial Downs, revenue summary reports and contracts. We tested transactions and performed analytical procedures.

Report On Audit 12

Conclusions

We found that the Commission properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Commission records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Commission has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this letter.

Exit Conference and Report Distribution

We discussed this report with management on November 16, 2009.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

Walter J. Kucharski

Possible Impact Issues for 2010

- Economic Downturn – Annual declines in wagering continue to impact all parties: the race track, the owners/breeders, the municipalities and the Racing Commission. We all derive revenues, ultimately, from a percentage of wagering dollars. Unless this downtrend is stemmed, dire consequences may ensue.
- Racing Days/Purses – It has been a chore finding the right and perfect length for the Thoroughbred race meet so that the purse level remains attractive to owners, breeders and trainers: 40 days have been proposed for 2010-2012. Maintaining the current level purse structure may mean shorter racing seasons in the future.
- Breeders Funds – As of January 1, 2010, 1% of all online wagers goes to the Breeders Fund. This will help support the current VA breeder operations. Luring new farms to the Commonwealth and attracting a known stallion to VA should become a subsequent goal.
- Internet Wagering – VA has seen a migration of bettors from on-track and SWF to online (ADW). The VRC, a Non-General Fund agency, receives a much smaller piece of online (ADW) wagers than from on-track bets. VRC funding is derived entirely from the amount wagered. The local municipalities also suffer from this migration of bettors as do the three entities shown on Page 69 of this report.
- Northern VA OTBs (SWFs) – Rosecroft, Colonial Beach OTB and Charlestown Race Track are all easily accessed by Northern Virginia residents. There should be a competitive and expeditious OTB (SWF) solution for the VA licensee other than holding an expensive referendum initiative.
- Encroachment of Alternative Gaming on the Commonwealth – Slot machines that fund higher purse amounts for horse racing and breeding programs are operational in NY, NJ, PA, DE, WV and soon in MD. Those higher purses attract better horses and more wagering dollars. WV and PA have recently been approved for casino table games. DE now allows sports wagering at their race tracks. Somehow we must keep horse racing alive and competitive in VA. Instant Racing (very fast-paced pre-recorded horse betting) legislation has been proposed to the General Assembly. As we go to press, said legislation has passed the Senate but has stalled in the House. Some form of slot machine/alternative gaming or Instant Racing should be approved eventually in the Commonwealth - Without it, a crisis in VA horse racing may arise.
- Antiquated Betting Machines – The cost of new betting machines at the track and SWF's is high. It has been shown, though, that wagering has been driven higher at race tracks that have installed new wagering terminals that engage new and younger players and provide greater handicapping information to their current betting patrons.

Acknowledgment

Thanks to all who worked diligently in 2009 to and for the benefit of the native equine, horse racing and pari-mutuel wagering industries, especially the hard working men and women of the VRC.

Vic Harrison

*Executive Secretary
Virginia Racing Commission*

February 25, 2010

Race Horse Photos at Colonial Downs courtesy of Coady Photography



