

Virginia Horsemen's Benevolent & Protective Association

Summer Racing At Colonial Downs

After spirited debate between the VHBPA and Colonial Downs over the appropriate number of summer race days the Virginia Racing Commission settled the matter. The VRC awarded 40 days of racing from June 12th through August 4th at the New Kent, Virginia track. Racing will be Friday through Tuesday, with weekday post time at 5 P.M. and 12:55 P.M. on the weekends. Purse levels will likely be slightly higher than last year's daily average of \$210,000 for 45 days.

The VHBPA initially requested another 45 day meet, but later proposed 40 days in recognition of a sagging national economy and a first ever 10% drop in state-wide wagering at Colonial's off track betting shops.

Track management requested 25 days, twenty fewer than last year's meet. There was no apparent reason for that radical cut other than Colonial's desire to concentrate on low overhead year round wagering at its eight off track betting sites and on web site wagering with the five advance deposit companies licensed in Virginia (Twin Spires, XpressBet, TVG, YouBet, and EZ Horseplay, Colonial's own account wagering company).

Still unresolved is the issue of stakes' purses. The VHBPA wants to cut the Virginia Derby (Gr. 2) from \$750,000 to \$600,000 and the Colonial Turf Cup (Gr. 2) from \$600,000 to \$500,000, with the savings going into overnight purses. The track is resisting.

The popular 100% owners' bonus for Virginia bred or sired horses running in open races will return this summer. Because the Virginia breeders' fund is relatively small the 100% purse supplement may be limited to winners rather than applying through sixth place. Last year the breeders' fund paid \$1.1 million to those owners, about twice more than anticipated before the meet started.

In addition, at the VHBPA's initiative the purse pay out schedule for all races—overnights and stakes-- will be modified. All finishers will receive a portion of the purse to help cover costs, especially daily shipping to the track. The VHBPA is also looking at ways to reinstitute the Maryland/Virginia shuttle that was discontinued last year.

This summer's meet will also see some changes in the Racing Secretary's office. The usual "enter five days out, scratch four days out" may be changed, at least on an experimental basis. Under a new proposed procedure trainers will enter and name jockeys without a designated scratch day. Scratches, if necessary, will be from the program.

Account Wagering

Advance deposit wagering is the only growing economic segment in Virginia, and nationally. Last year Virginians lawfully wagered more than \$45 million on-line on horse races run throughout the country, which proportionately benefited our horsemen almost as much as wagering at traditional off track betting parlors. Here is why.

As a condition of licensing in Virginia each ADW company must have a source market fee contract with the VHBPA and Colonial Downs that gives the track and the horsemen a share of on-line wagering revenue. Last year those contracts yielded a state-wide source market fee of about 8.5% of all dollars wagered by Virginia ADW customers. The resulting sum was split equally between the horsemen and the track.

TVG, YouBet, XpressBet, and EZ Horseplay are under contract for 2009. Twin Spires is not because of an impasse in negotiations with Colonial and the VHBPA, who on this issue have common interests. While Twin Spires is willing to pay the same fee as last year its sister corporation, Track Net Media, is raising host fees on Churchill and Magna content for all ADWs in Virginia. Because source market fees currently are net of host fees any increase in the latter decreases revenue for the horsemen and Colonial.

Due to the contract impasse Twin Spires is operating under a temporary license issued by the VRC. The temporary license requires payment of a fixed source market fee that is the average paid by all other ADWs doing business in the state. Twin Spires' temporary license expires in July.

Future contract disputes of this sort are not likely. The Virginia legislature recently passed a bill that requires payment of a fixed 10% source market fee and requires an additional 1% payment to the Virginia breeders' fund by all ADWs operating in the state. The bill, if signed by the Governor, will go into effect in July.

Thoroughbred Horsemen's Group, LLC

In November 2007 the VHBPA and a number of other horsemen's organizations in the United States and Canada formed the Thoroughbred Horsemen's Group, LLC ("THG") to act as their agent in negotiating a larger share of wagering revenue for horsemen's purse accounts. The Maryland THA, the Delaware THA, the Pennsylvania HBPA, the Mountaineer HBPA, and the Charles Town HBPA are members of THG along with the VHBPA.

THG undertook initial negotiations with Magna Entertainment (owner of the Maryland Jockey Club) and YouBet, but Churchill Downs declined to do likewise. Instead Churchill and its Twin Spires ADW sued THG in federal court

in Kentucky claiming THG was violating the antitrust laws. THG has moved to dismiss the suit arguing that its activities are authorized by the federal Interstate Horseracing Act, which permits horsemen to bargain collectively for their benefit and for that of live horse racing.

In February the Court heard oral argument by lawyers for both sides on the legal issues. A decision is expected from the Court this summer.

EZ Horseplay

Reflecting the national trend away from “sticks and bricks” betting parlors to on-line wagering web sites Colonial Downs, with the VHBPA’s active support, is continuing to expand its EZ Horseplay wagering platform. (The VHBPA, on behalf of horsemen, receives one-half of EZ Horseplay’s net revenue.)

Colonial is furnishing private social clubs in the state with touch screen monitors that allow EZ Horseplay account holders to make wagers and watch races in an away from home social setting. To make the touch screens more accessible Colonial developed an ATM like machine that permits social club patrons to open an EZ Horseplay account, if they are not already members, and to deposit and withdraw cash. The device also prints racing forms and other handicapping information.

If the touch screens prove popular EZ Horseplay may expand into the public sports bar market.