

VIRGINIA LOTTERY
Board Meeting
November 16, 2022

The Virginia Lottery Board met on November 16, 2022, at 9:30 a.m. at Lottery Headquarters in Richmond, Va. A livestream link to the meeting was available on the Virginia Regulatory Town Hall website. A video recording of the meeting can be viewed here:
<https://youtu.be/5b0fKOgJ1Rk>

MEMBERS PRESENT: Ferhan Hamid, Chairman
Cynthia Lawrence, Vice Chairman
Vonda Collins
Orrin Gallop
Kimberley Martin
John Paul (JP) Powell
Scott Price

STAFF PRESENT: Kelly T. Gee, Executive Director
Amy Dilworth, General Counsel
Deborah Courtney, Deputy Executive Director of Finance and
Administration
Tony Russell, Deputy Executive Director of ITS and Operations
Gina Smith, Deputy Executive Director of Gaming Compliance
Robert Fontaine, Deputy General Counsel for Gaming
Jo Murphy, Executive Assistant

Mr. Hamid, chairman, presided, and Jo Murphy was the recording secretary.

CALL TO ORDER

Mr. Hamid called the meeting to order and noted that a quorum was present.

DIRECTOR'S REMARKS

Ms. Gee said that the General Assembly approved casinos during the 2020 session, and the path to licensure was laid out in the statute. First, the eligible host city was to select its preferred casino gaming operator. Portsmouth City Council approved Rush Street Gaming as its preferred operator in May 2020. Being designated the preferred casino gaming operator allowed Rush Street Gaming and its affiliate, Portsmouth Gaming Holdings, to seek precertification from the Lottery, which was the next required step in the statute. Pre-certification was a preliminary review by agency staff of the preferred operator to ensure it was financially viable to meet the \$300 million investment required by law. It in no way entitled the operator to a license. The Lottery issued precertification in July 2020. Once Rush Street Gaming received precertification, the host city was able to seek a citywide voter referendum during the November 2020 election as to whether casino gaming shall be permitted to include the specific address of where the casino would be located. Portsmouth voters approved the referenda with 67% of the voters in support.

DIRECTOR'S REMARKS (Continued)

Following the successful referendum, our Gaming Compliance team began working on the background investigations of the necessary owners and key personnel, and Rush Street Gaming began construction of the Rivers Casino Portsmouth. Should the Board approve the casino facility operator's license, the applicant will pay a required fee of \$15 million to the Lottery, and licensure will last 10 years before it will need to be renewed.

BOARD ISSUES

Rivers Portsmouth Gaming, LLC Introductions

Ms. Smith introduced Roy Corby, who is the General Manager of Rivers Casino Portsmouth.

Rivers Portsmouth Gaming, LLC Presentation

Mr. Corby said that he is proud to present the case for licensure. He also said that he is proud to work for a company that prioritizes people and community. Mr. Corby thanked Ms. Smith and her team. He said that he has been a part of six casino openings, and he has never had this level of cooperation and support.

Mr. Corby provided background on Neil Bluhm. Mr. Bluhm is the Chairman of Rivers Portsmouth Gaming, LLC as well as the Founder of Rush Street Gaming. Mr. Corby also provided background on Tim Drehkoff, CEO of Rivers Portsmouth Gaming, and Bill Keena, COO of Rush Street Gaming.

Mr. Drehkoff said that Rivers Portsmouth Gaming, LLC (RPG) will develop, own and operate Rivers Casino Portsmouth. Rush Street Gaming is an oversight entity created by ownership to share best practices among its affiliated properties and to seek new development opportunities. He explained the history of how Rush Street Gaming was founded. Rush Street Gaming currently operates four casinos that collectively generate approximately \$1.7 billion in revenue. He said that their customers and team members come from the local communities. Mr. Drehkoff said that Rivers is committed to equitable participation in workforce development and contracting. The company employs nearly 5,000 team members. All Rivers Casinos are top performers in their markets and are often voted a best place to work. He showed examples of transformational development in Philadelphia, Pa. and Schenectady, N.Y. He provided an overview of their association and success with casinos in Niagara Falls, Ontario, Vicksburg, Miss., Pittsburgh, Pa., Philadelphia, Pa. and Des Plaines, Ill.

Mr. Drehkoff said that they put emphasis on upscale design, innovation and guest experience. He shared pictures of their facility design.

BOARD ISSUES (Continued)

Mr. Corby said that Rivers Casino Portsmouth will be the first full-service, permanent casino in Virginia. This \$340 million venue will anchor the new Portsmouth Entertainment District. He said that Rivers Portsmouth Gaming selected a joint venture, Ballard Yates, as the general contractor. He also said that S.B. Ballard Construction Company was founded in Virginia in 1978, and Yates Construction was founded in 1964.

Mr. Corby said that the facility will have 1,448 slots, 57 table games, 24 poker tables, five restaurants, five bars, banquet and event space, and 2,002 surface parking spaces. There will be an estimated 1,400 jobs from construction and an estimated 1,300 permanent jobs. He also named several amenities and affiliates.

Mr. Corby said that this project is the largest private investment in Portsmouth and one of the biggest private investments in the history of Hampton Roads. Significant tax revenue will be generated for a community that has a significant amount of nontaxable property. He said that the Rivers Casino brand has a history of including local minority investors in its projects. Nearly two dozen entities are now participating, and more than half are Portsmouth residents and/or business owners.

Camille Dennis, Human Resources Manager, Rivers Casino Portsmouth, said that Rivers Casino offers comprehensive training programs, competitive wages and benefits. Over 5,800 team members have been promoted from within since the properties opened. She said that they partner with local workforce-development organizations to hire from the local communities. Ms. Dennis said that Rivers Casino offers high-quality, family-sustaining jobs with great benefits. At all Rivers Casinos, active military and veterans, both team members and guests, are honored for their service to our country all year long. Since its inception, Rivers Casino has maintained a strong commitment to diversity, equity and inclusion. Hires to date are 58% minority.

Colleen Carraccio, Director of Compliance, Rivers Casino Portsmouth, said that Rivers Casino has a long-standing culture of compliance in all gaming jurisdictions. She said that Rivers Casino Portsmouth is committed to exemplary gaming operations and controls as well as transparency through self-reporting. They are also committed to having an ongoing cooperative relationship with the Lottery, law enforcement and government regulators. Ms. Carraccio said that the Portsmouth Police Department has a substation located on-site. There will also be metal detectors at all entrances. She discussed tactics to handle two long-standing casino industry concerns: prevention of underage gaming and reducing the number of unattended children.

Ms. Carraccio said that Rivers Casino has developed a robust responsible gaming program. She said that they also offer responsible alcohol training for team members. Training will occur prior to opening and annually going forward. They have partnered with Virginia ABC to conduct the training. Part of the new member training is understanding the problem of human trafficking. All employees will receive training on this issue on an ongoing basis.

BOARD ISSUES (Continued)

Rahmon Hart, Director of Community Relations Pittsburgh, said that Rivers Gives is the corporate social responsibility program that helps maintain strong relationships with a wide range of organizations within the communities that surround their properties. The five pillars of Rivers Gives are volunteerism, board service, donation drives, in-kind contributions and corporate giving. He provided examples for each pillar. He also provided a list of more than 20 local organizations engaged to date. Mr. Hart shared a video that showcased the type of service projects they do in the community. Lastly, he discussed business opportunities. He said that they collaborate with local businesses with an emphasis on Minority/Women-owned Business Enterprises (MWBE). The team routinely attends supplier diversity and MWBE training sessions. They also conduct how to do business seminars. Lastly, they host events and diversity conferences on-site.

Mr. Corby said their executive team has over 240 years of gaming experience combined and has been a part of 28 casino openings.

Mrs. Martin asked what the main reasons were that 33% of voters did not want the casino. Mr. Corby said he did not see a breakdown of the reasons why they did not vote in favor of the casino. He said that it is important to reach out to the community in a variety of ways to make sure they are comfortable with what Rivers is trying to achieve. Mr. Corby said that in addition to Rivers Gives Rivers focuses on hiring minorities and traffic mitigation to ensure that it is a good community partner.

Mrs. Martin asked for the revenue projections and also asked what percentage will be allocated to Rivers Gives. Jennifer Caruso, Vice President of Finance, Rivers Casino Portsmouth, said a feasibility study was conducted at the start of the project to determine the revenue projections. Approximately \$198 million is projected in casino wagering and sports revenue for each year for the next five years. She did not have an exact percentage that will be used for Rivers Gives, but she said that giving has been significant in other communities.

Ms. Lawrence asked about their involvement with the local and community colleges. Mr. Corby said they are very involved with the local and community colleges. He provided examples of the collaboration.

Mr. Hamid asked where they expect most of their customers to come from. Mr. Corby said that they expect some highway traffic, but most customers will come from within a 60-mile radius. Mrs. Martin asked what they are doing in anticipation of the influx of traffic. Mr. Corby said that the traffic should not be a problem. Mr. Drehkoff said that a roundabout was constructed to help mitigate traffic issues once people are on-site.

BOARD ISSUES (Continued)

Casino Applications and Background Investigations

Ms. Smith thanked her team for preparing the Background Investigation Report. She also thanked the Rivers Casino team for answering last-minute questions about its ownership structure.

Ms. Smith said that the Board was recently provided with the following executive summary:

Executive Summary
Background Investigation Report
In the Matter of
Rivers Portsmouth Gaming, LLC
in its application for a Casino Gaming Facility Operator's License

Ms. Smith read the key points of "Executive Summary Background Investigation Report in the matter of Rivers Portsmouth Gaming, LLC in its application for a Casino Gaming Facility Operator's License."

Ms. Smith said that the Lottery's investigation has confirmed that the Applicant has the financial resources, business experience and ability to execute its business plan with no derogatory information regarding the Applicant's integrity or overall suitability.

Ms. Collins asked what the bond rating was for the entity that borrowed money on behalf of Rivers. Mr. Drehkoff said that Rivers Portsmouth is the borrower, and they did not need a bond rating to borrow.

Ms. Smith said that the Lottery recommends that the Board (1) find that the Applicant meets the criteria for a Casino Gaming Facility Operator's License set out in § 58.1-4110.B. of the Casino Gaming Law; (2) determine that the Board has not found any of the disqualifying elements set out in § 58.1-4110.C. of the Casino Gaming Law; and (3) approve the issuance of a Casino Gaming Facility Operator's License to Applicant Rivers Portsmouth Gaming, LLC, subject to the completion of any outstanding operational matters to the satisfaction of the Lottery's Deputy Executive Director of Gaming Compliance and receipt of \$15 million as required by § 58.1-4108.D. of the Casino Gaming Law. The Lottery further recommends that the Board (4) approve the issuance of Key Manager's Supplier Permits to the eight individual qualifiers: Neil Bluhm, Timothy Drehkoff, James Wolf, Anna Wolf, Nicholas Helfand, Cooper Bluhm, William Helfand, and Emmett Bluhm, and (5) delegate to the Deputy Executive Director for Gaming Compliance approval of any subsequent or renewal Supplier Permits for the Applicant's Key Managers.

BOARD ISSUES (Continued)

Mr. Hamid said that he is satisfied that the process was very thorough from everything that he has read and heard. He thanked Rivers Casino for the thorough presentation. Mr. Hamid said that he thinks this is a good thing for Portsmouth and for Virginia.

On motion duly made by Ms. Lawrence and seconded by Mrs. Martin, the Board finds that Rivers Portsmouth Gaming, LLC meets the criteria for a Casino Gaming Facility Operator's License as set out in § 58.1-4110.B. of the Code of Virginia; determines that the Board has not found any of the disqualifying elements set out in § 58.1- 4110.C. of the Code of Virginia; and approves the issuance of a Casino Gaming Facility Operator's License to Applicant Rivers Portsmouth Gaming, LLC subject to completion of any outstanding operational matters to the satisfaction of the Lottery's Deputy Executive Director of Gaming Compliance and receipt of \$15 million as required by § 58.1-4108.D. of the Code of Virginia.

On motion duly made by Mr. Price and seconded by Chief Gallop, the Board approves the issuance of a Key Manager's Supplier Permit to the eight individual qualifiers: Neil Bluhm, Timothy Drehkoff, James Wolf, Anna Wolf, Nicholas Helfand, Cooper Bluhm, William Helfand, and Emmett Bluhm; and delegates to the Deputy Executive Director of Gaming Compliance approval of any subsequent or renewal Supplier Permits for Key Managers of Rivers Portsmouth Gaming, LLC.

Waiver Request of Regulation Concerning Physical Specifications for Value Chips

Mr. Fontaine said that 11VAC5-90-30 allows the Board to authorize a request for a waiver of a regulation. Rivers Portsmouth Gaming, LLC has asked the Board to permit the following three waivers:

1. 11VAC5-90-170C.14.a. A value chip with a value of less than \$500 must have a diameter of 1 9/16 inches. They would like to utilize chips with a 39mm diameter.
2. 11VAC5-90-170C.14.b. A value chip with a value between \$500 and \$1,000 must have a diameter of 1 9/16 inches. They would like to utilize chips with a 43mm diameter.
3. 11VAC5-90-170C.14.c. A value chip with a value of \$5,000 or more must have a diameter of 1 11/16 inches. They would like to utilize chips with a 43mm diameter.

BOARD ISSUES (Continued)

On motion duly made by Mr. Powell and seconded by Ms. Lawrence, pursuant to 11VAC5-30, the Board approved Rivers Portsmouth Gaming, LLC request to waive the Lottery's regulations concerning the physical specifications of value chips, specifically authorizing Rivers Portsmouth Gaming, LLC to use:

1. Value chips with a 39mm diameter, instead of the 1 9/16-inch diameter otherwise required for value chips under 11VAC5-90-170C.14.a;
2. Value chips with a 43mm diameter, instead of the 1 9/16-inch diameter otherwise required for value chips under 11VAC5-90-170C.14.b; and
3. Value chips with a 43mm diameter, instead of the 1 11/16-inch diameter otherwise required for value chips under 11VAC5-90-170C.14.c.

OTHER BUSINESS

The next Lottery Board meeting is scheduled to take place on January 25, 2023.

BOARD MEMBERS' OPEN DISCUSSION

Mr. Powell and Ms. Lawrence thanked the Rivers representatives for their thorough presentation.

ADJOURNMENT

There being no further business to come before the Board, the chairman declared the meeting adjourned.

Kelly T. Gee, Secretary

Ferhan Hamid, Chairman