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**VIRGINIA RACING COMMISSION**

July 29, 2015

PATRICK HENRY BUILDING  
EAST READING ROOM  
1111 EAST BROAD STREET  
RICHMOND, VA 23219

Commencing at 9:58 a.m.

**COMMISSION MEMBERS:**

J. Sargeant Reynolds, Jr., Chairman  
D.G. Van Clief, Jr., Vice Chairman  
Carol G. Dawson  
I. Clinton Miller  
Charles W. Steger, PhD

**COMMISSION STAFF:**

Bernard J. Hettel, Executive Secretary  
C. Richard Harden, DVM, Equine Medical Director  
David S. Lermond, Deputy Executive Secretary  
Courtney C. Reid, Program Support Technician  
Kimberly C. Mackey, Office Administrator

**OFFICE OF AGRICULTURE AND FORESTRY:**

Sam Towell, Deputy Secretary of Agriculture and Forestry

**ATTORNEY GENERAL'S OFFICE:**

Joshua Laws, Esquire

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## I N D E X

|    | Page   |
|----|--|
| 1  |  |
| 2  |  |
| 3  | 1. Call to Order - Mr. Reynolds 3  |
| 4  | 2. Approval of July 1 <sup>st</sup> meeting minutes 4                    |
| 5  | 3. Approval of September 20, 2015 race day at<br>Great Meadow 5          |
| 6  | 4. Review and approval of Virginia Equine Alliance 12                    |
| 7  | budget   |
| 8  | a. Approval of Oakridge contract   |
| 9  | 5. Virginia Breeders Fund - Thoroughbred Subcommittee 67                 |
| 10 | a. Request for owner bonuses on September 20<br>race day at Great Meadow |
| 11 | 6. Virginia-Bred and Graded Stakes in Maryland 67                        |
| 12 | 7. Public Comment Period 105   |
| 13 | 8. Closed Session -  |
| 14 | 9. Adjournment 106   |
| 15 |  |
| 16 |  |
| 17 |  |
| 18 |  |
| 19 |  |
| 20 |  |
| 21 |  |
| 22 |  |
| 23 |  |
| 24 |  |
| 25 |  |

1           MR. REYNOLDS: I will call the Virginia Racing  
2 Commission meeting for July 29<sup>th</sup>, 2015 to order.  
3 The first thing I'd like to do before we move for  
4 approval of the minutes is to set our next meeting.

5           I think last time we talked about having  
6 regularly scheduled monthly meetings, and I was  
7 thinking like the second Wednesday of every month.  
8 I don't know if that's what we decided on or not,  
9 but that's my thinking for now.

10          In setting the next meeting, I would ask my  
11 commissioners are you all available, say either  
12 Wednesday September 2<sup>nd</sup> or Wednesday September 9<sup>th</sup>?

13          MR. VAN CLIEF: The 9<sup>th</sup>.

14          MR. MILLER: The 9<sup>th</sup>.

15          MR. REYNOLDS: Commissioner Steger?

16          MR. STEGER: Verifying right now.

17          MS. DAWSON: I'm available both days.

18          MR. STEGER: Yes. That looks fine.

19          MR. REYNOLDS: Is that an issue with the  
20 stakeholders?

21          MR. PETRAMALO: No.

22          MR. REYNOLDS: Okay. Our next meeting will be  
23 at ten o'clock on September 9<sup>th</sup>, and we will let  
24 you know where that will be held. Okay. Thank  
25 you.

1           Also, what I'm going to do today, is when we  
2 get to places on the agenda where the Commission  
3 needs to take some sort of action, I'm going to  
4 allow the public to make comments at that time on  
5 that particular issue, if they so choose.

6           whether they are in favor of it or against it  
7 or just want to make a comment, I'm going to allow  
8 the public to make comments at those times. They  
9 are still subject to the five-minute limit, so if I  
10 forget to do that, please, somebody remind me, but  
11 I think that's very appropriate. We will do that,  
12 you know, ongoing.

13           Has everybody had a chance to look at the  
14 minutes? I know that I have one that I saw, and  
15 that is on the second page in the middle, where it  
16 says the Commission unanimously approved a request  
17 by the Virginia Thoroughbred Association for the  
18 distribution of Breeders' Fund funding for purses,  
19 et cetera, et cetera.

20           The Commission did not unanimously approve it;  
21 there was one abstention, so I would recommend  
22 approval -- well, I'll wait for other comments, but  
23 I recommend that we strike unanimously and just say  
24 the Commission approved the request by the Virginia  
25 Thoroughbred Association.

1           Are there any other additions or corrections to  
2 the minutes?

3                   NOTE: There was no response.

4           MR. REYNOLDS: Hearing none, do I hear a motion  
5 to approve the minutes for the July 1<sup>st</sup>, 2015  
6 commission meeting with my amendment?

7           MS. DAWSON: So moved.

8           MR. REYNOLDS: Do I hear a second?

9           MR. STEGER: Second.

10          THE COURT: All those in favor, say aye.

11                   NOTE: The Commission votes aye.

12          MR. REYNOLDS: All those opposed?

13                   NOTE: There is no response.

14          MR. REYNOLDS: The minutes are approved as  
15 amended.

16           Next on the agenda is approval of the September  
17 20<sup>th</sup>, 2015 race day at Great Meadow. I apologize.  
18 I'd also like for the record to reflect that all  
19 the commissioners are present. Mr. Lermond  
20 reminded me to do that and I forgot, so I  
21 apologize. Thank you, Commissioner Miller.

22           Is Dr. Allison here? Would you like to talk  
23 about the meet coming up?

24          DR. ALLISON: Yes. Mr. Chairman, we seek  
25 approval of our race date. Great Meadow is in good

1 shape for six days of flat racing. The community  
2 is very excited about it. The SPCA is going to be  
3 our charity of choice that day. They look forward  
4 to this opportunity to raise a lot of money,  
5 hopefully.

6 MR. REYNOLDS: Okay. Thank you. Are there any  
7 comments from the -- Mr. Petramalo?

8 MR. PETRAMALO: Yes. Mr. Chairman, just to get  
9 all the paperwork in order, we will submit three  
10 contracts to you. If you don't already have it,  
11 there is the lease between the Equine Alliance and  
12 Great Meadow for the course, and then there is the  
13 contract between the Equine Alliance and the Gold  
14 Cup Association, because the Gold Cup is going to  
15 be the operator to run the races, and then there's  
16 the horsemen's contract between the Gold Cup and  
17 the Virginia HBPA.

18 So those are the three pieces of paper we need  
19 officially to go forward with the races, and we  
20 will submit them as soon as they're signed, and  
21 hopefully, we can take or we can get approval at  
22 the September 9<sup>th</sup> meeting.

23 MR. REYNOLDS: Okay. So that includes the  
24 lease agreement?

25 MR. PETRAMALO: Yes.

1           MR. REYNOLDS: My next question is do we need  
2 to take action on that today?

3           MR. PETRAMALO: Do you have that before you?

4           MR. REYNOLDS: We have just the lease agreement  
5 between the Great Meadow Foundation and the  
6 Virginia Equine Alliance.

7           MR. PETRAMALO: Right. Well, let me suggest  
8 that you go forward and approve that, if you're so  
9 inclined, and then we'll take up the other two  
10 contracts at the September 9 meeting.

11          MR. REYNOLDS: Okay. All right. Do the  
12 commissioners have any comments on -- I guess we  
13 have two approvals; one is to approve the race day.  
14 I want to read the letter into the record.

15          The Virginia Gold Cup Association requests that  
16 the Virginia Racing Commission grant a license for  
17 one day of flat racing, six races at the Great  
18 Meadow race course located in The Plains, Virginia,  
19 on September 20<sup>th</sup>, 2015. Virginia Equine Alliance  
20 will fund the races and the Virginia Horsemen's  
21 Benevolent and Protective Association will provide  
22 the purses. The Fauquier SPCA will be the  
23 designated charity.

24          Are there any comments before I seek a motion  
25 to approve the race day?

1                   NOTE: There is no response.

2                   MR. REYNOLDS: Maybe I'll make the motion. I'd  
3 like to make a motion that Virginia Racing  
4 Commission approve and grant a license for one day  
5 of flat racing at Great Meadow race course, located  
6 at The Plains, Virginia, on September 20<sup>th</sup>, 2015.  
7 Do I hear a second?

8                   MS. DAWSON: Question.

9                   MR. REYNOLDS: Yes.

10                  MS. DAWSON: Isn't the license already in  
11 existence?

12                  MR. PETRAMALO: Yes.

13                  MR. HETTEL: This is the approval of a day.

14                  MS. DAWSON: So we're approving the one day?

15                  MR. HETTEL: Yes.

16                  MR. REYNOLDS: well, the Gold Cup is requesting  
17 the Racing Commission grant a license for one day  
18 of flat racing.

19                  MR. HETTEL: It's poorly worded.

20                  MR. REYNOLDS: So should I amend my motion?

21                  MR. HETTEL: I would just say let's approve a  
22 race day for September 20<sup>th</sup>, based upon the  
23 application previously submitted by Gold Cup. They  
24 have 14. This will be the third day of the 14.

25                  MR. REYNOLDS: I'd like to amend my motion to

1 state that the Virginia Racing Commission approve  
2 one day of flat racing at Great Meadow race course,  
3 located in The Plains, Virginia, on September 20<sup>th</sup>,  
4 2015.

5 MR. VAN CLIEF: I'll second that motion.

6 MR. REYNOLDS: All those in favor, say aye.

7 NOTE: The Commission votes aye.

8 MR. REYNOLDS: All those against, say no.

9 NOTE: There is no response.

10 MR. REYNOLDS: The motion carries.

11 Of course I didn't ask the public if they had  
12 any comments about that, but do the public have any  
13 comments? I won't mess it up the next time. Okay.

14 NOTE: There is no response.

15 MR. REYNOLDS: Now, have all the commissioners  
16 had a chance to read through the lease agreement  
17 between the Great Meadow Foundation and the  
18 Virginia Equine Alliance, and if so, do you all  
19 have any questions or comments?

20 NOTE: There is no response.

21 MR. REYNOLDS: Mr. Petramalo, you were asking  
22 us to take action on this, or would you rather wait  
23 and do it all together at the next meeting?

24 MR. PETRAMALO: Whatever suits the Commission,  
25 but I would suggest as long as it is before you at

1 this point, you go ahead and approve it.

2 MR. REYNOLDS: I have reviewed it and I don't  
3 have any problems with it whatsoever, but I leave  
4 that up to my fellow commissioners, if they're  
5 comfortable.

6 MR. STEGER: I don't have any problems.

7 MS. DAWSON: I think it's pretty straight  
8 forward.

9 MR. VAN CLIEF: I have a procedural question,  
10 Mr. Chairman. Does the Commission actually need to  
11 approve the terms of this contract or others like  
12 it? Seems to me we're approving budgets, approving  
13 expenditures as per the current legislation. We're  
14 approving race days as per the norm, but is it our  
15 purview to actually approve terms of contracts  
16 between the various parties?

17 MR. PETRAMALO: My opinion with regard to the  
18 VEA, I would submit that as long as what the VEA is  
19 proposing to spend under the contract, as long as  
20 it is within a budget item that you approve, I  
21 would say fine, you don't need to approve it, but  
22 out of an abundance of caution, we put the  
23 condition in there.

24 But let me quickly add that it's slightly  
25 different when you're talking about the agreement

1 between -- subsequent agreement between the Gold  
2 Cup and the Virginia HBPA, because that provides  
3 for prizes and purses, and by statute, you have to  
4 approve that contract.

5 MR. VAN CLIEF: Does Counsel agree with that?

6 MR. LAWS: I need to look it up and do some  
7 research. I don't know off the top of my head.

8 MR. REYNOLDS: Commissioner Miller.

9 MR. MILLER: Well, out of an abundance of  
10 caution, I suggest that we do expressly vote to  
11 approve this lease, because it provides for an  
12 expenditure by the Virginia Equine Association, and  
13 we have not approved their budget, as yet anyway,  
14 and the budget is prospectus and anticipated  
15 expenses, and this is an actual expense that's  
16 there in black and white. So if we agree that this  
17 expenditure is appropriate, we vote to either  
18 approve it or not approve it now by voting up or  
19 down.

20 MR. REYNOLDS: Would it make sense to defer  
21 this until after we've talked about the budget?  
22 Again, I don't have a problem with the expenditure  
23 or this lease.

24 MR. MILLER: I would suggest let's go ahead and  
25 the motion has been made to approve the lease and

1 it sets forth the exact amount there that's being  
2 paid for the lease agreement, and so I would  
3 suggest we go ahead and vote on that, and if we  
4 don't approve the budget of the VEA, then --

5 MR. REYNOLDS: It's a moot point.

6 MR. MILLER: -- it would be a moot point.

7 MR. REYNOLDS: Yes.

8 MR. MILLER: I don't know. I don't know why  
9 everything always gets so complicated.

10 MR. PETRAMALO: It's Virginia.

11 MR. MILLER: Maybe let's defer it until we  
12 discuss their budget.

13 MR. REYNOLDS: Okay. We will defer this item  
14 until we discuss the budget.

15 Speaking of which, the review and approval of  
16 the Virginia Equine Alliance budget is next on our  
17 agenda. I would ask that the Virginia Equine  
18 Alliance representative get up, and I don't know  
19 the best way to do that, but maybe take us through  
20 line by line of your budget, explain, you know,  
21 briefly where you can, and in more detail where,  
22 you know, we may need more explanation as to what  
23 the expenditures are.

24 I'll say that Vice Chairman Van Clief and I did  
25 spend two hours with the VEA the other week to go

1 over this budget in great detail, and then I know  
2 other commissioners may have talked to you all as  
3 well, so I have a good understanding of what the  
4 budget is.

5 I know some changes have been made, but for the  
6 benefit of the public who aren't privy to those  
7 detailed discussions, would you like to carefully  
8 go through each line item, and then after that, or  
9 along the way as commissioners have questions,  
10 certainly have them, and I will give the public a  
11 chance to comment, if and when we take any action  
12 on this budget.

13 Mr. Hannum.

14 MR. HANNUM: Great. Thank you, Mr. Chairman.  
15 So the budget before you should on the top  
16 left-hand corner say Virginia Racing Commission  
17 July 29<sup>th</sup>, 2015. That's the version I'm referring  
18 to, because we've made some changes over the last  
19 few weeks. This is essentially the same budget  
20 that we reviewed on July 1<sup>st</sup>, and so I'll go  
21 through it.

22 We put on the far left-hand side line numbers,  
23 which I will refer to, which hopefully, that will  
24 make it a little bit easier to follow.

25 Line Number One, the gross proceeds from ADW,

1 that's obviously an estimate.

2 MR. MILLER: Sorry for the interruption.  
3 You're referring to something with line numbers and  
4 you're referring to something with a date in the  
5 left-hand corner.

6 MS. REID: I'm sorry. I didn't print that.

7 MR. HANNUM: So the line numbers aren't there?

8 MS. REID: That is the correct document. Those  
9 just aren't on there.

10 MR. MILLER: Well --

11 MR. HETTEL: Let's go make some copies of that.

12 MS. REID: Okay.

13 MR. MILLER: That's a good idea.

14 MR. HANNUM: You know what, Courtney? I might  
15 have --

16 MR. PETRAMALO: I'll volunteer my copy.

17 MR. REYNOLDS: We'll just wait until we all  
18 have copies.

19 MR. MILLER: She'll be back in a moment. It's  
20 not far.

21 NOTE: There is a brief recess;  
22 thereafter, the meeting continues as follows:

23 MR. HANNUM: Okay. So on the far left-hand  
24 side, you can see where it says Number One next to  
25 gross receipts from ADW, so that's where I'll be

1 starting.

2 The 916,000, that's an estimate for the  
3 remainder of 2015, and as I commented on on  
4 July 1<sup>st</sup>, that represents five months of revenue  
5 because we won't receive our first payments from  
6 the ADW companies until August.

7 Lines two and three are the statutory  
8 distributions laid out in the new law as indicated.

9 Moving down to expenses, Line Number Four, race  
10 day staffing and expenses, \$250,000. That  
11 represents five days of racing at \$50,000 a day.  
12 We have the guide of the Virginia Gold Cup over the  
13 past few years to help us determine the actual cost  
14 per day for racing with pari-mutuel wagering, and  
15 so we feel that's a very good indication of what  
16 expenses will be on a per-day basis.

17 MR. REYNOLDS: Does that include the lease  
18 payments?

19 MR. HANNUM: No. It does not.

20 MR. REYNOLDS: That's somewhere else?

21 MR. HANNUM: Yeah. That would be the next  
22 line.

23 MR. REYNOLDS: Okay.

24 MR. HANNUM: So the next line, Line Number  
25 Five, would be the lease payments for 2015. We

1 have two different leases; one for Great Meadow,  
2 which we've discussed earlier, and then Oakridge.  
3 So the Oakridge lease for four days is \$80,000, and  
4 the Great Meadow lease is one day at \$75,000. So  
5 that Line Number Five includes the leases.

6 MR. REYNOLDS: Why is it one seems to be  
7 significantly more expensive than the other and  
8 Morven Park is a lot more expensive than Oakridge?  
9 I know in real estate things are different and  
10 every deal is a little bit different, but how hard  
11 was it to negotiate the deal you got for Morven  
12 Park?

13 MR. HANNUM: Sure. Perhaps Dr. Allison could  
14 speak to that.

15 DR. ALLISON: The Great Meadow lease agreement,  
16 they are doing all of the preparation and  
17 maintenance.

18 MR. REYNOLDS: Okay.

19 DR. ALLISON: The others don't include that.

20 MR. REYNOLDS: Okay.

21 DR. ALLISON: So that's a significant amount.

22 MR. REYNOLDS: Okay.

23 MR. HANNUM: It is also important to note that  
24 it's not simply one day. Great Meadow, for  
25 example, includes -- I don't have the lease in

1 front of me, but I believe it's for -- how many  
2 days is it, Dr. Allison? Five or six?

3 DR. ALLISON: Five days before the race and two  
4 days. We are renting the whole place for seven  
5 days.

6 MR. REYNOLDS: Okay.

7 MR. HANNUM: So that's just an important note.  
8 So yes, I think it's, you know, it's just a  
9 reflection of the location of the facilities. Our  
10 arrangements, whether we're doing maintenance or  
11 not, and then the existing use of those facilities.

12 Great Meadow has a number of other activities  
13 that take place there. This reflects what their  
14 market rate is for events of this nature, and  
15 Morven Park is unique in the sense that they have a  
16 number of activities that are going to be taking  
17 place there along with the racing, and to have that  
18 facility for our racing has been an expensive, you  
19 know, proposition. So I think it just reflects the  
20 circumstances of each site.

21 MR. REYNOLDS: Thank you.

22 DR. ALLISON: Mr. Chairman, to compare things,  
23 Gold Cup pays 125,000 per day racing at Great  
24 Meadow. We don't like it, but it's all we have.

25 MR. REYNOLDS: That's the market, right?

1 DR. ALLISON: Every cent we pay to Great Meadow  
2 takes away the money that we would like to give the  
3 purses, so that's why we don't like it.

4 MR. REYNOLDS: Okay.

5 MR. HANNUM: Thank you. Event insurance, Line  
6 Number Six, would be liability insurance for the  
7 days of racing.

8 Moving down to administrative expenses, Lines  
9 Seven and Eight reflect the salaries for myself and  
10 other employees or contractors that we'll be  
11 bringing on for the balance of the year.

12 Most importantly, we will have to have a turf  
13 maintenance sort of facilities manager to help us  
14 bring Oakridge up to speed, and then if we're able  
15 to sign the Morven Park lease, which we're hoping  
16 to shortly, work will begin immediately on Morven  
17 Park. So Line Eight reflects costs for a  
18 facilities manager for the balance of the year, as  
19 well as money left over for race day operations;  
20 additional people we bring in immediately before  
21 the races and on race day.

22 Line Nine reflects taxes. Ten is IT expenses.  
23 As I've mentioned, we've been operating with a  
24 pretty lean operation to-date, and some dates that  
25 computers will need to be purchased.

1           Line 11 is insurance for the Alliance. Line 12  
2 is interest expense on the loan that the HBPA has  
3 made to the Alliance to help us get up off the  
4 ground to fund operations in anticipation of the  
5 ADW money starting in August.

6           Line 13 is the office rent. We're able to  
7 share the office in Warrenton with the VTA and the  
8 HBPA, so we're only paying a third of what we'd  
9 normally be paying.

10          Then Line 14, travel expenses, represents my  
11 travel as well as all the other costs from going to  
12 different sites, and then at Oakridge, we're gonna  
13 have a high travel expense there. We have a number  
14 of people that need to stay at Oakridge throughout  
15 the duration of the two-week meet.

16          Management expenses starting on Line 16 reflect  
17 the cost for the back office support of the  
18 Alliance. The Alliance board voted to contract  
19 with Easter Associates for the next year to provide  
20 this support, which we feel would be critical in  
21 enabling us to, you know, to continue to move at  
22 the pace that we've been moving over the past six  
23 months.

24          Their support will include financial  
25 management, accounting, business consultation,

1 database management, secretarial support, web and  
2 IT support, and as well as graphic design and event  
3 planning. So there's a whole host of services they  
4 will be providing really at a fraction of a cost  
5 that it would be for us to go out and hire a  
6 full-time staff for those duties.

7 Line 22 is the audit that is required now by  
8 the statute for the Racing Commission. Marketing  
9 and promotion, Lines 23 and 24, include the  
10 development of a new website, as well as other  
11 print and media to promote the races and to  
12 communicate to our horsemen here in Virginia, as  
13 well as throughout the region, events that are  
14 taking place, and as well as the communications  
15 personnel to help us with that task of writing  
16 materials and disseminating information.

17 Lines 25 and 26 represent a contribution to the  
18 Thoroughbred and Standardbred retirement programs,  
19 as is required by the statute.

20 Line 27 is the cost that we spoke about at the  
21 last commission meeting. Morven Park will have to  
22 go through an extensive reengineering of their  
23 equestrian park, which they have been working on  
24 for a number of years now, and that is a component  
25 of our lease, which is a \$250,000 payment to Morven

1 Park for the costs associated with redesigning  
2 their equestrian park.

3 Line 28 represents the actual capital  
4 improvements that will be required that we  
5 anticipate will be required at Morven Park,  
6 including building a new fence, repairs to the  
7 storage stand, building a paddock and building a  
8 fence around the race course, installing an inner  
9 rail, as well as a host of other things which will  
10 inevitably come up.

11 Line 29 represents the loan that the HBPA has  
12 again made to the Alliance for operational  
13 expenses. It also represents the government  
14 affairs loan that was made earlier this year.

15 So that's the review of the budget,  
16 Mr. Chairman, and I would be happy to take any  
17 questions.

18 MR. REYNOLDS: Okay. Thank you, Mr. Hannum.  
19 Let's go back up. I'll ask a question. Let's go  
20 back up to the management expense.

21 I know we spent a lot of time on this when I  
22 visited you the other week, but I think for the  
23 public benefit, I think this needs a little further  
24 explanation.

25 You certainly explained why it made sense to

1 use Easter Associates to get up and running,  
2 because they have all of these in-house  
3 capabilities, and I don't know if you just went  
4 through all of what they did, I think you did, and  
5 that's at a cost of \$85,000. How much would it  
6 cost if you went and hired your own staff and did  
7 it in-house yourself?

8 MR. HANNUM: Yeah. That's a good question. I  
9 think that it would probably be upwards of  
10 \$150,000, perhaps more. Secretarial support would  
11 probably be around \$30,000 to \$35,000 a year. A  
12 CPA will be about 80,000 a year. web and IT would  
13 be about 30,000 a year. The graphic designs and  
14 support would be around \$20,000 a year. So I think  
15 we'd be in excess of \$150,000 a year to hire those  
16 people outright, and so I think this is a  
17 significant cost savings for the Alliance.

18 And importantly, if the CPA at Easter  
19 Associates leaves or takes a break, there's  
20 additional staff there to pick up. So it frees the  
21 Alliance from having to manage the staff, which  
22 would be a very time consuming element in and of  
23 itself.

24 MR. REYNOLDS: I feel like \$85,000 is a good  
25 value. I don't know -- it certainly makes sense to

1 outsource it versus doing it in-house. Maybe you  
2 all didn't have the time this year, but did you all  
3 go out and bid this out to any other companies or  
4 -- well, I'll let you answer that.

5 MR. HANNUM: We didn't, Mr. Chairman, in that  
6 Easter Associates was providing these services for  
7 us going back to the inception of the Alliance, and  
8 doing it at a very minimal cost to help us get off  
9 the ground.

10 As we've been moving forward, the pace of the  
11 number of activities that we've been engaged in has  
12 been such that it would have been a very  
13 time-consuming process to develop an RFP and to go  
14 out and solicit those bids and interview those  
15 companies simply to put racing on this fall, and it  
16 would be very, very challenging to do that.

17 But the Alliance board in approving this  
18 contract for a year did so with the understanding  
19 that we'd after one year have the opportunity to  
20 open up this process to interview other firms for  
21 these services. So that is the intention of the  
22 Alliance.

23 MR. REYNOLDS: That was my next question. It  
24 certainly in my mind doesn't make sense at this  
25 point since you're up and running to bid it right

1 now. Perhaps get through this budget here and then  
2 maybe open it up to a bid process.

3 MR. HANNUM: Yeah. I think it would be  
4 extremely onerous to go through that process right  
5 now.

6 MR. REYNOLDS: Okay. I know Ms. Easter is the  
7 president of the VEA, and I think she's compensated  
8 through the VTA, but is she compensated through the  
9 VEA?

10 MR. HANNUM: No, she's not. So she's a  
11 volunteer for the Alliance with the blessing of her  
12 board, the Virginia Thoroughbred Association, so  
13 she does not receive any compensation for her  
14 activities with the Alliance.

15 MR. REYNOLDS: All right. Thank you. Other  
16 commissioners?

17 MS. DAWSON: Yes, Mr. Chairman. I have a  
18 question under -- I guess it's under  
19 administrative -- no, I'm sorry. It's under --  
20 yes. It's under administrative, Line 14, travel  
21 and expenses. I know it's a small amount and you  
22 mentioned that a lot of that was road travel and  
23 that would include mileage and hotels and so forth.

24 MR. HANNUM: Yeah.

25 MS. DAWSON: But then you also mentioned there

1 would be some other individuals involved who would  
2 be on a consulting basis that you would need. Can  
3 you expand on that and explain what that's for?

4 MR. HANNUM: Yes. So Oakridge is unique in  
5 that it's two weekends back to back, October 10<sup>th</sup>  
6 and 11<sup>th</sup> and 17<sup>th</sup> and 18<sup>th</sup>. We will be camping out  
7 in Nelson County starting on the 5<sup>th</sup> and 6<sup>th</sup> of the  
8 month and be there through the 19<sup>th</sup>, so I will be  
9 there, obviously, for a large portion of that time  
10 coming and going, but our facilities manager will  
11 be there the whole time.

12 Our director of racing, our stewards, all the  
13 personnel and our maintenance crew. We'll have a  
14 large, you know, component of people that will have  
15 to be there throughout the two weeks.

16 So I think a lot of that portion of the budget  
17 will be taken up in hotel costs and getting staff  
18 there for that meet, so that's a unique  
19 circumstance.

20 MS. DAWSON: Do you have an estimated number of  
21 people that this would cover?

22 MR. HANNUM: I think that we will probably have  
23 I think probably five or six people there working  
24 for the Alliance in one way or the other that would  
25 be there throughout the duration of the meet, but

1 I'll think about that a little bit more and comment  
2 at the next commission meeting.

3 MS. DAWSON: But it's not just limited to  
4 Oakridge?

5 MR. HANNUM: well, Oakridge would be that we'd  
6 need to be there throughout, because the horses  
7 will all be there. The horses will be arriving on  
8 the 5<sup>th</sup> and 6<sup>th</sup>. That's a qualifying day the  
9 wednesday before the first saturday, which is  
10 essentially a race day, and so there'll be the  
11 requirements to have a full contingent of officials  
12 there, you know, throughout the whole meet, which  
13 is different than Great Meadow, which would just be  
14 coming in for the day and then gone.

15 MS. DAWSON: Okay. Thank you.

16 MR. HANNUM: Thank you.

17 MR. MILLER: Mr. Chairman.

18 MR. REYNOLDS: Commissioner Miller.

19 MR. MILLER: It's fair to say that on travel  
20 and expenses for an operation that's new that has  
21 not been done before is what you hope is a  
22 reasonable guesstimate?

23 MR. HANNUM: Yes, sir.

24 MR. MILLER: And it may or may not be that  
25 much; it may be more?

1 MR. HANNUM: Yeah.

2 MR. MILLER: You're just trying to provide us  
3 with what you think may be a reasonable  
4 anticipation of costs which will be incurred?

5 MR. HANNUM: Exactly. The entire budget  
6 reflects that.

7 MR. MILLER: Okay. Could I?

8 MR. REYNOLDS: Please ask all the questions  
9 that you have.

10 MR. MILLER: On your management expenses,  
11 unless my math is wrong, I was given a sheet by  
12 Easter Associates, and it says Easter Associates --  
13 this is not a big deal, but I think we need to be  
14 as accurate as possible.

15 MR. HANNUM: Yeah.

16 MR. MILLER: Easter Associates will provide  
17 services to the Equine Alliance for 85,000 per  
18 year, but when I add up the management expenses for  
19 Lines 16 through 20, it comes to \$74,000. Am I  
20 wrong?

21 MR. HANNUM: Sixteen through what line?

22 MR. MILLER: Through 20. Easter Associates  
23 will not be doing your event staffing.

24 MR. HANNUM: Yes, they would be. Lines 16  
25 through 21 would be Easter Associates' costs, and

1 then the balance would be picked up in Lines 23 and  
2 24, adding on what our needs are with the website  
3 and communications personnel.

4 So the management expenses with Easter would  
5 be -- would not include Line 22, but would include  
6 website development and communications work as  
7 well.

8 MR. MILLER: But the website development and  
9 communications has their own designation on Lines  
10 23 and 24 under marketing and promotion, and you  
11 have exact figures there that you estimate will be  
12 what you will be budgeting for that, so even if you  
13 add in the events planning and staffing for \$4,000,  
14 that would bring it to \$78,000 instead of 85.

15 MR. HANNUM: Right. So, well, we broke out  
16 marketing and promotion because that is part of our  
17 mission as an organization to promote racing  
18 activities, so we wanted that to have its own  
19 section in the budget.

20 MR. MILLER: But I'm talking about the  
21 mathematical figures.

22 MR. HANNUM: Right.

23 MR. MILLER: You have mathematical figures for  
24 marketing and promotion in Lines 23 and 24. We're  
25 only talking about a few thousand dollars, but I'm

1 just suggesting that the information ought to be as  
2 exact as possible.

3 MR. HANNUM: Right.

4 MR. MURRILL: Can I speak to that?

5 MR. HANNUM: Yes. Mr. Bill Murrill from Easter  
6 Associates has the breakdown in front of him.

7 MR. MURRILL: You are looking at the column for  
8 2016; is that right, Commissioner?

9 MR. MILLER: Yes.

10 MR. MURRILL: Okay. So if you take Line 16  
11 through 21, you'll get \$82,000, I believe.

12 MR. MILLER: Sixteen through 21, 82,000. Okay.  
13 I've got 20, 15, 15, 12, 12 and 8.

14 MR. MURRILL: For 82.

15 MR. MILLER: That is 82.

16 MR. MURRILL: Okay, and the other three, as Jeb  
17 mentioned, is kind of co-mingled in 23, website  
18 development. The difference between the website  
19 maintenance and the development is the maintenance  
20 is more the daily make sure the site is up, make  
21 sure your domains are current, do some updates of  
22 the websites for the content, whereas the  
23 development is more the programming side if they  
24 need have some things that are programmed. It's  
25 not building the entire site, but if they need

1 certain parts programmed during the year, then  
2 there is some cost in that also.

3 MR. MILLER: Now while you're up, so the  
4 website development, print, radio, media and  
5 communications personnel, all that under marketing  
6 and promotion, especially Line 23, website  
7 development, you're not -- you don't have anything  
8 to do then with Line 10, the software hardware  
9 computer?

10 MR. MURRILL: No. That's purchasing hardware,  
11 and that's going to be an outside firm if they need  
12 to have a little set-up of his computer mail.

13 MR. MILLER: So that's a capital item under  
14 administrative expenses?

15 MR. MURRILL: Correct.

16 MR. MILLER: You have capital item to purchase  
17 the technology hardware.

18 MR. MURRILL: Correct, and any support to get  
19 that up and running.

20 MR. MILLER: Could I ask you another question?

21 MR. MURRILL: You may.

22 MR. MILLER: Easter Associates, are you -- have  
23 you been involved in event planning, race event  
24 planning before and race event staffing before?

25 MR. MURRILL: This is not specifically race

1 event planning. This will be more planning  
2 associated with we anticipate the VEA may go to the  
3 Gold Cup and have their own tent or be partnered  
4 with the VTA, and Jeb, you can correct me on that.

5 So there may be some events that the VEA will  
6 be putting on for the membership of the horsemen's  
7 group, membership of the VTA to try to educate  
8 their membership better to these different  
9 services.

10 MR. MILLER: So this is event staffing separate  
11 and apart from actual racing?

12 MR. MURRILL: Correct. Correct.

13 MR. MILLER: All right. Now, okay. Thank you.

14 MR. MURRILL: We're good? All right.

15 MR. MILLER: I have a question.

16 MR. REYNOLDS: Ask all of your questions,  
17 please.

18 MR. MILLER: Would it be possible -- well,  
19 first of all, it's apparent that you have executed  
20 a note with HBPA for \$295,000, correct?

21 MR. HANNUM: Correct.

22 MR. MILLER: And that's for a loan from the  
23 funds that HBPA has on hand in their treasury at  
24 the present time?

25 MR. HANNUM: Correct.

1 MR. PETRAMALO: Didn't come from me.

2 MR. MILLER: That's what -- I'll get there in a  
3 minute.

4 So this \$295,000, is that money that you  
5 borrowed from the HBPA? Is that in addition to  
6 other seat money that the Equine Alliance had in  
7 its start up?

8 MR. HANNUM: So, yeah. So back in October,  
9 each of the member groups put in \$10,000 so we had  
10 \$40,000.

11 MR. MILLER: That was from the VTA?

12 MR. HANNUM: VTA.

13 MR. MILLER: The harness horsemen's group?

14 MR. HANNUM: Correct.

15 MR. MILLER: The Thoroughbred horsemen's group?

16 MR. HANNUM: Yeah.

17 MR. MILLER: And the other one?

18 MR. HANNUM: Yes.

19 MR. MILLER: So they made a donation of \$10,000  
20 each?

21 MR. HANNUM: well, donation. Semantically, I'm  
22 not quite sure --

23 MR. MILLER: They gave you \$10,000?

24 MR. HANNUM: They funded us.

25 MR. MILLER: They funded the loan?

1 MR. HANNUM: Yes.

2 MR. MILLER: That \$40,000 when added to the  
3 \$295,000, that's the totality of your revenue  
4 needed to start up and get going?

5 MR. HANNUM: Correct.

6 MR. MILLER: Is that correct?

7 MR. HANNUM: Correct.

8 MR. MILLER: Okay. Would it be possible --  
9 well, I know it would be possible, but would it be  
10 fair for the Commission to request of the VEA that  
11 it provide to Mr. Lermond of the Racing Commission  
12 a breakdown of all the funds expended from that  
13 295,000 plus 40, which comes to 335,000 if my math  
14 is correct? Would you be able to provide to Mr.  
15 Lermond a specific breakdown of each item of  
16 expense that has come from that bucket of money?

17 MR. HANNUM: Certainly, and I can speak to  
18 the -- in general terms, the \$40,000 got us through  
19 as an organization until a month or so ago,  
20 generally speaking.

21 The 45,000 that is noted in Item Three under  
22 notes for government affairs, that was 45,000 that  
23 the HBPA lent the Alliance for government affairs  
24 activity, and the 295,000 -- excuse me, the 250,000  
25 was literally deposited a few weeks ago to help us

1 sustain ourselves until the ADW money comes  
2 through.

3 MR. MILLER: So you'll provide all that  
4 information to Mr. Lermond?

5 MR. HANNUM: Yes. I want to be clear the 250  
6 has not been spent.

7 MR. MILLER: Well, you didn't have to go into  
8 that detail. I just want to know that you will  
9 provide Mr. Lermond with a specific breakdown of  
10 every penny spent or anticipated to be spent from  
11 that 300,000.

12 MR. HANNUM: If it's acceptable to the  
13 commissioners, perhaps at our next commission  
14 meeting, we could have those statements on hand  
15 which would show all revenues and expenses to date.

16 MR. MILLER: That'll be fine. That will cover  
17 the itemization of actual start-up expenses, so  
18 we'll have everything from whatever day in 2014 you  
19 began through whatever date you provide the  
20 information to Mr. Lermond.

21 MR. HANNUM: Certainly. That's fine.

22 MR. MURRILL: Mr. Commissioner or Jeb, may I  
23 speak on this point since you're promising things  
24 that might not be as easy as you think?

25 The question on the 250 that is the start-up is

1 going to start to become co-mingled with the ADW  
2 revenue to run all these operations going forward,  
3 so to say which money was spent from the \$250,000  
4 and which was spent from the ADW, is that what  
5 you're getting at?

6 MR. MILLER: No. I'm not concerned about -- I  
7 just want to know that it may be good enough for  
8 Mr. Lermond to know that you put \$250,000 in the  
9 First National Bank of Reston or whatever, and it's  
10 sitting in that account.

11 MR. MURRILL: Okay.

12 MR. MILLER: And of course as you get revenue  
13 in, I assume you're going to be working from that  
14 account, wherever it is.

15 MR. MURRILL: Correct.

16 MR. MILLER: But those funds will be further  
17 identified to Mr. Lermond, because that will be the  
18 public money that is coming into the account from  
19 the ADW operation.

20 MR. MURRILL: Okay.

21 MR. MILLER: What I'm getting at is we have a  
22 responsibility to identify every penny, and then we  
23 have a responsibility to approve and be comfortable  
24 with the expenditure of every penny, and that's the  
25 point.

1           MR. MURRILL: Okay. There's no problem doing  
2 that.

3           MR. MILLER: That's where we want to be so that  
4 at any given time, John Q. Public can get in touch  
5 with Virginia Racing Commission and say I would  
6 like to know what happened with this item of money  
7 or that item of money that came into the VEA's  
8 coffers, and we must be able to account for that.

9           The best way to account for that is to get good  
10 information from people that are actually doing the  
11 receiving and the expending. It's simple  
12 economics, in my mind.

13          MR. MURRILL: I understand now. Thank you,  
14 Commissioner.

15          MR. MILLER: Now, I'm a little bit curious  
16 about the one item, and that is the \$45,000  
17 government relations part of that note. I have  
18 already expressed off the record my concern about  
19 the expenditure of public funds, tax payer funds,  
20 for what I call lobbying, government relations,  
21 whatever you want to call it.

22          I don't think it's appropriate for the VEA as a  
23 statutorily-created organization created by  
24 legislature for any tax funds, and when I say tax  
25 funds, the money that's coming from the ADWS is a

1 tax for them to operate in Virginia, and I don't  
2 think it's appropriate.

3 The Commission may think otherwise, but I just  
4 want to get on the record that at least I don't  
5 think it's appropriate to expend tax funds that are  
6 received by a quasi-public entity, because it was  
7 created by statute by legislature to be the trust  
8 to receive and expend those tax funds that come  
9 from the ADWs and perhaps in the future from the  
10 satellite wagering and wherever it may come from.

11 It is not appropriate to spend that money to  
12 lobby the Virginia state legislature, a town  
13 counsel, a board of supervisors or any other public  
14 body or public official. To me, it's not  
15 appropriate.

16 So you can call it government relations or  
17 whatever, but it's just not an appropriate  
18 expenditure of funds, in my belief. Therefore,  
19 I'll have to vote against the budget, unless we  
20 clarify that this \$45,000 portion of the note to  
21 HBPA is removed.

22 You shouldn't -- that money or any money used  
23 for lobbying efforts should have come from, in my  
24 opinion, the individual horsemen by an assessment,  
25 the members of the HBPA by assessment, the VTA by

1 assessment of their members, the Gold Cup by  
2 assessment of their members if they want some  
3 lobbying done.

4 That's where the money should come from for  
5 lobbying efforts, not the tax funds that you  
6 receive and that the legislature has entrusted you  
7 with to carry out your mission, and that's just the  
8 way I feel.

9 So moving -- the government relations in your  
10 original budget show the government affairs  
11 representation, and I was told that can be removed  
12 and I see it has been removed, but you put it over  
13 here as a debt obligation to the HBPA, so that's  
14 just an on the one hand and then on the other hand  
15 type of operation, and I just don't think that's  
16 right. I just want to get that on the record.

17 MR. HANNUM: That money is spent, Mr. Chairman.

18 MR. REYNOLDS: It's already spent?

19 MR. HANNUM: Yeah.

20 MR. MILLER: Apparently, they want to recover  
21 from the public funds they're receiving for the  
22 expenditure they set forth in the last session of  
23 the legislature to lobby, and I don't think that's  
24 appropriate. That's just one vote.

25 MR. STEGER: Mr. Chairman.

1 MR. REYNOLDS: Commissioner Steger.

2 MR. STEGER: I think Commissioner Miller has a  
3 point, at least that other public entities that  
4 we've had to operate where no public money was used  
5 for lobbying, but it might be useful to except that  
6 item from the budget so we don't hold things up and  
7 get a legal opinion to re-enforce our action if we  
8 choose to follow the recommendation so we can move  
9 forward with everything else but that.

10 MR. REYNOLDS: Commissioner Miller, this money  
11 has been spent. I don't know if there's a way to  
12 deal with it or not, but would it be acceptable to  
13 say this money has been spent, it's on here, but  
14 going forward, you know, I agree I don't think we  
15 should be using public moneys for lobbying efforts,  
16 either.

17 This money has been spent, so how do you think  
18 we should deal with that?

19 MR. MILLER: Well, the fact that the money has  
20 been spent, as far as I can see, doesn't present  
21 any problem. They have spent the money. It's a  
22 question of where they are going to recover this  
23 money from.

24 If they have spent \$45,000 on a lobbying effort  
25 during the last session of the General Assembly

1           instead of adding that to the note of the horsemen  
2           and then paying that note from the public funds  
3           they receive, I would suggest that they recover the  
4           \$45,000 by going back to their constituent  
5           membership and having assessments made to pay that  
6           to compensate for that \$45,000, if the horsemen  
7           want to be compensated for it.

8           MR. PETRAMALO: Well, respectfully, I don't  
9           agree with your analysis, but that aside, I would  
10          be more than happy to go back to the HBPA board and  
11          ask them to forgive the \$45,000 loan that was made  
12          for government representation purposes. That way,  
13          we take the issue off the table. Assuming my board  
14          agrees, we take the issue off the table and it  
15          comes out of our pocket.

16          MR. MILLER: That would be wonderful. Not for  
17          you, not from your perspective.

18          MR. PETRAMALO: I was going to say can I quote  
19          you when I go back to say Commissioner Miller says  
20          it would be wonderful? I'm kidding.

21          MR. MILLER: That just makes it clear that tax  
22          payer funds are not used or have not been used to  
23          compensate for lobbying efforts heretofore done,  
24          and we can be sure that the tax payer funds will  
25          not be used in the future for lobbying efforts to

1           come in the future.

2           MR. PETRAMALO: I will take care of that.

3           MR. MILLER: That will be wonderful. As I say,  
4 wonderful.

5           MR. PETRAMALO: I'll take care of it.

6           MR. MILLER: So if we --

7           MR. REYNOLDS: I will invite the public to  
8 speak before we make a motion, but if there are  
9 other commissioner questions.

10          MR. VAN CLIEF: One last question, if I might.  
11 On the loan itself, I see it carries an interest  
12 rate of four percent. What are the other terms  
13 that are relevant here; specifically the term of  
14 the loan and terms of repayment?

15          MR. HANNUM: Yeah. So the HBPA has the right  
16 to make a call on that loan on January 1<sup>st</sup>, 2016,  
17 so that answers that question, but the four percent  
18 we felt was -- the HBPA felt was a fair, you know,  
19 rate based on, you know, similar bank rates and we  
20 don't have any collateral.

21          MR. REYNOLDS: Mr. Lermond.

22          MR. LERMOND: Mr. Chairman, I just want to ask  
23 Mr. Hannum is it your intention to repay that loan  
24 in January of 2016?

25          MR. HANNUM: well, we would have to discuss

1 that with the HBPA, but the budget for next year,  
2 we would -- I don't anticipate that we would be  
3 able to pay it off in January, but we put into our  
4 budget for next year a payment plan to pay down  
5 that principal based on ADW revenues and our other  
6 expenses.

7 But I don't think the HBPA -- I can't speak for  
8 them, but I don't think they're gonna ask us to pay  
9 it back on January 15<sup>th</sup>, 2016. I imagine they  
10 would be open to a repayment plan over the course  
11 of, you know, the year.

12 MR. LERMOND: The reason I ask is because  
13 you're showing a full year's worth of interest  
14 payments for 2016 in the line item for interest  
15 expense. So to me, that would indicate that  
16 balance is gonna be there for that whole entire  
17 year, 2016 --

18 MR. HANNUM: Yeah.

19 MR. LERMOND: -- and if there were gonna be  
20 repayments in 2016, it probably should show up here  
21 somewhere as expenditures.

22 MR. PETRAMALO: I think what it shows is a  
23 worst case scenario. Remember, the HBPA is one of  
24 the members of the Alliance and we're not gonna  
25 show up on January 1<sup>st</sup> banging on the door and say

1 give us \$250,000 if it's not prudent in terms of  
2 the VEA's budget. We're willing to work with them.  
3 It's our organization. It's our alliance.

4 MR. LERMOND: I understand, but the interest  
5 expense item for 2016 will indicate that that  
6 balance will remain for that year, because if not,  
7 that interest would do down.

8 MR. HANNUM: Just to comment about the budget.  
9 I mean the 2016 year, as I understand the vote on  
10 the remainder of the year, and so we haven't really  
11 given a whole lot of thought to that matter, so it  
12 just hasn't been an item we've discussed.

13 MR. LERMOND: To clarify Commissioner Miller's  
14 point, if Frank's board agrees, then the repayment  
15 amount for the loan would go from 295 down to 250.

16 MR. PETRAMALO: That's correct.

17 MR. LERMOND: I think that's the way  
18 Commissioner Miller envisioned it.

19 Thank you, Mr. Chairman.

20 MR. REYNOLDS: Thank you. I see the interest  
21 showing worst case scenario if they don't pay down  
22 principal next year. As far as carrying the debt  
23 on the income statement, debt is carried on the  
24 balance sheet, so we should be okay there.

25 MR. LERMOND: Any payments would be shown in

1 cash flow?

2 MR. REYNOLDS: Correct. Any other comments or  
3 questions by my fellow commissioners at this time?

4 NOTE: There is no response.

5 MR. REYNOLDS: At this time, I'd like to invite  
6 the public to speak on this issue. If there's  
7 anybody from the public that would like to make a  
8 comment before we take action. I will remind you  
9 you're limited to five minutes. Please state your  
10 name for the record and stand up, please.

11 MR. BERMAN: Tad Berman, and I'm a member of  
12 the public. I'd like to sit down.

13 MR. REYNOLDS: That's fine.

14 MR. BERMAN: I've got my laptop.

15 MR. REYNOLDS: That's fine. Just speak clearly  
16 and loudly.

17 MR. BERMAN: I just want to say thank you,  
18 because you guys ask a lot of the questions that I  
19 have. I've got a statement I'm gonna read anyway,  
20 just to let you know where I stand as a member of  
21 the public.

22 I'd just like to reaffirm the fact that all the  
23 money that --

24 MR. REYNOLDS: Speak slowly, please, so she can  
25 get it.

1           MR. BERMAN: Just reaffirm that all the money  
2 in the VEA's budget are public funds, and that they  
3 are just custodians of that money. To begin with,  
4 I would like an explanation why the VEA is paying  
5 Great Meadow \$75,000 rent for one race day this  
6 year and \$100,000 for two days next year, while  
7 also proposing to pay Morven Park 50,000 per day  
8 for eight days for a total of \$400,000 in 2016.  
9 This is in addition to the Alliance providing  
10 another 50,000 per day -- they also staff those  
11 venues.

12           How can these excessive costs be justified? I  
13 understand that Great Meadow receives, I think you  
14 said \$125,000 on Gold Cup day, but they claim they  
15 have upwards of 75,000 spectators at that event,  
16 and I think that that will hardly be the case for  
17 one day of flat racing, so why are these two venues  
18 getting paid so much, especially in light of the  
19 fact that Oakridge is only getting \$20,000 rent for  
20 a total of \$80,000 for four days for the VEA to  
21 rent that facility?

22           I also see that the VEA proposes subcontracting  
23 its day-to-day management operations to Easter and  
24 Associates for \$85,000, similar to what the VTA  
25 does with the Breeders' Fund.

1           That doesn't sit well with me, seeing how Ms.  
2 Easter is the president and executive director of  
3 those two associations respectively, and as a  
4 member of the general public, that in itself, at  
5 least to me, would appear to be a conflict of  
6 interest.

7           And when you combine that with the fact that  
8 Easter and Associates is being paid to provide  
9 lobbyists to represent the VEA, VTA and the HBPA  
10 for this coming year, that adds up to a sizeable  
11 amount of money.

12           I was gonna ask were any other consulting  
13 companies even given the opportunity to bid on that  
14 contract. I think we already answered that  
15 question.

16           Third, there's a \$300,000 loan that the VPA  
17 loaned to the Alliance. I'd like to know where  
18 that money came from. Did it come out of the  
19 horsemen's purse account, and what is it being  
20 spent on?

21           Senate Bill 1097 clearly says that the VEA  
22 needs the Commission's approval of all money spent  
23 by the Alliance, and I'd like to know exactly where  
24 this money is going and how the VEA intends on  
25 paying this money back.

1 I do see where the VEA is already paying  
2 \$11,800 in interest to the VHBPA for a loan this  
3 year.

4 One thing that I heard you discuss was Mr.  
5 Petramalo said that they would perhaps forgive the  
6 \$45,000 for the lobby, but did this \$300,000 come  
7 out of the horsemen's purse account? Because  
8 that's public money, too. So if he forgives it out  
9 of the horsemen's purse account, that's half a  
10 dozen of one, six of the other. So I think we need  
11 to clarify where that money came from.

12 Finally, I think the one thing that illustrates  
13 what I think about this budget more than anything  
14 else -- excuse me, I'm almost done.

15 MEMBER OF THE PUBLIC: I bet you are.

16 MR. BERMAN: The one thing that illustrates  
17 what I think about this budget more than anything  
18 else is listed under the last full category titled  
19 other.

20 when Senate Bill 1097 was passed, it was  
21 mandated that certain things would be deducted from  
22 the four percent of the ADW money the Alliance  
23 would receive. This includes set percentages  
24 for New Kent County, the vet hospital, the horse  
25 center and the Horse Industry Board.

1           The one thing that was mandated that money be  
2 set aside for, Thoroughbred and harness horse  
3 retirement programs. Another thing that was  
4 mandated was money to be set aside for the  
5 Thoroughbred and horse retirement programs.

6           That money was left up to the discretion of the  
7 VEA, and at the end of the day, after proposing to  
8 spend hundreds of thousand of dollars for  
9 high-dollar salaries and consultants and exorbitant  
10 amounts on management expenses, the VEA only sees  
11 fit to contribute a paltry \$5,000 to that worthy  
12 cause.

13           And next year in fiscal 2016 when the VEA's  
14 budget increases \$1,074,792, all those salaries and  
15 consultant fees and rent and management expenses  
16 increase at least two-fold, but the one thing that  
17 doesn't increase is the meager \$5,000 contribution  
18 to the Thoroughbred retirement programs. And with  
19 those comments, I will conclude.

20           MR. REYNOLDS: Thank you very much.

21           MR. BERMAN: Thank you.

22           MR. REYNOLDS: Are there any other comments?

23           Yes, ma'am. Please state your name.

24           MS. GOODWIN: My name is Heather Goodwin. I'm  
25 actually here today representing Oakridge, which is

1 one of your considered contracts for today. If I  
2 may touch on a couple of things in reference to  
3 what was just discussed.

4 Our contract, yes, is much less significant in  
5 size as some of the other locations, and that's for  
6 a couple of points. One, our track has not  
7 actually been used since 2001, the last time we  
8 raced, but we are actually your only other license,  
9 previously having operated a racetrack in Virginia.

10 The main reason, to answer your question as far  
11 as our pricing, is that we have a passion for horse  
12 racing. We have a passion for this industry. We  
13 worked with some of these individuals for multiple  
14 years now. We want to see the VEA succeed, and the  
15 only way they're gonna succeed is to have partners  
16 such as ourself who help guide them through the  
17 process.

18 So part of what you will see later on today  
19 when you discuss the contracts is a huge difference  
20 in the operations as well. In our contract, the  
21 VEA is responsible for racing because that's what  
22 they know and that's what they need to manage. We  
23 will actually undertake all pedestrian and  
24 public-side events and undertake all the costs  
25 associated with that as well.

1           Tents, foods licensing, parking staff, anything  
2           that's on our side of the rail is our business.  
3           We're gonna handle that because that's what we do.  
4           We have extensive experience in event management,  
5           so we shouldn't be concerned on that end.

6           But there is a huge financial difference there.  
7           That is our choice, choosing to assist the VEA and  
8           hopefully assist the industry. Hopefully, that  
9           helps you to understand the difference there.

10          I do want to comment on the budgeting issues on  
11          the 45,000, and this is mostly from a taxpayer  
12          standpoint. I would argue that every industry in  
13          Virginia, whether it is the Department of  
14          Education, Social Services, the Justice Department,  
15          you name it, receives tax funds to operate their  
16          individual entities also utilize those funds for  
17          lobbying, whether it is through direct procurement  
18          of lobbyists or similarly having their members  
19          attend Richmond one particular day of the year.  
20          That's hundreds of thousands of hours my tax  
21          dollars are paying for that person to go and lobby.

22          So I do understand your concern. I'm not big  
23          on having tax payer dollars go out for particular  
24          interests, but I think that that's somewhat of a  
25          wash across the board.

1 I do agree with this gentleman's comment that  
2 whether it's the VEA or one of the supporting  
3 entities, it's still tax payer funds.

4 The other thing that I do want to address, I  
5 know that there's some concern with that as far as  
6 timing and whether or not the 45,000 can be planned  
7 for Oakridge. We are down to about 60 days before  
8 the races. Not being able to approve this on July  
9 1 and pushing it to the end of the month, we lost  
10 30 days.

11 So for us to make a good showing in four days,  
12 majority race days for this year, we need you to go  
13 ahead and pull the trigger so we can start to do  
14 things. Do you want people in the stands? I need  
15 to know now so I can do what I need to do. So I  
16 would encourage you to move forward with this  
17 contract today, as well as approve the budget.  
18 Thank you.

19 MR. REYNOLDS: Thank you. Dr. Allison.

20 DR. ALLISON: Yes. I'd like to clarify  
21 something he --

22 MR. REYNOLDS: Dr. Allison, we need to move on.  
23 Thank you. Commissioner Miller. I'm sorry. State  
24 your name, please.

25 MS. HESTER: Leanne Hester. Just one question

1 I have on the budget. One point one million is to  
2 be spent on the race day expenses. I just want to  
3 know if there's anything in place for Colonial if  
4 they come back.

5 I still feel like this is a band aid. We need  
6 a real, full-time track. I want to make sure that  
7 these funds will somehow -- will this be  
8 contributed to Colonial if they come back to run  
9 races? I mean that's 1.465 million.

10 MR. REYNOLDS: Yes, ma'am.

11 MS. HARRELL: Christie Harrell. Aside from  
12 whatever everyone else has said and the focus being  
13 on this \$45,000, we're talking about taking moneys,  
14 a great deal of money that are considered part of  
15 the tax payers' dollars, and we are going to  
16 possibly be putting it towards the capital  
17 improvements for property that is part of a  
18 nonprofit organization, Morven Park.

19 I don't believe that that's an appropriate use  
20 of funds. If it was set up as such of a program  
21 that like Tom Clark, for example, just recently put  
22 together, that would have been an ideal situation.

23 But for the money to be utilized to make  
24 improvements on property that ultimately the tax  
25 payers' money is being applied towards the

1 development of a venue that truly is not going to  
2 be ever a part of the Commonwealth's public lands,  
3 if you will, and I apologize I'm not a very good  
4 speaker, by any means.

5 MR. REYNOLDS: You're doing fine.

6 MS. HARRELL: Given what I know with regards to  
7 the development of a property, the amount of time  
8 and money and energy that has been put towards all  
9 of this whole hurrah for the past two years, we  
10 could have actually had a wonderful venue  
11 developed, and it would have been available to  
12 every, every part of the horse industry.

13 Therein lies another issue that I have. I  
14 think it was in the newspaper a couple days ago.  
15 Mr. Hettel submitted something, a letter to the  
16 editor, and in reference to that, the statement  
17 part of his letter stated the VRC is charged by law  
18 with promoting, sustaining and growing a native  
19 horse racing industry in a manner consistent with  
20 the health, safety and welfare of people.

21 Given the fact that it's now under the  
22 Department of Agriculture and Forestry, I think  
23 it's really important to be mindful of the fact  
24 that when you're talking about those farms, the mom  
25 and pop grain stores -- I'm sorry.

1           MR. REYNOLDS: That's all right. You're doing  
2 fine.

3           MS. HARRELL: There's a trickle down effect,  
4 and if every single bit of energy is put towards  
5 focusing on those two venues up there in Northern  
6 Virginia, what kind of benefit is that going to be,  
7 ultimately, to the Commonwealth at large when we're  
8 talking about the trickle down effect regarding the  
9 agricultural industry that supports the horse  
10 industry, which quite frankly, the horse racing  
11 industry is a very small portion of that, but has  
12 the opportunity to glean moneys and filter it right  
13 back through, as it's supposed to be, into the  
14 preservation and the restoration of this industry  
15 at large, of the horse industry at large? That's  
16 all.

17           MR. REYNOLDS: Okay. Thank you very much. Any  
18 other comments?

19           MR. MILLER: Mr. Chairman.

20           MR. REYNOLDS: Commissioner Miller.

21           MR. MILLER: I'd like to respond to three  
22 items. The first one is the use of the horsemen's  
23 funds that have been accumulated over the years or  
24 over time from the receipt of funds they received  
25 under the statute from pari-mutuel wagering.

1           The fact they use some of these funds for a  
2 loan to the VEA is exactly meeting the purpose of  
3 the horsemen receiving funds in the first place  
4 under the statute.

5           They receive a certain percentage of the  
6 wagering done in Virginia, and they receive those  
7 funds with the idea that they are going to promote,  
8 sustain and help grow the horse industry in  
9 Virginia. What better way to promote, sustain and  
10 help grow the horse industry in Virginia than  
11 taking the money that's lying in their account.

12           When the track, the major track in Virginia  
13 closed, there's no avenue for any kind of  
14 meaningful horse racing in Virginia without tracks.  
15 What better way for them to use their funds on hand  
16 than to make a loan to a legislatively-created  
17 group that was created, again, as an additional  
18 entity to promote, sustain and grow the horse  
19 industry in Virginia.

20           So the fact that they had that money on hand  
21 and loaned it to the VEA, I think exactly meets  
22 their purpose, and so I think any criticism of them  
23 using those tax funds is ill placed, because they  
24 are using them for exactly the purpose that I think  
25 the legislature intended.

1           The second point on the governmental entities  
2 lobbying. No governmental entity lobbies in  
3 Virginia; they may in other states. They are  
4 prohibited from lobbying in Virginia, but they have  
5 a category they call legislative liaison. It's a  
6 lobbyist by another name, but those legislative  
7 liaison from the educational institutions, the  
8 county governments, town governments, many other  
9 public entities in Virginia have legislative  
10 liaison personnel that converge on Richmond during  
11 the session, and they do perform practically the  
12 same function as a paid lobbyist who are there to  
13 represent various industry organizations.

14           The difference is that when a public entity  
15 sends a legislative liaison to Richmond to do their  
16 work with the General Assembly, that's all a matter  
17 of public record, and the citizen constituents of  
18 those various governmental entities have an  
19 opportunity to examine those expenditures and those  
20 activities, and if they don't like it, they can  
21 vote the people out who authorized it. That's the  
22 ultimate weapon they have.

23           In Virginia Beach, and they've done it for  
24 years, they send several legislative liaison to  
25 Richmond. The City of Alexandria does the same.

1 various educational institutions do the same, but  
2 their subject -- it's all subject to public  
3 scrutiny, and the public has an opportunity through  
4 their vote or through pressure put on at counsel  
5 meetings, board of supervisors meetings, board of  
6 visitors meetings, et cetera, et cetera, to change  
7 that situation if they want to if they're not  
8 satisfied with it.

9 The situation of a public entity such as the  
10 VEA getting involved in lobbying is that there's no  
11 opportunity for the public to come and make any  
12 kind of adjustment about what they're doing. It's  
13 not, you know, it's a step removed from the regular  
14 public meeting process where people have an  
15 opportunity to come forward and express their view  
16 about whether or not this is an appropriate  
17 expenditure. That's the difference between a  
18 lobbyist from industry and a legislative liaison  
19 from government. I just want to clarify that  
20 point.

21 MR. REYNOLDS: Did you have a third?

22 MR. MILLER: Oops.

23 MR. REYNOLDS: It's always three.

24 MR. MILLER: That's my reference. If you  
25 didn't get it, that's my reference to Governor

1 Berry, because I forgot my third point.

2 MR. REYNOLDS: So you're done?

3 MR. MILLER: Yeah. I'm done.

4 MR. REYNOLDS: With that, we'd love to  
5 entertain a motion.

6 MR. MILLER: Well as Dr. Steger says, you know,  
7 we could move forward with this. If there's no  
8 objection, I would suggest that if we want to move  
9 forward with this budget so we can meet the  
10 concerns of the Oakridge track and all the  
11 stakeholders, we shouldn't drag things on and on  
12 indefinitely.

13 If you could make the proper adjustments in  
14 your budget to reflect that you still have a HBPA  
15 proceed, loan proceeds of \$250,000 that you're  
16 going to meet under your budget, and somewhere make  
17 a notation on here that the VEA did receive \$45,000  
18 in addition to the \$250,000 from the horsemen, and  
19 that that \$45,000 is anticipated to be a forgiven  
20 debt.

21 MR. HANNUM: Yeah.

22 MR. MILLER: If that can be reflected on that  
23 basis, I would move that we approve the budget with  
24 that adjustment.

25 MR. HANNUM: That's acceptable, sir.

1 MR. VAN CLIEF: I'll second that.

2 MR. REYNOLDS: Is there anymore discussion?

3 MR. STEGER: I just might draw analogy with the  
4 governor's economic opportunity fund, where if we  
5 are trying to recruit a business to come to  
6 virginia to create new jobs, the governor provides  
7 a grant of taxpayer money on certain conditions  
8 that so many jobs are going to be created in the  
9 region or the state in general that comes from tax  
10 money, that's exactly what we're doing here.

11 MR. MILLER: Right.

12 MR. REYNOLDS: Anymore comments?

13 MS. DAWSON: I would just like to comment. I  
14 think Commissioner Miller has given us all service  
15 in explaining all this, but I'd also like to point  
16 out that this Commission also performs one of these  
17 duties in terms of educating the public.

18 They can all come to this meeting, any future  
19 meetings to ask questions and to look at the  
20 records. So I do hope we've covered that, and it  
21 sounds like we have.

22 MR. REYNOLDS: Okay. I have a motion and a  
23 second on the table. All those in favor, say aye.

24 MS. DAWSON: Excuse me. This is just for the  
25 budget?

1                   NOTE: The Commission votes aye.

2                   MR. REYNOLDS: Just for the budget. All those  
3 opposed, say no.

4                   NOTE: There is no response.

5                   MR. REYNOLDS: The motion carries unanimously.  
6 The VEA's budget as amended by Commissioner  
7 Miller's motion is approved.

8                   MR. LAWS: Mr. Chairman, if I may, I was able  
9 to do some research.

10                  MR. REYNOLDS: It took a while to hear from you  
11 today, Mr. Laws.

12                  MR. LAWS: I try to speak when I only have  
13 something of value to say. I did some research on  
14 the lease agreement question, and I do have an  
15 answer, if the Commission is prepared to take that  
16 up at this time.

17                  MR. REYNOLDS: Okay.

18                  MR. LAWS: The question that I looked into is  
19 whether or not the Commission had the authority to  
20 approve the lease agreement that's under Tab Two,  
21 and my reading of it is, yes, they do, under  
22 59.1-392.1(A)1 of the Code of Virginia.

23                  The statute reads concerning the ADW payments.  
24 Four percent to a nonprofit industry stakeholder  
25 organization recognized by and with oversight from

1 the Commission.

2 Because the lease agreement calls for \$50,000  
3 to be paid from the VEA to Great Meadow, the  
4 Commission has the authority under this oversight  
5 provision to approve the lease agreement if the  
6 Commission chooses. They don't have to do it, but  
7 they have the authority to do it if you want to.

8 MR. HANNUM: Mr. Chairman, may I make a  
9 comment?

10 MR. REYNOLDS: Yes, sir.

11 MR. HANNUM: Just for the sake of discussion, I  
12 would just comment that if we have an item clearly  
13 identified in the budget, so for Oakridge, for  
14 example, we have the lease funds already indicated  
15 in the budget, the budget has been approved, then I  
16 would make the argument that perhaps you would not  
17 need to formally approve the lease if you do not  
18 want to, and it may be the Commission's view that  
19 you don't want to actually do that if it has  
20 already been included in the budget. Just an  
21 observation.

22 MR. REYNOLDS: Thank you. I will ask the  
23 commissioners their opinions. It's my opinion that  
24 if we've approved the budget and we've approved the  
25 race dates, that it's not necessary for us to get

1 into the weeds in these agreements, unless they are  
2 contrary to what was approved in the budget, so I'm  
3 going to recommend that you all do your own lease  
4 agreements. We do like to have them to look at  
5 them, but I don't think we need to approve them,  
6 but I'm going to ask --

7 MR. STEGER: I concur with the chairman on  
8 that.

9 MR. REYNOLDS: Commissioner Dawson.

10 MS. DAWSON: I agree.

11 MR. REYNOLDS: Commissioner Miller.

12 MR. MILLER: I agree, because namely, there are  
13 certain things in the lease agreement we may not  
14 want to put our stamp of approval on. They may get  
15 into a dispute in the future, and if they say the  
16 Commission approved it, we're approving the  
17 financial terms of these, but I don't want to  
18 approve every little line item in a lease.

19 MR. PETRAMALO: Don't want to invite any  
20 lawsuits.

21 MR. REYNOLDS: Okay. So having heard all of  
22 that and the opinion from Mr. Laws, we are not  
23 going to take action on the Great Meadow Foundation  
24 and the VEA lease for Great Meadow.

25 Also on the agenda was the approval of the

1 oakridge contract as well. we don't need to take  
2 action on that, correct?

3 MR. HANNUM: That's --

4 MR. REYNOLDS: We just approved your budget.  
5 Those numbers are reflected in your budget.

6 MR. HANNUM: That's my -- so that in a sense --

7 MR. PETRAMALO: Let me be a lawyer for a minute  
8 here. Because the -- I understand your position  
9 and I agree with it, but because both leases, the  
10 oakridge and the Great Meadow, have at the last  
11 clause saying this is conditioned on approval, I  
12 think you should go ahead and approve it, just so  
13 somebody down the path says, oh, wait, this isn't a  
14 legitimate contract because it wasn't approved.

15 MR. REYNOLDS: Could you say that it was  
16 approved because we --

17 MR. PETRAMALO: You chose to exercise your  
18 discretion, as Mr. Laws has --

19 MR. REYNOLDS: would you like for us to approve  
20 this?

21 MR. PETRAMALO: Yes. I think out of an  
22 abundance of caution, you should approve both  
23 contracts.

24 MR. REYNOLDS: So you can sue us later?

25 MR. PETRAMALO: Unless I have good cause, I

1 wouldn't sue you.

2 MR. HANNUM: Just as a comment as we sort of  
3 muddle through this process. We put that paragraph  
4 in those contracts because we were not really sure  
5 how you all wanted to handle this --

6 MR. PETRAMALO: Yes.

7 MR. HANNUM: -- so we did that just so we were  
8 protected, but I think going forward, based on this  
9 conversation, future leases, so long as they  
10 conform to the budget, we would not have that  
11 language in there.

12 MR. PETRAMALO: Correct. Yeah.

13 MR. MILLER: Where is that writing?

14 MR. PETRAMALO: The very last paragraph in both  
15 the -- should be in both the Oakridge one and  
16 the --

17 MR. MILLER: I'm looking at the Oakridge one.

18 MR. REYNOLDS: How hard would it be for you to  
19 amend those contracts and leases just to take it  
20 out?

21 MR. PETRAMALO: We could do that.

22 MS. GOODWIN: I'm authorized to make an  
23 amendment here today.

24 MR. REYNOLDS: What was that again?

25 MS. GOODWIN: I'm authorized to make an

1 amendment on that contract here today, and I'll  
2 initial that to allow it to go forward, if we need  
3 to.

4 MR. REYNOLDS: Can we just take it out?

5 MR. HANNUM: With Oakridge, we can delete that  
6 paragraph, so I think that matter is settled, and  
7 then with --

8 MR. REYNOLDS: Let's do that.

9 MR. HANNUM: With Great Meadow, that's --

10 MR. MILLER: I'm looking for it. I see it in  
11 the Great Meadow. I don't see it in the Oakridge.  
12 I'm looking.

13 MR. REYNOLDS: My preference would be to just  
14 delete it.

15 MR. MILLER: We have to find it before we  
16 delete it. I have the tab. I'm looking at the  
17 lease agreement between Oakridge Estate and the  
18 Virginia Equine Alliance. We need to find the  
19 language.

20 MR. REYNOLDS: If it's not in there, it's okay.

21 MR. MILLER: If it's not in there, we don't  
22 need to delete it.

23 MR. VAN CLIEF: I don't see it.

24 MS. DAWSON: I don't see it, either.

25 MR. PETRAMALO: That's correct. It's not in

1           there and I know the reason why.

2           MR. MILLER: Pardon?

3           MR. PETRAMALO: I say it's not in the Oakridge.  
4           That's fine. It's not in the Oakridge one. I  
5           misspoke.

6           MR. REYNOLDS: What time is it? Does anybody  
7           need a break? Let's keep going. Okay.

8           MR. PETRAMALO: What about the Great Meadow VEA  
9           lease? That does have the --

10          MR. REYNOLDS: We're gonna strike --

11          MR. PETRAMALO: You can't do that because we  
12          don't have the Great Meadow people here.

13          MR. REYNOLDS: Tell them it is deemed approved  
14          because we approved the budget or do they want us  
15          to take action?

16          MR. PETRAMALO: I think it should be on the  
17          record. Not that they want to do anything. I  
18          don't think they would oppose, but just for the  
19          legal nicety of a contract being enforceable, it  
20          should meet the condition preceding.

21          MR. REYNOLDS: Okay.

22          MR. MILLER: Frank, could we limit our approval  
23          to the financial terms of the lease?

24          MR. PETRAMALO: I think that would be okay.

25          MR. MILLER: If you don't mind, I would move

1 that we approve the Great Meadow Foundation and VEA  
2 lease agreement as to its financial terms.

3 MR. PETRAMALO: Yeah. That'll do it.

4 MS. DAWSON: Second that.

5 MR. REYNOLDS: I've got a motion and a second.  
6 Any comments?

7 MR. VAN CLIEF: May I ask Dr. Allison if he  
8 thinks this would present a problem?

9 DR. ALLISON: No.

10 MR. VAN CLIEF: Thank you.

11 MR. REYNOLDS: Anymore comments? Again, we  
12 have a motion and a second. All those in favor,  
13 say aye.

14 NOTE: The Commission votes aye.

15 MR. REYNOLDS: Those opposed?

16 NOTE: There was no response.

17 MR. REYNOLDS: Hearing none, the motion carries  
18 unanimously. Thank you.

19 MR. HANNUM: Thank you, Mr. Chairman.

20 MR. REYNOLDS: Thank you, Mr. Hannum. Forgot  
21 you were up there. Thank you very much. Well  
22 done.

23 I'd like to go to Tab Five, the proposed  
24 expenditure from the Thoroughbred portion of the  
25 Virginia Breeders' Fund for 2015. The Thoroughbred

1 subcommittee of the Virginia Breeders' Fund voted  
2 to recommend the following additional expenditure  
3 from the Thoroughbred portion of the Virginia  
4 Breeders' Fund for 2015.

5 Approximately \$25,000 for 100 percent  
6 Virginia-bred owner bonus program for all  
7 non-restricted races contested on September 20<sup>th</sup>,  
8 2015 at Great Meadow race course for horses  
9 finishing 1<sup>st</sup> through 5<sup>th</sup> with a cap of \$10,000 per  
10 award.

11 Does any commissioner -- we do this every year  
12 when we have racing.

13 MR. MILLER: Is that a motion?

14 MR. REYNOLDS: Yes, sir.

15 MR. MILLER: Did you make a motion?

16 MR. REYNOLDS: I did. I just read the  
17 statement. I'd like a motion to approve that the  
18 Virginia Breeders' Fund expend an additional  
19 approximately \$25,000 for 100 percent Virginia-bred  
20 owners bonus program for all non-restricted races  
21 contested on September 20<sup>th</sup>, 2015 at Great Meadow  
22 race course for horses finishing 1<sup>st</sup> through 5<sup>th</sup>  
23 with a cap of \$10,000 per award.

24 Do I hear a second?

25 MR. STEGER: I'll make a motion. We have a

1 second. Do we have a motion?

2 MR. REYNOLDS: Yes.

3 MR. MILLER: I'll second.

4 MR. STEGER: I'm sorry.

5 MR. REYNOLDS: Any comments or discussion? I  
6 have a motion and a second. All those in favor,  
7 say aye.

8 NOTE: The Commissioners vote aye.

9 MR. REYNOLDS: Those opposed?

10 NOTE: There is no response.

11 MR. REYNOLDS: Hearing none, the motion carries  
12 unanimously.

13 Okay. Let's stop here and take a five-minute  
14 break before we get into our last issue of the day.  
15 My battery died, so I don't know what time it is,  
16 so please be back in five minutes. Thank you.

17 NOTE: There is a recess from 11:30 a.m.  
18 until 11:48 a.m.; thereafter, the hearing continues  
19 as follows:

20 MR. REYNOLDS: Last on the agenda is a  
21 discussion about the Virginia-bred and graded  
22 stakes in Maryland. At our meeting last month, we  
23 approved two things. One was to have the  
24 Virginia-bred stakes program up in Maryland for  
25 next year as kind of a place holder until we get

1 racing back in Virginia.

2 we also approved moving four graded stakes  
3 races up to Maryland, changing a couple of the  
4 names for a couple of the stakes for next year as a  
5 way to try to protect our graded stakes status, and  
6 you all made a compelling argument to do that, to  
7 go to Maryland to do that.

8 But since then, I think a couple of things have  
9 changed that have kind of changed what we approved  
10 last month, so I'm going to ask Mr. Petramalo or  
11 anybody else to kind of take us through what's  
12 going on up there since our vote last month and  
13 where are we now and where are we, you know, where  
14 are we gonna go.

15 MR. PETRAMALO: Just to recap, Mr. Chairman.  
16 At the last meeting, you approved running our five  
17 Virginia-bred stakes at Laurel in September. The  
18 purses are \$60,000 per race. The VHBPA would put  
19 up 50,000 and 10,000 would come out of the  
20 Breeders' Fund. There's been no change there.

21 However, with the regard to the graded stakes,  
22 the proposal that the VTA and the VHBPA and the  
23 Alliance put together had our four graded stakes  
24 moving to Maryland.

25 The former Virginia Derby, Grade Two, would be

1 in Maryland with a \$400,000 purse. The Colonial  
2 Turf Cup would -- that's also Grade Two, would go  
3 with, I think the purse there was going to be  
4 300,000, and then the Virginia Oaks for fillies,  
5 Grade Three, would be there at 150,000, and the All  
6 Along for fillies and mares would be Grade Three at  
7 100,000. That should have totaled \$900,000.

8 In the proposal we put forth and you approved  
9 at the last meeting was that the Maryland Jockey  
10 Club had agreed to put up 450,000 and the VHBPA  
11 would put up the other 450,000.

12 MR. REYNOLDS: Did they agree to do it or were  
13 they hoping they'd agree to do it?

14 MR. PETRAMALO: No. They agreed to do it.

15 MR. REYNOLDS: Okay.

16 MR. PETRAMALO: That was the proposal that they  
17 made to us and we accepted. However, the unspoken  
18 assumption on both sides was that it was subject to  
19 the approval of the Maryland horsemen, because they  
20 control the purse funds, to a certain extent.

21 The Maryland horsemen when approached by the  
22 Maryland Jockey Club for their okay balked somewhat  
23 for the following reason. Purses in Maryland so  
24 far this year have been overpaid by \$4 million. In  
25 other words, the management has paid out more money

1 than was in the cash box.

2 Now that's not unusual, because it really is a  
3 cash flow problem. As long as by the end of the  
4 year, you generate enough revenue, everything evens  
5 out.

6 well, the horsemen were concerned that they  
7 weren't going to be able to have enough revenue,  
8 which meant that going forward into the fall, their  
9 purses would have to be cut and they did not want  
10 to go further in the hole by putting up \$450,000  
11 for these Virginia stakes races.

12 what they proposed in the alternative, which  
13 the Maryland Jockey Club accepted and which we  
14 found acceptable, the HBPA, was that the All Along  
15 would be bumped up from the 100,000 proposed to  
16 150,000, and the Maryland horsemen would fund that  
17 by cutting out three of their own minor stakes  
18 races.

19 However, with regard to the other three stakes,  
20 the HBPA would put up all of the purse money, and  
21 that would be a total of 800,000 instead of  
22 450,000. However, the HBPA would keep all of the  
23 wagering revenue that was generated by those races.  
24 Instead of having to split it, we would keep all of  
25 the revenue. We found that acceptable. It

1 certainly was affordable as far as we were  
2 concerned, because we have approximately \$6 million  
3 available for purses.

4 Let me go back over some of the territory we  
5 covered last time and talk about why these graded  
6 races are important and why they need to be run  
7 this year.

8 There are approximately 40,000 races run each  
9 year in the U.S., Thoroughbred races, flat races.  
10 About one percent or less are graded stakes races.  
11 This is the cream of the crop. So you have 400  
12 graded stakes races.

13 Stakes races get an official grading by a  
14 national organization called the Graded Stakes  
15 Committee. It's part of the Thoroughbred Owners  
16 and Breeders' Association, but it's a graded stakes  
17 committee, and each year, they determine which  
18 races deserve to have the most prestigious  
19 appellation, and mainly the graded stakes, the  
20 grades are from one to three. Kentucky Derby, for  
21 example, is a Grade One. The Virginia Derby was a  
22 Grade Two, the Virginia Oaks was a Grade Three.

23 Now attaining graded status depends on a number  
24 of things; the quality of the horses, the quality  
25 of the competition, and also the purses offered.

1           Now, over the years at Colonial, the horsemen  
2 worked very hard to obtain graded status for three  
3 races. The Virginia Derby started out, I believe,  
4 at around \$300,000. When I say started out, we are  
5 talking about 2000, 2001, et cetera, and it was  
6 ungraded. Half of that money, 150,000, came from  
7 the HBPA; Colonial Downs put in 150,000. We  
8 embarked on a program to increase the reputation  
9 and prestige of Virginia racing at about 2003 and  
10 2004.

11           One of the main architects of that program was  
12 former commissioner, Peter Burnett, former  
13 chairman, Peter Burnett, who at that time was the  
14 vice president of the HBPA. Together, we put  
15 together a program with Colonial that aimed at  
16 getting graded status at the Derby, also created a  
17 new race, the Turf Cup, et cetera.

18           To make a long story short, we were successful,  
19 because in 2006, the Derby attained Grade Two  
20 status, the Turf Cup got Grade Three status in  
21 2007, and I think in the year 2008 or 2009, it was  
22 bumped up to a Grade Two. The Oaks was a Grade  
23 Three and it remained a Grade Three.

24           But here's the point. This is why we think  
25 this is so important. From 2005 when we started on

1 this program through 2013, the last time we raced  
2 at Colonial Downs, the VHBPA spent \$13.2 million to  
3 obtain graded status and maintain it.

4 For example, in 2006 and 2007, we put up  
5 \$1 million for the Turf Cup and 850,000 for the  
6 Derby. Colonial Downs at that point continued to  
7 put in its 150,000, but that was the last time.

8 So over that period of time, we put in 13.2  
9 million; Colonial Downs put in a total of 300,000.  
10 So as they say, we had a lot of skin in the game  
11 with regard to those graded races.

12 Now, in our view, it's important to maintain  
13 the status if we expect that Virginia racing is  
14 going to continue to survive, if not might blossom.

15 As I mentioned the last time, the rule that the  
16 Graded Stakes Committee applies is if you do not  
17 run the races for two consecutive years, you lose  
18 the grading. So we didn't run them in 2014. If we  
19 don't run them in 2015, that \$13 million we spent,  
20 bye bye. That's one important reason.

21 The other important reason is that, as I said  
22 before, these are the most prestigious races in the  
23 country, and I hope we can go forward with a lease  
24 for Morven Park and develop it into a very nice  
25 facility for turf racing.

1           In my opinion, having raced there many times in  
2 the past, I think it is better than Kentucky Downs  
3 and better than just about any other facility,  
4 except maybe Gold Cup in Virginia for races out on  
5 the grass.

6           But the point is, we want to come back with  
7 splash. We want to be able to promote racing next  
8 year at Morven Park, hopefully eight days next  
9 year, 14 days the following year, and our marquee  
10 events or our events that attract the most  
11 publicity would be these graded stakes races.

12           That's not all we'd run. Obviously, we'd run  
13 the four graded stakes races, but then we'd have  
14 the bread and butter races that make up the back  
15 bone of Virginia racing, and we would be, I think,  
16 somewhat disadvantaged if next year we put on those  
17 races, they didn't have the graded status.

18           It wouldn't have the same promotional cache  
19 that graded races have, and it probably wouldn't  
20 attract big shots, so to speak, to come from  
21 Kentucky or New York or Florida, so it's an  
22 important part of our promotional program.

23           Now, one other problem arose since our last  
24 session on July 1<sup>st</sup>. Colonial Downs, bless their  
25 heart, wrote a letter to the Maryland Jockey Club

1 claiming that it would infringe their trademark,  
2 because they claim to have trademarked the Virginia  
3 Derby, if the Maryland Jockey club were to run  
4 this.

5 Leaving aside Colonial Downs, again to be a  
6 lawyer, does not have a trademark on the Virginia  
7 Derby; they have a service mark. Just to bore you  
8 a little bit with lawyer talk, a trademark is like  
9 a brand name, Coca Cola. Coca Cola Bottling  
10 Company owns the trademark Coca Cola. That's their  
11 bottle of Coke.

12 A service mark is somewhat different. It's  
13 what's appended to some services offered by a  
14 company. For example, Colonial Plumbing, The Leak  
15 Fixer. The Leak Fixer would be the service mark.

16 So what Colonial really has is a registered  
17 service mark not on Derby but on Virginia Derby.  
18 They're claiming that Maryland would infringe their  
19 rights under federal law if they were to run the  
20 Derby, even though it's renamed. It will be  
21 renamed The Old Dominion Derby Presented By The  
22 Virginia Equine Alliance.

23 Now there are arguments about why they have  
24 some legal rights with regard to the Oaks and the  
25 Turf Cup, and the All Along are a little fuzzy. I

1 read the letter and I couldn't exactly figure out  
2 what they were saying. It's clear they have no  
3 service mark or trademark on any of those names.

4 But not to be outdone, I consulted with a  
5 Washington, D.C. firm that specializes in  
6 intellectual property law, trademarks, copyrights,  
7 et cetera. The name of the firm is Smith, Gambrell  
8 and Russell, and they're prepared to issue a  
9 written opinion to me after examining  
10 Mr. Weinberg's letter and after getting from me all  
11 of the background information.

12 They're prepared to issue an opinion saying it  
13 doesn't violate federal trademark or service mark  
14 law for the Maryland Jockey Club to run the races  
15 as The Old Dominion Derby Presented By The Virginia  
16 Equine Alliance, or in response to Jim Weinberg's  
17 point that, well, Old Dominion is kind of the same  
18 as Virginia.

19 I said, well, fine. We'll call it The  
20 Commonwealth Derby. The lawyer said that's even  
21 better because we have four or five Commonwealths  
22 here in the U.S. So it's The Commonwealth Derby  
23 Presented By Virginia Equine Alliance. That's  
24 their view.

25 Now, the Maryland Racing Commission, as I

1 understand it, said that, well, if it's okay with  
2 Virginia, it's okay with us, but the Maryland  
3 Jockey Club is a little leary. They don't want to  
4 invite litigation.

5 I was hoping that Jim Weinberg was going to be  
6 here today. I thought he was, to give us more of a  
7 detailed explanation of their position, because  
8 according to the Maryland Jockey Club people, Tim  
9 Ritvo, the number two or number three man over  
10 there, had a conversation with Jim Weinberg and  
11 told him that the Maryland Jockey Club had no  
12 intention whatsoever of keeping these races; that  
13 it was only doing it as a favor to keep its graded  
14 status, all three of the races, and that they  
15 return to Virginia next year or whenever Virginia  
16 had racing again, and again, that was in writing in  
17 an e-mail that was sent to me.

18 But that said, they have to know definitely one  
19 way or another within the next week, because their  
20 condition books have to be printed, their  
21 promotional materials have to get going, et cetera,  
22 because remember, we're talking about September.

23 I think they are a little leary about the  
24 possibilities of lawsuits. I have not discussed  
25 with them the legal opinion I got, since I got the

1 opinion after I talked to them. So that's kind of  
2 where we stand over all.

3 we would very much like to convince the  
4 Maryland Jockey Club to go ahead and run the races,  
5 and we would like your consent for us to utilize  
6 800,000, as opposed to 450,000.

7 I think I covered all of the points that I  
8 wanted to make. That pretty much fills you in on  
9 what's going on since our July 1<sup>st</sup> discussions.

10 MR. REYNOLDS: So we're taking about trying to  
11 approve another \$350,000 today on top of what we  
12 approved last month?

13 MR. PETRAMALO: Yes. That's correct. I don't  
14 mean in any way to be disrespectful, but I don't  
15 think that we need your approval to spend an  
16 additional 350,000, because remember, again,  
17 technically, this money comes from online wagering  
18 revenue that before July 1<sup>st</sup> was unrestricted.  
19 After July 1<sup>st</sup>, it's restricted to purses in  
20 Virginia, unless you direct otherwise. Just --

21 Commissioner Dawson.

22 MS. DAWSON: Yes. You mentioned that under  
23 the new agreement that your organization would get  
24 all of the revenue from the wagering.

25 MR. PETRAMALO: Yes. On the graded stakes

1 races.

2 MS. DAWSON: On the graded stakes races.

3 MR. PETRAMALO: Right. Right.

4 MS. DAWSON: Do you have any estimate of how  
5 much you expect that might be?

6 MR. PETRAMALO: No. No. I don't. I can  
7 probably ballpark it. Virginia Derby -- no,  
8 actually I can. I was going to say I can ballpark  
9 Virginia Derby day historically here.

10 The handle was usually around \$3 million, not  
11 just on that one race, but the series of races that  
12 we also ran The Oaks on the same day, et cetera.

13 I could probably get out a paper and pencil and  
14 come up with a rough ballpark, but let me quickly  
15 add that it is seldom, if ever, the case that  
16 wagering on a particular race generates enough  
17 revenue to cover the purse, particularly if you're  
18 talking about a \$400,000 purse.

19 But I think it was just a Maryland horsemen's  
20 way of saying, look, you know, we feel your pain.  
21 We appreciate the problem, here is the best we can  
22 do. You take all of the wagering, but we're not  
23 going to go further in the hole and increase our  
24 \$4 million deficit.

25 MS. DAWSON: Okay.

1 MR. REYNOLDS: Dr. Steger.

2 MR. STEGER: I had the same question.

3 MR. VAN CLIEF: I'm trying to think how to  
4 phrase it. I would address this to Frank or any of  
5 the other stakeholders. Can you talk a little  
6 more -- obviously, we're dealing here whether we  
7 have the need, technically, to approve your  
8 expenditure or not. We seem to be in that  
9 position.

10 MR. PETRAMALO: Let's look at it this way. If  
11 you say it's not a good idea, we're not gonna say  
12 tough cookies, we're gonna do it. That's not gonna  
13 happen.

14 MR. VAN CLIEF: So whether we want to or not,  
15 we are in a position of having to assess whether  
16 the quid pro quo, if you will, is a good one.

17 MR. PETRAMALO: Yes.

18 MR. VAN CLIEF: I think the simple question is  
19 if we approved the 450. I personally thought it  
20 was a valid expenditure and a good idea at the last  
21 meeting.

22 Now that the equation has changed and we're  
23 being asked to consider whether the dispensation of  
24 \$800,000 for these purses to go to Maryland is a  
25 good idea.

1           Can you spend just a little more time, and  
2 maybe any of the other stakeholders might want to  
3 address the long-term value.

4           Speaking of quid pro quo, can you quantify in a  
5 little bit more concrete way, I know it's  
6 difficult, the return of this investment going down  
7 the road in terms of the value of preserving your  
8 graded stakes status to future recruitment efforts  
9 for horses to future development of handle on these  
10 races and what it might mean to the Virginia  
11 industry, why it's worth \$800,000 spent in Maryland  
12 at Laurel this year?

13           MR. PETRAMALO: Well, the easiest one to  
14 address is the handle. I think, as I just  
15 mentioned, when we ran the day of graded stakes  
16 races, whether it was Turf Cup day where we had at  
17 least two graded stakes or Derby day where we had  
18 two graded stakes, the handle that day, those days,  
19 was probably at least triple the normal handle.  
20 Those races generate a lot of interest, a lot of  
21 publicity and generally good field size, so the  
22 handle goes up, which means the revenue goes up.

23           Probably of equal importance is the graded  
24 stakes tend to attract the best and brightest among  
25 the horse population, because for grading purposes,

1 and remember, Derby is a three-year-old race, so  
2 we're talking about horses that are probably going  
3 to leave the racing career after the end of their  
4 three-year-old season.

5 For breeding purposes, it increases their  
6 value, whether you're talking about a filly running  
7 in The Oaks or a colt running in the Derby, if they  
8 can show that they won a graded stakes, a Grade Two  
9 stakes race.

10 They get nice black type in the book and it  
11 increases their value. It also generally attracts  
12 much more interest than a run-of-the-mill stakes  
13 race that's run for \$400,000 and doesn't carry a  
14 grade.

15 For example, the Secretariat in Arlington that  
16 used to be part of a package that we had is a Grade  
17 One race, only \$400,000 and it's on the turf. A  
18 lot of horses go there because of the prestige  
19 involved in that particular race. It's a Grade One  
20 race. They want to go there, even though we've  
21 paid more.

22 You know, we had \$1 million. We're only Grade  
23 Two. They got 400,000, they're Grade One. That's  
24 a big deal race. That's kind of the, I know I  
25 don't have to explain it to you, Commissioner, but

1 that's kind of the way the horse business works,  
2 particularly on the breeding side.

3 MR. VAN CLIEF: Can you also as a follow-up  
4 question speak a little bit to the trickle down  
5 effect? We've had some questions here today, and I  
6 know there's some concern and some emotion around  
7 the issue of putting money, this much money at the  
8 top of the totem pole, so to speak, in races which  
9 are likely not gonna be populated by  
10 Virginia-breds.

11 Can you describe a little bit the indirect  
12 benefit and how that works to promote, sustain so  
13 forth, our industry here in months and years to  
14 come?

15 MR. PETRAMALO: Let me answer that in a  
16 somewhat oblique way.

17 MR. VAN CLIEF: It's sort of an oblique  
18 question.

19 MR. PETRAMALO: No, no. The question is fine.  
20 I'm prone to shaggy dog stories. When we were  
21 running at Colonial Downs, we always had three big  
22 days, the Derby day, the Turf Cup day, and our  
23 Virginia-bred Commonwealth day. Those three days  
24 generated a lot of publicity and a lot of interest  
25 in Virginia racing and Colonial Downs in

1 particular. Horsemen wanted to come to Virginia.  
2 We were on the map.

3 But from the standpoint of our industry, those  
4 three days were only lost leader days, marquee  
5 days. Everybody was interested. But in addition  
6 to those three days, we usually ran 25 or 30 days  
7 in addition at Colonial Downs for the rest of the  
8 industry, the Virginia, Maryland, West Virginia,  
9 Delaware, Pennsylvania people.

10 Big days, Bill Mott would come from New York,  
11 D.L. Romans would come from Kentucky, et cetera.  
12 Those guys would come for one day and go. We were  
13 willing to bite the bullet and pay for that because  
14 it put us on the map.

15 That's kind of the way we continue to look at  
16 the value of graded stakes races. It's not gonna  
17 do an awful lot in terms of immediately putting  
18 money in the pocket of our mid-Atlantic horsemen or  
19 our Virginia horsemen. They're gonna get their  
20 pocket money, their earnings from the other races  
21 that we run as part of an overall racing program  
22 that by the way has got four graded stakes.

23 We will probably run God knows how many bread  
24 and butter races, but we will have the four graded  
25 stakes and the Daily Racing Forum will pick it up

1 and we'll get some publicity on TVG, et cetera.

2 MR. VAN CLIEF: So you feel that the  
3 maintenance of these grades would be an important  
4 building block to a resurgent industry; is that  
5 fair to say?

6 MR. PETRAMALO: Yes. I think so.

7 MR. VAN CLIEF: If you lost the grades this  
8 year for any reason, and you know you're gonna lose  
9 them if you don't run, how difficult and how long  
10 might it take to reestablish any sort of graded  
11 stakes program?

12 MR. PETRAMALO: I don't have a lot of  
13 experience in that regard, but I can offer you some  
14 opinions.

15 We lost the graded status for the Turf Cup when  
16 we changed the conditions. That's another no-no.  
17 Used to be limited to three-year-olds; we opened it  
18 up. We lost the condition, but I think within a  
19 year, certainly no more than two years, I think, we  
20 got it back. But it wasn't a big deal.

21 I suspect that if we run in Maryland and keep  
22 the graded status, we're gonna have a job  
23 convincing the Graded Stakes Committee to say yes  
24 it's fine that you're transferring these to Morven  
25 Park, because the first thing they're gonna say is

1 Morven where?

2 It's a very new venue. It's gonna be very  
3 nice. It will be better than Kentucky Downs where  
4 they run graded stakes now.

5 But if we go to the Graded Stakes Committee  
6 with no grade, having lost it, we institute it next  
7 year at Morven Park, I would think we would have a  
8 tough road to hoe.

9 Remember, we've got the momentum built up. We  
10 spent \$13 million at one point. We are giving away  
11 \$1 million a race. There's no way in the world  
12 that we're gonna in the short-term or even in the  
13 medium term be able to offer purses like that for  
14 races at Morven Park.

15 So I think that while it's kind of on a  
16 continuum between easy and hard, we're probably  
17 closer to the hard side than we are to the easy, if  
18 we don't retain those graded stakes.

19 MR. REYNOLDS: There's always been a rub  
20 between basically this whole fight. We're not  
21 gonna have public comments. We will at some point.

22 MS. HARRELL: I just want to ask a question.

23 MR. REYNOLDS: At some point.

24 Obviously, a lot of this contract speak was  
25 this rub against fewer days, high-end, graded

1 purses and every day bread and butter racing, and  
2 obviously, we're talking about \$800,000. You said  
3 you have \$6 million available for purses.

4 MR. PETRAMALO: Approximately.

5 MR. REYNOLDS: Approximately.

6 MR. PETRAMALO: Yes.

7 MR. REYNOLDS: So do you feel like if you took  
8 800,000 -- we've approved 450. We're talking about  
9 an extra 350 and did this to maintain our graded  
10 status, because I do think it's important to do  
11 that, because as a racing fan first, I always loved  
12 coming down to Colonial Downs, because I wanted to  
13 be there and see the big races, you know, with the  
14 bread and butter as well.

15 Are there enough funds available to be paying  
16 -- Are we stealing from the poor and helping the  
17 rich, so to speak, or is there enough money left  
18 over for when we get up to Morven, or do you feel  
19 like \$6 million and hopefully building with the ADW  
20 revenues continue to come in, that there's enough  
21 money for the every day racing in Virginia folks  
22 that are struggling to get some action?

23 MR. PETRAMALO: Oh, absolutely. Remember \$5  
24 million was enough in 2013 to run the full 25 days  
25 at Colonial Downs, including the big deal stakes

1 races. I think we certainly would have enough  
2 money, bearing in mind that we're not going to  
3 immediately be able to put on a racing program that  
4 gives us 25 to 30 days of flat racing in Virginia.

5 Next year, if we get anywhere from eight to 12,  
6 I think we'll be happy. The following year, I  
7 think we should ramp up to at least 14. So what we  
8 are looking at is relatively modest purse funds.

9 We used to run at Colonial Downs very  
10 competitive purses at roughly \$150,000 a day,  
11 exclusive of the stakes, so I'm talking bread and  
12 butter races. We could easily meet that and even  
13 go higher with a smaller racing program, and of  
14 course as it goes, we'd have to expend more money.

15 Now let me quickly add that we are continuing  
16 to generate revenue from online wagering. I think  
17 as Dave Lermond pointed out at the last meeting, we  
18 are probably on track to generate about \$70 million  
19 in ADW handle in Virginia for next year. I mean  
20 for this year, rather, calendar in 2015. At five  
21 percent, that's \$3.5 million for the horsemen's  
22 purse account.

23 MR. REYNOLDS: Plus the VEA side.

24 MR. PETRAMALO: Well, VEA gets four percent.

25 MR. REYNOLDS: Right.

1 MR. PETRAMALO: They get 2.8 million.

2 MR. REYNOLDS: That's a whole other pot of  
3 money building up for purses?

4 MR. PETRAMALO: Yes. Yes. Yes. We are in the  
5 enviable position, as opposed to most horsemen's  
6 groups and racetracks of not really having a purse  
7 problem. Most horsemen are scratching around to  
8 find enough purse money; even our neighbors with  
9 slots, but that's not our problem.

10 Our problem right now is to find a venue to  
11 race and offer this money, and we think, you know,  
12 our venues would be enhanced if we can offer four  
13 graded stakes.

14 MS. DAWSON: I have a question.

15 MR. REYNOLDS: Yes, ma'am.

16 MS. DAWSON: Frank, in your remarks, you  
17 mentioned, I think I heard you correctly, that your  
18 organization has invested some 13 million --

19 MR. PETRAMALO: Yes.

20 MS. DAWSON: -- over the years in the stakes  
21 races.

22 MR. PETRAMALO: Since 2005.

23 MS. DAWSON: And that Colonial Downs has only  
24 invested around 300?

25 MR. PETRAMALO: 300,000. Yes. That's

1 correct.

2 MS. DAWSON: You mean to tell me that after  
3 that first stakes race was run, they didn't add  
4 anything to the purses after that at all?

5 MR. PETRAMALO: The last time Colonial Downs  
6 contributed any money at all was in 2006. We put  
7 up \$1 million for the Derby. They put in 150,000,  
8 we put in 850,000. That's the last time they put  
9 in a dime for purses.

10 MS. DAWSON: You also gave us a little  
11 oversight, and the question of the trademark or  
12 service mark issue.

13 MR. PETRAMALO: Yes.

14 MS. DAWSON: And you seem to feel that based on  
15 your consulting with the other attorney that there  
16 is no case there?

17 MR. PETRAMALO: That's what -- let me quickly  
18 add I know almost nothing about trademarks and  
19 service marks. The lawyers that I talked to were  
20 very, very knowledgeable. They're convinced, one,  
21 that there's not much of a case there, and even if  
22 there was, there's no damage.

23 Because remember, the irony here is what we're  
24 doing, if we're successful in running someplace  
25 else is really preserving the graded status for

1           what colonial claims is there's. where's the  
2           damage? But that said, nobody except lawyers likes  
3           to get involved in litigation. We get paid, win or  
4           lose.

5           MS. DAWSON: well, neither do we.

6           MR. REYNOLDS: we hire to keep losing. Other  
7           questions? Commissioner Miller?

8           MR. MILLER: I have no questions.

9           MR. REYNOLDS: I'll ask. Ma'am, you had a  
10          question. Go head.

11          MS. HARRELL: Christie Harrell. Just out of  
12          curiosity, suppose they do go ahead and follow  
13          through with their threat to file suit.

14          MR. PETRAMALO: Right.

15          MS. HARRELL: who is it that is supposed to  
16          cover the legal fees associated with such  
17          litigation?

18          MR. PETRAMALO: It would all depend who they  
19          would sue. I would assume that they would sue the  
20          Maryland Jockey Club.

21          MS. HARRELL: Is there anything that would -- I  
22          mean prior to any moneys being allocated for races  
23          that might end up being problematic, instead of,  
24          you know, the ultimate goal being to carry it  
25          forward, those stakes so that, you know, we

1 maintain our status for when it comes back to  
2 Virginia, when the cost to try to retain it instead  
3 of just start all anew is comprised by potential  
4 litigation, because when you're talking about  
5 trademark, this is actually something I'm familiar  
6 with, especially with Colonial Downs, when you're  
7 talking about this type of case, it's extremely  
8 expensive.

9 MR. PETRAMALO: Yes.

10 MS. HARRELL: Very.

11 MR. PETRAMALO: No. I understand the legal  
12 cost. I guess your question is?

13 MS. HARRELL: Who is going to cover the cost?

14 MR. PETRAMALO: Well, I think what you're  
15 saying is if you do a cost-benefit analysis, is the  
16 \$500,000 that you have to spend in attorney's fees,  
17 and assuming you're successful, is it worth it to  
18 keep the graded status?

19 MS. HARRELL: Right. Because you're talking  
20 about three different service marks or trademarks  
21 in question.

22 MR. PETRAMALO: There's only one. Colonial  
23 only has a service mark on the Virginia Derby.  
24 They have no, in my opinion, no statutory legal  
25 rights with regard to the other three.

1           But getting back to the initial question, the  
2 group that would be sued at the very least would be  
3 the Maryland Jockey Club. Now whether they would  
4 also sue the Virginia HBPA, who knows? Certainly  
5 have not been reluctant to make claims against us  
6 in the past, so I don't know.

7           MS. HARRELL: I would just strongly advise that  
8 be taken into consideration.

9           MR. PETRAMALO: I'm sure. I hope you listened  
10 carefully when I said that the Maryland Jockey Club  
11 is kind of on the fence here in terms of whether  
12 they want to go forward in light of the threat from  
13 Colonial.

14          MS. HARRELL: I understand.

15          MR. PETRAMALO: So I don't know how they're  
16 gonna resolve it.

17          MS. HARRELL: Thank you.

18          MR. PETRAMALO: Sure.

19          MR. REYNOLDS: All right.

20          MR. MILLER: I do have a question.

21          MR. REYNOLDS: Commissioner Miller.

22          MR. MILLER: When will you know from the  
23 Maryland Jockey Club whether they're willing to go  
24 forward?

25          MR. PETRAMALO: Well, Commissioner, I would

1           assume that's going to be within the next week. I  
2           will report back to them today or first thing in  
3           the morning about where we stand, and I'll give  
4           them the advantage of the legal advice that I  
5           gleaned, and it would be up to them.

6           I don't know. One of the problems is lawyers  
7           love to talk to other lawyers. I don't know who's  
8           representing them. In the past, Lane Kneedler from  
9           Reed Smith used to represent the Maryland Jockey  
10          Club with regard to its Virginia issues. I don't  
11          know whether Lane is still there.

12          MR. TOWELL: He's with the Attorney General's  
13          office now.

14          MR. PETRAMALO: Oh, is he? Okay. He's not in  
15          private practice. Thank you, Sam.

16          MR. REYNOLDS: Mr. Petramalo, earlier, you  
17          said, you know, obviously, you seek our permission,  
18          but you don't need our permission. What are you  
19          specifically asking us to do today? Is the reason  
20          you're asking us today is because you said earlier  
21          the Maryland Racing Commission says they are okay  
22          as long as Virginia Racing Commission is okay?

23          MR. PETRAMALO: Yes. That's correct.

24          MR. REYNOLDS: Okay. We made a motion last  
25          month, and I don't have that on the top of my head,

1 but obviously, it was the idea that it was gonna be  
2 \$450,000. Did you need our permission last month  
3 about the dollar amount or did you need our  
4 permission last month just about just allowing it  
5 to go to Maryland in the first place?

6 MR. PETRAMALO: I don't think that -- again,  
7 respectfully, we needed your approval with regard  
8 to the dollar amount. I think we certainly did  
9 with regard to moving the race there, because we  
10 knew that the first thing the Maryland Racing  
11 Commission would say is what does the Virginia  
12 Racing Commission say.

13 MR. REYNOLDS: So if we made a motion today,  
14 we've already approved that the graded stakes would  
15 go to Maryland, so maybe what the motion would be  
16 today is to add another \$350,000 to the previous  
17 motion?

18 I might ask Mr. Law what's the best way to ask  
19 the question to the Commission as far as approval  
20 or not?

21 MR. LAWS: Because the Commission acted at the  
22 July 1<sup>st</sup> meeting to approve the races, the graded  
23 stakes be held in Maryland and approved the  
24 \$450,000, it doesn't need to take action again. It  
25 would be duplicative to that at this meeting, so I

1 think the only question before the Commission would  
2 be whether or not to increase the total amount of  
3 money by \$350,000.

4 MR. REYNOLDS: Even though you don't  
5 technically need our permission, you're asking for  
6 our blessing?

7 MR. PETRAMALO: Yes. Can't hurt.

8 MR. REYNOLDS: But what if we say no?

9 MR. PETRAMALO: Well, if you say no, I think we  
10 probably wouldn't go forward with it.

11 MR. REYNOLDS: Okay. Are there any other  
12 questions or comments from the Commission? Okay.

13 MS. DAWSON: I do have one.

14 MR. REYNOLDS: Yes.

15 MS. DAWSON: You mentioned that the amount is  
16 something that you can handle.

17 MR. PETRAMALO: Yes.

18 MS. DAWSON: It's not going to affect your  
19 ability in 2016 to come back from these purses that  
20 you have already planned?

21 MR. PETRAMALO: Not at all. No. Not in any  
22 substantial way. No. We -- Commissioner Dawson,  
23 we generate roughly \$250,000 a month in ADW  
24 wagering, so in three months, we've got enough to  
25 pay the \$800,000 without even touching what's in

1 the bank.

2 MS. DAWSON: And still meet your other  
3 obligations?

4 MR. PETRAMALO: Yes. Yes.

5 MR. REYNOLDS: Obviously, I make a comment  
6 that, you know, the \$800,000 going out-of-state  
7 does make me very queasy. I know it's unpopular  
8 with many, well, some folks, maybe many folks.

9 As a racing fan, I think it's important to  
10 protect the graded status. If it wasn't for the  
11 purse that you built up, and I feel like now that  
12 we have a VEA four-and-a-half percent, whatever  
13 that is, plus you alls' -- I feel like there's  
14 plenty of money there if at the time we can get  
15 racing again, if we can take care of everyday bread  
16 and butter racing.

17 I think it's very important to try to keep  
18 these graded stakes races going. My gut instinct  
19 is that the Maryland Jockey Club is gonna get  
20 queasy and not do it. That's what I think is gonna  
21 happen. I hope that doesn't happen, but certainly,  
22 I'm in favor of trying to get you guys going. You  
23 all are the horse experts.

24 I find it interesting that you are fighting  
25 hard to protect the graded stakes races, protect

1 the high-high end racing, because as you say, you  
2 are an old labor lawyer protecting the every day  
3 people, so obviously, this is extremely important  
4 to you, and I'm sure you probably get a lot of  
5 grief from some other people that feel like we're  
6 just giving money to make the rich richer, so to  
7 speak, and I think to an extent that's probably  
8 true, but my vote is going to look at the bigger  
9 picture and look down the road a little bit,  
10 because as a fan, if we are fortunate enough to  
11 maintain that graded status, whether it's Morven,  
12 whether it's back with Colonial Downs one day, as a  
13 fan, I think that draws a lot of people, a lot of  
14 interest, and I think it really helps handle, so  
15 I'm certainly in favor of it.

16 MR. PETRAMALO: Thank you.

17 MR. REYNOLDS: I don't know if there are any  
18 other comments before we make a motion.

19 MR. VAN CLIEF: Mr. Chairman, I just offer some  
20 supportive commentary at this point. Like you, I  
21 understand the political question around the  
22 expenditure of these dollars out-of-state, but I  
23 think that Mr. Petramalo and his colleagues have  
24 made a strong case over the last month, and to me,  
25 the key question is, is this important to

1 rebuilding our industry here in Virginia, and I  
2 think Mr. Petramalo answered that question very  
3 positively.

4 So given the fact that projections would  
5 indicate we'll have ample money to run racing here  
6 at a level we can expect at least for the next  
7 couple of years, and given the importance of these  
8 graded stakes as a building block to our future,  
9 which will trickle down to all of the jobs and  
10 collateral industries and levels of horsemen that  
11 the industry will support, I am going to vote in  
12 favor as well.

13 MR. REYNOLDS: Okay. Any further comments?

14 MS. DAWSON: I'd just like to say that when I  
15 first heard about this issue, my inclination was  
16 the other, but after hearing your presentation and  
17 after hearing what the chairman and vice chairman  
18 just said, it kind of re-enforces my original  
19 instinct, which is to support the horse industry,  
20 the racing industry in Virginia, that's what we're  
21 all about here.

22 I know it may seem a little convoluted to some  
23 people who may not like, as the chairman says,  
24 seeing the big picture, but it is part of the big  
25 picture. Having the graded stakes races is really

1 important and it will be 2016 before we realize it,  
2 and I'd love to see them running here again.

3 MR. REYNOLDS: Mr. Steger.

4 MR. STEGER: I have no further comments.

5 MR. REYNOLDS: Mr. Miller.

6 MR. MILLER: well, I guess I should explain my  
7 vote.

8 MR. REYNOLDS: You don't need to.

9 MR. MILLER: Okay. I'll try to take as little  
10 time as possible, but with all due respect to Frank  
11 and chairman and vice chairman and everyone else,  
12 you do have a strong case for going forward in  
13 Maryland, but to me, I think there's a stronger  
14 case, and that is to keep these funds in Virginia  
15 to focus more on building the racing industry  
16 within Virginia.

17 I've been doing some internet study of graded  
18 stake races to try to familiarize myself with the  
19 history and the background and trials and  
20 tribulations involved, and who the beneficiaries  
21 are of running these races.

22 There's no doubt that it behooves Virginia to  
23 try to get graded stake races, but I'm just not of  
24 the opinion that it's such an insurmountable task  
25 to come back, even if they're lost for not running

1           them this year.

2           If we focus as we should on building the  
3           appropriate Thoroughbred and Standardbred racing  
4           program in Virginia to the level that I think we  
5           should, and the level that should be the goal of  
6           everyone in this room, then we won't have any  
7           problem in the future getting our share of graded  
8           stake races or getting graded stake races  
9           identified as Grade One and Two in the future in  
10          Virginia.

11          This money could be better used to focus on  
12          those efforts and could be better used to try to  
13          pull together all the divergent interests in  
14          Virginia, including Colonial Downs in the future to  
15          focus more on building what we have through our  
16          anticipated programs at Morven Park, the Gold Cup,  
17          but also focus on getting that world class track  
18          in New Kent County up and running again.

19          It may take some extraordinary expenditures  
20          beyond what we think might be fair in the future to  
21          do that, but I think focusing our expenditures -- I  
22          don't call this extra money, but if we're so  
23          readily investing \$800,000 or whatever it is in  
24          these races in Maryland, let's focus on taking that  
25          \$800,000 and building the program here and focus on

1           trying to work out some way to breach the gap  
2           between the horsemen and the track in Virginia, a  
3           track we already have in Virginia, because we had a  
4           program at Morven Park, we had a program at Gold  
5           Cup, we had their Standardbred program at Oakridge,  
6           and if we had racing in Colonial Downs, we could  
7           have the future of racing in Virginia looking much  
8           brighter.

9           That's why I just think if we preserve those  
10          dollars toward our internal efforts, and even at  
11          the risk of losing graded stakes, because I don't  
12          share the belief that the loss of those graded  
13          stakes would be that serious at this point compared  
14          to all of the problems that we already have on the  
15          table in Virginia. So that's why I would vote no.

16          MR. REYNOLDS: Okay. Thank you. I'm going  
17          to -- I'd like to make the motion that we approve,  
18          reaffirm our decision of last month to approve the  
19          graded stakes going to Maryland and increasing that  
20          purse allotment from \$450,000 to \$800,000.

21          MR. LAWS: Mr. Chairman, could I make one  
22          comment?

23          MR. REYNOLDS: Please.

24          MR. LAWS: I think just from a legal  
25          perspective, it would be preferable not to reaffirm

1 the previous motion and just make a plain motion to  
2 provide an additional 350,000.

3 MR. REYNOLDS: Okay. I'd like to make a motion  
4 that the Virginia Racing Commission approve an  
5 additional \$350,000 to go towards the moneys for  
6 purses up in Maryland in addition to the \$450,000  
7 already approved, for a total of \$800,000. That's  
8 my motion.

9 MR. VAN CLIEF: Second.

10 MR. STEGER: Second.

11 MR. REYNOLDS: Is there any more discussion?

12 NOTE: There is no response.

13 MR. REYNOLDS: All those in favor, say aye.

14 NOTE: Some Commissioners vote aye.

15 MR. REYNOLDS: All those opposed?

16 MR. MILLER: No.

17 MR. REYNOLDS: The Virginia Racing Commission  
18 approves it; four ayes and one no.

19 Okay. Thank you very much, Mr. Petramalo.

20 MR. PETRAMALO: Thank you.

21 MR. REYNOLDS: I feel like a lot of you all  
22 already made your public comments. Are there any  
23 folks who have not spoken publically today that  
24 would like to make a public comment? Yes, sir.  
25 Please identify yourself.

1           MR. BARONE: Yes. My name is Mike Barone. I'd  
2 just like to comment on that last resolution there.  
3 The fact that the three graded stakes races, the  
4 All Along you said the Maryland Jockey Club was  
5 gonna pay for that and the other three, it's my  
6 firm, strong belief that when you're getting 100  
7 percent back on those races, the handle that you  
8 spoke of that was at Colonial Downs for those races  
9 is gonna be enhanced.

10           Having those races run at Laurel in the fall,  
11 the handle is gonna be even greater than it would  
12 have been had it been run at Colonial Downs.

13           I don't think you're gonna be out the 800,000.  
14 You're gonna get a lot back from the \$800,000  
15 investment, and I think it's a real wise decision.

16           MR. PETRAMALO: I'm prepared to contribute to  
17 the handle.

18           MR. REYNOLDS: Thank you very much.

19           MR. BARONE: Thank you.

20           MR. REYNOLDS: Are there any other comments?

21           NOTE: There is no response.

22           MR. REYNOLDS: Seeing none, I'd like to make a  
23 motion that we adjourn.

24           MR. VAN CLIEF: Second.

25           MR. REYNOLDS: All those in favor, say aye.

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NOTE: The Commission votes aye.

MR. REYNOLDS: The Virginia Racing Commission is now adjourned. We'll see you again next month on September 9th at ten o'clock, location to be determined.

NOTE: This hearing is adjourned at 12:40 p.m.

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CERTIFICATE OF COURT REPORTER

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

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

Given under my hand this 11<sup>th</sup> day of August, 2015.

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SANDRA G. SPINNER

COURT REPORTER