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VIRGINIA RACING COMMISSION

September 27, 2016

STATE CORPORATION COMMISSION
TYLER BUILDING
COURTROOM A
1300 EAST MAIN STREET
RICHMOND, VA 23219

Commencing at 10:00 a.m.

COMMISSION MEMBERS:

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

COMMISSION STAFF:

David S. Lermond, Jr., Executive Secretary
Kimberly C. Mackey, Office Administrator

ATTORNEY GENERAL'S OFFICE:

J. Duncan Pitchford, Esquire

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1 CHAIRMAN VAN CLIEF: Good morning, everybody.
2 My watch says it is now ten o'clock, so I would like
3 to call this meeting of the Virginia Racing
4 Commission to order and note that we have all
5 commissioners present.

6 Our first order of business is to consider
7 approval of the minutes from our August 18 meeting.
8 Are there any requests for modification or notes to
9 make on these minutes? If not, I do need a motion
10 to approve, please.

11 COMMISSIONER STEGER: So moved.

12 COMMISSIONER DAWSON: Second.

13 CHAIRMAN VAN CLIEF: Vice chairman Steger makes
14 a motion.

15 COMMISSIONER DAWSON: Second.

16 CHAIRMAN VAN CLIEF: Commissioner Dawson makes a
17 second. All in favor, say aye.

18 NOTE: The Commission votes aye.

19 CHAIRMAN VAN CLIEF: Any opposed? The minutes
20 are approved.

21 That takes us straight to new business, and we
22 have, I think, another very positive day lined up
23 today. So let's start, if I can call on Mr. Hannum
24 from the VEA so we can consider licensure of the
25 next satellite wagering facility.

1 MR. HANNUM: Thank you, Mr. Chairman. So before
2 you is an application for what would be our second
3 satellite wagering facility located just a few
4 blocks from here in the Shockoe Bottom area.

5 This site is a approximately 5500 square-foot
6 facility with a capacity for about 300 people. It
7 has its own parking lot, and our plans for the OTB
8 would be that there are two large -- two rooms,
9 essentially, on the first floor of the site, which
10 is going to be known as Ponies and Pints.

11 There's a smaller room which will be for our
12 sort of serious betters, which will have the tellers
13 and a number of televisions. And then the larger
14 room, which is the bulk of the site, we'll have
15 televisions throughout, but also other sports will
16 be featured.

17 So this is a site that will hopefully be
18 attracting, you know, people that are coming out to
19 watch football and other sports and then be exposed
20 to racing.

21 So we'll have about 40 televisions throughout
22 the whole facility. As I said, two tellers. We'll
23 have up to seven self-service machines scattered
24 around.

25 So again, it's a combination of sports and horse

1 racing and the owner of the facility is very excited
2 about it, is a racing fan, and we just feel based on
3 the location and the ability to get a relatively
4 large number of people there and here in Shockoe
5 Bottom, we think it's a very positive development
6 for us and what we hope to be a good location.

7 Historically speaking, looking at what the OTBs
8 in the area did in the past, we're hoping that we
9 could be at a \$5 million handle by 2018.

10 So I know that you have the full application in
11 your packets. If you have any questions about any
12 of the details of the application, I can take that,
13 but I open it up to your questions and I thank you
14 for your consideration of the application.

15 CHAIRMAN VAN CLIEF: Thank you very much. I ask
16 my fellow commissioners if there are any questions
17 about this application.

18 COMMISSIONER STEGER: I reviewed it and I
19 support it.

20 CHAIRMAN VAN CLIEF: One question, and I'll
21 direct this to Mr. Lermond. Has staff done their
22 due diligence on this? Have you given it your
23 complete review, and does it meet the necessary
24 statutory and regulatory requirements for such an
25 application?

1 MR. LERMOND: Yes. It has been fully reviewed
2 by the staff and you have the staff report behind
3 Tab Two in your notebooks, and I would just ask that
4 if someone does make a motion to approve this, that
5 they would include the four conditions as listed in
6 the staff report.

7 CHAIRMAN VAN CLIEF: Dave, do you want to walk
8 us through those four?

9 MR. LERMOND: Sure. The first two are I call
10 cookie cutter conditions, just basically saying that
11 everything that was represented in the application
12 and by Mr. Hannum today will remain the same, and
13 that also it will be operated in accordance with all
14 federal statutes and also regulations of the
15 Commission and local ordinances.

16 The third condition is just that as part of the
17 application, an agreement for the tote provider is
18 required. I know the VEA is in the final process of
19 selecting one of the tote providers, and I just
20 would like to get a copy of that as soon as that
21 agreement becomes official.

22 Item Four speaks to a bond that's required. We
23 required a bond for the Breakers OTB in the amount
24 of 50,000. That's basically to cover any
25 outstanding tickets, should for some reason the

1 place go under; betters that have tickets that they
2 maybe haven't cashed. I believe 50,000 is enough to
3 cover both of these facilities, the Breakers and
4 Ponies and Pints, should you approve this
5 application.

6 That's something that I talked to Duncan about,
7 and I think we can keep kind of a tab on that. I
8 can get the tote reports and see exactly what the
9 amount of outstanding tickets is at any given time.
10 In Virginia, they're good for six months.

11 So if we get to a point where they approach that
12 \$50,000, then we may have to revisit that, but I
13 think it says it has to be acceptable to Commission
14 staff, and that's why I will keep a close eye on
15 that.

16 And if we should determine that we need more
17 than a \$50,000 bond, which would mean there's a lot
18 of wagering going on, and that would be a good
19 thing, we could address that. But at this point, I
20 believe the \$50,000 bond is sufficient enough for
21 Breakers and this new OTB.

22 CHAIRMAN VAN CLIEF: Thank you. Before we get
23 to the motion, are there any general questions about
24 the operation that anybody would like to ask?

25 I just have one, Jeb, and that would be can you

1 confirm at this point what your operating schedule
2 would be to commence operations and when would we
3 expect this to be up and running?

4 MR. HANNUM: We hope that it may be open by the
5 Breeders Cup, but there's a lot of work that needs
6 to be done. Our priority is to get the Breakers
7 facility up and running.

8 we're not obviously handling the construction
9 and a lot of the elements that would go into the
10 completion of the site, so that's up to the
11 contractors, but it's our hope that Breeders Cup
12 would be ideal, but I don't want to say it will be,
13 but that's our hope.

14 CHAIRMAN VAN CLIEF: Okay. Thank you. All
15 right. In that case, if there aren't any other
16 questions from the Commission, then what we need is
17 a motion to approve this application as it is
18 submitted, with the understanding as Mr. Lermond has
19 pointed out that it is being operated in accordance
20 with all representations, plans and (inaudible over
21 coughing) as submitted in the app.

22 Likewise, that the facility is being operated in
23 accordance with all applicable state and federal
24 statutes and regulations, that the VEA will forward
25 its agreement with the tote services provider to the

1 Commission as soon as that's available, and that the
2 VEA shall post bond or other instrument of financial
3 security in a form acceptable to the Commission
4 which will be approved by Mr. Lermond in the amount
5 of \$50,000 prior to commencement of operations. So
6 I believe that's the motion.

7 Mr. Commissioner.

8 COMMISSIONER MILLER: I just want to get
9 something clarified. I mentioned it to Ms. Easter
10 and Mr. Hannum. This facility, this restaurant, has
11 no ability to issue a license to anyone. I mean
12 there's -- to me, it's kind of confusing because it
13 says we pay a license fee of one-half and one
14 percent of the handle and that's the rent.

15 MR. LERMOND: That was the language provided in
16 the agreement written by Mr. Petramalo, so that's
17 why I use that language. Maybe Frank can clarify
18 that.

19 COMMISSIONER MILLER: That's the rent that's
20 shown on the financial statement.

21 MR. PETRAMALO: Yes, but rent implies that we
22 are leasing something, that we are the lessee; we
23 are not. We're a licensee. The Richmond Rolls is
24 the lessee from another corporation. They're
25 leasing the site.

1 COMMISSIONER MILLER: They're subletting.

2 MR. PETRAMALO: Yes. So what we're doing is
3 getting a license to operate our business within
4 their leasehold.

5 COMMISSIONER MILLER: You're getting a sublease.

6 MR. PETRAMALO: I wouldn't think that would be
7 appropriate because we don't have control of any
8 property. We're in there at their sufferance, their
9 license.

10 COMMISSIONER MILLER: All right. I just wanted
11 to make sure just for future reference that rent and
12 license fee is one and the same.

13 MR. PETRAMALO: It is. Trust me. In terms of
14 dollars, that's what we're talking about.

15 COMMISSIONER MILLER: Okay.

16 CHAIRMAN VAN CLIEF: Any other questions or
17 clarification? In that case, would anybody like to
18 make that motion?

19 COMMISSIONER DAWSON: Mr. Chairman, I'll make
20 the motion to approve the license application for
21 Ponies and Pints, and including the staff
22 recommendation as you have already enumerated, which
23 is in the staff recommendation memo, the four
24 recommendations.

25 I'd like to add in making the motion that I

1 thought the application was very well executed and
2 that it left very few questions in my mind because
3 it was very thoroughly done and want to thank you
4 for that.

5 CHAIRMAN VAN CLIEF: Thank you very much, vice
6 chairman Dawson. Is there a second?

7 COMMISSIONER REYNOLDS: Second.

8 CHAIRMAN VAN CLIEF: Any further discussion?
9 All in favor, say aye.

10 NOTE: The Commission votes aye.

11 CHAIRMAN VAN CLIEF: Any opposed? The licensure
12 is unanimously approved.

13 All right. The next related item is to consider
14 approval of the Ponies and Pints simulcast revenue
15 sharing agreement, and I believe Mr. Petramalo is
16 going to deliver a report on that.

17 I think I'd note as well that I'm not sure that
18 the copy that the commissioners have seen was
19 signed, but I understand that the document has been
20 signed and executed.

21 MR. PETRAMALO: Yes. It has been signed by all
22 three parties and I sent a copy yesterday to Dave.

23 Speaking of parties with regard to this revenue
24 sharing. On one hand, we have the VEA, which is the
25 operator of the SWF, and on the other hand, we've

1 got to two horsemens groups.

2 Under the statute, the revenue generated from
3 wagering basically is split up between the operator,
4 the taxing authority and the horsemen. By statute,
5 the horsemen get five percent of the handle at
6 Ponies and Pints and we will of course be receiving
7 that.

8 However, over the years, we've found it
9 necessary to engage in agreements with the operator,
10 whether it was Colonial or whether VEA at Breakers,
11 such that in order to get these up and running, we
12 agreed to a formula whereby we would share the
13 profits 50/50 with the operator, in this case the
14 VEA, against our five percent statutory share.

15 If our five percent statutory share is more than
16 50 percent of the profits, then we rebate the
17 difference to the operator. On the other hand, if
18 our 50 percent is more than five percent, then the
19 operator remits to us.

20 The agreement you have before you is a standard
21 one. It's the same one you approved for Breakers,
22 and it's a two-year agreement, so that hopefully at
23 the end of two years, Ponies and Pints will be up
24 and running and they, in effect, won't need to
25 engage in any revenue sharing.

1 CHAIRMAN VAN CLIEF: Thank you very much. Any
2 questions for Mr. Petramalo? In that case, we need
3 a motion to approve the simulcast revenue sharing
4 agreement which he has just explained, which is also
5 in your books under Tab Three.

6 COMMISSIONER REYNOLDS: Mr. Chairman, I'll move
7 that we approve the Ponies and Pints simulcast
8 revenue sharing agreement.

9 CHAIRMAN VAN CLIEF: Thank you, Commissioner
10 Reynolds. Is there a second?

11 COMMISSIONER DAWSON: Second.

12 CHAIRMAN VAN CLIEF: Thank you. We have a
13 motion and a second. Any further discussion? Any
14 questions? All in favor, please signify by saying
15 aye.

16 NOTE: All Commissioners vote aye.

17 CHAIRMAN VAN CLIEF: Any opposed? Thank you
18 very much. That is approved.

19 Lastly, actually, this one probably is under old
20 business, and this is to discuss and consider
21 approval of inclusion of stakes races and the
22 Thoroughbred owner bonus program. This is a
23 carry-over item from our meeting last month, and I
24 believe Debbie Easter is going to present that on
25 behalf of the VTA.

1 MS. EASTER: Sure. As I explained at the last
2 meeting, I think both the boards of HBPA and the VTA
3 would like to, as we've gotten into the owners'
4 program just a little bit more, we'd like to go
5 ahead and award folks that win an open stake an
6 owner's bonus award.

7 Once everybody realizes there's a \$10,000 cap on
8 any single award, we knew that was not going to raid
9 the fund, so I think the feeling was, you know, they
10 are doing a good job; we should award those folks.
11 So we would like to ask you to go ahead and approve
12 that.

13 And then there's still only one horse that has
14 been eligible that's won a stake, an open stake in
15 the Mid-Atlantic, Long On Value.

16 There have been other horses to win stakes, but
17 they weren't in the Mid-Atlantic or they were
18 restricted, so we'd like to go back and retro
19 actively send that award to the owners of Long On
20 Value, so we're asking to, if that would be all
21 right.

22 Just so, if you all would like the information
23 through yesterday, since we started the program on
24 July 1, 51 horses have earned awards to the tune of
25 about a little over \$174,000 which is about 30

1 percent under budget.

2 As you remember, we decided we would use
3 \$500,000 to fund the program from July 1 through the
4 end of the year. So we're running actually a little
5 under budget right now, and that almost half of
6 those awards are going to Virginians, and even if
7 they're not going to Virginians, we're getting an
8 awful lot of positive play at tour sales and
9 nationally with what is happening when people get
10 these checks from us. So it has been a very
11 positive program.

12 CHAIRMAN VAN CLIEF: I understand there's been
13 quite a bit of good feedback. Would it be fair to
14 say the market place is pretty enthusiastic about
15 the way you handled it?

16 MS. EASTER: It is. I think they've been really
17 happy. Even to the point the people in New York,
18 when they get a \$9,000 check from us, they've been
19 tickled they can breed mares here and foal them in
20 New York and have lots of options. So we'll see
21 what happens.

22 CHAIRMAN VAN CLIEF: Would it also be fair to
23 presume that even with the addition of the stakes
24 races to your program that you're still going to be
25 comfortably funded? If I recall, you had a war

1 chest of about half a million dollars to fund this
2 program and you're not really close to that?

3 MS. EASTER: At this point, who can predict
4 what's going to happen the next three months, but I
5 think Frank said the HBPA had agreed if we do over
6 run that \$500,000 they would go ahead and fund the
7 rest out of their fund that they have for purses,
8 but at this point, it doesn't look like that's going
9 to happen.

10 CHAIRMAN VAN CLIEF: Okay. Thank you. Any
11 questions? In that case, we need a motion to
12 approve the inclusion of stakes races in the owner
13 bonus program. I'll make that motion.

14 COMMISSIONER STEGER: Second.

15 CHAIRMAN VAN CLIEF: Thank you. Any further
16 discussion? All right. I think it's a very
17 positive addition and I'm delighted to hear that
18 it's developing good publicity for Virginia
19 breeders. That's good news.

20 MS. EASTER: It's creating value for Virginia
21 horses, so that's a good thing.

22 CHAIRMAN VAN CLIEF: That's critical to us at
23 this point.

24 MS. EASTER: Yeah.

25 CHAIRMAN VAN CLIEF: Great. In that case, all

1 in favor, please signify by saying aye.

2 NOTE: The Commission votes aye.

3 CHAIRMAN VAN CLIEF: Any opposed? Thank you
4 very much.

5 Took 18 minutes to get through the business part
6 of this. That's a record, I think. At least in my
7 tenure.

8 I'll circle back to Mr. Hannum again. You can
9 take your time, Jeb, because it looks like we've got
10 a lot of it this morning.

11 MR. HANNUM: Okay.

12 CHAIRMAN VAN CLIEF: Take us through an update
13 on the VEA operations, which includes OTB
14 development, operations at Shenandoah Downs and the
15 status on the Morven Park project, and if you'd like
16 to add anything else to it, please feel free.

17 MR. HANNUM: Great. I would like to add two
18 things. Debbie will speak to the races at Laurel
19 the other day and Dr. Allison is here and I know
20 they are hard at work with plans for the fall Gold
21 Cup, so if Dr. Allison wants to say anything, he
22 certainly can, but I'll start on the OTB
23 development.

24 At the last meeting, Commissioner Dawson asked
25 about our plans for marketing for the OTBs, so I

1 just wanted to defer to Darryl Wood. Darryl is our
2 director of communications. Darryl wears a lot of
3 hats for the VEA and is a great member of the team.

4 For those of you that may have been down to
5 Shenandoah over the last couple weekends, Darryl is
6 also an announcer, so he is well-versed to speak
7 about marketing and communication. So I'll let
8 Darryl speak about the marketing plans for the OTBs.

9 MR. WOOD: Thanks, Jeb. Good morning. I think
10 as far as Breakers goes, judging by the amount of
11 phone calls that the owner of Breakers is getting
12 right now, the news coverage that we'll get once the
13 OTBs open and our own ways of reaching our customers
14 through the website and social media, I don't think
15 there's going to be any issue getting people there
16 at the very beginning.

17 I think most of the marketing campaign will
18 happen once Ponies and Pints opens and we can handle
19 the amount of players in the Richmond area
20 sufficiently between the two places.

21 With Ponies and Pints, we'll do some of the
22 traditional methods; getting a billboard or two up
23 around that area. A lot of people listen to sports
24 radio this time of year with football being popular.
25 So we'll have Big Al, one of the local personalities

1 out at both places doing a radio remote in football
2 season.

3 One of the unique things with social media is
4 that you can target specific likes in different
5 areas. So if somebody likes the Kentucky Derby in
6 Hampton Roads or Charlottesville or Fredericksburg
7 or Raleigh, North Carolina, we can take the Breeders
8 Cup and events like that through social media and
9 with not a whole lot of money, reach those people,
10 and I think we'll be able to draw also people to
11 both facilities until we expand out next year to
12 Hampton Roads and other places.

13 Another way we're going to do it is through
14 horse players that subscribe to the past performance
15 information through the daily racing forum. There's
16 a method the form's got that we can reach out by
17 email campaigns to those people playing all over the
18 state or in regional pockets to let them know about
19 the OTBs that are opening here.

20 I think Breakers is going to rock early on; no
21 issues at all. You know we're somewhat limited in
22 capacity there. We want to give players a good
23 experience, and I think once Ponies and Pints opens,
24 shortly after, we can, you know, I think go a little
25 bit harder, heavier with the marketing.

1 CHAIRMAN VAN CLIEF: Thank you very much,
2 Darryl. Any questions? Thank you.

3 MR. HANNUM: Great. So just as a reminder that
4 we now will be pushing for quite quickly to get
5 Breakers up and running. We have to select a tote
6 company immediately, and that's something that we
7 will be doing this week.

8 The construction has been ongoing and the place
9 is going to look really well, and we hope that in
10 mid to late October, Breakers will be up and
11 running. So that's where our focus is going to be
12 right now.

13 So I'll move on to Shenandoah, unless there are
14 any other questions. Shenandoah Downs has been --

15 CHAIRMAN VAN CLIEF: Actually, Jeb, I'm sorry.
16 I did have one question beyond the Richmond
17 marketplace. Can you talk a little bit about your
18 longer-term plans for OTBs around the state? Is
19 that premature to ask?

20 MR. HANNUM: I think I can speak to it in a
21 little more detail maybe at the next meeting.

22 CHAIRMAN VAN CLIEF: Okay.

23 MR. HANNUM: Our focus right now is really
24 getting these two sites up and running, and we do
25 obviously want to expand into other areas, but let

1 me sort of speak to that a little bit more
2 specifically at the next meeting in a little more
3 clarity.

4 CHAIRMAN VAN CLIEF: Okay. Thank you.

5 MR. HANNUM: Thank you. So moving on to
6 Shenandoah, we've had a good first six days of
7 racing. Our thanks to Commissioner Miller for
8 coming out and being part of the opening ceremony
9 where we cut the ribbon. I think that over all,
10 everything has just really gone very, very well.

11 we've had six days. The total handle has been
12 just under \$60,000, so we're averaging just a little
13 bit under 10,000 per day. So I think that's a very
14 good number and people are engaged.

15 we've got a real sort of, you know, aged sort of
16 span of people that are betting. This past weekend
17 we had a lot of people sort of in their 20s and 30s
18 that were out that were probably betting at the
19 races for the first time ever, and then we've got
20 some seasoned veterans coming over from Charles Town
21 to bet, which is great.

22 So people have been engaged, they're using the
23 self-service machines, and you know, it all just
24 seems to be operating quite smoothly. We've had
25 enough tellers and support staff to help everybody,

1 so in that regard, I think that experience with the
2 spectators has been positive.

3 AS I said many times before, our partners at the
4 Shenandoah County fair are just a delight to work
5 with and are really doing everything they can do to
6 accommodate us and the horses and horsemen on the
7 back side, so it's a very good partnership and we
8 couldn't be happier with that.

9 Greg Trotto, who is sitting here next to me, is
10 on the board of the HHA, Harness Horsemen
11 Association. I'll let Greg speak to the track
12 itself and experience of the horsemen because he's
13 had horses run at the meet.

14 MR. TROTTO: Good afternoon. I've been at the
15 start of this whole thing, and truthfully, it has
16 gone even better than I could have imagined. The
17 track surface is excellent. For a first-year track,
18 for the surface to be that good is really a
19 compliment to J.D. and his staff.

20 Opening day, we had a mile of 52 and one, which
21 is phenomenal. One fifty-two and one, which may be
22 the track record for a while, but that's fine. But
23 the surface has been great.

24 I'm lucky enough to know a lot of the people
25 that race there from different parts of the country

1 that come here. Everybody is ecstatic with how
2 they've been treated, the surface, the conditions,
3 the stabling. To tell you the truth, the biggest
4 thing they've been happy about is the fans have been
5 cheering and happy. It's unbelievable.

6 I brought my wife the first weekend and she
7 hasn't come to the races as often lately, and she
8 said, man, it has been a long time since people have
9 been cheering the driver instead of yelling at the
10 driver. This is unusual. She really liked it.
11 Everybody that I talked to that has come has said,
12 man, I can't wait to come back. This is awesome.

13 So basically, this project from start to now has
14 only been really six, seven, eight months and it's
15 unbelievable what has been accomplished by everybody
16 from the VEA and HBPA and Thoroughbreds and harness
17 working together. This has been an amazing project
18 to be a part of.

19 Yes, there are things we need to tweak, yes,
20 like any project, but it has been unbelievable.
21 From the horsemen's standpoint, we're ecstatic.

22 CHAIRMAN VAN CLIEF: Great report. That's very
23 encouraging.

24 MR. HANNUM: Good to hear. Thank you.

25 So this weekend, October 1 and 2nd is the wine

1 and Trotter festival, so that's both Saturday and
2 Sunday. Just as a reminder, the races start at one
3 o'clock, and so hopefully if you haven't been out,
4 we hope that you can come out.

5 October 8 is the seafood festival, and then on
6 the last Sunday, October 9, we're having a free hat
7 giveaway. So we're trying to do something each day
8 to help get people out. It's competitive. I think
9 that's one of the things we're learning.

10 There are just a lot of activities going on in
11 the area at the time, and being up against football
12 and other festivals is hard.

13 So with ten days total after the meet is over,
14 we'll have a lot of information before us and things
15 we can evaluate for consideration for how we tweak
16 things for next year, but I hope to see you all out
17 there if that fits into your schedule. So thank
18 you.

19 CHAIRMAN VAN CLIEF: Thank you.

20 MR. HANNUM: So I'll move on to Morven Park.
21 We are having -- well, let me take a step back. The
22 communication with the county for the permitting
23 process is being handled by Morven Park, and so they
24 report that things are going well. Their hope is
25 that by the end of September the permit will be

1 approved or conditionally approved. So we're
2 getting close to that point.

3 Simultaneously, Morven Park has been collecting
4 bids for the various components of the track and the
5 equestrian horse park. So by the end of September,
6 all the bids will be in.

7 Hopefully, there will be positive news from
8 throughout Louden County on the permitting, and then
9 we have to sit down with them and go through what
10 the costs are going to be for the track and
11 understand the scope of the project and how it's
12 going to move forward. So we have a meeting with
13 Morven on October 7 to sort of start that process.

14 So we're all switching gears now. Now that
15 we've got Shenandoah going, we're switching over to
16 the Thoroughbred side and we've got to get our
17 Thoroughbred partners a home, and that's how the
18 VEA's energies will be shifting over the next couple
19 of months and in to next year.

20 At the next Commission meeting, I think I'll
21 have more to report on Morven, and hopefully, I'll
22 have good news on the permit, on the cost, and
23 really some more concrete information on how things
24 are going to go forward with construction, and
25 that's all starting to come together.

1 So again, Morven has been managing that process
2 with the county and the contractors, so we'll be
3 sort of getting closer to that now that it's
4 starting to wrap up.

5 So that's kind of where we are with Morven,
6 which is a little bit of, you know, this is the same
7 sort of report that I gave last time, but I do
8 stress that this is a critical component of what
9 we're doing as an organization.

10 we luckily have a home for the harness industry,
11 and now we have to get the Thoroughbred folks a
12 suitable place for going forward and that's going to
13 be our focus.

14 So that's my update on Morven. Unless there are
15 any other questions I'll move on, but I think I'll
16 have more to say on Morven at the next meeting.

17 CHAIRMAN VAN CLIEF: Again, this might be
18 premature. I don't want to put you on the spot.
19 Can you talk about timelines there? Are you getting
20 a little better handle on the permit process, and
21 are you starting to get a fix on when you might
22 break ground and what we're looking at in terms of
23 operational status?

24 MR. HANNUM: Yeah. Morven, they want to break
25 ground this fall. That's their hope, and so I think

1 we're going to know that in the next couple of weeks
2 whether that's realistic or not.

3 So you know, the permitting process is the key
4 driver through all of that and it's a little bit
5 outside of everyone's control, but their reports to
6 me have been the feedback from the county has been
7 very positive and the questions from the county have
8 always been very reasonable in things they're
9 asking, so they don't anticipate any problems, but
10 we'll have to see.

11 CHAIRMAN VAN CLIEF: Thank you again.

12 MR. HANNUM: So I'll turn things over to Ms.
13 Easter to talk about the Virginia-bred day at
14 Laurel, and then if Dr. Allison would like to say
15 anything on the Gold Cup, we can just move down the
16 line.

17 MS. EASTER: Sure. I think last Saturday we had
18 -- we ran our stakes up at Laurel Park. I think
19 everybody's familiar, and Commissioner Dawson was
20 there and I'll let her speak in a moment, but I
21 think once again everything was very positive.

22 We had 219 nominations for eight races. I've
23 got it all broken out, but I forgot to add up how
24 many entries there are, but the least amount of
25 entries we had in a race was seven, all the way up

1 to 11 or 12. So the races came up quite
2 competitive, great wagering opportunities, and the
3 nice thing about it in the Virginia-bred races
4 especially is that Virginians did very well.

5 They would, just looking down at the numbers,
6 say for the punchline, there were seven horses
7 entered; all seven were owned by Virginians.
8 The Brick Maiden had eight entries; six were
9 Virginia, so the Virginians took home a large amount
10 of that Virginia-bred money. It was great.

11 They're doing work on the restaurant floor at
12 Laurel Park, so they had us all down in a tent on
13 the tarmac, and I think that lent itself to be
14 everybody was down under there. We had 48
15 reservations for tables. I think it let everybody
16 be closer as a group to kind of spread out. It was
17 a great place to watch the races coming down their
18 long stretch there.

19 Competitive racing, great racing day. They
20 wagered \$4.2 million on our races. The Maryland
21 Jockey Club was great about not only getting
22 entries, but lining up the races.

23 The other big part of the day was the cotillion
24 and the Pennsylvania Derby, so they lined up our
25 races, the major part of our races prior to those

1 two races.

2 AS I was telling Sarge prior to this meeting,
3 even Bird Allen that ran after the Pennsylvania
4 Derby still handled over half a million dollars, so
5 they were betting on races and it was just a big,
6 big positive day for everybody involved, and
7 Commissioner Dawson, you could probably add to that.

8 COMMISSIONER DAWSON: I would be happy to add to
9 that. It was a great day. It was good weather.
10 Beautiful turnout there of spectators and betters,
11 and I thought that Laurel Park did a good job for us
12 for the Virginia guests, and as you say, the betting
13 as I understand it, was up 72 percent above 2015.

14 MS. EASTER: Right.

15 COMMISSIONER DAWSON: So I mean that's a pretty
16 important consideration. As much as I'd like to
17 bring those stakes races back to Virginia, and I
18 hope we do very soon, it was very successful and
19 those people did a great job and everybody had a
20 good time. So I think congratulations to everyone
21 involved.

22 MS. EASTER: I think we got a lot of positive
23 press in the national trades about how the two
24 states are working together and the fact that that
25 was such a quality card. I would think that next to

1 Preakness weekend, that's the best card they run all
2 year, so they did a very nice job of putting those
3 races together. All positive.

4 You know, as anxious as we are to get these
5 home, I think that even when we do have Morven Park,
6 I think we ought to look at do we still do something
7 in conjunction with Maryland for a day, because I
8 just think it's good stuff that we do between the
9 states and stuff like that.

10 So we're excited to do that, and hopefully, we
11 have enough money to do all those kinds of things.
12 But I think it's very positive when the states are
13 working together, and it definitely hit the national
14 press. Sal Sinatra, head of Laurel, recognized that
15 in the press also. So all quite a positive day.

16 CHAIRMAN VAN CLIEF: I can attest to some of
17 that positive press. I've seen some of what you're
18 referring to. Debbie, do you know off the top how
19 that \$4.2 million in handle compares to a regular
20 weekend at Laurel?

21 MS. EASTER: Somebody else might pay attention.
22 I know that they're trying to get to where they have
23 \$3 million in handle each day. That's their goal.
24 I know they're not there yet. My guess is it's --
25 this is a total guess, but a million and a half or

1 so. I haven't been paying attention.

2 Do you know what they're wagering up there,
3 anybody? Do you know what they're doing?

4 MR. PETRAMALO: My guess, it was probably
5 double.

6 MS. EASTER: Yeah. I would say.

7 CHAIRMAN VAN CLIEF: Double than an average
8 weekend?

9 MS. EASTER: Easily, I would think.

10 CHAIRMAN VAN CLIEF: Again, in terms of
11 commission dollars, what comes back to the horsemens
12 funds here?

13 MR. PETRAMALO: First of all, the Virginia
14 horsemen get what would otherwise go to the Maryland
15 horsemen, so then you have to divvy up the pot
16 depending on where the wager takes place. If it's
17 on track, the horsemens share is roughly eight
18 percent.

19 If it's simulcast, that probably is about a
20 percent and a half, not quite two percent. The
21 breakdown between on track and simulcast is probably
22 I'd say 90 to 95 percent simulcast with the
23 remainder on track.

24 Unfortunately, they don't publish the breakdown
25 the way we used to do here in Virginia. All they do

1 is give you the gross numbers. But I think a good
2 90 to 95 percent simulcast is probably a good guess.

3 CHAIRMAN VAN CLIEF: Thank you. Anymore
4 questions on the day at Laurel? Sounds like a very
5 nice success. Okay. Mr. Hannum.

6 MR. HANNUM: So Dr. Allison.

7 DR. ALLISON: Yes. At Gold Cup, the up side,
8 the sales of tickets and sponsorships is going well.
9 The down side, the track is very dry, and so I've
10 appointed a wonderful team, it's a rabbi and two
11 priests and four pastors and already the rain is
12 taking effect. Things are moving along.

13 CHAIRMAN VAN CLIEF: Looks like it might be
14 working if it looks like it does up in Warrenton
15 here today.

16 MR. HANNUM: Great. Thank you, Dr. Allison.
17 And I just note we have Brooke Royster with the
18 breeders and Scott Woogen at the far end, so in
19 fairnesses, gentlemen, if you want to add anything,
20 please do.

21 MR. ROYSTER: I think Debbie has covered
22 everything I could have.

23 CHAIRMAN VAN CLIEF: I saw Dr. Woogen come in a
24 little bit late. We heard a glowing report on the
25 operations at Shenandoah Downs, and it sounds like a

1 huge success up there.

2 DR. WOOGEN: It's the first time I've ever raced
3 where the crowd cheers at the start of the race, the
4 middle of the race and at the end of the race. It
5 was gratifying.

6 we had a full grandstand the first day. It was
7 really exciting. People were just so positive. I
8 have to say the details that Jeb has managed is
9 amazing. Things have run so smooth. We've really,
10 really been fortunate to have him managing the meet,
11 have the VEA manage the meet. So we're real
12 pleased.

13 Our attendance was good. Our handle is up
14 compared to last year at Oak Ridge about 25 percent,
15 I believe, and we look forward to growing this even
16 more.

17 CHAIRMAN VAN CLIEF: It must feel good to have
18 opened America's newest racetrack.

19 DR. WOOGEN: Yes. That's true.

20 MS. EASTER: It was really a fun day for those
21 of us that -- I'm not used to going to it, but it's
22 really quite a fun day to go to.

23 CHAIRMAN VAN CLIEF: Outstanding. Thank you.
24 That's a positive series of reports. Nice to hear.

25 At this point, we open it up for public

1 commentary. As unusual, if anybody would like to
2 make a comment, please feel free. We always keep it
3 to five minutes or less, and please state your name
4 for the record. Anybody that wants to jump in or
5 pile on. Okay. All right. Thank you.

6 That brings us to commissioner's comments, and
7 I've been dealing to my left, and I'll start the
8 other way and ask Commissioner Miller if he'd like
9 to start with any comments he'd like to make today.

10 COMMISSIONER MILLER: Well, I just want to
11 congratulate again the Virginia Equine folks, all of
12 you, for the great effort you put forward in
13 Shenandoah at Shenandoah Downs. The reason I'm
14 there every day, it's less than five minutes from my
15 home. I almost feel obligated to go across the hill
16 to the track.

17 The local people there are really enthused about
18 this. The people in the town of Woodstock, the
19 people from the county, the old timers that I see
20 that have been coming to the races at the Shenandoah
21 County fair for 100 years. Some of them haven't
22 been there for 100, but anyway, they are very
23 thrilled about what is taking place.

24 The fair association is really appreciative of
25 the cooperative effort of the horsemen and everyone

1 involved.

2 They tell me -- I know a lot of them personally.
3 They told me that they never worked with finer folks
4 than you all. They're very pleased. I just want to
5 pass that on to you here publically at this meeting
6 so you understand the great enthusiasm that is
7 present there.

8 I think the possibilities for this newest track
9 in America are really great if things keep going on
10 their present projection. Thank you.

11 CHAIRMAN VAN CLIEF: Thank you. Commissioner
12 Dawson.

13 COMMISSIONER DAWSON: Well, I just want to say a
14 word of thanks to our staff, especially Dave
15 Lermond, because I know it has been a very stressful
16 and busy, busy time for him with the races going on
17 in Woodstock and getting ready with Gold Cup and
18 everything else that goes on, and I think that some
19 of the success has to be attributed to his hard
20 work, too. So I think that's something we need to
21 recognize.

22 The other thing is at the last meeting, there
23 was some discussion. I know Commissioner Steger
24 brought up the issue of the possibility of websites,
25 and having been through this past couple of weeks, I

1 see the need even more now because there are a lot
2 of websites out there, but if there were one central
3 one to go to for information about Virginia racing,
4 it would really be very useful.

5 I know we've been too busy to worry about that
6 right now and maybe there isn't the money to do that
7 yet, but I don't want us to lose sight of that.
8 It's important right now. Newspapers are still
9 important, but internet and websites are the way to
10 go and so we ought to catch up. So that's just my
11 comment.

12 CHAIRMAN VAN CLIEF: Thank you. Commissioner
13 Steger.

14 COMMISSIONER STEGER: I can just say that I'm
15 more than encouraged by the momentum and progress
16 over the past year, year-and-a-half, and I think we
17 committed to sustaining that in the future and it's
18 an exciting time to be involved in it and I'm
19 looking forward to it.

20 CHAIRMAN VAN CLIEF: Thank you.

21 COMMISSIONER REYNOLDS: To the vice chairman's
22 comments about the website, I'm chairman of the
23 dormant marketing committee, so I think it's time
24 that I reach out and get some good marketing
25 committee members and start working on that and

1 other issues that can help raise awareness of what's
2 going on in Virginia. So I look forward to that.

3 Thank you all for what you all have done. It's
4 very encouraging.

5 CHAIRMAN VAN CLIEF: Excellent. To wrap up,
6 again, this is another positive day. We just
7 licensed another Virginia racing facility. The
8 report from Shenandoah Downs is nothing short of
9 amazing, and most people wouldn't think that
10 something like this would be achievable in this
11 environment, and especially the short amount of time
12 it has taken.

13 I think it shows what can happen when people get
14 together and work together, people of good faith,
15 especially, and obviously, nobody in this room is
16 doing this because they're making a pile of money
17 doing it. They're doing it because they love the
18 sport and they love the industry and they want to
19 see it not only survive but thrive.

20 And I think our staff, the VEA, the racetrack
21 operators, the horsemen, it's a great example of
22 when racing works as a partnership with the
23 horsemen, track operators and the state working
24 together, and we've got a great relationship going,
25 and we look forward to helping you build on that and

1 build those relationships and those partnerships.

2 I think if successful in building them, then the
3 sport is going to succeed here in Virginia. We're
4 already out of the gate and running and it's very
5 exciting to see. So thank you all for your efforts.

6 At this point, we do want to go into a brief
7 closed session, so I will call on counsel to help
8 with the appropriate motion. We do have some
9 personnel issues we need to address, so we'll do
10 that in closed session.

11 We'll come back and go straight to adjournment,
12 so if anybody needs to get on the road, we've
13 handled all of the business that we need to in a
14 public sense and we're going to adjourn immediately
15 after our closed session, so you're free to take off
16 if you wish.

17 MR. PITCHFORD: Okay. I will read the
18 appropriate text, but one of the members of the
19 Commission will need to make the motion.

20 In accordance with § 2.2-3711(A)(1) of the Code
21 of Virginia, I move that the Commission go into
22 closed meeting for the purpose of discussing
23 assignment, appointment, promotion, performance,
24 demotion, salaries, disciplining or resignation of
25 specific public officers, appointees or employees of

1 any public body.

2 CHAIRMAN VAN CLIEF: I'll make that motion.

3 COMMISSIONER REYNOLDS: I'll second it.

4 CHAIRMAN VAN CLIEF: Thank you. All in favor?

5 NOTE: The Commission votes aye.

6 CHAIRMAN VAN CLIEF: Any opposed? Thank you.

7 NOTE: The closed meeting begins at

8 10:48 a.m.; thereafter, the hearing continues

9 publically at 11:03 a.m. as follows:

10 CHAIRMAN VAN CLIEF: Counselor, I think we need
11 to read the appropriate motion into the record to
12 come back out of executive session.

13 MR. PITCHFORD: Thank you, Mr. Chairman.

14 whereas the Virginia Racing Commission has
15 convened a closed meeting on this date pursuant to
16 an affirmative recorded vote, and in accordance with
17 the provisions of the Virginia Freedom of
18 Information Act, and whereas § 2.2-3712 of the Code
19 of Virginia requires a certification by this
20 Commission that such closed meeting was conducted in
21 conformity with Virginia law, now therefore be it
22 resolved the Virginia Racing Commission certifies to
23 the best of each member's knowledge only public
24 business matters lawfully exempted from open meeting
25 requirements under the Virginia Freedom of

1 Information Act, and only such public business
2 matters as were identified in the motion convened in
3 closed meeting were heard, discussed or considered
4 by the Commission in the closed meeting.

5 COMMISSIONER REYNOLDS: So moved.

6 COMMISSIONER DAWSON: Second.

7 CHAIRMAN VAN CLIEF: All in favor?

8 NOTE: The Commission votes aye.

9 CHAIRMAN VAN CLIEF: Any opposed? Motion
10 carries. Is there anything else while we are in
11 session that we overlooked?

12 COMMISSIONER MILLER: Do we need to think about
13 our next meeting?

14 CHAIRMAN VAN CLIEF: Yes. We do. Thank you.
15 I'm thinking a month down the road and I haven't
16 looked at my calendar this morning. How about
17 October 27, which I believe is a Thursday?

18 COMMISSIONER MILLER: It is.

19 COMMISSIONER REYNOLDS: I'm going to be out of
20 town. Can we do it that Wednesday?

21 CHAIRMAN VAN CLIEF: I've got a conflict on
22 Wednesday. I know I can't be here. That's why I
23 picked the odd day, that Thursday.

24 COMMISSIONER REYNOLDS: The 25th?

25 CHAIRMAN VAN CLIEF: Dave, let's circulate some

1 dates and then in fact, would you mind, Dave,
2 checking with Jeb Hannum? I usually ask the VEA if
3 they've got anything concrete they need us to
4 consider for them.

5 So let's see what they've got coming up, and
6 then we can circulate the commissioners, and if that
7 week works, we'll find a date.

8 MR. LERMOND: Okay. If that week should not
9 work, are you okay going maybe one more?

10 CHAIRMAN VAN CLIEF: I think we should go
11 further out instead of backing up. We'll be on top
12 of ourselves.

13 COMMISSIONER REYNOLDS: When is the Gold Cup?

14 MR. LERMOND: That's was my -- the Gold Cup is
15 the 22nd.

16 COMMISSIONER REYNOLDS: Do they have all the
17 approvals they need to run their meet?

18 CHAIRMAN VAN CLIEF: Do they have official lists
19 or anything like that that we're going to have to
20 take action on?

21 MR. LERMOND: I think I could approve the list
22 of officials, if you're okay with that. Why don't
23 we make a motion right now?

24 CHAIRMAN VAN CLIEF: Okay. All right. Let's
25 take a breath here and think. You have official

1 lists. would there be any other action items that
2 they need for that meet?

3 MR. LERMOND: Just the approval of the officials
4 and the stewards will be on the same list.

5 CHAIRMAN VAN CLIEF: I make a motion that we
6 authorize Mr. Lermond to approve the official and
7 steward lists as submitted by the Gold Cup
8 management.

9 COMMISSIONER DAWSON: Second.

10 CHAIRMAN VAN CLIEF: Thank you. All in favor?

11 NOTE: The Commission votes aye.

12 CHAIRMAN VAN CLIEF: Any opposed? Motion
13 carries. All right. In that case, Dave, there's
14 nothing else then we would have to consider?

15 MR. LERMOND: No.

16 CHAIRMAN VAN CLIEF: Okay. Let's go ahead and
17 shoot for that week, find a date that works for
18 everybody. If not, we will push it a little further
19 on into early November, if that suits everybody.

20 COMMISSIONER REYNOLDS: If the 27th needs to be
21 the date, I think we can handle it.

22 CHAIRMAN VAN CLIEF: we'll also -- one of the
23 factors in my mind is to see what's coming up, and
24 if there's some heavy duty item, I'd prefer to have
25 all of us here.

1 COMMISSIONER REYNOLDS: Right.

2 CHAIRMAN VAN CLIEF: But if it's fairly casual
3 and informative in nature, we'll go ahead.

4 COMMISSIONER REYNOLDS: I'll go ahead with that.

5 CHAIRMAN VAN CLIEF: Great. Can I ask for a
6 motion to adjourn?

7 COMMISSIONER REYNOLDS: So moved.

8 COMMISSIONER DAWSON: Second.

9 CHAIRMAN VAN CLIEF: So moved. Any opposed?
10 Thank you very much. We stand adjourned.

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12 NOTE: The hearing of the Virginia Racing
13 Commission stands adjourned at 11:07 a.m.

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1 CERTIFICATE OF COURT REPORTER
2

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

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

10 Given under my hand this 2nd day of October, 2016.
11
12

13 _____
14 SANDRA G. SPINNER
15 COURT REPORTER
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