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VIRGINIA RACING COMMISSION

July 6, 2017

STATE CORPORATION COMMISSION  
TYLER BUILDING  
COURTROOM B  
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  
Charles Steger, PhD  
I. Clinton Miller

COMMISSION STAFF:

David S. Lermont, Jr., Executive Secretary  
Kimberly C. Mackey, Office Administrator  
Rhonda F. Davis, Pari-Mutuel and Licensing Coordinator

ATTORNEY GENERAL'S OFFICE:

J. Duncan Pitchford, Esquire

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1           CHAIRMAN VAN CLIEF: Good morning, everybody,  
2 with apologies. We're actually running a few  
3 minutes late here today, so I'll call the meeting to  
4 order and note that we have four commissioners  
5 present. Commissioner Reynolds was not able to make  
6 it. He was previously scheduled to be out of town  
7 today, so he will not be with us. We do have four  
8 and we do have a quorum.

9           First up on the agenda is considering approval  
10 of our minutes from the June 6th meeting. Notes  
11 were distributed to the commissioners in advance.  
12 They are also in your notebooks under Tab One. Does  
13 anybody have any comments or suggestions?

14           COMMISSIONER STEGER: I move approval.

15           VICE CHAIRMAN DAWSON: Second.

16           CHAIRMAN VAN CLIEF: A move to approve and  
17 second. I'm actually going to make a couple  
18 changes, if we could, before we do that. I would  
19 like to note in the first paragraph that it notes  
20 Commissioner Reynolds was absent. I would like to  
21 add that was due to a business scheduling conflict.  
22 Makes it look a little bit like he didn't show up.  
23 So we'll add that.

24           Also, I've got a couple of suggestions for  
25 modification on the next page. Third paragraph on

1 the top on Page Two of the minutes, which begins  
2 with Commissioner Steger moved to approve the  
3 request by the VHHA. I'd like to delete the words,  
4 "beneficial to the harness horsemen stabled and  
5 racing" there and include, "to fund construction of  
6 showers and changing facilities for drivers and  
7 horsemen stabled at the track." I think we were  
8 specific in terms of how those funds were to be  
9 used, and I thought the minutes should be reflective  
10 accordingly.

11 Also in the next paragraph which begins,  
12 "Chairman Van Clief moved to approve the request of  
13 the VHBPA for 2017 races, motion carried  
14 unanimously." Dave, did we not include a funding  
15 allocation in that motion as well, and if so, do we  
16 need to include that in that paragraph?

17 MR. LERMOND: I think there was. We did go back  
18 and forth quite a bit on different amounts.

19 CHAIRMAN VAN CLIEF: Right.

20 MR. LERMOND: I'd have to go back and look. We  
21 can go back and amend that.

22 CHAIRMAN VAN CLIEF: I thought that should be  
23 included as well.

24 MR. LERMOND: Okay.

25 CHAIRMAN VAN CLIEF: Then an apology for so many

1 corrections here. Lastly, the last full paragraph  
2 on the bottom of the page, which ends with, "the  
3 Growing Handle Committee", I think. That should be  
4 properly named, "the Handle Development Committee."

5 okay. If that meets with everybody's approval,  
6 can we include that in the motion?

7 COMMISSIONER STEGER: Yes, sir.

8 CHAIRMAN VAN CLIEF: Thank you very much. All  
9 in favor, please signify by saying aye.

10 NOTE: The Commission votes aye.

11 CHAIRMAN VAN CLIEF: Any opposed? Thank you.  
12 The minutes are now approved.

13 We have a number of issues to consider this  
14 morning, most of which have to do with first funding  
15 to at least get going. Number one under new  
16 business is to reconsider the request for approval  
17 of expenditures from the Thoroughbred portion of the  
18 Virginia Breeders Fund to fund five Virginia-bred  
19 stakes races. This will include a \$10,000 per race  
20 allocation. The recommendation was approved  
21 unanimously at a meeting of the Thoroughbred  
22 subcommittee. I would ask Debbie Easter if there  
23 are any further comments she'd like to make on that.

24 MS. EASTER: No. It was just an oversight,  
25 because as we developed things, we added those new

1 stakes and some stakes to our restricted racing this  
2 year, and we just quite frankly forgot to add it to  
3 the things when we had our previous subcommittee  
4 meeting. It may have been that because we added the  
5 stakes after the subcommittee meeting, I can't  
6 remember, but it is the same amount that we fund  
7 each of the other stakes for, so we're just asking  
8 for that same \$10,000 per race.

9 CHAIRMAN VAN CLIEF: The recommendation is  
10 included under Tab Two in your books. Any questions  
11 on the recommendation and the request? If not, we  
12 need a motion to approve.

13 VICE CHAIRMAN DAWSON: I so move.

14 COMMISSIONER STEGER: Second.

15 CHAIRMAN VAN CLIEF: Thank you very much. Any  
16 opposed? Hearing none, the motion carries  
17 unanimously.

18 The second motion is a request for the  
19 expenditure to fund the Standardbred portion of the  
20 eight Virginia-bred stakes races. I should say from  
21 the VHHA to fund eight races.

22 Are there going to be any -- is there a report  
23 or comments on that? Okay. That request is  
24 included under Tab Three, entitled proposed  
25 expenditure from the Standardbred portion of the

1 Virginia Breeders Fund for 2017. It includes a  
2 request to approve \$80,000 to partially fund eight  
3 Virginia-bred stakes races, which will be contested  
4 this year at Shenandoah Downs in Woodstock. Are  
5 there any questions or issues to discuss?

6 VICE CHAIRMAN DAWSON: Mr. Chairman, as I  
7 understand it, this is because of the added revenue  
8 from the OTBs that we are able to do that?

9 CHAIRMAN VAN CLIEF: Yes, it is. Mr. Lermond,  
10 can you confirm that? I believe that is correct  
11 that the additional revenues are allowing the  
12 increase in these allocations.

13 MR. LERMOND: Commissioner Dawson is correct.  
14 Mainly because of the OTBs that have recently  
15 opened, and this 80,000 is double the amount that  
16 was available in the prior year.

17 CHAIRMAN VAN CLIEF: That is good news.

18 MR. LERMOND: That is good news.

19 CHAIRMAN VAN CLIEF: If there are no further  
20 questions, then I would like to request a motion to  
21 approve the allocation.

22 COMMISSIONER MILLER: I move to approve.

23 VICE CHAIRMAN DAWSON: Second.

24 CHAIRMAN VAN CLIEF: Thank you very much. All  
25 in favor, signify by saying aye.

1                   NOTE: The Commission votes aye.

2                   CHAIRMAN VAN CLIEF: Any opposed? Thank you.  
3 That also passes unanimously.

4                   Third on the list this morning is a request for  
5 the Commission to approve a memorandum of  
6 understanding between TVG, the VEA, the VHBPA and  
7 VHHA related to payment of a television fee. Debbie  
8 or Frank or Jeb?

9                   MR. HANNUM: Sure. I can speak to it. This is  
10 a situation that has come about. TVG had requested  
11 a rebate amongst the parties you just named based on  
12 the fact that they broadcast into Virginia on two  
13 different television stations racing.

14                   They felt that some type of sort of  
15 acknowledgment of that was important. We obviously  
16 wanted to maintain the relationship with TVG. We  
17 didn't want there to be any disruption in  
18 Virginians' ability to bet with TVG, and we felt  
19 that maintaining two TVG stations was critical for  
20 maintaining the racing interest in the state.

21                   But we felt that in order to have a rebate of  
22 some type that we needed to enter into a partnership  
23 and we are exploring how that partnership is going  
24 to work right now.

25                   what we are looking to do is have some sort of

1 betting centers modeled like Colonial Downs had with  
2 their kiosk network throughout the state, and that  
3 has been an ongoing discussion with TVG.

4 They have demonstrated a lot of support for  
5 doing this. They have been very good partners to  
6 date. We've had a number of meetings and we're  
7 exploring sites for these betting centers and  
8 discussing with the Commission staff as to how they  
9 could be set up and operated.

10 Like all the things we do, this is a process  
11 that will take a number of months to figure out  
12 exactly what the betting centers will look like and  
13 how they will operate, but we wanted to initiate the  
14 rebate now because that was the spirit in which we  
15 entered the agreement that we would do that  
16 retroactive to May 1st.

17 So we hereby request that the Commission give  
18 the parties stated the ability to rebate retroactive  
19 back to May 1st two percent of the handle going to  
20 the respective organizations.

21 CHAIRMAN VAN CLIEF: Thank you, Mr. Hannum. So  
22 if I understand this then, and the memorandum for  
23 the commissioners is under Tab Four in their books,  
24 what you're asking for approval of today is this  
25 MOU, the guts of which requires the Virginia

1 industry to pay a fee to TVG equal to two percent of  
2 wagers made by Virginia residents placed through the  
3 TVG platforms?

4 MR. HANNUM: Yes. That's correct.

5 CHAIRMAN VAN CLIEF: And in return for which,  
6 TVG guarantees continuous broadcast of their live  
7 product to the Virginia market, and in addition to  
8 which, they have given you assurances that they will  
9 work with you towards opening a marketing system  
10 perhaps similar to the old kiosk systems so we can  
11 build our market here in Virginia of the TVG  
12 products?

13 MR. HANNUM: Yes.

14 CHAIRMAN VAN CLIEF: Can you tell us a little  
15 bit more about where you might be in your  
16 conversations with TVG on that last comment in terms  
17 of -- and your confidence level that they are going  
18 to carry through on their end of the bargain to do  
19 what's necessary to get these marketing enhancements  
20 in place?

21 MR. HANNUM: Yes. I have the utmost confidence.  
22 They've been working with us with really a lot of  
23 enthusiasm. We had a meeting the other day and Kip  
24 Levin, the CEO of the TVG, the America side of the  
25 operations, was in attendance so their senior team

1 has been involved in this process.

2 Things have been moving very quickly. The ball  
3 is really in our court right now. We have a general  
4 agreement on how the betting centers are going to  
5 operate. We just need some clarification on some  
6 components as to how the accounts would be funded  
7 and we're trying to get some feedback from potential  
8 sites in terms of the costs that will be involved in  
9 setting up the betting centers. So right now, the  
10 ball is in our court. We need to get back to TVG  
11 with some details and with some costs for betting  
12 centers.

13 CHAIRMAN VAN CLIEF: Can we assume then the next  
14 step we will see will be a contract between the  
15 parties and TVG to implement those?

16 MR. HANNUM: Yes. That is our hope, and the  
17 reason for wanting to start the rebates now is  
18 because we don't know how long it will take to get  
19 that contract in to place. It could be a month, it  
20 could be many months before we are at that point,  
21 but we want to maintain -- we don't want to have a  
22 disruption in television service or in betting  
23 activity on the TVG platform, so by starting this  
24 rebate, we can assure that business will carry on as  
25 normal, and I have the utmost confidence that TVG

1 will be negotiating in good faith and that has been  
2 our partnership to date.

3 CHAIRMAN VAN CLIEF: It's fair to say that also  
4 this deal is at least consistent with our other  
5 service providers in the marketplace, I think  
6 TwinSpires, XpressBet and NYRA Bets, so that this  
7 puts TVG on a somewhat more even footing with their  
8 competitors in the state, which hopefully will make  
9 them enthusiastic to continue to build and work with  
10 us.

11 MR. HANNUM: Yes. That's a critical component  
12 of all of this, to not have a disruption with any of  
13 our ADW partners.

14 CHAIRMAN VAN CLIEF: Thank you. Those are my  
15 questions. Does anybody else have any questions for  
16 Mr. Hannum?

17 VICE CHAIRMAN DAWSON: I have one. According to  
18 the memorandum, it says that beginning on May 1st,  
19 fee shall be payable on a quarterly basis, no later  
20 than 15 days following the end of each calendar  
21 quarter, first payment due no later than July 15th.  
22 Will that be retroactive then?

23 MR. HANNUM: Yes. It will be, Commissioner.  
24 Yes.

25 VICE CHAIRMAN DAWSON: Okay. So it will be --

1 once you get this signed, you will owe --

2 MR. HANNUM: That is correct.

3 VICE CHAIRMAN DAWSON: -- a fee to TVG?

4 MR. HANNUM: So yes. The first payment would be  
5 retroactive back to May 1st, then it would follow a  
6 quarterly payment thereafter.

7 VICE CHAIRMAN DAWSON: Okay. Thank you.

8 CHAIRMAN VAN CLIEF: Are there any other  
9 questions about the MOU or the deal itself? In that  
10 case, we need a motion to approve the MOU and the  
11 payments involved.

12 COMMISSIONER MILLER: So moved.

13 VICE CHAIRMAN DAWSON: Second.

14 CHAIRMAN VAN CLIEF: Thank you very much. All  
15 in favor, please signify.

16 NOTE: The Commission votes aye.

17 CHAIRMAN VAN CLIEF: Any opposed? Okay. The  
18 MOU is unanimously approved.

19 MR. HANNUM: Thank you, Commissioners.

20 CHAIRMAN VAN CLIEF: Thank you. Next up is a  
21 request to consider approval of expenditures that  
22 will be associated with a Virginia-certified  
23 program. Who is going to lead that report off?  
24 Frank, is that you?

25 MR. PETRAMALO: Yes.

1           CHAIRMAN VAN CLIEF: Okay. Thank you very much.

2           MR. PETRAMALO: My organization, the Virginia  
3 HBPA, working together with the Virginia  
4 Thoroughbred Association, came up with a program to  
5 kind of reinvigorate the breeding and training of  
6 horses here in Virginia. As you may know, the foal  
7 crop in Virginia has been dropping off, so it's down  
8 to about 100 a year or something like that.

9           So what we did, we kind of modeled it on the  
10 Delaware-certified program. What our program  
11 provides is that any horse who, regardless of where  
12 the horse is foaled, comes into the state in 2016 or  
13 thereafter, comes into the state and stays here for  
14 six months continuous prior to the end of its  
15 two-year-old year will be considered a  
16 Virginia-certified horse. What that does is create  
17 an incentive to bring horses in here to be broken  
18 and trained if not owned by Virginians.

19           Now, once a horse is certified, and there's a  
20 process set forth in the memorandum. Did you get --  
21 do you have the memorandum?

22           CHAIRMAN VAN CLIEF: We do, and again for the  
23 commissioners, the memorandum is under Tab 5 in your  
24 books.

25           MR. PETRAMALO: There's a process set forth for

1 certifying horses. But once a horse is certified,  
2 the horse becomes eligible for two things. One,  
3 it's eligible to run in a Virginia-restricted race  
4 as though it were actually foaled here in Virginia.  
5 And two, it is eligible to take part in the  
6 25 percent Virginia-bred owner's bonus program in  
7 the Mid-Atlantic.

8 You may recall, I guess it was the end of last  
9 year, you authorized the Virginia HBPA to spend up  
10 to \$1 million from the purse money on a 25 percent  
11 owner's bonus, and that applies to any horse winning  
12 a race in the Mid-Atlantic six dates. There would  
13 be a 25 percent bonus on top of the purse money,  
14 capped at \$10,000. That's a very popular program.

15 what we've done is now made Virginia-certified  
16 horses eligible. Of course the earliest they would  
17 be eligible would be next year, 2018. But again,  
18 what it does is kind of gives our breeding and  
19 training here in Virginia a vitamin B 12 shot.  
20 That's our hope.

21 what we would need from the Commission is  
22 basically two things. One, approval of this concept  
23 of a Virginia-certified horse, and we want to make  
24 that retroactive to July 1st of this year.

25 Secondly, what we would like is the extended

1 authority to, from the Commission, to use I think up  
2 to an additional \$700,000 in 2018 for this program.

3 In my opinion, it's a little somewhat  
4 speculative to try and set a budget going beyond  
5 2018 for a number of reasons, including revenue from  
6 OTBs and ADWs, as well as the number of horses that  
7 would be taking part, but eventually our hope would  
8 be if the money is there, we can even expand the  
9 program beyond first place finishes to do first,  
10 second and third to really create a very nice  
11 incentive program. That kind of in a nutshell is  
12 what we're seeking here.

13 CHAIRMAN VAN CLIEF: Thank you. I'm sure there  
14 might be some questions from the commissioners.

15 COMMISSIONER STEGER: I'm assuming the results  
16 in Delaware have been very positive from this  
17 investment?

18 MR. PETRAMALO: I can't speak to that.

19 MS. EASTER: It was very positive. It created a  
20 large group of horses that have come in to Delaware.  
21 Their program has been going for ten, 15 years and  
22 it created a lot of economic activity.

23 Stephanie can probably even talk to it, but I  
24 think routinely people in the Mid-Atlantic will send  
25 their horses in there. Their horse program is only

1 for three months. Go in there for three months and  
2 you're eligible to run as Delaware-certified.

3 The beauty of our program versus Delaware is  
4 that it's spread across a six-state region, so it's  
5 not as restrictive and most other state programs are  
6 restricted to the state that they run in.

7 So we're hoping it's popular and I think the  
8 worst case scenario is we get more horses than we  
9 projected, then we figure out how we deal with the  
10 problem, but that would be a nice problem  
11 economically for our industry in the state of  
12 Virginia. I think we would all be happy to see  
13 that.

14 CHAIRMAN VAN CLIEF: Exactly. Is it true that  
15 in Delaware the main stimulus is geared toward  
16 bringing horses in to race?

17 MS. EASTER: That's correct.

18 CHAIRMAN VAN CLIEF: And here, it might be a  
19 little different, because what we're really trying  
20 to do, it seems to me, is bring horses in to enhance  
21 commerce kind of across the board with the training  
22 centers and farms and more the emphasis right now  
23 than tracks, although it will help in terms of  
24 generating horses to run as well.

25 MS. EASTER: That's correct. Then another

1 positive for it is that as we know, our decline in  
2 Virginia-breds is really going to hurt us with our  
3 Virginia-bred races, our restricted races in the  
4 future. This is going to allow us hopefully to keep  
5 those races going, which is positive to our  
6 breeders, and hopefully we can keep the quality  
7 levels up on those races where we can keep a tight  
8 running in the state, which is something that I  
9 worry about down the road here.

10 MS. NIXON: For example, I have three different  
11 clients that are waiting upon your approval for this  
12 program to go through. They usually send them down  
13 to me in September, but they'd like to go ahead and  
14 send them down now to be eligible for this program.

15 CHAIRMAN VAN CLIEF: So you're seeing the impact  
16 right away?

17 MS. NIXON: Yes. Right away. I normally wait  
18 for them, but they would like to send them down  
19 earlier so they can be eligible for this program.

20 MS. EASTER: I think we have three, Stephanie  
21 and two other folks, who are full-to-the-brink  
22 training centers that I hope that this is going to  
23 stimulate them to be able to raise their prices a  
24 little bit, and maybe we're going to have some  
25 kick-off to the other folks, the Middleburg Training

1 Center.

2 The new owner of the Middleburg Training Center  
3 I hope could benefit from this as much as anybody  
4 does, but I think it's -- I don't know that it will  
5 really help our breeding that much, but it's going  
6 to I hope stimulate just activity, economic activity  
7 in horses here, which I think is at a critical  
8 point.

9 CHAIRMAN VAN CLIEF: If it works, it seems like  
10 it would be bull's eye in terms of the mission to  
11 expand and grow the industry.

12 MS. EASTER: That, and I think HBPA recognized  
13 it, and I think it all came out of our planning  
14 meeting and the Commission's planning meeting at  
15 Middleburg a few months ago, and we just took what  
16 we heard there and tried to put it on paper. This  
17 is a result of a few months of all of us talking  
18 about it in our boards.

19 CHAIRMAN VAN CLIEF: Can you talk a little bit  
20 about the timing? You're requiring that the horses  
21 to certify be brought to Virginia before what was  
22 the point for two-year-olds?

23 MR. PETRAMALO: The end of the two-year-old.

24 CHAIRMAN VAN CLIEF: The end of it, so December  
25 31st.

1 MR. PETRAMALO: Correct.

2 MS. EASTER: Part of this program was designed  
3 so that the real money doesn't kick in for two  
4 years. We're going to pay, but it allows us two  
5 more years to get our OTBs up and running, and  
6 hopefully our test with TVG is maybe going to  
7 increase the ADW revenue, but it allowed us to get  
8 that revenue up and flowing.

9 The first chart is, you know, estimated what  
10 we'll have for the industry if we have OTBs up and  
11 running like we projected. But again, that gives us  
12 some time, rather than putting older horses into the  
13 program right now and having to pay out a bunch of  
14 money that might put us in a fix.

15 CHAIRMAN VAN CLIEF: Just curious. This is kind  
16 of jumping ahead maybe a little too far, but if you  
17 start getting requests to put say three-year-olds in  
18 the program, they want to bring them here and you'd  
19 like to have them, presumably, is there any thought  
20 then given to sort of -- maybe supplemental entries  
21 is the wrong term, but higher fees to get in later  
22 and generate some money that way?

23 MS. EASTER: I hadn't really thought about it  
24 because we'd like to let us get our revenue really  
25 flowing, and that was the whole point of starting

1 it, and we just didn't know how many people are out  
2 there.

3 I don't know if you all remember, but when we  
4 started the 100 percent bonus program at Colonial,  
5 the program went broke because so many horses came  
6 out of the woodwork and ate up the Breeders Fund  
7 money, and none of the breeders actually that first  
8 year had got any of their awards, or actually I  
9 think the HBPA helped out a little bit on that, too,  
10 but it ate up the Breeders Fund.

11 So I would rather play it safe, and if people  
12 call about that, I guess it's something we can  
13 consider, but it just means it'll cause the funding  
14 that Frank asked for to increase in 2018 so.

15 CHAIRMAN VAN CLIEF: Maybe it will be a nice  
16 problem in the future.

17 MS. EASTER: Be a nice problem to have.

18 CHAIRMAN VAN CLIEF: Okay. Any other questions  
19 about the program?

20 COMMISSIONER MILLER: This is apparently a good  
21 incentive for bringing horses to Virginia to train  
22 and so forth. How do the breeders as a group feel  
23 about this? Because it doesn't appear that this  
24 would be any incentive at all to bring your horses  
25 to Virginia, I mean to breed your horses in

1 Virginia.

2 MS. EASTER: Certainly that was a discussion  
3 during all of our deals. We haven't touched the  
4 Breeders Fund. I think that all of them see the  
5 importance of more business in Virginia.

6 Quite frankly, we don't have the money to  
7 incentivize for people to buy farms here and we just  
8 can't compete with the outside states, so this is a  
9 way where we can, you know, I thought it was a  
10 creative way that people came up with that we can  
11 bring horses to Virginia.

12 We have the land, we have the facilities to do  
13 this, and I don't want to be Chicken Little, but I'm  
14 getting terribly worried that the number of  
15 Virginia-breds is going down under 100, and once  
16 that starts to happen, you start losing your service  
17 industry that services the whole industry; the  
18 blacksmiths, your vets, your hay guys. They start  
19 to disappear. I think this will help that.

20 What I do love about this program, Dave and I  
21 were talking about this yesterday. People -- the  
22 VTA is a pay-to-play association. So we have  
23 members, but there's a lot of people in Virginia  
24 that have horses that aren't members of the VTA.

25 We're going to know where these horses are

1 because a farm has to be certified and then they're  
2 registered. I'll be able to ask Stephanie how many  
3 horses did you have? How many jobs -- because you  
4 took these horses earlier, how many jobs did you  
5 create? I think that's going to be some stuff that  
6 helps us going down the road, that we're going to  
7 know where these horses are a little bit better than  
8 we do with the ones that are floating around that  
9 aren't members of the VTA. So I'm a little bit  
10 excited about that also.

11 COMMISSIONER MILLER: Thank you.

12 VICE CHAIRMAN DAWSON: I have a question.  
13 Debbie or Frank, I understand that the funding for  
14 this is all going to come out of the VHBPA; is that  
15 correct?

16 MR. PETRAMALO: Yes.

17 VICE CHAIRMAN DAWSON: Do you have any projected  
18 amount for the first year?

19 MR. PETRAMALO: Well, Commissioner Dawson, the  
20 first year, 2018, projects the cost at \$935,000.

21 VICE CHAIRMAN DAWSON: Okay.

22 MR. PETRAMALO: It's probably in your packet.  
23 Actually, what we would be looking for, I said  
24 700,000; 700,00 is what we would expect to pay in  
25 2018 under the old program limited to

1 virginia-breds. we add roughly another 200,000 for  
2 the virginia-certified.

3 So to make a long story short, this year, you  
4 authorized us to spend up to \$1 million from the  
5 purse account for the 25 percent bonus. Basically,  
6 what we're looking to do is the same thing in 2018.  
7 That is an authorization from you to spend up to \$1  
8 million on this expanded program that now includes  
9 virginia-certified horses in 2018.

10 VICE CHAIRMAN DAWSON: Okay, and getting back to  
11 what Debbie is talking about, the overall economic  
12 benefit to the agriculture and the Commonwealth of  
13 virginia, have you got any methods to measure  
14 projected benefits that could happen as a result of  
15 that investment?

16 MS. EASTER: well --

17 MR. PETRAMALO: I would think, Commissioner  
18 Dawson, that we can probably extrapolate once we  
19 know the number of horses. In other words, if 100  
20 horses came in in 2017 under this program and they  
21 were here for six months, I don't think it would be  
22 too difficult to figure out the economic impact of  
23 having those 100 horses.

24 VICE CHAIRMAN DAWSON: Based on the number of  
25 actual horses.

1           MR. PETRAMALO: Yes. Because you're going to  
2 pretty much figure out what the costs and what the  
3 expenditures are.

4           VICE CHAIRMAN DAWSON: In terms of employment,  
5 in terms of revenue from sales and so forth.

6           MR. PETRAMALO: Yes.

7           MS. EASTER: The other beautiful thing I forgot  
8 to mention about that that might happen. Let's just  
9 say we got 100 horses in to Fauquier and Louden  
10 County, training additional, we're going to create  
11 jobs, we're going to create revenue.

12           As we go forward with our hopes of expanding our  
13 OTB network somewhere in the future, I think it  
14 potentially makes that a lot easier conversation  
15 with those counties or cities if we can say look  
16 what we did.

17           Look at the economic -- we took money from these  
18 wagering centers and we put it straight towards  
19 incentivizing people to come do business in your  
20 area, and look what we did and maybe you ought to  
21 think about this a little bit, and hopefully they'll  
22 be a little bit supportive. But we're a little bit  
23 down the road from that, but I think that's another  
24 positive benefit.

25           VICE CHAIRMAN DAWSON: I'm just thinking of

1 arguments in favor of doing things like this to help  
2 agriculture, to help the horse industry and so  
3 forth, without even getting in to the question of  
4 building a race course or anything like that. I  
5 think that is, to me, I think it makes sense.

6 MS. EASTER: Certainly in the short-term until  
7 we can figure out what we're doing with racing here  
8 in Virginia, I think it certainly -- you would be  
9 hard pressed to argue if we got any kind of results  
10 like Delaware did.

11 VICE CHAIRMAN DAWSON: Also, one could say we  
12 need to be working on projects like this in order to  
13 grow, otherwise we're not going to grow.

14 MS. EASTER: Sure.

15 VICE CHAIRMAN DAWSON: Thank you.

16 CHAIRMAN VAN CLIEF: Any other questions or  
17 comments? Thank you all very much. Thank you for  
18 the report.

19 To summarize then, as I understand it, you're  
20 look for a two-point resolution. Number one to  
21 approve the concept and definition of  
22 Virginia-certified horses and to approve that  
23 effective July 1st, and also to grant authority to  
24 expend up to \$700,000 next year.

25 MR. PETRAMALO: One million.

1           CHAIRMAN VAN CLIEF: One million. Okay. Thank  
2 you.

3           MR. PETRAMALO: In 2018. Yes.

4           CHAIRMAN VAN CLIEF: In 2018. I'm looking at a  
5 \$900,000 line item. Thank you. So again, we're  
6 being asked to approve the concept of  
7 virginia-certified, and likewise, to expend up to  
8 \$1 million next year to support the program.

9           VICE CHAIRMAN DAWSON: Mr. Chairman.

10          CHAIRMAN VAN CLIEF: Yes, ma'am.

11          VICE CHAIRMAN DAWSON: I do have a question  
12 about the virginia-certified term. Is that  
13 something that we can define through regulation or  
14 is it something that we may down the road have to  
15 approach?

16          CHAIRMAN VAN CLIEF: That's a good question.  
17 I'm going to deflect that to Mr. Pitchford and ask  
18 if there's any regulatory source involved we need to  
19 be aware of this morning.

20          MR. PITCHFORD: Mr. Lermond.

21          MR. LERMOND: We looked at it and there is no  
22 definition of virginia-bred horse in the code. The  
23 definition of virginia-bred horse lies in  
24 regulations.

25          The problem is if you include these certified

1 horses in with that definition, then the certified  
2 horses are also entitled to breeder awards, Stallion  
3 awards, owners' awards. That's not the intent of  
4 this.

5 So this is really living outside of the code,  
6 outside of the regs. That's why there's no Breeders  
7 Fund money being expended on it. I don't really  
8 know that you need to approve the concept, as much  
9 as you need to approve the expenditure on that. I  
10 would defer to Mr. Pitchford on that.

11 MR. PITCHFORD: That's correct that that's the  
12 discussion that Dave and I had with Mr. Petramalo  
13 when they brought the issue forward.

14 CHAIRMAN VAN CLIEF: Okay. Great. Thank you.  
15 That's a good clarification. So it'll be a program  
16 that is going to be funded by the Virginia HBPA,  
17 administered by the VTA, and it's a private program  
18 that doesn't require any regulation at the state  
19 level.

20 MR. LERMOND: That's correct.

21 CHAIRMAN VAN CLIEF: So what is in essence  
22 required from us then is \$1 million expenditure  
23 authorization next year to fund the program. So  
24 it's actually, a one-point resolution.

25 MR. LERMOND: Exactly.

1           CHAIRMAN VAN CLIEF: I think just listening to  
2 the commentary, we have a strong consensus on the  
3 part of the Commission that this is a good idea. We  
4 support the Virginia-certified program and I  
5 personally think it's right on target in terms of  
6 building commerce and maintaining an industry in the  
7 state. I think it's a great idea. The resolution  
8 -- and I'll make the motion that we approve a  
9 \$1 million expenditure next year to support the  
10 Virginia-certified program.

11           COMMISSIONER MILLER: Up to one million.

12           CHAIRMAN VAN CLIEF: Up to. Thank you,  
13 Commissioner Miller. Appreciate the help there.  
14 Yes. We approve expending up to \$1 million.

15           VICE CHAIRMAN DAWSON: One clarification. We're  
16 not going to approve the expenditure of any funds  
17 this year.

18           CHAIRMAN VAN CLIEF: Correct.

19           MR. PETRAMALO: You've already done that.

20           MS. EASTER: You've already done that.

21           MR. LERMOND: The only funds this year will be  
22 from the existing 25 percent program for  
23 Virginia-bred horses.

24           VICE CHAIRMAN DAWSON: And we've done that.

25           MR. LERMOND: This money will not kick in.

1           CHAIRMAN VAN CLIEF: Those approvals are in  
2 place from prior meetings, so this allows the VTA  
3 and HBPA to go forward, publicize the program, begin  
4 the process of signing these horses up, at which  
5 point they will be eligible for awards next year,  
6 correct? Well, I offer the motion. Could I have a  
7 second?

8           VICE CHAIRMAN DAWSON: Second.

9           CHAIRMAN VAN CLIEF: Thank you very much. Any  
10 further discussion? If not, all in favor, please  
11 signify by saying aye.

12           NOTE: The Commission votes aye.

13           CHAIRMAN VAN CLIEF: Okay. The motion carries  
14 unanimously. Thank you very much.

15           The next request is from the Virginia HBPA for  
16 approval of the partial funding of the Commonwealth  
17 Derby and the Commonwealth Oaks, both grade three  
18 stakes and currently scheduled to be contested at  
19 Laurel Park. Mr. Petramalo is going to make that  
20 report.

21           MR. PETRAMALO: Yes. Commissioners, as you may  
22 remember from last month's meeting, you approved a  
23 schedule of Virginia-bred stakes that were going to  
24 be running in Laurel on three different days.

25           At that time, I told you that I was holding off

1 asking for your permission to use the purse money to  
2 fund the two open stakes, the two graded stakes that  
3 we normally run, that is the Derby and Oaks, pending  
4 my discussions with the Maryland Jockey Club and the  
5 Maryland horsemen about funding for those two races.

6 I had that meeting, very productive. The total  
7 purses for both races will be \$350,000; \$200,000 for  
8 the Derby, \$100,000 for the Oaks. The Maryland  
9 people have agreed to put up 200,000; 150,000 is  
10 coming from the Maryland horsemen's purse account,  
11 50,000 from the Maryland Jockey Club, leaving us to  
12 put in 150,000. That's the flip of what it was last  
13 year.

14 Last year, we put in 200,000, they put in  
15 150,000. As you may remember, last year when I came  
16 for authorization, I described the two-year  
17 agreement that we had with them. We'd run this in  
18 2016, these two races, and if we didn't have a place  
19 to race in 2017, we would repeat again racing them  
20 in Maryland.

21 So what I'm asking for approval to do is to  
22 carry out the agreement that we had last year that  
23 covers the two years of racing. I think it's  
24 important for a number of reasons.

25 Last year, I think it was September 30th, 28th.

1 we had five Virginia-bred stakes the way we'll have  
2 this year, and then we had the Derby, the Oaks and  
3 then the Commonwealth Turf Cup. That was a very,  
4 very large day of racing at Laurel. I believe that  
5 in terms of all-source wagering, it was second only  
6 to the Preakness. It was a great day of racing and  
7 was well supported by Virginians. It kept us in the  
8 public eye. We would hope to replicate that this  
9 year.

10 We have the same five Virginia-bred stakes  
11 scheduled for the 30th. Maryland Jockey Club, which  
12 now owns the Commonwealth Turf Cup, will run the  
13 Turf Cup on that day. They'll be funding that  
14 completely, and we'd like to add our two races to it  
15 to again make a bonanza day of racing in Laurel,  
16 which is called Commonwealth Day, Virginia Day at  
17 Laurel. So I think it's very, very useful in that  
18 respect.

19 Also, finally, I think it's very important for  
20 us to continue our harmonious relationship with the  
21 Maryland horsemen and the Maryland Jockey Club.  
22 Certainly over the last two to three years, it has  
23 been very, very productive. They work with us, we  
24 work with them.

25 The point being when we get live racing back

1 here in Virginia, we are going to have to depend on  
2 continuing cooperation and coordination with our  
3 counterparts in Maryland, so I wanted to continue  
4 nurturing that relationship.

5 CHAIRMAN VAN CLIEF: Thank you, Mr. Petramalo.  
6 Are there any questions? I think it's fair to say  
7 that this is a little different than the previous  
8 request to support pure Virginia-bred or now  
9 Virginia-certified as well programs.

10 We had some questions on the last few years and  
11 maybe even some criticism around the fringes of  
12 sending Virginia dollars to Maryland to fund open  
13 stakes racing.

14 I think that Mr. Petramalo has made a -- makes  
15 good points about why we should do that and why we  
16 should continue to do it.

17 In my mind, mainly in terms of continuing to  
18 build a good relationship and the foundation for  
19 bringing those races home, hopefully sooner than  
20 later, but certainly at some point in the future  
21 bringing them home, and as we rebuild our industry  
22 and our racing schedule, maintaining a good  
23 relationship with the Maryland Jockey Club, the  
24 Maryland horsemen and Maryland racing establishment  
25 generally, which I think will be maintained at the

1 horsemen's level between track managements, and also  
2 when the time comes, hopefully, this Commission will  
3 have a good relationship with our counterparts in  
4 Maryland. We've actually maintained those  
5 conversations over the last few years with that  
6 thought in mind.

7 But I do want to make sure that everyone here  
8 this morning on this Commission is comfortable with  
9 what we're doing and what is being asked. It is a  
10 little different in flavor from the other approvals  
11 that have been given this morning.

12 VICE CHAIRMAN DAWSON: I just have one question  
13 of Mr. Petramalo. I'm comfortable with it as long  
14 as the horsemen are comfortable with it. In other  
15 words, can you afford this amount?

16 MR. PETRAMALO: Yes. We currently have  
17 \$3.6 million in our purse account. We can afford  
18 it. Yes.

19 VICE CHAIRMAN DAWSON: Thank you.

20 CHAIRMAN VAN CLIEF: Thank you. Are there any  
21 other questions? In that case, if not, I would  
22 entertain a motion to approve Mr. Petramalo's  
23 request and provide \$150,000 funding for our two  
24 grade three races to be run at Laurel this year.

25 VICE CHAIRMAN DAWSON: I so move.

1           CHAIRMAN VAN CLIEF: Thank you. Is there a  
2 second?

3           COMMISSIONER STEGER: Second.

4           CHAIRMAN VAN CLIEF: Thank you. Any further  
5 discussion? If not, all in favor, please signify by  
6 saying aye.

7           NOTE: The Commission votes aye.

8           CHAIRMAN VAN CLIEF: Any opposed? Thank you  
9 very much. Motion passes unanimously.

10          MR. PETRAMALO: Thank you.

11          CHAIRMAN VAN CLIEF: That brings us back to the  
12 subject of strategic planning. We talked about this  
13 at the June 6th meeting a little bit. As you may  
14 remember, Dr. Steger very kindly agreed to chair a  
15 newly formed Strategic Planning Committee, and since  
16 that meeting, we've been in touch with the VEA who  
17 have kindly responded by nominating a list of  
18 stakeholder representatives who would be available  
19 and willing to serve the process as it goes forward,  
20 hopefully here in the very near future.

21          That list of names, for my fellow commissioners,  
22 is found under Tab Seven in your books. I would  
23 like to note one omission. Mr. Hannum, you're not  
24 gonna get out of this. Jeb Hannum's name was left  
25 off of this. I'm assuming that he is also willing

1 to serve in his capacity as executive director of  
2 the VEA and would add him to the list.

3 For those of you in the room who don't have a  
4 list in front of you, it includes Dr. Steger as  
5 chairman; myself as the other commissioner  
6 appointed; Mr. Lermond, our executive secretary;  
7 Mr. Petramalo, executive director of VHBPA;  
8 Mr. David Ross as president of the VHBPA; Debbie  
9 Easter in her roles as executive director of the VTA  
10 and president of the VEA; Brooke Royster as  
11 president of the VTA; Iain Woolnough as executive  
12 director of the VHHA; and Dr. Woogen in his role of  
13 president of that organization; and Dr. Will Allison  
14 and Dr. Al Griffin in their roles respectively as  
15 president and vice president of the Virginia Gold  
16 Cup.

17 Am I leaving anybody out?

18 COMMISSIONER STEGER: I want to say we may want  
19 to reserve the right to add some others in the  
20 future, but I think we're starting off with a good  
21 slate.

22 CHAIRMAN VAN CLIEF: I totally agree. In fact,  
23 when I was talking with Debbie Easter last week in  
24 asking her to send these nominations to us, she  
25 asked whether or not we might want to add other

1 individuals with particular expertise and I thought  
2 we probably could do that.

3 So we'll get started with this group of  
4 stakeholders, and I would like to go ahead at this  
5 point and in my capacity as chairman appoint the  
6 individuals that I just noted to the Strategic  
7 Planning Committee.

8 I think that probably is the extent of my  
9 responsibilities, so I'm going to hand off the  
10 strategic planning process to our Strategic Planning  
11 Committee chairman and ask if he has any further  
12 comments or thoughts on the subject at this point.

13 COMMISSIONER STEGER: I just think that it seems  
14 to me, and we'll see the results from discussions  
15 that while we do have a number of options that they  
16 are relatively limited and the important thing is to  
17 get some consensus so we can move forward.

18 I already have staff working on this and we're  
19 going to move forward with some dispatch. Probably  
20 by the end of the month we'll organize the next  
21 meeting. I know everybody is traveling to the four  
22 corners of the Earth during July and early August,  
23 but we'll be ready to go then and I think we'll have  
24 everything going.

25 CHAIRMAN VAN CLIEF: Thank you again and thank

1 you for undertaking this, and thanks to everybody in  
2 advance who has agreed to serve.

3 That takes us to the Virginia Equine Alliance  
4 report.

5 COMMISSIONER MILLER: Mr. Chairman.

6 CHAIRMAN VAN CLIEF: Yes, sir, Commissioner  
7 Miller.

8 COMMISSIONER MILLER: Regarding the Strategic  
9 Planning Committee --

10 VICE CHAIRMAN DAWSON: We need to approve it.

11 COMMISSIONER MILLER: Pardon?

12 CHAIRMAN VAN CLIEF: From a process standpoint,  
13 did we not approve the committee --

14 COMMISSIONER MILLER: I was going to suggest  
15 that or inquire this committee will be meeting from  
16 time to time, but I would request that at each  
17 meeting of the Virginia Racing Commission that the  
18 Strategic Planning Committee make a report to the  
19 remaining members of the Commission at each  
20 Commission meeting so that we might contribute any  
21 input that we might have considering items you've  
22 addressed with the Strategic Planning Committee.

23 COMMISSIONER STEGER: As a matter of fact, it  
24 doesn't violate any state law, counselor. I would  
25 share with all of the Commission members all of the

1 materials that we distribute to the committee.

2 COMMISSIONER MILLER: I think there's no  
3 prohibition against sharing the material or even  
4 sending an email to other members --

5 COMMISSIONER STEGER: Glad to do that.

6 COMMISSIONER MILLER: -- from time to time.

7 COMMISSIONER STEGER: We'll do that.

8 COMMISSIONER MILLER: The only restriction, as I  
9 understand it, is the physical presence of three  
10 Commission members in the room at the same time  
11 being a part of a meeting that has not had a public  
12 notice as a regular Commission meeting.

13 Now, except for that, I'm hoping that we're  
14 going to be fully informed --

15 COMMISSIONER STEGER: I'm committed to doing so.

16 COMMISSIONER MILLER: -- for any suggestions we  
17 might have, pro or con, about what's taking place in  
18 the Strategic Planning Committee.

19 COMMISSIONER STEGER: We are happy to comply.

20 CHAIRMAN VAN CLIEF: I think that's a great  
21 suggestion and I would add on any issue that this  
22 Commission might be considering at any time, if any  
23 commissioners are looking for information or feel  
24 that we could benefit by closer communications, I'm  
25 always sensitive to the fact that the current law

1 and our inability to put two commissioners in a room  
2 provides us an obstacle to communication, so  
3 anything we can do to enhance that and to enhance  
4 input from all of you and make sure that you are  
5 satisfactorily informed, please put your hands up  
6 and let me know. I'll do whatever I can as well.

7 VICE CHAIRMAN DAWSON: I'll just make a comment.  
8 I think that is a good idea. I fully support  
9 Commissioner Miller's suggestion. One method of  
10 doing that would be, without violating any meeting  
11 laws, is to provide our comments via executive  
12 director and provide them to the Strategic Planning  
13 Commission.

14 COMMISSIONER STEGER: We're in the process of  
15 putting together a master e-mail list and all that  
16 as we speak and we may give you more information  
17 than you even wanted.

18 COMMISSIONER MILLER: You know, this doesn't add  
19 anything, but just I've got to -- this operation of  
20 government in this country is, well, it reaches the  
21 point of being ludicrous some of the restrictions  
22 that are put on government, you know, people trying  
23 to serve the people. This notice requirement is one  
24 of them.

25 If it were up to me, every meeting of any

1 government organization, you could give a public  
2 notice. That solves every problem.

3 In other words, if you have a meeting of the  
4 committee on hay and oats, give a public notice. If  
5 somebody is so void of interest in life to attend  
6 the hay and oats committee meeting to give their  
7 input, so be it, but you know.

8 Let the public know everything we're doing  
9 everywhere we're doing it, and that way no one could  
10 ever complain that the committee is doing something  
11 or the Commission is doing something that's against  
12 the interest of the public.

13 Of course there's -- I'm not suggesting we do  
14 that because it's a pain in the -- it's a pain to  
15 have to give public notice on everything you do. I  
16 know that, but that's why we pay you the big money,  
17 but anyway.

18 COMMISSIONER STEGER: I quite agree with you. I  
19 can just tell you during when I was president of the  
20 University, during the difficult budget discussions,  
21 I had to go around and meet with each board member  
22 two at a time, and the amount of time in the  
23 thousands of dollars, because I had to take staff to  
24 do the briefings, and everybody is trying to do the  
25 right thing, and we would share the information with

1 the public anyway, but I couldn't meet with more  
2 than two board members at a time. I think it is a  
3 serious impediment to rational decision making, but  
4 then again, that's life.

5 COMMISSIONER MILLER: That's the way it is.

6 COMMISSIONER STEGER: That's the way it is.

7 COMMISSIONER MILLER: Okay. Thank you for  
8 allowing me to vent.

9 CHAIRMAN VAN CLIEF: Thank you. Very good  
10 points. I think that does take us on -- we've got a  
11 public comment period coming up.

12 MR. BERMAN: Just want to ask a question.

13 CHAIRMAN VAN CLIEF: All right.

14 MR. BERMAN: Fifteen years ago, I would go to  
15 the Blue Ribbon -- they had a Blue Ribbon Committee.  
16 Anne Poulson chaired it and Alan Kirshner used to  
17 have the meetings at the Market building out in the  
18 West End and I attended some of those meetings. You  
19 know, I'm one of those hay and oats guys that's  
20 going to show up and listen.

21 I just wondered are these meetings going to be  
22 open to me, who just want to sit in the audience and  
23 listen like they were 15 years ago, or am I going to  
24 have to depend on a report from the committee?  
25 What's it going to be? Am I gonna be able to go to

1 those meetings? Because I used to go.

2 CHAIRMAN VAN CLIEF: Well, I'm not sure that --  
3 now this sounds like it's very similar. I'm not  
4 familiar with the panel that Mrs. Poulson chaired  
5 and was not involved in the Commission at that time,  
6 but I can't answer your question right now. I'm not  
7 sure that we will open this committee to public  
8 participation, but we will give it some thought, and  
9 now that you've asked the question, we'll have an  
10 answer for you.

11 MR. BERMAN: I don't want to participate. I  
12 just want to watch and attend.

13 CHAIRMAN VAN CLIEF: Okay. We will get back to  
14 you on that. Thank you for asking.

15 Okay. Mr. Hannum.

16 MR. HANNUM: Great. Thank you. So report from  
17 the VEA. I'll jump around on a number of different  
18 items. Just on the OTBs, I can't remember if I  
19 mentioned it in the last meeting, but I'll mention  
20 it again.

21 Debbie Easter is kindly helping us on the OTB  
22 side. She's very kindly spending extra time on all  
23 the other VEA things that she does to help on the  
24 OTB development.

25 It's just a very time-consuming process to

1 travel to all these different sites, have  
2 conversations and meetings with the site owners and  
3 get them up to Richmond to see our two OTBs.

4 Anyway, I just wanted to mention that because  
5 the VEA board appreciates everything that Debbie  
6 does, but this is just one more thing she's doing to  
7 help which is enormously helpful, especially because  
8 we've got the Shenandoah races coming up and  
9 everybody has a lot on their plate.

10 So Martinsville, Hampton, Chesapeake, Vinton,  
11 Nelson County, these are all places that we're going  
12 to visit. As I think I've said in the last meeting,  
13 it's a bit of a courtship with the bar/restaurant  
14 owners. The model that we use, we go in where there  
15 is an existing establishment that keeps us out of  
16 the food and beverage business and saves  
17 considerably on our start-up cost, but that just  
18 means that there's a relationship that has to be  
19 developed with any potential partner. So those are  
20 the sites that we're looking at.

21 In Chesapeake, unfortunately, we're running in  
22 to a little bit of a problem which I'll update you  
23 on. You all approved the OTB for Buckets in  
24 Chesapeake at the last meeting and we've received  
25 some news from our lawyer down there that the

1 Planning Commission is not quite as enthusiastic  
2 about getting the site open as we are.

3 I think that the VEA, unfortunately, has been  
4 caught in the middle of some broader council  
5 politics and that is sort of unfortunate that we  
6 have to navigate and we're working to do that.

7 So the situation with Buckets has been taking  
8 longer than we wanted and now looks like it's going  
9 to take even more time. Right now, we're slated to  
10 appear before the Planning Commission in August, and  
11 then hopefully we would then go before the city  
12 council in September.

13 We've extended invitations to all the city  
14 council members to come in and see Buckets and to  
15 meet the owner. I think that there was just concern  
16 this was going to be a large, flashy site, sort of a  
17 mini Las Vegas, and we're just trying to reassure  
18 the city council this will be a very tastefully run  
19 operation in an existing family restaurant, and  
20 until we can get people out there, that's just a  
21 little bit harder to explain over the phone or by  
22 e-mail.

23 So we'll keep you posted on that, but we want to  
24 get Buckets open. We wish it was open months ago  
25 and it's just taking a little bit longer, and

1 hopefully, we'll have some resolution there in a  
2 positive way.

3 So I'll pause there on the OTBs. If there are  
4 any questions, I'm happy to take those.

5 CHAIRMAN VAN CLIEF: Do you have a sense of  
6 timing now that you hit the snag in Chesapeake? Do  
7 you have any idea how that will be resolved and when  
8 it might get resolved so you can move ahead? This  
9 may also be a little premature, but some of the  
10 other venues you just mentioned, do you know when  
11 you might be getting to the license app process?

12 MR. HANNUM: Yes. We have -- and I think I said  
13 this in the last meeting, which was that we have in  
14 Martinsville, in Hampton, we have a short list now  
15 in those places, and now we have to sort of make our  
16 proposal and hope that we're accepted. That's kind  
17 of where we are.

18 So I don't know when we'll have a new  
19 application before you, but I certainly hope, and  
20 Debbie and Darryl on are on the front lines. We're  
21 getting close on picking a site in those cities and  
22 then the process starts. Then we have to negotiate  
23 with them as to what the partnership will look like,  
24 and with Ponies & Pints and Breakers, they're both  
25 similar but they have a few nuances that are

1 different, so we have to go through that process.

2 So this sort of quiet period really has just  
3 been -- an awful lot of work is going on and I just  
4 hope that we can start picking some places and  
5 having some new applications before you.

6 A lot of it is out of our hands. We don't want  
7 to do anything unless somebody has come up to  
8 Richmond and seen the sites and given feedback and  
9 taken it all in.

10 So we are extending invitations to people and  
11 sometimes they are busy bar owners and restaurant  
12 owners and it's hard for them to get away from their  
13 operating businesses and come up and spend a day up  
14 in Richmond. So that's kind of where we are with  
15 that. We're certainly trying to move as quickly as  
16 we can.

17 I'll move on to Shenandoah. We're looking  
18 forward to our next meet starting I believe the 16th  
19 and 17th of September. At our next Commission  
20 meeting, we will have the license application before  
21 you for consideration for the 2017 meet and will  
22 work with Dave on that. His office is always  
23 enormously helpful.

24 The Shenandoah County fair is always, they are  
25 great to work with. There have been some

1 improvements to the site. That would be a new floor  
2 in the grandstand, which I think is going to be  
3 really nice for all the spectators. We've got a new  
4 layout for stabling, which I think will be very  
5 helpful to the horsemen. We talked about the bath  
6 and shower facility.

7 we've got some things we're going to be doing on  
8 the marketing front Darryl will speak about, but we  
9 are just trying to tweak it and make it a better and  
10 more positive experience for the horsemen and for  
11 the spectators.

12 So we'll speak more about it at the next  
13 meeting, but we hope that everybody can come out for  
14 a day or a weekend. Commissioner Miller was a big  
15 supporter last year and we appreciate all of his  
16 help.

17 So I'll pass things over to Darryl Wood and he  
18 can speak to the marketing for a moment that we have  
19 planned.

20 MR. WOOD: Thanks, Jeb. Like Jeb said, the  
21 first meet was sort of a lessons learned experience  
22 and through those lessons and then especially with  
23 the help and advice of Tom Eshelman, I think we've  
24 got a pretty good plan for this year.

25 The first is there will be free admission, free

1 parking every weekend. Last year there was a little  
2 bit of an obstacle. Some of the festivals you had  
3 to pay in order to get in to the races for that.  
4 This year, every day is free and if you want to  
5 partake in a wine festival or beer festival, you can  
6 pay an upgraded fee once you're in the gate. So we  
7 think that's going to be a big plus.

8 Another big one is there's a two-week buffer  
9 between the end of the fair races that take place  
10 during the fair itself. First is the pari-mutuel  
11 week that starts two weeks later this year. Last  
12 year it was a quick flip from racing on the Saturday  
13 of Labor Day weekend right into the pari-mutuel  
14 meet, and now we can give people a buffer to settle  
15 into the back-to-school, back-to-work type  
16 activities, then come out for a five-week season  
17 after that.

18 Tom has put together a great slate of festivals.  
19 Every Saturday there's a wine festival, beer  
20 festival, seafood festival, food truck festival, and  
21 the neatest opportunity is there's an event called  
22 Autumn Fest, which last year took place after the  
23 meet ended. This year, it's going to be on closing  
24 weekend of our meet, and that brings out I think Tom  
25 said between 1500 and 2000 people on the grounds

1 sampling bar-be-cue, having wines, beers, and now  
2 we've got them exposed to racing. So that should be  
3 a great plus for us and a great way to finish up the  
4 meet.

5 we're doing more grassroots marketing things  
6 based on some conversations with the tourism and  
7 Chamber of Commerce people. We're going to get  
8 posters and brochures and pocket schedules in to all  
9 of the restaurants and bars and corner stores from  
10 Winchester to Woodstock, and that will give us at  
11 least some local presence that I think we missed  
12 last year.

13 we're going to create sort of a vibe out front.  
14 Tom has a tent out there where all the festivals  
15 take place, but we've got four TVs out there showing  
16 football games and racing. We're going to have an  
17 acoustic band or combo out there, just trying to  
18 create a vibe away from the grandstand itself if  
19 people want to catch up on the football games, and  
20 you know, enjoy a beer and music, so they did do  
21 that. So we're working hard to try to enhance what  
22 we did last year a little bit.

23 we're also going to be live streaming the races  
24 into the OTBs, Breakers and Ponies & Pints, and so  
25 again, if another one is open, but that will give

1 the folks in Richmond the chance to see what we're  
2 doing elsewhere in the state and we should be able  
3 to vet those as well. That would be a nice plus.

4 CHAIRMAN VAN CLIEF: Great.

5 MR. HANNUM: Great. Thanks, Darryl.

6 Okay. Let's see. I will just sort of mention  
7 the Middleburg Training Center. The facility has  
8 been purchased by Chuck Kuhn. We don't have any  
9 sort of formal relationship with Chuck. He's bought  
10 it and I just wanted to mention that we have a good  
11 dialogue with him.

12 We really want to see the training center come  
13 back to its former glory. It's just important for  
14 that area of Northern Virginia to have a good  
15 training center, just good for the industry, and so  
16 JD Thomas, who does our track work for the VEA, has  
17 been sort of on loan to the Middleburg Training  
18 Center, really since the beginning of the year and  
19 he's just done a phenomenal job.

20 He's there at 4:30 in the morning doing the  
21 track. He's there at seven or eight at night  
22 putting water on it and has really, really worked  
23 hard and helped really keep the training center  
24 going from the transition from Randy Rouse to the  
25 Thoroughbred Retirement Foundation, and then from

1 the Thoroughbred Retirement Foundation to Mr. Kuhn.

2 So I just say that because I think that's a good  
3 example of how the Virginia Equine Alliance is  
4 helping horsemen sometimes in ways that are not  
5 always obvious. So keeping that training center  
6 going was really helpful to those horsemen, and so  
7 JD is sort of a mentor now for the new track man at  
8 Middleburg and helping him understand the facility  
9 and what needs to be done. As we all know, JD is  
10 one of the best in the country.

11 So fingers crossed that will all work, but if  
12 you happen to cross paths with Mr. Kuhn, you know,  
13 please encourage him to make a go of this and we  
14 hope it all works and we are encouraged by his  
15 commitment to date.

16 He's spending money on the barns and he's put a  
17 new rail in and he's already done a lot of work to  
18 the training track and it's just a good thing for  
19 the industry to see that investment, so we're  
20 helping in every way we can.

21 In terms of the Laurel races, I'll pass over to  
22 Debbie and she can talk about the races from a  
23 couple weeks ago.

24 MS. EASTER: Frank, you jump in here any time,  
25 but I would have to say that our first day of

1 Virginia racing, we had four stakes and one maiden  
2 race. They were quite a success at Laurel once  
3 again.

4 MR. PETRAMALO: I broke even by the end of the  
5 day.

6 MS. EASTER: Exactly. The overall handle was  
7 much larger than our first day.

8 MR. PETRAMALO: The handle was \$3.3 million for  
9 that one day.

10 MS. EASTER: So I think that once again, it's  
11 all a very positive thing. One thing that it adds  
12 in to that I didn't say with the whole program, is  
13 that these races at that the HBPA is funding -- and  
14 these extra incentive programs, we're building a  
15 year-round program for these horses.

16 Commissioner Miller, you asked me about the  
17 breeders. While the incentive program may not  
18 affect them -- well, I shouldn't say that because  
19 the owners' program that -- the 25 percent owners'  
20 program on the Virginia-breds certainly is doing  
21 something of great value for their horses.

22 But what we're doing -- and also to add on to  
23 Frank's graded stake things, we're creating  
24 something that people can see that is happening in  
25 Virginia and hopefully creating some kind of

1 year-round value, you know, opportunities for people  
2 so there is year-round value for people in Virginia  
3 to be doing business here, which should hopefully, I  
4 can't quantify it for you, but should hopefully help  
5 everybody. So it's a good day and I think the next  
6 couple of days that we have scheduled ought to even  
7 be better, hopefully.

8 VICE CHAIRMAN DAWSON: I just wanted to ask Mr.  
9 Hannum on the training center.

10 MR. HANNUM: Yes.

11 VICE CHAIRMAN DAWSON: Do you know if they  
12 permit visitors during the week?

13 MR. HANNUM: Yes. I'm sure they would be  
14 delighted if you wanted to go or had a group. I  
15 think they would be delighted. It's a private  
16 training center, so they don't want people coming in  
17 unannounced, but I think I can certainly pass over  
18 the information for Mr. Kuhn. It's his son,  
19 actually his younger son, Steve, I believe is his  
20 name who is actually running the --

21 VICE CHAIRMAN DAWSON: So if I wanted to come, I  
22 could contact you?

23 MR. HANNUM: Yes. Absolutely. I can certainly  
24 set that up. I live right around the corner, so I  
25 would be delighted to join you if you like, or do it

1 on your own, but I would be happy to help in any  
2 way.

3 VICE CHAIRMAN DAWSON: Okay.

4 MR. HANNUM: That's it from me, Mr. Chairman.

5 CHAIRMAN VAN CLIEF: Thank you very much.  
6 Commissioner Miller, go ahead.

7 COMMISSIONER MILLER: I was just going to  
8 inquire do you have any kind of report for us on any  
9 movement or anything at all happening regarding a  
10 location of a track?

11 MR. HANNUM: Well, we spoke about Powhatan last  
12 meeting. We're continuing to analyze that site. As  
13 I said, we have no formal agreement or lease or any  
14 sort of arrangement with Mr. Guest, other than just  
15 understanding that we can do our due diligence. So  
16 that is ongoing and I think we will know more in the  
17 next couple weeks.

18 The survey that we commissioned has been  
19 finished and we've sketched out a couple of  
20 different concepts for what a track could look like,  
21 and the engineers are now analyzing that to see how  
22 much any of those concepts may cost. So that's kind  
23 of where we are. We wanted to be comfortable with  
24 what we were proposing before we do anything formal  
25 with Mr. Guest.

1           COMMISSIONER MILLER: Thank you.

2           CHAIRMAN VAN CLIEF: My last question going back  
3 to your OTB update. At this point, where are we in  
4 terms of what you were projecting to have open by  
5 year end in terms of number of OTBs, and if we're a  
6 little short on that, does that change our revenue  
7 projections in a way we need to be aware of going  
8 through this year?

9           MR. HANNUM: Well, I don't know if we had a  
10 formal target. I think we're hoping to have as many  
11 open as we could.

12           The Buckets situation is certainly a setback and  
13 enormously frustrating in terms of the delay there,  
14 but we're certainly not under any pressure  
15 financially. We have not made any commitments that  
16 we can't support.

17           So I could speak to the finances in a little  
18 more detail at the next meeting. I don't have any  
19 analysis in front of me right now, Mr. Chairman, but  
20 we're not over-extended by any means, and the two  
21 that we have operating are doing very well, so we're  
22 pleased about that.

23           We didn't have an official target number, but we  
24 certainly want to get Buckets open, and if not, we  
25 want to have other sites selected and we want to be

1 working towards opening them as quickly as we can,  
2 but it's just a very time consuming process.

3 CHAIRMAN VAN CLIEF: I just wanted to make sure  
4 this wasn't some change in projected numbers that we  
5 ought to be aware of. We can obviously see that the  
6 ones we do have operating are adding to the purse  
7 fund regularly.

8 MS. EASTER: We certainly were hoping to have  
9 three more open by the end of this year. Certainly  
10 the Chesapeake was a little bit of a kick in the gut  
11 because it's within 30 days of being open. We  
12 thought it would be open by now. We're hunting hard  
13 on trying to get -- my goal is still to have three  
14 more open by the end of the year. Do I think we are  
15 pushing it? I mean are we going to make it? I  
16 can't tell you.

17 We certainly have gotten down, as Jeb says, a  
18 short list, but after the last meeting, it gets  
19 public where we are actually talking to. I would  
20 rather not do that until we have a deal with  
21 somebody.

22 One thing that we're finding is it's just not a  
23 slam dunk to go in. This gambling is, you know, we  
24 kind of thought that Colonial, we could go in to  
25 these places where we had a positive referendum and

1 it wouldn't be too tough, but it takes a little more  
2 talking people in to things and I haven't spoken to  
3 all the city councils and everything where we're  
4 going yet.

5 I have some, but I don't want to say out there  
6 we're going here and here and here and creating a  
7 little bit of a public uproar until we have  
8 everybody's blessing about that. So we're working  
9 on all that.

10 CHAIRMAN VAN CLIEF: I understand.

11 MS. EASTER: Hopefully, we still have three  
12 additional open by the end of the year.

13 CHAIRMAN VAN CLIEF: I understand.

14 MR. PETRAMALO: One thing I think that bears  
15 noting and kind of a testament to the work that the  
16 VEA folks are doing, including Mary Calabrese, who  
17 is not here, and of course Darryl who is here.

18 The way I understand the numbers being produced  
19 from the OTB operations at the two Richmond sites,  
20 the margins being produced there are better than the  
21 margins that Colonial had when they were running. I  
22 don't know whether it's just an innate efficiency or  
23 the capital structure or what, but the bottom line  
24 results better than when Colonial was running.

25 MS. EASTER: Mary and Darryl are doing a great

1 job keeping those going and running well while they  
2 are out going across the countryside and helping  
3 find new ones. We'll get there.

4 CHAIRMAN VAN CLIEF: Thank you. Thank you. Any  
5 other questions for the VEA? Okay. That takes us  
6 to the public comment period. Is there anybody else  
7 who would like to make a comment or ask questions?

8 MR. BERMAN: Just me.

9 CHAIRMAN VAN CLIEF: Mr. Berman.

10 MR. BERMAN: You guys approved up to \$1 million  
11 to have the Virginia-certified program.

12 CHAIRMAN VAN CLIEF: That's correct.

13 MR. BERMAN: How is that program going to be  
14 monitored? How are we going to know people are  
15 telling the truth and their horses are really here  
16 for six months? Are we going to hire a third party  
17 to go around and randomly show up at these farms and  
18 see if these horses are really here? So that's my  
19 question.

20 The other one is the rebates, the two percent  
21 rebates that we're going to give TVG you said that  
22 were gonna come from the Virginia industry. I know  
23 the other rebates are combined from the HBPA and the  
24 VEA. Is this gonna be all two percent from the  
25 VHBPA?

1 MR. PETRAMALO: No. It's the same, Tad.

2 MR. BERMAN: I mean is it gonna be split, one  
3 percent for each?

4 MR. PETRAMALO: No. It's two percent right now.  
5 The VEA, the VHHA and the VHBPA each rebate from the  
6 share of the online wagering that they receive and  
7 the deal with TVG is the same.

8 MR. BERMAN: Right. So the way I understood the  
9 rebates with the other companies was they were  
10 getting some money from VEA and some money from the  
11 VHBPA; is that correct?

12 MR. PETRAMALO: And the VHHA.

13 MR. BERMAN: Well, this money, you say Virginia  
14 industry. Are we giving two percent from the VHBPA  
15 and zero from the VEA or what?

16 MR. PETRAMALO: No. It's the same economic  
17 framework. We, the VHBPA, get five percent of  
18 Thoroughbred wagering. The VHHA gets five percent  
19 of Standardbred wagering and the VEA gets four  
20 percent of all wagering, and each of those three  
21 groups rebates a portion of the money that it  
22 received. That's the same for XpressBet, TVG,  
23 TwinSpires and NYRA Bets. No difference.

24 MR. BERMAN: Okay.

25 MS. EASTER: To answer your questions on the

1 certified program, yes. In the short-term, we will  
2 have to manually go around and check horses. We  
3 will certify farms so we know where the horses are.  
4 They will have to put in an application that tells  
5 us where they are and we will probably have somebody  
6 going around manually and going to check to make  
7 sure those horses really are where they're supposed  
8 to be.

9 I'm hoping with the new technology, the Jockey  
10 Club is inserting chips into horses starting with  
11 the 2017 crop. I'm hoping that eventually, our  
12 certified farms, we should know them, be  
13 comfortable. Hopefully they are upstanding horsemen  
14 and members in our community that we use that chip  
15 reader to hopefully hit those horses sometime, with  
16 also manual inspections.

17 So but I think that will even give us more  
18 comfort that the horses are here if we make our  
19 certified farms like hit those horses each month to  
20 show that they are there.

21 So that's down the road. The whole online  
22 process, didn't want to start until we had approval,  
23 but it's on the table and starting to work out, but  
24 we know we have to go check on those horses.

25 CHAIRMAN VAN CLIEF: Thank you very much,

1 Mr. Berman. Thank you for your questions. Anybody  
2 else? Okay. That takes us to commissioners'  
3 comments. Start with Mr. Steger.

4 COMMISSIONER STEGER: I have no further  
5 comments. Look forward to moving forward.

6 CHAIRMAN VAN CLIEF: Thank you. Commissioner  
7 Dawson.

8 VICE CHAIRMAN DAWSON: I have no comments. It  
9 was a good, productive meeting and I want to thank  
10 you for being here.

11 CHAIRMAN VAN CLIEF: Commissioner Miller.

12 COMMISSIONER MILLER: I just want to commend the  
13 VEA again for all of their effort and the two  
14 horsemen associations. I think Virginia is doing  
15 more -- I don't know a lot about racing in other  
16 states, but I think I can make this statement.

17 I think Virginia is doing more with less than  
18 one can imagine in the field of horse racing and  
19 pari-mutuel wagering. The steps you've taken to try  
20 to stimulate the industry and the steps you've taken  
21 to get the greatest return on the legal wagering  
22 that we do have in Virginia I think is highly  
23 commendable and people need to realize that you are  
24 doing this work to try to stimulate the industry in  
25 Virginia.

1           At the same time, we have to let the public know  
2           that we are not losing our focus on the need to have  
3           actual physical racing in Virginia. So we must as a  
4           Commission and you as the stakeholders in the  
5           industry, keep focusing on the need -- we have to  
6           get a track up and going in Virginia for  
7           Thoroughbred racing. We really do.

8           Because one of the criticisms that you hear  
9           sometimes from people who are not familiar with the  
10          operation for pari-mutuel wagering and horse racing  
11          is that where's our track, you know. We've  
12          authorized horse racing in Virginia. Where's the  
13          track.

14          But we're running in Maryland. We're running  
15          our Virginia races in Maryland. That's good. What  
16          you've done and what you worked out in the interim  
17          to try to keep Virginia's major races going is  
18          highly commendable, but we must continue to focus  
19          and work as hard as we can to get a Thoroughbred  
20          track up and going in Virginia so that we have at  
21          least a minimal amount of actual physical Virginia  
22          Thoroughbred racing.

23          CHAIRMAN VAN CLIEF: Thank you very much. I  
24          couldn't say it any better than Commissioner Miller.  
25          I think that the VEA is to be commended for not only

1 its hard work with very few resources, but it's  
2 creativity.

3 I really like this certification program and  
4 hope it will be successful in driving up a  
5 substantial amount of business in the Virginia  
6 industry and allow us to keep moving forward.

7 I think with regards to Commissioner Miller's  
8 comments on the imperative of a functional racing  
9 facility, it's going to be Dr. Steger's call in  
10 terms of developing his committee's agenda, but I  
11 have a suspicion that probably front and center on  
12 that agenda is going to be the question of what sort  
13 of racing facility we need, want and should have  
14 here and how to go about getting it as quickly as  
15 possible.

16 Speaking of economic impact, I've got just one  
17 message to pass on. I received a call the other day  
18 from Doug Reed, who is a former director of the  
19 University of Arizona Racing Industry program. He  
20 is currently doing some consulting for the American  
21 Horse Council, so I've got a black tie  
22 administrative announcement.

23 I think I sent Debbie an e-mail on this one, but  
24 he asked if we could help in encouraging the  
25 Virginia industry to respond to the American Horse

1 Council's economic survey, economic impact survey,  
2 and since we're one of the states that has requested  
3 a breakout, specifically from Virginia for Vet  
4 Studies, he said it would really be helpful if we  
5 could get the word out and ask our horsemen to  
6 please participate online.

7 I think that survey is up until the 17th of the  
8 month. So if the VEA can help with its  
9 constituents, I know that the Horse Council will  
10 much appreciate it and it will presumably give us a  
11 better product.

12 MS. EASTER: Did you get -- and not to interrupt  
13 a Commissioners' thing. Did you get one? Because I  
14 did get one of those surveys, but it told me not to  
15 forward that to -- they wanted just the people that  
16 they sent it to to complete that.

17 CHAIRMAN VAN CLIEF: I think that's correct.  
18 Having taken a quick look at it, it appears that is  
19 for working horsemen, so if you've got a farm or a  
20 training facility, they want you to respond.

21 I think what is happening is that they're  
22 probably getting less than the response percentage  
23 they were hoping for and they need a little help.

24 MS. EASTER: We'll put that out in newsletters.  
25 I can do that.

1           CHAIRMAN VAN CLIEF: That would be great. Or  
2 give Doug a call.

3           MS. EASTER: That's what I'm going to do.

4           CHAIRMAN VAN CLIEF: All right. If there's any  
5 other business that any commissioner would like to  
6 bring before the Commission or any further comments  
7 or issues?

8           If not, then I think we need to set the next  
9 meeting. From listening to everybody, it sounds as  
10 if -- and Mr. Lermond, you help me with this. The  
11 one firm agenda item we will have coming up is the  
12 Shenandoah Downs licensing approvals, and I presume  
13 we need those in August, probably by mid month at  
14 the latest; is that correct?

15          MR. LERMOND: That's correct. I think Jim and I  
16 spoke and that middle week in August, the one that  
17 starts the 14th, maybe wednesday the 16th, that  
18 would be good for everyone.

19          CHAIRMAN VAN CLIEF: We may have some members --  
20 I know that I'm going to be getting back from the  
21 Jockey Club roundtables in Saratoga Sunday the 13th.  
22 I'm going to be back home by that following evening.  
23 If I ended up being a day late or others like me,  
24 what about Thursday the 17th? Is there anything on  
25 wednesday?

1 MR. LERMOND: No.

2 MR. HANNUM: That's fine. That would be fine.

3 CHAIRMAN VAN CLIEF: Okay. Then I'll ask the  
4 commissioners if that works for them, and Dave, if  
5 you could maybe make the rounds and confirm that and  
6 then we will get the notice out. Okay.

7 All right. So we're going to look for Thursday,  
8 August 17th as your next meeting. Mr. Lermond will  
9 confirm that, and if there is nothing further, then  
10 we need a motion to adjourn.

11 VICE CHAIRMAN DAWSON: I so move.

12 CHAIRMAN VAN CLIEF: I take it no one is  
13 opposed. If so, we stand adjourned. Thank you very  
14 much, everybody.

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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 16th day of July, 2017.  
11  
12

13 \_\_\_\_\_  
14 SANDRA G. SPINNER  
15 COURT REPORTER  
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