

1
2 VIRGINIA RACING COMMISSION

3 JULY 1, 2015

4 PATRICK HENRY BUILDING
5 WEST READING ROOM
6 1111 EAST BROAD STREET
7 RICHMOND, VA 23219

8
9 Commencing at 10:00 a.m.

10 **COMMISSION MEMBERS:**

11 J. Sargeant Reynolds, Jr., Chairman
12 D. G. Van Clief, Jr, Vice Chairman
13 Carol G. Dawson
14 I. Clinton Miller
15 Charles W. Steger

16 **COMMISSION STAFF:**

17 Bernard J. Hettel, Executive Secretary
18 David Lermond, Deputy Executive Secretary/fiscal officer
19 Kimberly C. Mackey, Office Administrator
20 Rich Harden, Equine Medical Director

21 **ATTORNEY GENERAL'S OFFICE**

22 Joshua E. Laws, Assistant Attorney General
23
24
25

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1 CHAIRMAN REYNOLDS: I'm going to call the
2 July 1st, Virginia Racing Commission meeting to
3 order. The first thing that we want to do today
4 is have the Administrative Process Act hearings,
5 so that we can put ourselves into a position to
6 vote on our two majority horsemen's groups, one
7 for the thoroughbred and one for the
8 standardbred. And then to hear from the Virginia
9 Equine Alliance has applied to be our nonprofit
10 group.

11 The first thing we'll do is call on the
12 Virginia Horsemen's Benevolent and Protective
13 Agency to come up and present their application
14 to us. Or is there anything they would like to
15 say.

16 Mr. Hettel, has all the paperwork been filed
17 and is in order?

18 MR. HETTEL: Yes, sir. And I've distributed
19 all that to the racing membership. Look like
20 they're in order and is a well-presented
21 document.

22 CHAIRMAN REYNOLDS: Okay.

23 MR. HETTEL: Just a point, recognize
24 everybody, all the Commissioners are here today.

25 CHAIRMAN REYNOLDS: Okay. All the

1 Commissioners are here today. We have a quorum of
2 five willing and able Commissioners.

3 After Mr. Petramalo makes his presentation, I
4 will turn it over to my fellow Commissioners for
5 any questions or comments. And then if
6 everything is in order, I'll make a motion.

7 MR. LAWS: Mr. Petramalo, can you raise your
8 right hand for me?

9 Do you swear or affirm that the presentation
10 and evidence today will be the truth and nothing
11 but the truth?

12 MR. PETRAMALO: I do.

13 MR. LAWS: Thank you. And Mr. Commissioner,
14 you've all had a chance to review the June 23rd
15 application that they submitted along with a 10
16 Tab document. I think prior to Mr. Petramalo's
17 presentation, if one of you would like to make a
18 motion to admit this document as an exhibit,
19 Exhibit Number One into the record, I think that
20 would appropriate at this time.

21 COMMISSIONER DAWSON: I move.

22 COMMISSIONER VAN CLIEF: Second.

23 CHAIRMAN REYNOLDS: All those in favor say
24 aye.

25 NOTE: All indicated by voting aye.

1 CHAIRMAN REYNOLDS: Ayes have it. Motion
2 carries. Go ahead, Mr. Petramalo.

3 MR. PETRAMALO: For the record, let me state
4 my name is Frank Petramalo. I'm the executive
5 director and general counsel for the Virginia
6 Horsemen's Benevolent and Protective
7 Association. And I'm here today on behalf of the
8 association, referred to it as the HBPA, to seek
9 continued recognition of the Virginia HBPA as the
10 majority horsemen's group for thoroughbred horse
11 racing here in Virginia.

12 Let me start, first of all, by directing your
13 attention to the document that you have. Before
14 going through the history and explaining why I
15 think this Commission should continue our
16 recognition let me go into the organization and
17 structure of the association.

18 The HBPA is a Virginia nonprofit
19 corporation. It was established in March of
20 1994. And at Tab 2 you would find, excuse me, Tab
21 3, get it straight. (Pause.) Sorry, Tab 6. Tab
22 6.

23 Tab 6 contains our certificate incorporation
24 from the State Corporation Commission, our
25 articles of incorporation, our corporate bylaws

1 and our tax exempt, federal tax exempt
2 documentation from the Internal Revenue Service.
3 For tax purposes we're classified as a nonprofit,
4 tax exempt trade association under Section 501C6
5 of the tax code.

6 The HBPA is governed by a 14 member board of
7 directors. And pursuant to our bylaws seven must
8 be Virginia owners, seven must be Virginia
9 trainers. The membership consists approximately
10 of 1300 owners and trainers licensed by the
11 Virginia Racing Commission, and race here in the
12 state.

13 The 14 members of the board are elected by
14 the entire membership. Under our bylaws we hold
15 an election for all 14 seats once every three
16 years. Our last election was in December of 2012.
17 The next one will be in December of this year. As
18 I said they serve a three-year term.

19 The board of directors, from its number,
20 every January elects a president and vice
21 president, secretary and treasurer for four
22 offices. The membership election is by secret
23 ballot.

24 And if you take a look, Tab 9, you will see,
25 by way of example, the ballot and the biograph

1 materials that were sent out by an independent
2 mailing company to all 1300 members. And the
3 ballots are returnable to our accounting firm, I
4 get the name mixed up, Hyde and Taylor in
5 Williamsburg. They tally the results and then
6 certify the results to us. And in January a new
7 board is sealed.

8 Our current officers are Dave Ross,
9 president. He's an owner residing in Great
10 Falls. Mr. Ross for probably five or six years
11 was the leading owner at Colonial Downs. Our vice
12 president is Stephanie Nixon, right here.
13 Stephanie is a trainer. Our treasurer is, lives
14 in Berryville, Jill Gordon Moore. She was one of
15 the original members of the board of directors
16 when the corporation was form in 1994. She's our
17 treasurer. And Diane McClore, a trainer, also
18 from Berryville is secretary. And she's probably
19 a member of the association for at least 15
20 years, and served on the board.

21 When we had our last election in 2012, we had
22 21 candidates running for 14 seats. And we expect
23 to have a similar number running this December.

24 The board meets on a regular basis every
25 month, usually the third Tuesday of the month at

1 the HBPA office in Warrenton. We keep formal
2 minutes of our meetings. And just by way of
3 example, at Tab 8, I've included our board
4 meeting notes from January 14, 2014 through May,
5 I think. Our last meeting, not yet reduced to
6 writing, was last Tuesday.

7 The finances are as follows: The HBPA does
8 not charge any fees or dues to its members. By
9 statute, under our racing act, we receive a two
10 percent administrative fee. The two percent is
11 calculated based on the amount of money in the
12 horsemen's purse account. In recent years that's
13 probably been averaged around \$120,000. That runs
14 our operation.

15 None of the board members are offices are
16 compensated. The only staff person that's
17 compensated is the executive director on general
18 counsel. That would be me.

19 We also, in addition to negotiating the
20 contracts with racetrack operatives on behalf of
21 the horsemen, we conduct benevolent programs. As
22 you may recall when Colonial Downs was operating
23 every summer before the meet, we would present to
24 you what I refer to as the benevolence budget.
25 And it usually ran between, say, over the years,

1 between 120 and 200,000 a year. And we, that was
2 for providing benevolent services to the people
3 on the backside.

4 Most of you may know it, some may not. But
5 the backside of the racetrack at that time,
6 Colonial Downs, was kind of like a little
7 village. There were 15 barns holding, housing
8 1000 horses, up to a 1000 horses. We had 120
9 dormitory rooms for grooms and other backside
10 workers who lived there during the week. And our
11 office was back there.

12 But during the race meet, pursuant to our
13 budget, which you approved, we provided health
14 and dental care for the backside workers. We
15 provided free meals for them in the track
16 kitchen. We had costume programs. We employed a
17 chaplain. And we also had training programs that
18 we ran back there. Also with regard to dormitory
19 rooms we, each year, bought new mattresses,
20 air-conditioning, etc. That was our benevolence
21 program.

22 And the benevolence program continues even
23 though we are not racing yet in the summer. For
24 example, when individuals associated with
25 Virginia racing needed help we assist them.

1 Tragically, last week, an exercise rider who use
2 to ride at Colonial for a number of our trainers
3 died in a motorcycle accident. She had two or
4 three youngsters. So we will be contributing to
5 the health of the family. That's where the
6 benevolent comes from in our title, Virginia
7 HBPA.

8 With regard to finances I have included at
9 Tab 10 our tax return, our federal tax return for
10 2014. It's for nonprofit. It's called form 990.
11 Also I included our balance sheet and PNL sheet
12 for January through May of this year. Just to
13 give you an idea of our finances.

14 Shifting now to our history of representation
15 before this Commission. In March of 1994, three
16 years before Columbia started racing, the HBPA
17 sought recognition as the majority horsemen's
18 representative. Because at that time the Racing
19 Commission was considering applications from six
20 companies to be licensed to own and operate a
21 racetrack. Colonial Downs was ultimately the
22 victor.

23 But the racing, we petitioned the Racing
24 Commission and we sought membership,
25 authorization cards from Virginia Horsemen, and

1 we, in 1994, we presented about 400 of those
2 cards to the Commission. I was only able to dig
3 up over 200 of them from our files, but these
4 were presented to show that we represented the
5 majority horsemen. And interestingly enough, the
6 person on top is Stephanie Nixon. I'm sure she
7 was very young at the time. Much younger than she
8 is now. She still is.

9 In any event the Racing Commission allowed us
10 to participate in the selection process
11 principally by going to the various sites that
12 were under consideration. There's one near
13 Virginia Beach. One up in my neighborhood up in
14 Northern Virginia, and, of course, the one in New
15 Kent County.

16 And then after Colonial Downs was licensed we
17 immediately began negotiating with them for first
18 horsemen's contract. Even before racing started
19 because Colonial Downs opened up two ODBs. First
20 one was in Chesapeake, the second one was here in
21 Richmond on West Broad Street. We negotiated the
22 contract for our share of the purses, and then
23 subsequently we negotiated our first horsemen's
24 contract for racing. That's dated 1997. And it's
25 at Tab 3 in your packet.

1 From that time forward we, at least through
2 2013, we negotiated eight or ten contracts with
3 Colonial spanning the continuous period from 1997
4 to 2013. And starting in 2000, with an amendment
5 to our Racing Act, all of those contracts were
6 required by the Racing Commission. The statute
7 says the Racing Commission shall require a
8 contract between the racetrack licensee and the
9 majority horsemen's group providing for purses
10 and prizes. And that contract was subject to
11 approval.

12 Ever since 2000, the Racing Commission has
13 been approving, reviewing and approving these
14 contracts. And each contract had in it what I
15 call a recognition clause. A recognition clause
16 would basically recognize the Virginia HBPA as
17 the majority horsemen's group.

18 We also, most recently, I think starting in
19 2013, when the Virginia Gold Cup Association was
20 first licensed for pari-mutuel wage agreement at
21 its facility in Great Meadow. And according to
22 statute we negotiated contracts with them. And
23 we kept current contract with them that runs from
24 2015. And I would expect that we will negotiate
25 future contracts with them.

1 To make a long story short, since 1994, we
2 have been the recognized majority horsemen's
3 group. There's never been any other horsemen's
4 group that purported to represent a majority of
5 the horsemen.

6 Now the new statute, the amendments to our
7 statute, which take effect today, did, for the
8 first time, include a definition for a majority
9 horsemen's group. That definition was almost the
10 same as the definition that's in the federal
11 interstate Horse Racing Act that's been on the
12 books since 1997, I believe. And it's a
13 definition that's been incorporated by reference
14 in our racing camp. The amendment now makes it
15 absolutely clear that the Racing Commission
16 determines who is the majority horsemen's group.

17 And to be quite candid the reason that is in
18 the legislation is because we engaged HBPA to ask
19 the sponsors to include that because last year in
20 our dispute with Colonial Downs, Colonial was
21 contending that it and not the Racing Commission
22 had the authority to determine who was the
23 majority horsemen's group. So it put an end to
24 that argument. The sponsors graciously put it in
25 language that (inaudible).

1 In summary then nothing is really happened
2 since 1994 to change our status as the majority
3 horsemen's group. And we would ask you today to
4 simply confirm that, and formally say that
5 Virginia HBPA is the majority horsemen's
6 representative.

7 CHAIRMAN REYNOLDS: Thank you, Mr. Petramalo.
8 I'd like to turn it over to the Commissioners for
9 any questions.

10 MR. LAWS: I have a couple of questions.

11 CHAIRMAN REYNOLDS: Yes.

12 MR. LAWS: Hi, Frank. I just have one quick
13 question for you. Currently how many owners and
14 trainers are members of the HBPA?

15 MR. PETRAMALO: A little more than 1300. Let
16 me explain our membership criteria. In our
17 bylaws every one who is licensed in Virginia as
18 an owner or trainer and starts a horse at a
19 pari-mutuel race in Virginia automatically
20 becomes a member of Virginia HBPA unless the
21 individual advises us in writing that that person
22 does not want to be a member.

23 What we have done over the years is simply
24 determine our membership role by each year
25 going to the Racing Commission and asking for a

1 list of the licensed owners and trainers. And
2 that list is what we use as a membership list for
3 all purposes including elections.

4 Now, as a practical matter, as I'm sure you
5 know, the Racing Commission issues yearly
6 licenses. They run from January through
7 December. And because we always race in the
8 summer most of our members never bother to renew
9 until the beginning of the summer meet.

10 So, at the end of 2013, coming into 2014,
11 because of the contract dispute of Colonial
12 surrendering its license there was no racing. So
13 most of our members simply did not renew their
14 license. So our board made a determination that
15 we would consider as our current members those
16 who were licensed as of December 31, 2013, plus
17 any newly licensed individuals for purposes of
18 running at the Gold Cup in 2014 and 2015.

19 So what you will see at Tab 3; I apologize in
20 advance, Tab 7. That's our membership list
21 displayed backwards. It was bound incorrectly. It
22 was bound on the left side. What's the left side
23 should be the right side. So if you start from
24 the last page, page, Tab 7, and work your way to
25 the front page that is the correct order of our

1 current membership. And that's roughly between
2 1300 and 1400 members.

3 CHAIRMAN REYNOLDS: Okay. I've got a couple
4 of questions. Of the 1300 members how many of
5 them roughly voted, returned ballots in the last
6 election? Just curious.

7 MR. PETRAMALO: I would say, Mr. Chairman, I
8 would estimate around 200. And I don't know this,
9 because I don't see the ballots, and I don't see
10 the return addresses. But if past practice with
11 our other horsemen's organizations is any guide
12 my guess is the vast majority of those would have
13 been Virginia residents.

14 As I explained to the Commission in the past
15 the horse racing industry in the mid Atlantic and
16 Virginia is very transient. We rotate between
17 Maryland and Virginia and Delaware, Pennsylvania,
18 West Virginia in terms of racing opportunities.

19 A majority of our membership resides in
20 Virginia and Maryland. About 25 percent are
21 Virginia residents, 25 percent are Maryland
22 residents. And the next largest block give you
23 another 25 or 30 percent are resident in Kentucky
24 or Florida, because they come in to so much
25 racing. And I'm guessing that most of those 200

1 who voted are probably in Virginia.

2 I might add that in the 15 years that I've
3 been associated with the Virginia HBPA I can only
4 recall two board members not being Virginia
5 residents. One, Robin Dale's is the Virginia who
6 happens to live in Maryland. But his major owner
7 is a Virginia owner. And the other, our current
8 board member, Carlos Garcia, is a resident of
9 Maryland, has a house in Virginia, his major
10 owner is in Virginia.

11 CHAIRMAN REYNOLDS: Another question. The
12 list that compiled the membership, where did you
13 get that list from? Did you get that through the
14 Racing Commission office?

15 MR. PETRAMALO: Yes. That came from Courtney,
16 Courtney communique.

17 CHAIRMAN REYNOLDS: And, Mr. Hettel, I assume
18 you all looked that over and certified--

19 MR. HETTEL: Yes, sir. It's in good order.

20 CHAIRMAN REYNOLDS: Okay. That's all I have.
21 Any other Commissioners, please?

22 Yes, Commissioner Dawson.

23 COMMISSIONER DAWSON: In our working session
24 we discussed criteria for making this
25 recognition. And one of the, I think it was

1 Commissioner Van Clief, suggested the criteria
2 should be, a horseman should be a current license
3 holder and also had started a horse or maintained
4 one or more horses in training in Virginia within
5 the last 36 months and going forward. And then
6 later on Commissioner Miller suggested that that
7 criteria be put into a letter announcing this
8 hearing.

9 And I don't see a copy of it. I'm assuming we
10 did that. There was a letter--

11 MR. HETTEL: Yeah, I sent those specifics to
12 (inaudible).

13 COMMISSIONER DAWSON: So I just wanted to
14 raise that issue because I'm assuming that your
15 membership does meet that.

16 MR. PETRAMALO: Yes, because I think under
17 that calculation, and we'll go back to 2012, use
18 2013 as amended (inaudible) 2014.

19 COMMISSIONER DAWSON: Okay.

20 COMMISSIONER VAN CLIEF: I think to be fair,
21 that we looked at the two criteria, one being
22 licensure and the other being bona fide activity
23 in the state. And I think ended up, I'm sure we
24 ended up deleting the first criteria, which was
25 current licensure, because of the fact that

1 people don't, just aren't going to take out a
2 license to pay the fee until there's racing in
3 which to participate. So created, the criteria
4 would include some bona fide activity during the
5 past, or 36 months for the calendar years 2013
6 and '14, and the current year.

7 COMMISSIONER DAWSON: Thank you.

8 CHAIRMAN REYNOLDS: Mr. Miller.

9 COMMISSIONER MILLER: Just a couple of
10 questions. I assume that someone in your
11 organization annually reviews the membership list
12 and updates it every year?

13 MR. PETRAMALO: Yes. That would be me.

14 COMMISSIONER MILLER: You've indicated that
15 your current membership, what you've done to
16 establish your current membership list; however,
17 is that you are listing those who are currently
18 licensed through their activities in Gold Cup;
19 right?

20 MR. PETRAMALO: Yes.

21 COMMISSIONER MILLER: And then you made a
22 decision that you would supplement those current
23 licensees by those who had been licensed in 2013;
24 is that correct?

25 MR. PETRAMALO: Yes. I put it the other way.

1 The vast majority of our horsemen don't run
2 steeple chase horses. Some of them do--

3 COMMISSIONER MILLER: Well, nonetheless--

4 MR. PETRAMALO: Yes.

5 COMMISSIONER MILLER: --regardless of what
6 category they are, what I'm getting at, if you
7 look at your bylaws on page, under Article 3,
8 Section 1, eligibility for membership. Your
9 bylaws say it's those who are currently licensed
10 as such as by the Virginia Racing Commission.

11 So I want to make clear so that we understand
12 this. The currently licensed trainers and owners
13 are those who are participating in the Gold Cup
14 activities, that they are currently licensed.

15 MR. PETRAMALO: That's correct.

16 COMMISSIONER MILLER: The 2013 list, they are
17 not necessarily currently licensed. They were
18 licensed, but they're not currently.

19 MR. PETRAMALO: That's correct.

20 COMMISSIONER MILLER: So your bylaws, I mean
21 what I'm trying to understand is how did you
22 make, how can you, under your bylaws, make the
23 determination that in addition to those who are
24 eligible under the bylaws go back and expand that
25 membership by going back including people who are

1 not currently licensed? I mean how can you do
2 that under your bylaws? Don't you need to amend
3 your bylaws?

4 MR. PETRAMALO: We did not formally amend our
5 bylaws.

6 COMMISSIONER MILLER: But as a lawyer don't
7 you think you ought to amend your bylaws to make
8 it clear in case you have some kind of dispute in
9 election in the future. Because according to your
10 bylaws only the currently licensed people would
11 be qualified to vote.

12 MR. PETRAMALO: That's, that's correct. Let
13 me quickly add though that this issue, because of
14 the unique circumstances here, the contractual
15 dispute at Colonial Downs surrendering its
16 license, our board made the unanimous decision
17 that it would consider as members those who are
18 licensed and active and current as of December
19 31st, 2013.

20 You're correct as a technical matter. The
21 Board should have formally amended bylaws.

22 COMMISSIONER MILLER: You probably ought to
23 do that. And I assume you will.

24 MR. PETRAMALO: We will. And we will chalk it
25 up to sloppiness on the part of the general

1 counsel for the Association.

2 COMMISSIONER MILLER: One other question just
3 to make things clear from the get-go. On page 5
4 of your introductory document, under finances, it
5 says that your HBPA members do not pay any fees
6 or dues to your organization. Okay. But under
7 Section 4C of your bylaws there is a contribution
8 expected from each member according to your
9 bylaws, under paragraph C.

10 MR. PETRAMALO: What page are you on? The
11 pages are numbered --

12 COMMISSIONER MILLER: Page 13 of Tab 6.

13 MR. PETRAMALO: I think if you, two answers.
14 I think you, if you're looking at 4C --

15 COMMISSIONER MILLER: Yeah, contribution.

16 MR. PETRAMALO: Contributions. It says we're
17 not otherwise specified by law. Our law says we
18 get 2 percent. But that does away with any,
19 because we have never, never collected any dues
20 from our members.

21 COMMISSIONER MILLER: Okay. A layperson
22 looking at this would, I mean someone untutored
23 in law, perhaps would look at and say they want
24 to be a trainer or a owner in Virginia. And
25 they're looking to see what's expected. I assume

1 someone with some intelligence would call you or
2 call somebody in the organization for
3 clarification. But the way this reads it makes
4 it look like that each member shall contribute to
5 the association not less than 1 percent -- amount
6 of support may determine his purse earned by and
7 or awarded to him.

8 Is just seems to me like you may want to
9 clear that up. That that's not expected under
10 these conditions, you know.

11 MR. PETRAMALO: Yes. We can do that.

12 COMMISSIONER MILLER: I think that's, let me
13 see if anything else I can nitpick.

14 MR. PETRAMALO: There was a typographical
15 error in our opening statement. I forgot what
16 page it was on.

17 COMMISSIONER MILLER: It's on page four. And
18 just forgot to put secretary after Diane.

19 MR. PETRAMALO: Yeah, Diane McClure is the
20 secretary. Didn't mean to suggest that she--my
21 mistake.

22 COMMISSIONER MILLER: I'll let the rest of it
23 go until you have one of your meetings.

24 MR. PETRAMALO: You all have an open
25 invitation to attend a meeting at any time you'd

1 like.

2 COMMISSIONER MILLER: I just want to make
3 sure this is, especially since the legislature
4 has given us expressly--recognize horsemen.
5 Since the horsemen do get a significant amount of
6 money from the pari-mutuel racing program in
7 Virginia we have to be extremely diligent,
8 extremely careful in our governance of this. So
9 that's why I just wanted to make sure we get this
10 clarification. Thank you.

11 CHAIRMAN REYNOLDS: Are there any other
12 comments from the Commissioners?

13 COMMISSIONER VAN CLIEF: Just to dot the i's
14 and cross the t's a little more, follow on the
15 Commissioner Miller's questions.

16 At what point do you have any evidence in
17 this proposal conducting your vote with the board
18 unanimously modify your membership requirements
19 to include now that were activated in 2013 and
20 subsequent license?

21 MR. PETRAMALO: I don't think there any
22 document in the group that you have--

23 COMMISSIONER MILLER: That action been's
24 taken--

25 MR. PETRAMALO: Yes. We discussed it at our

1 meeting.

2 COMMISSIONER VAN CLIEF: I have a question
3 for our counsel. In making a motion to recognize
4 that the HBPA, do we need to include any verbiage
5 to recognize the difference between these bylaws
6 and the definition of membership that coming out
7 of our work session we're prepared to adopt or
8 recognize?

9 MR. LAWS: No, I don't think so. I think to
10 make a motion this morning to recognize any of
11 the groups can just be a simple motion that they
12 presented evidence to demonstrate representing a
13 majority. I think that would be sufficient.

14 COMMISSIONER VAN CLIEF: Another question. In
15 terms of the Commission's prerogatives here,
16 under current legislation it's obviously our
17 duty, as Commissioner Miller has pointed out, to
18 recognize the bona fide horsemen's
19 representative. That qualification, assuming the
20 Commission votes to approve, is effective
21 immediately. And does the Commission have the
22 prerogative to withdraw that, change it, or
23 recognize anybody else at any time it so
24 desires?

25 MR. LAWS: Under the Virginia Horse Racing

1 Act -- of Commission. Under the current Code of
2 Virginia and Horse Racing Act, if the Commission
3 wants to take away the recognition from a group,
4 they would have to conduct the hearing in the
5 same way they would remove someone's license.
6 For example, if one party in the Commonwealth
7 isn't paying the money that they're supposed to,
8 under the statute, they would go through the
9 administrative process and procedure issuing
10 notice to take away that license.

11 It would be the same situation -- right
12 granted by the Commission granted by the
13 Commission, they would go through the same HBPA
14 process of withdrawing that recognition. And then
15 they would have a separate hearing to recognize
16 under --

17 COMMISSIONER DAWSON: Assuming that
18 recognition is granted here in a few minutes, is
19 there a time line associated with that grant of
20 recognition, or does it expire any time or does
21 it, is it in effect and force until the
22 Commission would take any other action?

23 MR. LAWS: Unless the Commission votes to
24 recognize it for a set amount of time, it would
25 continue until the Commission revoked the

1 recognition.

2 COMMISSIONER DAWSON: So we would be
3 recognizing--

4 COMMISSIONER VAN CLIEF: Another question,
5 procedural question. But assuming, let's say that
6 we did put a time limit on this. We are adopting
7 and allowing a definition of membership that is
8 not conventional given what's been the norm in
9 the past. We've indicate in our working sessions
10 the desire to modify that, to include current
11 licensees, and to perhaps include some evidence
12 of bona fide activity within, make it a 12-month
13 period, as Commissioner Dawson pointed out.

14 So perhaps we would want want to issue this
15 qualification and recognition through the end of
16 the year. If we did so, what process would we
17 need to go through at the end of the year? We
18 would have to go through this hearing all over
19 again?

20 MR. LAWS: Exact same process.

21 COMMISSIONER VAN CLIEF: Okay.

22 MR. LAWS: And, I'm sorry, does anyone else
23 have any question for me before I say something--

24 COMMISSIONER MILLER: Just a mechanical
25 thing. They hold a, they send out these cards

1 annually, the membership?

2 MR. PETRAMALO: No, no.

3 COMMISSIONER MILLER: Every three years?

4 MR. PETRAMALO: No. We have an election every
5 three years.

6 COMMISSIONER MILLER: Okay. You have an
7 election every three years.

8 MR. PETRAMALO: And we send the ballots out
9 to everyone who is licensed by the Virginia
10 Racing Commission that's an owner or trainer.

11 COMMISSIONER MILLER: Well, I'm just trying
12 to arrive at a situation where, let's say a track
13 opens, and a bunch of trainers and owners come
14 in; this is all theoretical, but you have to deal
15 with hypothetical when you're dealing with the
16 way the law is structured. And this group of
17 trainers and owners arrive in Virginia, and they
18 go to the Commission and they get their license,
19 race wherever they're going and operate in
20 Virginia somewhere.

21 And all of them miraculously decide we don't
22 want to have anything to do with this group
23 that's here in Virginia now. We've had, we've
24 heard so many bad things from people all over the
25 world of how, you know, we shouldn't join. So

1 they opt to not be a member of your
2 organization. To the extent that, lo and behold,
3 you sit down and you see there's more of them
4 than those who opt to be a member of your group.
5 Okay.

6 What's the situation then, Josh?

7 MR. LAWS: I think the Commission would have
8 to go through the revocation process that it
9 would normally go through to revoke a license or
10 a permit. There's nothing in the Code that would
11 put them outside the normal.

12 COMMISSIONER MILLER: I'm not talking about
13 their license. We would have to deal with the
14 fact that our recognition of them as the majority
15 horsemen's group we would have to revisit that.

16 MR. LAWS: Correct, correct. And it would be
17 the same process that the Commission would use to
18 revoke the permit or license.

19 COMMISSIONER MILLER: So if it's somehow
20 brought to our attention then we would have to
21 take some initiative to say, or Bernie would
22 alert, our executive secretary, would alert us
23 that something's happened here that's, you know,
24 just can't believe this happened.

25 MR. LAWS: Correct.

1 COMMISSIONER MILLER: There's more
2 nonmembers, more people opting out than opting
3 in, therefore, we have to call these folks in.
4 Have to call Frank in here and start a process to
5 unrecognize them.

6 MR. LAWS: Correct. And the Commission could
7 actually conduct that hearing I believe within 14
8 days of the notice to issue that hearing.

9 COMMISSIONER MILLER: I just want to be clear
10 what the mechanical process is.

11 MR. PETRAMALO: May I respond? I agree with
12 Josh, but let me suggest with regard to
13 Commissioner Van Clief's question that our
14 recognition, if you grant it, as the majority
15 horsemen's group, continue until there's, um, a
16 labor law use to call the QCR, the Question
17 Concerning Representation. If someone comes in
18 and said, well, look, there's this new racetrack
19 in Virginia Beach, we represent the horsemen.
20 That, to me, would be a question concerning
21 representation, which would give rise to the
22 convening of a hearing of this sort that Josh
23 referred to.

24 But it seems to me a little cumbersome that
25 once we're recognized having been here for 20

1 years that every year we have to come back and do
2 the same thing even though no one is raising a
3 question of membership representation.

4 COMMISSIONER VAN CLIEF: I think the only
5 issue is to make sure we understood how your
6 membership qualifications going to work going
7 forward. We're obviously making a separate,
8 discussing your bylaws and what changes might
9 need to be made. It seems to me what we have a
10 one-time exception being made to grandfather in
11 your previous licensees simply because of the
12 unique situation we all find ourselves in.

13 MR. PETRAMALO: Yes. And we will prepare the
14 appropriate (inaudible) license.

15 CHAIRMAN REYNOLDS: Anything else?

16 MR. LAWS: Frank, two quick constitutional
17 issues that I wanted to bring to the Commission's
18 attention. First, I think, at this point, it
19 would be proper and I would advise the Commission
20 to mark and make a motion to amend Exhibit Two,
21 the notice that the Commission publicly issued
22 for the hearing today for the HBPA and the other
23 parties.

24 CHAIRMAN REYNOLDS: So move.

25 COMMISSIONER MILLER: Second.

1 CHAIRMAN REYNOLDS: All in favor say aye.

2 NOTE: All indicated by voting aye.

3 CHAIRMAN REYNOLDS: Motion carries.

4 MR. LAWS: The only other issue I have is I
5 wanted to ask Bernie Hettel just a couple of
6 questions. And, Commissioner, if I could have
7 leave to do that.

8 CHAIRMAN REYNOLDS: I would like for him,
9 too. See that you ask it.

10 MR. LAWS: Bernie, could you raise your right
11 hand for me? Do you swear or affirm that the
12 testimony and evidence that you present today
13 will be the truth and nothing but the truth?

14 MR. HETTEL: I do.

15 MR. LAWS: Thank you. Can you state your name
16 for the record, please?

17 MR. HETTEL: Bernard J. Hettel.

18 MR. LAWS: And who is your employer?

19 MR. HETTEL: Virginia Racing Commission.

20 MR. LAWS: What's your position with them?

21 MR. HETTEL: I'm the Executive Secretary.

22 MR. LAWS: How long have you had that
23 position?

24 MR. HETTEL: Four years.

25 MR. LAWS: And where were you employed prior

1 to coming to the VRC?

2 MR. HETTEL: I was employed by Frank
3 Stronach, Entertainment Corporation. Previous to
4 that I was employed by the Kentucky Racing
5 Commission. Previous to that I was an independent
6 contractor racing official. Previous to that --
7 groom.

8 MR. LAWS: So how long would you say of life
9 how many years have you spent in this industry?

10 MR. HETTEL: Over 40.

11 MR. LAWS: Thank you. You and your staff
12 reviewed the application of the HBPA submitted;
13 correct?

14 MR. HETTEL: That's correct.

15 MR. LAWS: Did the HBPA refuse to provide any
16 information that was requested by the Racing
17 Commission?

18 MR. HETTEL: No. They've been very
19 cooperative.

20 MR. LAWS: Did the Racing Commission receive
21 any other applications for the thoroughbred
22 recognize majority horsemen's groups?

23 MR. HETTEL: No, we did not.

24 MR. LAWS: Those are all the questions I
25 have.

1 CHAIRMAN REYNOLDS: You asked my question.
2 That was the last question.

3 MR. LAWS: And, Frank, did you have any
4 questions for Bernie?

5 MR. PETRAMALO: No.

6 CHAIRMAN REYNOLDS: Okay. Any other comments?

7 COMMISSIONER STEGER: Mr. Chairman--

8 CHAIRMAN REYNOLDS: Commissioner Steger.

9 COMMISSIONER STEGER: Not putting a burden on
10 the organization, but I disagree with counsel
11 that it may be in terms of the clarity of the
12 process -- that some sort of not one year, but
13 maybe three --

14 CHAIRMAN REYNOLDS: Speak up to the
15 microphone.

16 COMMISSIONER STEGER: Oh, I'm sorry. I'm
17 just suggesting we may want to consider putting
18 some sort of sunset clause in this just so that
19 the review is proactive rather than waiting until
20 we have a problem.

21 CHAIRMAN REYNOLDS: Commissioner Miller.

22 COMMISSIONER MILLER: Dr. Steger, what you're
23 suggestion is that, suggesting is that we
24 recognize him and that recognition will be in
25 full force and effect for a period of X years.

1 COMMISSIONER STEGER: Right.

2 COMMISSIONER MILLER: At which time, well, it
3 goes without saying if they want to be recognized
4 again they come back and simply --

5 COMMISSIONER STEGER: There's no reflection
6 on an organization. I'm just thinking in terms
7 of the process and the clarity of you'll
8 automatically renew things until something
9 difficult. I think if you look at the labor
10 relations stuff, that doesn't go that well.

11 MR. PETRAMALO: That's why we have lawyers.
12 Dr. Steger, I mean I don't --

13 COMMISSIONER STEGER: -- feel as strongly
14 about it, but I'm just saying in terms of, it
15 might help the process.

16 MR. PETRAMALO: I certainly have no objection
17 if you want to put a three years' sunset clause
18 on the recognition.

19 COMMISSIONER VAN CLIEF: Would that three
20 years be okay with the organization?

21 MR. PETRAMALO: I think my board would accept
22 my recommendation.

23 CHAIRMAN REYNOLDS: Alright. We will try to
24 incorporate that into a motion.

25 COMMISSIONER MILLER: Well, I move that we

1 recognize Virginia Horsemen's Benevolence and
2 Protective Association as the recognized majority
3 horsemen's group as called for by Section --

4 MR. LAWS: 59.1-364, 59.1-365, 59.1-369, and
5 59.1-392.1 of the Code of Virginia.

6 MR. PETRAMALO: Will you accept a minor
7 amendment for thoroughbred horsing? My
8 colleagues will be up shortly for the
9 standardbred.

10 COMMISSIONER MILLER: For Virginia--okay;
11 thoroughbred; accept his amendment. Such
12 recognition will be in full force and effect for
13 a period of three years from this date. That's
14 my motion.

15 COMMISSIONER VAN CLIEF: I'll second that
16 motion.

17 CHAIRMAN REYNOLDS: I have a motion and a
18 second. Are there any comments, any discussion?
19 All those in favor say aye.

20 NOTE: All indicated by voting aye.

21 CHAIRMAN REYNOLDS: All those opposed.
22 Hearing nothing the motion carries.

23 MR. PETRAMALO: Thank you, very much.

24 CHAIRMAN REYNOLDS: Congratulations.

25 MR. LAWS: Mr. Chairman, would you like the

1 record to reflect that the motion carried
2 unanimously?

3 CHAIRMAN REYNOLDS: Yes. The motion carries
4 unanimously. Alright. Thank you, very much.

5 Next, I'd like to ask for the representatives
6 of the Virginia Harness Horse Association to step
7 forward and present.

8 MR. DUNAVANT: Good morning. I'm Charlie
9 Dunavant, and I'm president of the Virginia
10 Harness Horse Association.

11 MR. LAWS: I hate to interrupt you, but can I
12 swear you in real quick? Do you swear or affirm
13 that the testimony and evidence you present today
14 will be the truth and nothing but the truth?

15 MR. DUNAVANT: I do.

16 MR. LAWS: Thank you. Commissioners, just
17 before Mr. Dunavant begins, same, mark their
18 application as Exhibit 1, and make a motion to
19 enter it into the record.

20 CHAIRMAN REYNOLDS: So move.

21 COMMISSIONER MILLER: Second.

22 MR. HETTEL: It's this one. That's the wrong
23 one.

24 MR. LAWS: I'm sorry. I picked up the wrong
25 one.

1 CHAIRMAN REYNOLDS: Do you want to hold it up
2 so. Alright. I'd like to move that we submit the
3 Virginia Harness Horse Association's application
4 into the record as Exhibit 1. Do I hear a
5 second?

6 COMMISSIONER VAN CLIEF: Second.

7 CHAIRMAN REYNOLDS: All those in favor say
8 aye.

9 NOTE: All indicated by voting aye.

10 CHAIRMAN REYNOLDS: All those opposed?
11 Hearing none, the motion carries unanimously.

12 Dr. Dunavant.

13 DR. DUNAVANT: Alright. I apologize for not
14 being able to do this presentation myself. I
15 think all of you are aware that our executive
16 secretary, Edith Wilnow, is very ill in Florida.
17 Jeb Hannum and Frank Petramalo graciously put
18 some stuff together for me. I'm not very handy at
19 this sort of thing.

20 I think maybe the letter from Jeb Hannum is
21 self-explanatory. As you know we've had some
22 dissension on our board as to purse monies
23 administered for some of our races. I think we
24 have got those issues kind of resolved amongst
25 ourselves.

1 The monies that we have set aside from the
2 Advanced Deposit Wage when it came in effect, we
3 have, the boards in the past and this present
4 board voted to use that money basically for our
5 two and three-year-old Virginia bred program. We
6 have also used that money to bring our purse
7 accounts for the last three or four years at
8 Colonial Downs up to \$50,000 a day minimum that
9 we had projected. And we're going to continue to
10 do that.

11 The one thing that you should know, every
12 cent of that ADW money has gone to purses for the
13 horsemen. Both Virginia bred and what we call
14 our overnight races that are mostly filled by
15 out-of-state patrons.

16 The difference in our membership versus the
17 HBPA's, our members pay a \$30 fee to be a member.
18 We had 200 members for our meet in 2014. That was
19 the largest membership we have had since we've
20 been racing at Colonial. And that was basically
21 because in our contract for the previous three
22 years at Colonial we had agreed to pay a stall
23 rent for each horse that was stabled on the
24 ground. And we agreed to pay \$40,000, which was
25 half of the cost of converting the dirt track

1 from dirt to our harness surface. When they
2 didn't have thoroughbred racing last year we did
3 not have to pay that \$40,000 fee that we had
4 budgeted.

5 So we told all of the out-of-the-state
6 horsemen and the instate horsemen if they joined
7 our association, we would pay their stall rate.
8 And that meant that owners, trainers, and drivers
9 of those horses all had to be a member, which is
10 the same criteria we have for our race bike
11 insurance. If there's an accident, and the race
12 bike is damaged, if the owner of that horse, the
13 trainer and the driver are members of our
14 association, then they have insurance to pay for
15 that. So there are a couple of things that, you
16 know, I didn't, if the Commission was aware of.

17 And at the Commission's request we are going
18 to have an election for all nine positions on our
19 board of directors. At present time all of our
20 board of directors are Virginia residents. We
21 have trouble getting people to serve on our
22 board, you know.

23 And Mr. Reynolds asked me last time about me
24 appointing people. I have asked people, you
25 know, would you be willing to serve on our

1 board. And it's like pulling hen's teeth to get
2 people to work and do. And when they said they
3 would our board did vote on those people. They
4 were voted on.

5 And we intend to have an election, the Racing
6 Commission is going to provide us a list of all
7 the owners and trainers that were licensed, I
8 believe from '13 and '14.

9 MR. HETTEL: That's correct.

10 DR. DUNAVANT: Yeah. And we will send them a
11 ballot after we're going to ask the membership
12 anybody like to serve and anybody who'd like
13 their name to be on the ballot. And then we're
14 going to have that accounting firm, the ballots
15 will be sent directly to them. And they'll give
16 us the results of the election. And we want to do
17 that as soon as possible before we race at Oak
18 Ridge.

19 You know, excuse me, I've had a cold this
20 week, and my voice a little cracky. But I think
21 everything here is self-explanatory. I think we
22 have a list of our directors, who they are. Most
23 all of them are breeders, owners, trainers and
24 drivers of our horses. We are a lot more hands-on
25 than thoroughbred racing.

1 So with that, if y'all have any questions
2 specifically, I will be happy to try and answer
3 them for you.

4 COMMISSIONER VAN CLIEF: One question about
5 your membership. You indicated that you include
6 not only the owners and trainers, but drivers as
7 well. Which is a little different from the
8 thoroughbred horsemen's organization. Did those
9 drivers also vote for your board of directors?

10 DR. DUNAVANT: You know, we've had an
11 election every year. The HBPA had 200 people.
12 We've got nine directors and we probably had 15
13 votes. And we held, we hold our annual meeting
14 the first week of racing at Colonial. And that's
15 been for the last, you know, in September.

16 And we encourage people to come, but the
17 majority of the people racing harness horses are
18 from out of state. And all they're interested in
19 is joining so they have their insurance on their
20 race bike and joining, that the VHHA would pay
21 their stall rent.

22 I really have a hard time getting
23 participants. It's unfortunate, but that's, we
24 don't have a big population of harness horse
25 enthusiasts in Virginia. We've been trying and

1 trying to get that up. I hope that we will get
2 the participation from out of state for our four
3 days at Oak Ridge that we're planning for this
4 year.

5 In talking to Mr. Andow, who's been the race
6 secretary at Colonial since the beginning, he
7 says he's had a lot of interest. He's also the
8 director of racing in (inaudible due to someone
9 coughing), you know, every year. And I had a
10 conversation with him this morning. And he said
11 he has a lot of interest. And some of the
12 horseman that I've talked to really need you to
13 come, we need a colony of drivers for those four
14 days. But it's going to be difficult because it's
15 a long way from the hub of harness racing. And
16 there're only going to be four days.

17 But that's what we got to play with, and
18 that's hopefully we can make it very successful.
19 The people at Oak Ridge are very excited about
20 it, and so am I. And I think it's going to be
21 successful.

22 COMMISSIONER VAN CLIEF: Not to nitpick, but,
23 again, we're thinking about your membership and
24 the unique situation we find ourselves in this
25 year. The conversation we just had with Frank

1 Petramalo.

2 As I understand it the federal legislation,
3 as well as the state legislation provides an
4 apparatus for representation for owners and
5 trainers, but not jockeys and drivers.

6 So my question is do those drivers vote, do
7 they get the same prerogatives and rights in your
8 organization -- the answer may be that the
9 drivers are also owners.

10 DR. DUNAVANT: You know, I think anybody that
11 is a member of our organization should have a
12 right to vote for the board of directors. But
13 that's this Racing Commission's call. We've got
14 to go by whatever you advise us.

15 The way the thing was written, I didn't have
16 any input in the writing that. But those
17 drivers, you know, I have a driver's license. And
18 most of the trainers have a driver's license.
19 But we've got some drivers that are member of
20 members of our association, and that's all they
21 do is drive. So I need y'all's advice on that.

22 COMMISSIONER VAN CLIEF: As I understand it I
23 think you probably, just to be consistent with
24 the existing statute, should allow your trainers
25 and your owners to vote, but anybody that is a

1 driver but not also a trainer and owner. I'm not
2 saying if you're a trainer or an owner and also a
3 driver you can't vote. But if you're not a
4 trainer and you're not an owner, it seems to me
5 that you don't necessarily rate the
6 representation under the law.

7 So I'd suggest, and I'll ask counsel if
8 that's correct advice, that your procedures and
9 your bylaws reflect the rights granted to owners
10 and rights granted to trainers, but not to
11 someone who is neither. That correct?

12 MR. LAWS: The new definition that recognized
13 the Majority Horsemen's Group states that it's
14 the owners and trainers in the group that the
15 Commission has--to determine if they're majority
16 horsemen.

17 So only submission that only, any submission
18 that you all make to the Commission to be
19 recognized as a majority group has to rely on
20 your owner and trainer membership and not just
21 driver. It can't rely on driver membership.

22 COMMISSIONER MILLER: Josh, have you had the
23 chance to look at their bylaws?

24 MR. LAWS: I have. It was e-mailed to me.

25 CHAIRMAN REYNOLDS: What do their bylaws --

1 I'm perusing their bylaws now. Their bylaws, I'm
2 trying to see where the qualification to vote.
3 And membership--set forth in the bylaws.

4 MR. LAWS: I don't know off the top of my
5 head. Do you know where the qualification for
6 voting is in your bylaws?

7 DR. DUNAVANT: I don't know if qualifications
8 for voters is addressed in those bylaws. It's my
9 recollection anybody that was interested in
10 promoting harness racing in the State of Virginia
11 was invited to be a member of our organization.
12 And, you know, we don't turn anybody down that is
13 interested in joining our association.

14 COMMISSIONER MILLER: Mr. Chairman, I guess
15 I'll follow up on that. I don't want to be too
16 presumptuous, or, I don't know if that's the
17 right adjective. But, anyway, I would suggest,
18 Dr. Dunavant, that you have your bylaws reviewed,
19 updated, and, frankly, redrafted to reflect the
20 owner and trainer provision as set forth as the
21 qualification for membership to be designated as
22 the recognized majority horsemen's group for
23 standardbred horses in Virginia.

24 DR. DUNAVANT: Are you saying we should
25 exclude drivers? We have a provision --

1 COMMISSIONER MILLER: No, no, no. The code
2 says that the majority horsemen's group is made
3 up of owners and trainers. You need to make sure
4 that your bylaws reflect that. That persons of
5 authority within this horsemen's group, which you
6 represent standardbred horsemen, that the people
7 who vote for the leadership of your group, the
8 people who vote for what your group does, how it
9 operates and so forth, are the owners and
10 trainers. They can also be drivers. I mean, you
11 know, they can be grooms. They can be exercise
12 walkers, or whatever, but they have to be an
13 owner or a trainer. And your bylaws have to
14 reflect that. Because if you allow other people
15 to vote, other than those called for by the Code,
16 that means that your majority horsemen's group
17 that we've recognized would be going off and
18 doing something perhaps counter to what the
19 owners and trainers might decide.

20 And our recognition is of the horsemens group
21 made up of owners and trainers. They have the
22 power within your organization. You have to
23 reflect that, I suggest, in your bylaws.

24 DR. DUNAVANT: We can do that.

25 COMMISSIONER MILLER: And then only those

1 members have the right to vote. You have
2 membership in your group when you can extend your
3 membership for nonvoting members to drivers who
4 are not owners or trainers, I suggest. You
5 extend your membership to anyone I guess that you
6 wanted to that's interested in standardbred
7 horsing.

8 But the power to vote in your organization
9 has to be restricted. Am I not right, Josh?

10 MR. LAWS: I believe that's correct.

11 COMMISSIONER MILLER: To those two
12 categories. So I don't think your bylaws do not
13 express--

14 DR. DUNAVANT: They precede this new law.

15 COMMISSIONER MILLER: But we're here today to
16 make a determination about whether this group
17 should be the recognized majority horsemen group
18 of standardbred horses in Virginia. And I would
19 suggest the best we can do today would be to
20 recognize that you've been recognized in the past
21 and comported with all responsibilities in the
22 past as a recognized majority horsemen's group
23 for standardbred horses in Virginia.

24 And then we can approve you today, I assume
25 we can recognize you today with the caveat that

1 the organization must come forward with
2 appropriate bylaws that reflect the authority you
3 have under the present code.

4 Would that be, I mean you can come up with a
5 motion,

6 MR. LAWS: I can, and I'll try to make it
7 appropriate.

8 COMMISSIONER MILLER: But, if we were to
9 approve it without doing that, we would be
10 approving an organization that might be --
11 statute, and we wouldn't be exercising our
12 responsibility the legislature has given us that
13 responsibility and oversight. And that's why I
14 say we have to be extraordinarily diligent.

15 DR. DUNAVANT: I will see that that is done.
16 I may need to call on you to help me with the
17 language.

18 COMMISSIONER MILLER: I stopped practicing
19 law in 1996. So that's caliber of lawyer you
20 would get. That's prima facie.

21 MR. LAWS: That's free legal advice, it's
22 worth every penny.

23 COMMISSIONER MILLER: It's prima facie.

24 DR. DUNAVANT: We no longer have an attorney
25 representing us. You know, we had--

1 COMMISSIONER MILLER: Well, with the amount
2 of money that's involved here, and we got to
3 remind everybody, again, this is all public
4 money. We talk about pari-mutuel wage in
5 Virginia, when we talk about those percentages
6 that are paid out of that to the various places,
7 that's public money. The same as if it was
8 collected at the grocery store on gross receipts,
9 or it was collected from me on my income tax,
10 that's public money. And we have the
11 responsibility to see that that money is
12 appropriately applied to whatever purpose the
13 legislature named appropriate.

14 And, so, I would suggest that you really need
15 to put in your budget. You need to hire a lawyer.
16 Josh can give you some guidance, you know, about
17 how to go about --

18 MR. PETRAMALO: May I speak?

19 CHAIRMAN REYNOLDS: Yes.

20 MR. PETRAMALO: As a lawyer and executive
21 director, it's payback time. I spent my entire
22 youth in high school at the harness tracks in
23 western New York. I think it's only fair that in
24 recognition of the great fun I had that I now
25 volunteer my services to assist my harness track

1 friends.

2 DR. DUNAVANT: Good. Well, I'm glad to hear.

3 COMMISSIONER MILLER: That's my only concern.

4 MR. PETRAMALO: Charlie and I can work out
5 something.

6 COMMISSIONER MILLER: I don't like to
7 nitpick, because it's your honest and genuine
8 effort to support your organization, thinks it's
9 necessary. But we have to be extraordinarily
10 diligent and I think you would agree.

11 MR. PETRAMALO: Yes.

12 COMMISSIONER MILLER: So I appreciate that,
13 and I'm sure the Commission appreciates that.

14 DR. DUNAVANT: And I appreciate it.

15 COMMISSIONER MILLER: Okay. Thank you.

16 COMMISSIONER DAWSON: Commissioner--

17 CHAIRMAN REYNOLDS: Yes.

18 COMMISSIONER DAWSON: I just have an
19 additional comment to make about that. In light
20 of Commissioner Miller has brought up, the bylaws
21 for the harness horsemen also state that they
22 represent the breeders. The breeders.

23 DR. DUNAVANT: Yes, ma'am.

24 COMMISSIONER DAWSON: So that the corrections
25 or the amendments to the bylaws should include

1 the fact that, you know, breeders and drivers may
2 become members of your organization; they are not
3 eligible to vote for the board or whatever
4 votes--

5 DR. DUNAVANT: I understand.

6 COMMISSIONER DAWSON: I just had one other
7 point and that was to Mr. Hannum's cover letter.
8 It mentions, and I'm assuming that this is a
9 typo. There's a paragraph on the second page that
10 says, as you know there's a dispute between the
11 VHBPA board about how the purse money should be
12 allocated. It think it should be read VHHA.

13 DR. DUNAVANT: Yes, ma'am.

14 COMMISSIONER DAWSON: So, just for the
15 record.

16 CHAIRMAN REYNOLDS: And to follow-up on that,
17 I was very concerned that there wasn't split
18 within the group. And it looked like y'all were
19 headed down two different roads, and what was
20 going to be in front of us is two groups wanting
21 to be recognized as majority horsemen's group.

22 But what I'm reading and what I've been told
23 it sounds like you all have gotten back
24 together. You're going to settle your
25 differences through this election of a whole new

1 board. And you all are going to work as one
2 under VHHA moving forward.

3 DR. DUNAVANT: That's correct.

4 CHAIRMAN REYNOLDS: Okay.

5 MR. LAWS: Mr. Chairman, could I ask a couple
6 of questions?

7 CHAIRMAN REYNOLDS: Yes, sir.

8 MR. LAWS: Doctor, if you can't hear me, let
9 me know, I'll speak louder.

10 DR. DUNAVANT: Yeah. I'm a little--my hearing
11 aids, I forgot.

12 MR. LAWS: How many owners and trainers are
13 currently members of your nine person board?

14 DR. DUNAVANT: Owners and trainers currently,
15 you know, we're like the thoroughbreds. Our
16 people joined in September. But our bylaws say
17 that that membership only lasts until the end of
18 December. We've got, and changing our bylaws,
19 that was brought up at our last meeting. I mean
20 when you pay \$30 you should get more than three
21 month's membership. And we assume that, you
22 know, it's been a long time since we read the
23 bylaws and follow them to the letter.

24 But we had 200 members last year that raced
25 at Colonial. How many of those were owners and

1 trainers--

2 MR. LAWS: Or drivers.

3 DR. DUNAVANT: Probably the majority. There
4 was probably 10 or 12 what we call hitch drivers
5 that weren't training and didn't own what they
6 were driving and joined our association. But the
7 vast majority of the members that were at
8 Colonial owned horses or trained horses.

9 But I can't give you an exact number.

10 MR. LAWS: So, in other words, currently
11 today out of the 200 or so members of our
12 organization the majority are owners or trainers;
13 is that correct?

14 DR. DUNAVANT: Yes.

15 MR. LAWS: And you have a nine member board;
16 is that correct?

17 DR. DUNAVANT: That's correct.

18 MR. LAWS: How many of those nine members are
19 owners or trainers? Do you know?

20 DR. DUNAVANT: Every one of them.

21 MR. LAWS: Every one of them. So I,
22 Commissioner Miller and other Commissioners,
23 unless you have some reason to doubt
24 Dr. Dunavant's credibility or testimony, the
25 evidence that has been presented today shows

1 their organization is made of a majority of
2 owners and trainers as is their board.

3 So if the Commission is satisfied that they
4 provided evidence that they're the majority, they
5 have the majority membership of the owners and
6 trainers in the meetings where the race is at,
7 are within your jurisdiction, then you can vote
8 today to recognize them. You can also ask them to
9 review their bylaws.

10 CHAIRMAN REYNOLDS: Mr. Hettel, were there
11 any other applications to be recognized as the
12 majority horsemen's group?

13 MR. HETTEL: No, there were not. Sole
14 application.

15 MR. LAWS: Mr. Hettel, did your staff review
16 their application; is that correct?

17 MR. HETTEL: Yes, we did.

18 MR. LAWS: And did they refuse to provide any
19 information that the Racing Commission requested?

20 MR. HETTEL: They did not.

21 MR. LAWS: At this point, Commissioner, I
22 think it would be appropriate to make a motion to
23 enter as Exhibit 2, the notice for the hearing
24 today.

25 CHAIRMAN REYNOLDS: Okay. So moved.

1 COMMISSIONER VAN CLIEF: Second.

2 CHAIRMAN REYNOLDS: All those in favor say
3 aye. Against?

4 Motion carries unanimously.

5 MR. LAWS: I have nothing further.

6 CHAIRMAN REYNOLDS: Are there any--before we
7 call for questions, I'm going to ask you to come
8 up with a motion.

9 MR. LAWS: Sure.

10 CHAIRMAN REYNOLDS: But, but not yet --
11 Commissioners' comments or questions.

12 Any other comments or questions? Okay.
13 Mr. Laws, would you please put a motion together
14 similar to the one we did before?

15 MR. LAWS: Sure. And this is one last
16 housekeeping matter. Dr. Dunavant, did you have
17 any questions for Mr. Hettel?

18 DR. DUNAVANT: No. I'll be in touch with
19 him. And Mr. Petramalo graciously said he will
20 work with us. And we will get our bylaws changed
21 and revised. And work on getting our election
22 together. And, hopefully, we can have a good meet
23 at Oak Ridge. Look forward to our Commissioners
24 coming and watching harness racing.

25 DR. DUNAVANT.

1 COMMISSIONER DAWSON: Dr. Dunavant, can you
2 just refresh my memory when that Oak Ridge race
3 starts?

4 DR. DUNAVANT: The dates? Yes, ma'am. We're
5 going to race on the 11th and 12th of October,
6 and the 17th and 18th. We will open the racetrack
7 on the Monday preceding the 11th. And we'll have
8 qualifying races on the Wednesday before the
9 races on Saturday.

10 We will have our two and three-year-old stake
11 elimination that are required by our bylaws or
12 our rules for the stakes on the first Saturday
13 and Sunday. We'll have two year old races on one
14 day, and three year olds the next. And then we'll
15 have all eight of finals on Sunday, the last day.

16 COMMISSIONER DAWSON: Thank you.

17 MR. LAWS: Anything else, Commissioner
18 Miller?

19 COMMISSIONER MILLER: I do not.

20 CHAIRMAN REYNOLDS: Okay. Entertain a motion?

21 MR. LAWS: Does a Commissioner to wish to
22 make the following motion on the Code of Virginia
23 Section 59.1-364, 59.1-365, 59.1-369, and
24 59.1-392.1; the Commission finds that Virginia
25 Harness Owners Association has presented

1 sufficient evidence to show that it represents
2 the majority of owners and trainers within the
3 Commission's jurisdiction, and, therefore, should
4 be recognized as the majority horsemen's for this
5 league.

6 COMMISSIONER DAWSON: Just one--organization,
7 is Virginia Harness Horsemen Association? I
8 think you said --

9 MR. LAWS: Oh, I'm sorry.

10 COMMISSIONER MILLER: Are we going to put the
11 three year--

12 CHAIRMAN REYNOLDS: And I want to put the
13 sunset, the three year sunset in there as well.

14 MR. LAWS: Sure. And the record will reflect
15 the recognition expires three years from today's
16 date.

17 CHAIRMAN REYNOLDS: Okay. I'll so move. Do I
18 hear a second?

19 COMMISSIONER DAWSON: Second.

20 CHAIRMAN REYNOLDS: All in favor say aye.

21 NOTE: All indicated by voting aye.

22 CHAIRMAN REYNOLDS: All those opposed?

23 Hearing none, the motion carries unanimously
24 Thank you, Dr. Dunovant.

25 DR. DUNAVANT: Thank you, very much.

1 CHAIRMAN REYNOLDS: Look forward to working
2 with you.

3 Alright. Next I'd like to the Commission to
4 recognize the Nonprofit Industry Stakeholder
5 Application. And that is Virginia Equine
6 Alliance.

7 And I'll just ask Mr. Hettel now. Is this the
8 only application we have for the nonprofit
9 industry stakeholder?

10 MR. HETTEL: Yes, sir, it is.

11 CHAIRMAN REYNOLDS: Okay. Mr. Hannum.

12 MR. LAWS: Mr. Hannum, could you raise your
13 right hand?

14 Do you swear or affirm that the testimony and
15 the evidence you present today will be the truth
16 and nothing but the truth?

17 MR. HANNUM: Yes.

18 MR. LAWS: Okay.

19 MR. HANNUM: Thank you, Commissioners. I am
20 Jeb Hannum, executive director of the Virginia
21 Equine Alliance. I'm here to represent the
22 Virginia Gold Cup, VHHA, VHBPA, and the VTA. On
23 behalf of those organizations, Dr. William,
24 Allison and Dr. Al Griffin are representing the
25 Virginia Gold Cup. Dr. Charles Dunavant is

1 representing the Harness Association. Frank
2 Petramalo is here representing David Ross of the
3 thoroughbred horsemen's association. And Debbie
4 Easter is the president of Equine Alliance, and
5 she is here representing Wade Chatfield Taylor.

6 Thank you for the opportunity the speak on
7 behalf of the alliance. Today we are seeking
8 formal recognition as the nonprofit industry
9 stakeholder group.

10 Today's hearing is a culmination of a great
11 deal of work since Colonial Downs relinquished
12 its license in October of 2014. The changes to
13 the Racing Act, ongoing communications with
14 stakeholders; negotiations with potential race
15 sites, and so many other matters have been
16 carried out by a group of dedicated horsemen or
17 breeders all committed to the advancement of
18 racing in Virginia.

19 Support of the Department of Agriculture and
20 the Racing Commission has been instrumental in
21 putting us in a position to carry out racing this
22 year and going forward. And we thank you for your
23 active involvement.

24 Nonetheless, the task before the Equine
25 Alliance and all of us in enormous. Bringing

1 racing back to Virginia will not happen over
2 night nor will it be easy. We will all need to
3 work together to make this happen.

4 I've attached a docket that we can review.
5 And also a budget which is the framework for the
6 next six months of this year. As this is our
7 first budget to the Commission there will
8 inevitably be changes, and we expect to refine
9 the budget as we go forward.

10 Please note that we are poised to sign a
11 contract with Oak Ridge and the terms for a
12 potential Morven Park lease are also included in
13 this budget. I'd like to review the budget. If
14 you would like me to, address any questions and
15 respectfully request that we review the Oak Ridge
16 and Morven Park terms so we can move forward if
17 appropriate for those two racing sites. So, thank
18 you.

19 If you'd like I can take any questions, and
20 we'll go through the budget. I think provides a
21 framework for where we are now and going
22 forward. Or I can answer any general questions
23 you have.

24 COMMISSIONER MILLER: Before you get into the
25 budget. The general provision relating to your

1 organization under the bylaws is of some concern.
2 If you look under Article 3, members.

3 MR. HANNUM: What page are you on,
4 Commissioner?

5 COMMISSIONER MILLER: It's page 9. Article
6 3, members. Number 3, withdrawal.

7 MR. HANNUM: Yes.

8 COMMISSIONER MILLER: That withdrawal
9 provision I think needs to be discussed a little
10 bit, so we can get some clarification. And,
11 Mr. Laws, if you join in as I ask this, let me
12 know if I'm off base on this.

13 The Code, this is your organization is a
14 creature of statute and exists only because the
15 legislature passed this statute which determines
16 nonprofit stakeholder group, et cetera, et
17 cetera, etc.

18 And the Code explicitly says that the
19 organization has to have as basis for its
20 membership a track operator; as I recall off the
21 top of my head.

22 MR. LAWS: I have it. Do you want me to read
23 it?

24 COMMISSIONER MILLER: Yeah.

25 MR. LAWS: Okay. To include the recognized

1 majority horsemen's group and breeders
2 organization and a licensed track operator.

3 COMMISSIONER MILLER: Right. Those three
4 things are essential. Those three members are
5 essential categories of membership that you must
6 have for your organization to comply with the
7 statutory requirement for the make-up of this
8 nonprofit stakeholder organization.

9 What causes me some concern is your
10 withdrawal provision. And I'll just say for that,
11 as I said before, we have to deal with
12 hypotheticals. And we have to deal with things
13 that we might think are unreasonable, because
14 unreasonable things happen all the time in life.

15 So if the breeder's organization that's
16 currently a member of your stakeholder
17 organization, VTA, Virginia Thoroughbred
18 Association, if they send you a notice of
19 withdrawal, that withdrawal is effective
20 according to your bylaws upon them sending you a
21 notice.

22 MR. HANNUM: Yep. That--

23 COMMISSIONER MILLER: They would be gone. So
24 your organization wouldn't be statutorily
25 appropriate at that time. Do you follow me?

1 MR. HANNUM: Yes.

2 COMMISSIONER MILLER: What I'm trying to get
3 at is I think your organization needs to revisit
4 these bylaws to have some kind of lead time, some
5 kind of time frame, so that if one of your
6 essential ingredients withdraws, that you have
7 another breeder group--

8 MR. HANNUM: Yeah.

9 COMMISSIONER MILLER: Or another track
10 operator. For instance, Gold Cup is a member
11 now, and if they should send you notice that they
12 want out, they would be out once you get the
13 notice. So you need to right away have another
14 track operator to step in their place
15 immediately.

16 MR. HANNUM: Yes.

17 COMMISSIONER MILLER: In order to be
18 statutorily compliant. Am I not correct, Josh?

19 MR. LAWS: Yes, you're correct.

20 COMMISSIONER MILLER: So what I'm suggesting,
21 hypothetical, et cetera, et cetera, that you have
22 your counsel look at your bylaws. And some way
23 you construct this right to withdraw to allow a
24 time frame for some intellectual review by your
25 counsel and Attorney General and the Racing

1 Commission, so that we make sure that on that
2 effective date the Gold Cup gets out that the
3 other track operator immediately jumps in.

4 MR. HANNUM: Yep, yes.

5 COMMISSIONER MILLER: I mean I'm not saying
6 that would happen. I'm just using you as an
7 example.

8 MR. HANNUM: Yeah. Thank you, for pointing
9 that out. And I agree that needs to be changed,
10 and we will take care of that. Thank you.

11 COMMISSIONER MILLER: Alright. Thank you.

12 COMMISSIONER VAN CLIEF: Actually, again, not
13 to nitpick, but I had a similar thought from a
14 slightly different direction. I think the intent
15 of the legislation was to create a mechanism for
16 there to be an allied group, which could become a
17 recipient for pari-mutuel revenues. And as it
18 seems it's been typical of some our legislation
19 in the past, it was written to address a specific
20 situation. We expected that there would be a
21 pari-mutuel licensee breeders association and
22 horsemen's association.

23 Circumstances could change whether or not
24 someone wanted to be a member. And let's say we
25 had we ourselves without the pari-mutuel licensee

1 at our track operator through no particular fault
2 of the association.

3 So I wonder if you shouldn't also be thinking
4 about taking a look at your legislation. Perhaps
5 asking that that be tweaked so that you don't
6 loose the integrity of your organization just
7 because a certain category of player disappears
8 from the scene for a period of time.

9 MR. HANNUM: Yeah, yeah, very good point.

10 CHAIRMAN REYNOLDS: Any other general
11 questions before we visit the budget?

12 COMMISSIONER DAWSON: Mr. Chairman, in light
13 of what was discussed previously, do we need to
14 make any kind of formal request? I know
15 Commissioner Miller has agreed that needs to be
16 addressed. Does the Commission need to speak and
17 say that we would like VEA to correct those --

18 CHAIRMAN REYNOLDS: Mr. Laws, do we need to
19 take any formal action in--

20 MR. LAWS: I don't think it needs to be
21 formalized. I think what he said so far is the
22 instructions aren't clear. And I think Mr. Hannum
23 understands that.

24 MR. HANNUM: Absolutely.

25 MR. LAWS: The instructions, necessary to

1 comply.

2 CHAIRMAN REYNOLDS: Commissioner Van Clief
3 and I are going to be meeting with this group
4 shortly to go over the finer details in a lot of
5 this, as well as the budget. Just go over
6 everything with a fine-tooth comb to make sure is
7 compliant and just get everything tightened down.

8 MR. HANNUM: Right.

9 MR. LAWS: Mr. Chairman, can I take this,
10 housekeeping matters before we vote?

11 CHAIRMAN REYNOLDS: Yes.

12 MR. LAWS: At this time I would advise the
13 Commission to mark as Exhibit 2, and admit it
14 into the record, the notice for today's hearing.

15 CHAIRMAN REYNOLDS: So move.

16 COMMISSIONER DAWSON: Second.

17 CHAIRMAN REYNOLDS: All those in favor say
18 aye. All those opposed?

19 Hearing none, the motion carries unanimously.

20 MR. LAWS: And, Mr. Hettel, same question I
21 asked before. You and your staff reviewed the
22 application of the VEA; is that correct?

23 MR. HETTEL: That's correct.

24 MR. LAWS: Did the VEA refuse to provide any
25 information that the VRC requested?

1 MR. HETTEL: They did not.

2 MR. LAWS: No further questions.

3 CHAIRMAN REYNOLDS: --whether we're ready to
4 call questions yet, but I believe people have
5 some questions on the budget.

6 MR. HANNUM: Mr. Chairman, would you like me
7 to go through it line-by-line quickly, and
8 address any question as we get to them? Just to
9 put into some context.

10 CHAIRMAN REYNOLDS: That works.

11 MR. HANNUM: Yeah, I mean, I don't want, this
12 won't take two hours but just make some general
13 comments. The budget, first of all, is in on page
14 28 of the packet.

15 CHAIRMAN REYNOLDS: Can probably spend a
16 little more time on the larger items than the
17 ones that jump out at you.

18 MR. HANNUM: Yeah, sure, absolutely.

19 CHAIRMAN REYNOLDS: We can ask questions as
20 they arise.

21 MR. HANNUM: Okay. So, first of all, what
22 we're going to focus on is the estimate for 2015.
23 So this is for the six months going forward from
24 today to the end of the year. The assumptions for
25 cost are based on six days of racing. And

1 there's some notes on the right-hand side of the
2 budget. But it's six days of racing.

3 At the very top, gross proceeds from ADW, the
4 900,000 plus number, that's an estimate obviously
5 from the three licensed ADW companies.

6 Importantly that represents five-sixths of the
7 half of the year. So that's because we won't
8 receive the July money until August.

9 So we're, going to have not quite a
10 six-months of revenue, but we will potentially
11 have, obviously, six months of expenses. But
12 that will obviously even itself out over the
13 course of the 12 months. So I just wanted to
14 point that out.

15 New Kent County and other distributions,
16 those are statutory distributions, which are
17 noted.

18 Jumping down on the, again on the far left
19 under expenses, race day expenses. The line that
20 says stores, officials, that probably should be
21 more accurately listed as race day personnel,
22 general expenses.

23 We are fortunate in that we have the Gold Cup
24 model to look at, which provides us with,
25 literally down to the last penny on how much it

1 actually costs to conduct racing. And with them
2 conducting pari-mutuel racing for the last two
3 years we can, we've been able to add in the extra
4 expenses that are associated with pari-mutuel
5 racing.

6 So, really, what it roughly comes down to is
7 it's about \$50,000 per day for one day of racing
8 when you factor in everything; the stalls, the
9 security fences; the officials. The list goes on
10 and on. We can provide a detailed summary of
11 those expenses if you'd like. So we have that
12 Gold Cup model as a guide for us. So that's the
13 big number that jumps out right there.

14 The host sites at \$150,000, we haven't signed
15 any contracts yet, but we have a signed contract
16 back from the Holland family. Mrs. Holland is
17 here today from Oak Ridge. So pending approval of
18 this document, you know, we're prepared to sign
19 an Oak Ridge contract and get moving with
20 preparations for that day. So that would include,
21 it's \$80,000, for the four days. So \$20,000 per
22 day.

23 Morven Park, we're moving forward, and we're
24 cautiously optimistic that that will work out.
25 That would be, for one day, for this year,

1 \$50,000. And then the lease for Morven Park
2 would be \$250,000 per year for up to 14 days of
3 racing going forward.

4 Now, we're, if things work out at Morven
5 Park, it's unlikely we're going to be able to
6 have 14 days next year because they have a number
7 of events already scheduled. But this is one of
8 the things we're working out with Morven Park as
9 to how many days, and how we'll fit into their
10 calendar. But ultimately if Morven Park works
11 out, we'll be up to 14 days. And that's \$250,000
12 per year.

13 So the \$150,000 represents Oak Ridge. We had
14 one day at Morven Park. And then our friends at
15 the Virginia Gold Cup are trying to work out an
16 additional day with Great Meadow to have an extra
17 day of racing there this summer, early fall,
18 which would be in addition to the races they have
19 on International Gold Cup Day.

20 So moving down to administrative expenses.
21 These are, some of these are standard; the
22 executive director position is myself as the only
23 paid staff member of the Equine Alliance. We
24 anticipate bringing in consultants to help us on
25 race day. Importantly we're going to need a turf

1 consultant to help bring Morven Park and other
2 facilities up to the proper quality that we'll
3 need. And also to bring Oak Ridge back. There
4 hasn't been any racing at Oak Ridge for about 10
5 years. So will need some maintenance required
6 there. And we have a couple of turf consultants
7 under consideration.

8 Government affairs representation represents
9 the monies that we spent this year. The previous
10 general assembly with changes to the Racing Act.
11 And then represent additional funds. So we're
12 properly represented before the general assembly.

13 I'm going to skip over some of these other
14 items; they're more sort of miscellaneous. I'll
15 just make a note on office rent. We're going to
16 be able to share office space with the, with
17 Debbie's group, the breeders, and the
18 thoroughbred horsemen, which, obviously, would be
19 very helpful. So we're really, the board has
20 been adamant that we look for savings wherever
21 possible so we can direct as much money back into
22 racing.

23 Under management expenses. This bucket
24 represents the back office support that the
25 Virginia Equine Alliance will need to hit the

1 ground running as we go forward. So we don't
2 want to have a lot of staff. And we don't need a
3 full-time secretary; we don't need a full-time
4 accountant, etc. But we do need this support so
5 we can be focused on conducting our business of
6 promoting and advancing racing.

7 So these numbers reflect the cost of you
8 would be incurring to hire a firm to support us
9 with financial management, secretarial support,
10 developing a database, updates to our website,
11 and events, etc. The last item, the \$5,000 is the
12 audit from the Racing Commission that's required
13 now under the statute.

14 The marketing and promotion section of the
15 budget is an important area of the statute. Very
16 clearly states that we're to advance and promote
17 racing. This is an area that we probably as an
18 organization haven't spent as much time focused
19 on as we have in other areas. This was, we've
20 been focused on different priorities. But we feel
21 very strongly that we need to have as many social
22 media tools as we can that are appropriate. And
23 we look to have a PR firm or a communications
24 consultant to help promote races, and to develop
25 a brand around what we're doing to get people

1 excited about what's happening, and to understand
2 that racing in Virginia is coming back.

3 The statute under 'other' does require us to
4 make a contribution to retirement programs.
5 Doesn't state a specific amount. So that's the
6 monies that we've put in for the remainder of
7 this year.

8 The very bottom of the budget on the far
9 left-hand side, let me make a couple of notes
10 about this. And let me start at the bottom. HBPA
11 loan proceeds. That \$300,000 represents the loan
12 that VHBPA is going to make to the alliance to
13 get our operation underway. We've been operating
14 on a real shoestring budget. The initial
15 contributions that organization's made to the
16 Alliance are running out. And we have a lease to
17 sign with our friends at Oak Ridge. And we have
18 monies that we're going to need to pay out very
19 quickly. One, we're going to be receiving
20 revenues from the ADW companies. So this will be
21 a promissory note which we'll pay back to the
22 HBPA.

23 Moving upward, capital improvements to Morven
24 Park and re-engineering costs to Morven Park.
25 These are two big items that I'll comment on.

1 Capital improvements to Morven Park will continue
2 to make a significant investment to bring that
3 facility back up to standards. It's been a good
4 10, 12 years since they've had racing there.

5 We're going to need to have a new fence.
6 We're going to rebuild the storage stand. And
7 need to build all of these things will require at
8 least \$75,000, if not more, investment this year.
9 And, so, we're going to have to move very quickly
10 on that if we have approval.

11 The re-engineering cost is a unique item that
12 reflects the change in the direction of Morven
13 Park has taken. They have spent, as an
14 organization in the last two-and-a-half years,
15 developed a comprehensive plan to develop an
16 equestrian horse park at Morven Park. Which
17 literally meant that the old race course was
18 going to be bulldozed and turned into dressage,
19 side rings and show jumping rings. And when we
20 approached them a few months ago and asked them
21 to stop they literally were 30 days away from
22 that process.

23 And, so, in order to change all their plans
24 and to completely re-engineer everything that
25 they've done, it's about \$250,000, which

1 represents approximately 10 percent of their
2 overall budget for this project.

3 So it's been an enormous undertaking that
4 we've been involved with with Morven Park over
5 the past couple of months. And we appreciate
6 Morven Park taking this on board and literally
7 changing almost three years of work to
8 accommodate racing.

9 Now, it's not finalized yet. They're going to
10 vote on July 13th whether racing will be
11 approved. But we've had to factor that in based
12 on the cost that we incurred for them to change
13 all their plans.

14 So that's a quick highlight of the budget.
15 Any comment on anything in more detail?

16 CHAIRMAN REYNOLDS: Commissioners, any
17 questions?

18 COMMISSIONER STEGER: One question. Is the
19 group that will make the decision on Morven Park
20 the board of the Westmoreland Davis Foundation?

21 MR. HANNUM: That is correct. So they, their
22 executive committee met last, what's today,
23 Wednesday. They met last, I think last Wednesday.
24 The executive committee voted to, they voted to
25 move the proposal forward to the full board.

1 So on July 13th, the full board will vote as
2 to whether or not to approve racing with
3 pari-mutuel wagering at the site. And we have the
4 general terms agreed. The re-engineering costs,
5 \$250,000 per year, 14 days of racing.

6 The Alliance will pay for the capital
7 improvements and we're tweaking the number of
8 days we're going to get next year. Water,
9 parking, you know, access, those sort of things,
10 but the general terms have been agreed by both
11 sides.

12 And we certainly appreciate any help that the
13 Commissioners can provide in moving this forward.
14 And it's not a slam dunk. There're some members
15 of the board that are more excited about dressage
16 and show jumping than they are about racing, and
17 that's fine. But we view this as the opportunity
18 to develop a facility for all equestrian
19 pursuits. And, certainly, they all compliment
20 each other. And if you have any friends who are
21 willing to make a phone call, we would appreciate
22 that very much.

23 CHAIRMAN REYNOLDS: Commissioner Miller, do
24 you have any?

25 COMMISSIONER MILLER: The initial

1 contributions, where did they, who made initial
2 contributions?

3 MR. HANNUM: Yes, sir. So that the four
4 member groups each contributed \$10,000 to help
5 get, to get the Alliance going. So the,
6 Dr. Dunavant's group, the Virginia Gold Cup, the
7 VTA, the breeders, and HPBA. So we had \$40,000 in
8 our bank account to help us with miscellaneous
9 costs.

10 COMMISSIONER MILLER: These are
11 contributions, not loans; in other words, an
12 investment they've made?

13 MR. HANNUM: That's correct.

14 COMMISSIONER MILLER: They don't expect to be
15 paid?

16 MR. HANNUM: That is correct.

17 COMMISSIONER MILLER: Um.

18 CHAIRMAN REYNOLDS: Yes, sir, please.

19 COMMISSIONER MILLER: You talk about the
20 improvements at Morven Park. Do you have any, I
21 don't see anything in the budget for any
22 expenditures at Oak Ridge. Are there any
23 upgrades or.

24 MR. HANNUM: Those would be, that would be
25 factored in at the top under stewards and

1 officials; the \$300,000 line. The \$50,000 per
2 race day takes into account the certain amount of
3 maintenance. And we're fortunate at Oak Ridge,
4 there really isn't a whole lot that needs to be
5 done. The facility's in great shape. The track
6 needs to be worked on.

7 COMMISSIONER MILLER: Under administration,
8 administrative expenses. I realize that going to
9 the legislature this past session was time
10 consuming, and required probably extraordinary
11 expenditures or what we call government affairs
12 representation in order get the statute changed,
13 get in place the type of racing we're going to
14 have in Virginia; establishment of the VEA as a
15 entity that carry on pari-mutuel racing in
16 Virginia.

17 My question is, I know this, but the budget
18 that you attached for representation purposes
19 only. It's, you will have an actual budget as
20 you go along. I mean you'll have an actual
21 expenditure, I'm sorry, as you go along.

22 MR. HANNUM: Yes, sir.

23 COMMISSIONER MILLER: It may or not reflect
24 what you put down here. But I would suggest to
25 you that it appeared to me that if you have the

1 VTA, that's an organization, that's a part of
2 your group, and you have the Gold Cup as a part
3 of your group, and that they take some initiative
4 themselves with the legislature I'm sure as they
5 had in the past and will in the future, I assume;
6 it just seems to me that the VEA itself probably
7 should not, although this is just my own personal
8 opinion, but you probably should not incur a
9 great deal of what we call lobbying expenses in
10 the future. You shouldn't unless there's some
11 kind of radical change in the statutory scheme
12 that you come up with, or unless you're exploring
13 new streams of revenue to, for instance,
14 (inaudible) pari-mutuel wagering or something
15 like that; some kind of an issue like that.

16 It seems to me that you should not have to
17 spend nearly as much in the future for lobbying
18 efforts as were expended during that past
19 session, general assembly.

20 MR. HANNUM: I would agree with you, and our
21 budget does drop off considerably from 2015. But
22 I do feel that, based on the uncertain
23 environment that we're in right now, I think that
24 we do want to have a ability to be
25 well-represented before the general assembly.

1 Alternative gaming is not something that's
2 immediately on our horizon. But that's a
3 discussion that may come up. So I think the VEA
4 would be well-suited just to be able to have that
5 representation. And our budget does, is half of
6 what it was in 2015.

7 COMMISSIONER MILLER: I don't disagree that
8 you can budget, you can plan, in your long-term
9 planning you can budget certain items as you go
10 along. What I'm trying to do is, again, remind,
11 you're dealing with public funds, and you're sort
12 of a quasi-public body as a stakeholder for the
13 organization.

14 And I would just caution you in the future
15 that I wouldn't keep a lobbyist on retainer, for
16 instance, that cost a lot of money. I have some
17 friends who are lobbyists. And sometimes to keep
18 a very good lobbyist on retainer is expensive.

19 But, as you approach the future and as you
20 have certain issues that may come up, you may
21 want to hire a lobbyist; it's prudent to budget
22 it for that day. At least from your annual
23 budget each year set aside a certain amount
24 toward possible future lobbying efforts. But I
25 would just hope that your group wouldn't be

1 inclined to hire a professional lobbyist on a
2 retainer or an ongoing recurring annual basis.
3 As a quasi-public body.

4 MR. HANNUM: Right.

5 COMMISSIONER MILLER: To go to the
6 legislature, it may be, for instance, if you saw
7 an opportunity to get a new form of wagering in
8 Virginia, I certainly encourage you to take
9 because we need all the revenue we can get. And,
10 to me, we crossed a long time ago about the
11 morality of wagering in Virginia.

12 So as long as every store in a stone's throw
13 distance from my house is offering the lottery,
14 scratch-off tickets, I'm inclined to say that you
15 go to the maximum efforts for pari-mutuel
16 wagering in Virginia.

17 And if you take that initiative, I encourage
18 to get the best lobbyist as possible. Spend as
19 much money as possible to get the legislation
20 passed. But I just don't think on a recurring
21 basis to show a lobbying effort on an annual
22 basis, you know. I would encourage you not to
23 have John Doe recognized by the general assembly;
24 would be oh, yeah, he's the VEA lobbyist.

25 MR. HANNUM: Okay.

1 COMMISSIONER MILLER: Like we don't want
2 someone, oh, he's the Virginia Racing Commission
3 lobbyist and so forth. See what I mean?

4 MR. HANNUM: Yes, sir.

5 COMMISSIONER MILLER: I would probably
6 encourage the Racing Commission to hire people to
7 go over there --some of the things I'd like see
8 done. That's another story.

9 The other thing is, the only other point I
10 would make about your budget--oh, I wanted to ask
11 about the communications consultant. That, you've
12 got the website, print, radio and media on the
13 one line, that's \$91,000 for 2016. Then you have
14 communications consultant, \$65,000.

15 I'm assuming what you're figuring is you're
16 going to spend so much money for propaganda,
17 advertising, so on and so forth. And you're just
18 factoring in, at least a certain percentage of
19 that is going to be for someone to run that kind
20 of operation. Is that--

21 MR. HANNUM: Yes, sir.

22 COMMISSIONER MILLER: That's how you came up
23 with this?

24 MR. HANNUM: And as I acknowledged, I mean
25 this is a section of the budget that we haven't

1 been able to think through as much as we have in
2 other areas. And the Commission's input as we
3 think about that.

4 COMMISSIONER MILLER: Also I was going to
5 suggest later on, but while I got you up here
6 explore this a little bit. I'm going to suggest,
7 and the Commission may or may not rule, but I'm
8 suggesting because of the fact that we've been
9 specifically called out by the general assembly
10 to oversee this to a greater extent the
11 expenditure, the allocation of these funds that
12 come from pari-mutuel wagering, millions, and
13 millions, and millions of dollars, I'm suggesting
14 that this Commission in the future not meet
15 helter-skelter. That we set up a regular
16 schedule, monthly meeting like we use to do when
17 I was on the Commission before. We had a
18 scheduled monthly meeting. Certain day of a
19 certain week, every month; like the third
20 Wednesday, of the third Wednesday of the month,
21 whatever. That we have regularly scheduled
22 meetings.

23 And it would be my hope that the stakeholder
24 organization would appear at each of those
25 meetings to give us a financial update at each

1 meeting--

2 MR. HANNUM: Sure.

3 COMMISSIONER MILLER: --about where you
4 stand. And it may be nothing significant, might
5 be very insignificant information. But everything
6 that way is kept current. Everyone knows exactly
7 where these public dollars go, how much is coming
8 in and how much is going out.

9 And I'm also going to suggest later on that
10 at least quarterly that you do a more detailed
11 revelation to the Racing Commission staff. So
12 they can do an analysis not just, you know, you
13 telling us what you're doing, you got this much
14 money in and you spent this much money. Take
15 that information at least quarterly every year,
16 and to the Racing Commission staff so that they
17 can do an analysis of how you're doing.

18 MR. HANNUM: Yep.

19 COMMISSIONER MILLER: Would you have any
20 problem with that?

21 MR. HANNUM: No. And I would like to do
22 that, absolutely.

23 COMMISSIONER MILLER: Okay. Now on the other
24 point regarding Morven Park. Is Morven Park in
25 Loudon County or is it in Leesburg? Is it in the

1 corporate zone of Leesburg or is it in Loudon
2 County?

3 MR. PETRAMALO: Loudon County.

4 COMMISSIONER MILLER: Okay.

5 MR. PETRAMALO: I take that back. We had some
6 discussions with them about water usage. And I
7 wasn't sure, they may be part of Leesburg. I'm
8 not certain.

9 COMMISSIONER MILLER: Well, in any event, it
10 just seems to me if you're going into Morven
11 Park, and you're going to commit money to try to
12 upgrade, try to redevelop as a racing site, I
13 hope that proper communication, contacts have
14 been made with the government body of Loudon
15 County and the governing body of Leesburg so that
16 you don't keep spending time and effort and money
17 to get everything in place. And the board has
18 met Morven Park, whatever it's called.

19 They all have, everything's packaged together
20 and there it is and everybody ready to sign. And
21 all of a sudden the board of supervisor's member
22 X says what about all that traffic, what about
23 all that, that housing division, those people
24 don't want--in other words, have you done that
25 type of work?

1 MR. PETRAMALO: The answer is not yet, but
2 that's an excellent point. Loudon County is my
3 home county, and there's probably no county in
4 the state that's more pickier when it comes to
5 permitting and things like that.

6 COMMISSIONER MILLER: Well, I didn't day
7 that, but I just wanted to point it out.

8 MR. PETRAMALO: Well, I can, I live there.

9 COMMISSIONER MILLER: You know, but that's--

10 MR. PETRAMALO: Yes.

11 COMMISSIONER MILLER: I just read the
12 Washington Post.

13 MR. PETRAMALO: Yes.

14 COMMISSIONER MILLER: A recurring thing in
15 Loudon County.

16 So I suggest--

17 MR. PETRAMALO: We'll do that.

18 COMMISSIONER MILLER: Before you spend a
19 whole lot of time and money and put that perfect
20 package together, that governing body Loudon
21 County and the town of Leesburg can be on board.

22 MR. HANNUM: Yes. Thank you.

23 COMMISSIONER MILLER: Also my next question.
24 What about if the board of Morven comes back and
25 says no go? What's the plan B for thoroughbred

1 racing; do you have one right now?

2 MR. HANNUM: Can I talk about that in the
3 September Commission meeting?

4 COMMISSIONER MILLER: Yes. Okay.

5 MR. HETTEL: Might be August. We're now
6 meeting monthly.

7 COMMISSIONER MILLER: But, anyway, I'm just
8 suggesting that, you know, if that happened, you
9 need to be thinking about some other, some other
10 alternative. I'm sure you are, you probably don't
11 want to publicly disclose. I wouldn't blame you.
12 I just want to be assured, as a Commission member,
13 that you do have some drop-back positions,
14 possibilities at least.

15 MR. HANNUM: Yes.

16 COMMISSIONER MILLER: Okay. Thank you.
17 That's all I have.

18 CHAIRMAN REYNOLDS: Commissioner Van Clief?

19 COMMISSIONER VAN CLIEF: I just have one top
20 line question. I'm going to direct it to Bernie
21 Hettel. So all this rests on our ADW revenue. Is
22 the \$55,000,000 annual projection that we're
23 looking at here today realistic at this point
24 given that you have six months to--

25 MR. HETTEL: Let me defer to Dave Lermond,

1 who's our financial guy.

2 MR. LAWS: Could you hold on one second for
3 me, Dave.

4 Do you swear or affirm that the testimony and
5 evidence that you present today will be the truth
6 and nothing but the truth?

7 MR. LERMOND: I do.

8 MR. LAWS: Thank you. Can you tell me your
9 name, for the record, please?

10 MR. LERMOND: David Lermond.

11 MR. LAWS: And who's your employer?

12 MR. LERMOND: Virginia Racing Commission.

13 MR. LAWS: What's your position with them?

14 MR. LERMOND: Deputy executive secretary
15 slash fiscal officer.

16 MR. LAWS: And how long have you been with
17 the Commission?

18 MR. LERMOND: Eleven years.

19 MR. LAWS: Okay. Thanks.

20 MR. LERMOND: Commissioner Van Clief, to
21 answer your question, the 55,000,000 is probably
22 a little conservative. And a little more
23 optimistic based on what we've seen the last
24 couple of months that could be as high as
25 approaching 70,000,000.

1 MR. HANNUM: That's, I mean that was the
2 approach we took for the first budget to be very
3 conservative.

4 COMMISSIONER VAN CLIEF: Good. Thank you.

5 MR. HANNUM: You're welcome.

6 CHAIRMAN REYNOLDS: That's it?

7 COMMISSIONER VAN CLIEF: That's all I have.

8 CHAIRMAN REYNOLDS: Commissioner Dawson.

9 COMMISSIONER DAWSON: I just have one. And
10 that is in looking at your cost estimates for
11 capital improvements at Morven Park. Is the plan
12 to have the track, the proposed thoroughbred
13 track, located where the steeple chase--

14 MR. HANNUM: Yes.

15 COMMISSIONER DAWSON: --race is.

16 MR. HANNUM: Well, where it was. So the, so
17 it's my understanding it's been a long time. But
18 the, there actually still some old timber fences
19 there on the course right now. But those fences
20 would obviously come down. And, so, that whole
21 oval would be the flat track. So there'd be no
22 steeple chase racing. And that's the space that
23 needs to be improved.

24 So if you were to go there this afternoon, it
25 looks wonderful, but it hasn't had any proper

1 turf maintenance. The rail, the inner rail, we
2 need to add a racing rail. And outside there
3 needs to be perimeter fence. The steward stand
4 needs to be fixed up. So there all these things
5 that have been 10 years in maintenance.

6 COMMISSIONER DAWSON: As I recall isn't there
7 some sort of slope to that land?

8 MR. HANNUM: There is. Yeah, I mean, it's
9 undulating. It's not a traditional flat track.
10 But of all the places we've seen I think it's the
11 closest to a flat track. But it's part of the
12 model that we're talking about now in terms of
13 having racing in the country. And certainly what
14 is done in other countries, so it's, the fact
15 that is an oval or there is some undulation, is
16 something that, you know, horsemen have been
17 racing there before and it's a well-respected
18 site. So we anticipate there'll be a lot of
19 support.

20 COMMISSIONER DAWSON: Are you building any
21 stands or seating?

22 MR. HANNUM: That's a good question. I think
23 initially we don't, right now we probably don't
24 have any plans for that. A little bit depends on
25 what sort of crowd in Morven Park we'd like to

1 have there. So they're going to handle the front
2 side, the tickets and the people.

3 And I think it's something we're going to
4 move into slowly and carefully. There's a nice
5 berm there where you can sit up and watch, and
6 see all the races. And it's a little bit about
7 what they going on in the day. If they have
8 another event, they might only want 1000 people
9 there. If it's the weekend, and there's nothing
10 else going on, maybe they'll want a few thousand
11 or more. And then it's hopefully something that
12 will grow in time. So I don't think there'll be
13 an stand short-term, but maybe long-term.

14 COMMISSIONER DAWSON: Okay.

15 CHAIRMAN REYNOLDS: Dr. Steger?

16 COMMISSIONER STEGER: No.

17 CHAIRMAN REYNOLDS: Okay. Any other
18 questions? Mr. Law, would you draft an
19 articulate motion?

20 MR. HANNUM: Mr. Chairman, can I ask one
21 question just to --

22 CHAIRMAN REYNOLDS: Yes.

23 MR. HANNUM: -- maybe we can wrap this up in
24 the motion.

25 As I said we have a signed contract back from

1 the Holland family for Okay Ridge. And I laid
2 out those terms. And we know what the cost will
3 be for Morven Park. Could I seek approval from
4 the Commission now as you look at this overall
5 budget for approval for those two sites? Pending
6 board approval for the final lease.

7 We have a, you've seen the Oak Ridge lease;
8 it's been included in your docket. But we need
9 to literally sign that as soon as we can to get
10 going with Oak Ridge. And we'd like to give
11 Morven Park confirmation that we have the general
12 terms approved by the Commission.

13 CHAIRMAN REYNOLDS: So what are you exactly
14 asking us to approve? The contract itself?

15 MR. HANNUM: Yes. The Oak Ridge contract is
16 included in your packet. And that's part of our
17 budget. So it's perhaps an extra step. But I just
18 want to be absolutely clear that it's the board
19 intention to sign the contract with Oak Ridge.
20 And, you know, pending the final details of
21 Morven Park, we would want to move forward with
22 that as well.

23 CHAIRMAN REYNOLDS: Commissioner Miller.

24 COMMISSIONER MILLER: Well, first of all we
25 need to get out of the way the --

1 CHAIRMAN REYNOLDS: Approval.

2 COMMISSIONER MILLER: The approval
3 recognition.

4 CHAIRMAN REYNOLDS: Right. Let's get that
5 done.

6 COMMISSIONER MILLER: Josh needs to frame a
7 motion--

8 CHAIRMAN REYNOLDS: Yes, let's get that out
9 of the way.

10 COMMISSIONER MILLER: Do we recognize the
11 stakeholder as the, tax exempt stakeholder?

12 CHAIRMAN REYNOLDS: Yes.

13 MR. LAWS: Pursuant to Code of Virginia,
14 Section 59.1-364, 59.1-369, and 59.1-392.1, the
15 Commission finds that the Virginia Equine
16 Alliance has presented sufficient evidence to
17 show it includes the recognized majority
18 horsemen's group, a breeder's organization, and a
19 licensed track operator; and will operate for the
20 purpose of promoting, sustaining, and advancing
21 horse races within the Commonwealth; therefore,
22 Virginia Racing Commission recognizes VEA as the
23 nonprofit industry stakeholder organization under
24 the Code of Virginia. And that recognition will
25 expire three years from today's date.

1 COMMISSIONER VAN CLIEF: Mr. Chairman, I'd be
2 happy to make that motion.

3 CHAIRMAN REYNOLDS: Do I hear a second?

4 COMMISSIONER DAWSON: Second.

5 CHAIRMAN REYNOLDS: All those in favor say
6 aye.

7 NOTE: All indicated by voting aye.

8 CHAIRMAN REYNOLDS: Those opposed?

9 Hearing none, the motion carries unanimously.
10 Thank you, very much. Now we can talk about.

11 MR. HANNUM: Okay. Now we, would like to
12 thank you, Commissioners.

13 So the Oak Ridge contract had been voted on
14 and approved by our board. The Holland family has
15 approved it, so we're ready to move forward with
16 that. So with your approval or blessing we would
17 like to move forward with that contract
18 immediately, so we can begin preparations for the
19 fall race days.

20 Then on a similar vain with Morven Park, I
21 just want to make sure you all understand where
22 we are with our discussion with Morven Park,
23 which are not quite far down the line. But,
24 again, if the Morven Park votes in July to
25 approve it, we would need to be in a position to

1 move forward very quickly to get that facility
2 ready.

3 CHAIRMAN REYNOLDS: Could that wait until an
4 August meeting?

5 MR. HANNUM: Yeah, I suppose it could.

6 CHAIRMAN REYNOLDS: I'm not saying--

7 COMMISSIONER VAN CLIEF: Can I suggest,
8 Mr. Chairman?

9 CHAIRMAN REYNOLDS: Yes.

10 COMMISSIONER VAN CLIEF: Perhaps it would
11 help, it sounds to me as if what you need is you
12 need the Commission, what you want, the
13 Commission's blessing on the contract which is
14 ready to go--

15 MR. HANNUM: Yes.

16 COMMISSIONER VAN CLIEF: --with Oak Ridge.
17 And perhaps it would suffice to get the agreement
18 in principle from the Commission to move in the
19 direction you're already headed with Morven Park;
20 is that what you want?

21 MR. HANNUM: Yes. Thank you.

22 MR. LAWS: And, Mr. Chairman, I wanted to
23 ask, is this on the agenda for today? This
24 issue.

25 MR. HANNUM: Well, it's a budget item, so,

1 you know, we're not, this is the first time we've
2 gone down this road. So the Oak Ridge costs are
3 articulated in the budget. So it would be my
4 understanding that, that the recognition that you
5 just granted would have been with the
6 understanding that your approval for the overall
7 budget as well.

8 CHAIRMAN REYNOLDS: We're not approving the
9 budget today. All we were approving is you, your
10 organization as a nonprofit. That your budget
11 happened to be a part of your package. So I'd
12 said we're not approving, necessarily approving
13 the budget.

14 The fact that it's not on the agenda, is
15 that--

16 MR. PETRAMALO: The contract was submitted to
17 the Racing Commission, was it not?

18 CHAIRMAN REYNOLDS: It's in the booklet.

19 MR. PETRAMALO: Where is that--

20 MR. HANNUM: I had asked the staff if it
21 could be included so we could move forward as
22 quickly as possible.

23 UNKNOWN SPEAKER: Where is the contract --

24 MR. LERMOND: Tab one.

25 CHAIRMAN REYNOLDS: I've seen it. It was also

1 sent as a separate e-mail outside of the packet
2 as well, wasn't it?

3 MR. HANNUM: It came as a separate document.

4 MR. LERMOND: Tab one.

5 MR. HANNUM: It's not in the packet, but it
6 would have been in the material provided to you.

7 MR. LAWS: It is not in my Tab one.

8 MR. LERMOND: No. Racing--

9 MR. HETTEL: Racing Commission.

10 MR. LAWS: Different Tab one; I understand.

11 MR. PETRAMALO: In summary the contract
12 commits the VEA to spend \$80,000 under the
13 contract. And what Mr. Hannum said is that
14 \$80,000 is one of the line items in the budget.

15 CHAIRMAN REYNOLDS: Mr. Hettel, do you want
16 to approve his contract?

17 MR. HETTEL: It seems to be in good order.
18 It's currently signed by the Holland family. And
19 we're awaiting approval of the VEA status to
20 continue on with the necessary second signature
21 to make this a completed document.

22 CHAIRMAN REYNOLDS: Okay. I'll entertain any
23 Commissioner comments. I am concerned and would
24 yield to my counsel as to whether this is
25 permissible or not. Because it's, you can argue

1 whether it was on the agenda or not. But I think
2 we're being asked to act on something other than
3 the approval of the nonprofit status of the VEA.

4 MR. HANNUM: Just, I mean, just so we're
5 clear, I mean I did request that it be included
6 in your file for today for this very purpose. So
7 if that was not communicated properly, you know,
8 properly, you know, I apologize, but I did make
9 that request.

10 COMMISSIONER VAN CLIEF: My question I guess,
11 Jeb, for you, as well as for Josh. Is there a
12 required for the Commission approve this
13 contract? If we move, we haven't; but we move to
14 have as the agenda has indicated to deal with the
15 issue of recognizing you as the nonprofit
16 stakeholder in the legislation. We've done that.
17 Is there anything further that we really need to
18 do? Don't you have the authority on your own to
19 enter into contracts with or without our --
20 delighted to be asked.

21 MR. HANNUM: Well, and that's the important
22 conversation for us just to have right now. And
23 the board has approved it. And, so, I think our
24 board would be comfortable moving forward with
25 full disclosure that we've had in this

1 conversation. But I think as we--

2 MR. PETRAMALO: But let's, as Commissioner
3 Miller will no doubt remind us we're stuck with
4 the statute. And the statute requires all
5 expenditures by VEA be approved by this
6 Commission.

7 So the contract is proposing to spend
8 \$80,000. So I think it does to that extent
9 require the Commission to approve.

10 COMMISSIONER VAN CLIEF: Can we address that
11 specific expenditure in this meeting irregardless
12 of its appearance on the agenda?

13 COMMISSIONER MILLER: Mr. Chairman.

14 CHAIRMAN REYNOLDS: Yes.

15 COMMISSIONER MILLER: Mr. Laws, since we
16 recognized them as the stakeholder group, and
17 this is not just for this instance, but for the
18 future, they're going to be entering into a
19 myriad of contracts I assume in the future. All
20 contracts that they will enter into would be
21 fine, but they're all going to be subject to our
22 approval.

23 I would suggest, I mean they can go ahead
24 enter into a contract with Oak Ridge or Morven
25 Park. But in it each instance all parties to the

1 contract understand that the contract is subject
2 to Virginia Racing Commission approval.

3 They enter into the contract. They pull all
4 the terms together, loose ends together. Then
5 they present that contract to our executive
6 secretary with the request that we approve it.
7 We will either approve or not approve it.

8 Now the time limits for these future
9 contracts for our approval that's going to be
10 something you're going to have to work into your
11 time frames as you enter into these contracts.

12 But I suggest they can enter into the, in my
13 opinion, they can go ahead as an approved entity
14 under the Code as we have just approved them
15 unanimously, they can enter into this contract
16 with parties A, B, C, and D.

17 But all parties understand that the contract
18 isn't effective immediately. It's not effective
19 until such time as this Commission approves it.
20 That would be not just this one, but for future
21 contracts.

22 Am I not correct?

23 MR. LAWS: You're correct.

24 CHAIRMAN REYNOLDS: Yeah. I'd rather see all
25 the signatures on the contract. It's done; no

1 more amendments when it comes to us for final
2 approval.

3 MR. HANNUM: Okay.

4 COMMISSIONER MILLER: And we may or may not
5 approve, but they need a term in each contract
6 that you execute with any party no matter who it
7 is, some kind of vendor or jockey or whoever that
8 this contract is subject to approval of the
9 Virginia Racing Commission.

10 MR. HETTEL: So, in essence, he can sign it
11 right now and ask for approval.

12 NOTE: Voices overlapping.

13 CHAIRMAN REYNOLDS: -- the problem that
14 whether it's our fault or not, it's not on the
15 agenda.

16 MR. HETTEL: Well, I included it in the
17 booklet in terms of their request. (Inaudible)
18 budget.

19 CHAIRMAN REYNOLDS: I'm going to defer to
20 Mr. Laws.

21 MR. LAWS: I think not having it on the
22 agenda is a problem.

23 MR. HETTEL: Then that's my error. He asked
24 to be included. And I thought it was a part of
25 the presentation, so that's my error.

1 MR. LAWS: And I apologize if I'm being too
2 literal. I'm not trying to throw a wrench into
3 the newly form organization's process, but is it
4 a problem for approval for August?

5 CHAIRMAN REYNOLDS: COMMISSIONER VAN CLIEF.

6 COMMISSIONER VAN CLIEF: I just want to add
7 from a practical standpoint, obviously we don't
8 want to be a, to your program moving ahead. How
9 quickly do you need this approval assuming you
10 can't get it today based on the technicality
11 we've been served? What's your time line? And
12 my next question is going to be what we can do to
13 expedite approval? How fast do you have to move?

14 MR. HANNUM: Well, let me ask a question.
15 Will there definitely be an August Commission
16 meeting?

17 CHAIRMAN REYNOLDS: Yes.

18 COMMISSIONER MILLER: Mr. Chairman, can I
19 just interject something again?

20 CHAIRMAN REYNOLDS: Yes.

21 COMMISSIONER MILLER: It's not as if we
22 can't, we can meet whenever we want to meet. We
23 meet when this Commission decides. If we want to
24 meet day after tomorrow. However we need to give
25 proper notice for certain things.

1 So we can have a meeting as quickly as Josh
2 Laws says we can have a meeting to approve such a
3 contract. And it may be next Monday.

4 Now do all the Commissioners have to be there
5 for this if we know if everyone agrees. We can
6 agree by telephone conference that we all agree
7 it's okay? No. Three Commissioners can meet
8 right here in Richmond with Bernie Hettel. Sarge
9 is here. D.G. is.

10 COMMISSIONER VAN CLIEF: Close.

11 COMMISSIONER MILLER: Well, the three in the
12 middle here are the closest. So those three can
13 meet and approve it. I mean we can solve this,
14 you can solve problems by taking some initiative.

15 COMMISSIONER VAN CLIEF: So back to the
16 question, my question is how quickly do you need
17 that approval?

18 MR. HANNUM: Well, I think, I'm sort of
19 looking over at one of the principals.

20 MS. HOLLAND: I understand--

21 MR. HANNUM: Yeah.

22 MS. HOLLAND: --the Commission needs to
23 approve it. Not to have no problems, begin
24 planning without your blessing.

25 MR. HANNUM: Thank you, Ms. Holland.

1 CHAIRMAN REYNOLDS: I don't anticipate any
2 problems.

3 MR. HANNUM: If we can have a meeting perhaps
4 before the August scheduled meeting to do that,
5 and maybe we'll be in a position to do Morven
6 Park as well. So I appreciate your flexibility.
7 I think that's a reasonable way to go forward.
8 So, thank you.

9 COMMISSIONER MILLER: And I might point out,
10 I mean, some people here might think it's kind of
11 odd that you can't act on something that you have
12 all the information on. But the purpose of having
13 a certain amount of days of notice is not just
14 for us here, there's stakeholders here, the
15 Commission, and lawyers and so forth, but the
16 general public. Somebody might want to make a
17 comment about it.

18 That's why something has to appear as Josh
19 recommends, not recommends, but points out that
20 it's a requirement that you have agenda items on
21 the agenda so it draws attention of the general
22 public of what this public body is going to be
23 acting on. So if they have something they want to
24 say about, they have an opportunity to come and
25 say it.

1 CHAIRMAN REYNOLDS: And if we act on
2 something and didn't have opportunity to--

3 COMMISSIONER MILLER: Can cause problems.

4 CHAIRMAN REYNOLDS: So, with that, I think
5 that will be a good solution, if that works for
6 you.

7 MR. HANNUM: Okay.

8 CHAIRMAN REYNOLDS: It certainly works for
9 us. Okay. Thank you.

10 MR. HANNUM: Thank you.

11 CHAIRMAN REYNOLDS: Alright. We're going to
12 move towards the approval of meeting minutes. The
13 first one was a Commission on Tuesday, May 12,
14 2015. All Commissioners have reviewed.

15 Commission Dawson, any comments or?

16 COMMISSIONER DAWSON: Yes. On the minutes of
17 the May 12th meeting on page two. These are just
18 technical. Paragraph that starts Debbie Easter.
19 The last sentence it says, looking forward to
20 racing at other locations. There's a 's' missing
21 there.

22 CHAIRMAN REYNOLDS: Will make that
23 correction.

24 COMMISSIONER DAWSON: And then down two more,
25 three more paragraphs. It says, there's a

1 misspelling of Oak Ridge. It should be two words.

2 CHAIRMAN REYNOLDS: And capitalized--

3 COMMISSIONER DAWSON: Yes. And then in the
4 next sentence, the last three words, it should
5 be, hopes for the Commission to expand days. The
6 word to, T-O is missing there. That was all.

7 CHAIRMAN REYNOLDS: Thank you. Any other
8 additions or comments to the minutes? With the
9 suggested changes I'll entertain a motion for
10 approval.

11 COMMISSIONER MILLER: I move we approve all
12 three minutes.

13 CHAIRMAN REYNOLDS: Okay. Let's go all three
14 at one time.

15 COMMISSIONER VAN CLIEF: I'll second that.

16 CHAIRMAN REYNOLDS: Okay. All in favor say
17 aye.

18 NOTE: All indicated by voting aye.

19 CHAIRMAN REYNOLDS: Alright. Any comments on
20 the working session minutes? We just approved
21 that we're going to vote for all the minutes at
22 one time.

23 Are there any additions or corrections to the
24 May 28th working minutes to the working session?

25 COMMISSIONER STEGER: I move to approve.

1 CHAIRMAN REYNOLDS: Okay. How about any
2 additions or corrections to the working session,
3 Tuesday, June 9th?

4 Okay. Hearing no additions or corrections,
5 I'd like to make a motion that we approve the
6 Virginia Racing Commission minutes of the working
7 session for both Thursday, May 28th, 2015, and
8 Tuesday, June 9th, 2015.

9 COMMISSIONER VAN CLIEF: Second that.

10 CHAIRMAN REYNOLDS: All in favor say aye.

11 NOTE: All indicated by voting aye.

12 CHAIRMAN REYNOLDS: All opposed? Hearing
13 none, the motion carries unanimously. All the
14 minutes are approved.

15 Alright. I'm going to call on the VTA request
16 to talk about the breeders fund races.

17 The hearing is over, so there's no more
18 swearing in. Is that correct?

19 MR. LAWS: Correct.

20 MS. EASTER: I can just sit down, you just
21 approve this.

22 CHAIRMAN REYNOLDS: Have to stand up, just
23 don't have to tell the truth.

24 NOTE: Laughter.

25 MS. EASTER: Do I have to be sworn in?

1 CHAIRMAN REYNOLDS: No. And then after, what
2 I'm going to do is after you've presented and
3 after we've had some comments, I think better
4 request from the public to make some public
5 comments. And I'm going to allow that. Part of
6 the public comment period. I think people of the
7 public thought it would be beneficial instead of
8 being the last to speak in front of these issues
9 that they would like to make some comments.

10 MS. EASTER: Sure.

11 CHAIRMAN REYNOLDS: So when you're done I'll
12 ask for public comments, and then we'll have
13 Commissioner comments, and wherever we go from
14 there.

15 MS. EASTER: Okay. I'm Debbie Easter. I'm
16 executive director of the Virginia Thoroughbred
17 Association; also president of the Virginia
18 Equine Alliance.

19 In your packets, I believe there was a letter
20 from me requesting that we would run, look at
21 running the, all our five Virginia bred stakes
22 out of state this year. Also the four graded
23 stakes that normally ran at Colonial, run them
24 out of the state this year.

25 I think I did a fairly good job of pointing

1 out the reasons why. But I think there were some
2 things left out in my letters that might help
3 things, and we can explain things a little
4 better.

5 One of the reasons, Jeb's up here and talked
6 about racing at Morven Park. And we all hope
7 that's going to come to fruition. And then the
8 contract's scheduled for two days in 2015. I
9 think it's going to be the place for flat racing
10 in our home in the future unless somebody wants
11 to buy Colonial or Colonial Downs decides to come
12 back.

13 But when you go and look, and the reality of
14 the turf course what it looks like now, and
15 having it in a safe runnable condition by the fall
16 of this year, I think it will be a push. For
17 those of you that don't grow grass, trying to
18 plant grass and kill weeds, and get everything
19 started and growing in the middle of July is not
20 the opportune time to do that.

21 I think that we're going to get one
22 opportunity to put on a good face for the state
23 of Virginia for people that are looking at what
24 we're doing nationally. And for us not to do the
25 best job we can the first day we open for racing

1 would be a mistake.

2 And, so, I don't know that we're going to get
3 the two days of racing in this year that we're
4 still pushing for that, that these races that
5 take pre-planning, pre-promotion. And, so, the
6 boards of VTA, and HBPA, and the Virginia
7 Alliance think it's in the best interest of all
8 of us to have these run in Maryland.

9 Let me tell you a little bit of what's
10 happening nationally for those that don't know.
11 Since the recession in 2008, the horse population
12 is down considerably. People in every state,
13 this state especially, but because of what's
14 going on, everywhere there are not as many
15 thoroughbred horses around. So filling races is a
16 problem.

17 And since I took this job at VTA my board has
18 been talking about a Delmarva circuit, and the
19 possibility of interstate, of people working
20 together instead of trying to compete, because
21 we're all pushing for the same horse population.
22 And that's something that's being talked about
23 nationally quite a bit.

24 And I think if on a purely promotional basis
25 that we would gain ourselves a lot of attention

1 not only nationally, but everybody that's
2 watching us, hey, here's states trying to work
3 together and make something happen. Maryland was
4 going to run these things for Virginia with the
5 knowledge that they will come back here in 2016.

6 Safety would be our number one. Number two,
7 on the graded stakes. And to a certain extent on
8 the stake bred stakes, accreditation is something
9 that we need to keep. These races are going to
10 be the cornerstone. The feature races of our day
11 for each day of racing in the future. And, so,
12 for us to try to keep them accredited I think is
13 important for our days in the future.

14 With the graded stakes, and maybe I should
15 address easily. Maybe I should start with the
16 Virginia stakes and then I'll move to the graded
17 stakes. I think that's probably the easiest
18 thing. Safety, number one. I don't know that
19 we're going to have a safe place to run these.
20 The Gold Cup was nice enough. We did have
21 discussions with the Gold Cup whether we could
22 run these stakes at the Gold Cup this year. I
23 think through good education and research that
24 Dr. Griffin did; he went around and talked to
25 trainers. There's certain things about the course

1 at the Gold Cup with the steeple chase jumps that
2 are not going to allow us to have a rail all the
3 way around the course. I think that trainers
4 told him that longer on the grass races would be
5 a good thing. Some of our stakes include two
6 year olds and short sprint races along with
7 longer races.

8 So after we researched that and we all
9 actually thought that running them at the Gold
10 Cup would be a good idea, we decided that that
11 probably isn't the safest thing for us to do.
12 That to wait until Morven Park gets a railing and
13 is set up correctly.

14 As far as accreditation, not running these
15 stakes, even our stake grade stake for a year can
16 hurt our black-type status going forward. So we
17 would like to continue that black-type status, so
18 when have them come back to Virginia, they have
19 it.

20 One of the reasons for that, for breeders is
21 they always have told me that this was the most,
22 our black-type stakes, our stake bred stakes were
23 the most important program of our breeders fund.
24 Because simply out of appreciation when they're
25 running those stakes and win, not only does that

1 horse become more valuable potentially, but so do
2 the mares and the future offspring of the mares.
3 And for industry way it's a way for them to get a
4 little easier black-type than having to go to
5 other places and run against Oak and company.

6 Opportunities, obviously the closing of
7 Colonial Downs has limited the opportunities for
8 our horsemen. And we don't have a place to give
9 them a whole lot of opportunities at this point.
10 And, so, we'd like to give them more
11 opportunities. And skipping a year, on the
12 Virginia bred stakes just another industry deal,
13 two-year-old stakes is the place to get
14 black-type.

15 So if I have a two-year Virginia bred right
16 now, and we say we have to skip because we don't
17 run them out of state, I just lost an opportunity
18 to increase my mare's value on one of them. And
19 next year it will be a three-year-old and I've
20 missed that opportunity.

21 So I hope that we can run those stakes out.
22 There's precedence on that. We use to run them
23 out of state before Colonial Downs was here in
24 Virginia. We ran those stakes last year up at
25 Laurel when Colonial didn't run. It was a

1 terribly successful day. Handle-wise, I don't
2 know that it was as successful as the
3 corresponding day the year before. But we kind of
4 put it in at the last minute.

5 But the Maryland Jockey Club thought it was a
6 very successful day. The dining room was full.
7 All of our breeders, everybody that participated
8 had nothing but positive things about it. And,
9 so, we would like to continue to run those at
10 Laurel this year with the understanding that we
11 hope those are back here in Virginia next year.

12 The other point, I'll finish up on those, but
13 the great thing about running those stakes in
14 Maryland is over 70 percent of the entries were
15 Virginians in those races. All the races were
16 won by a Virginian except for one race was
17 somebody that owned a Virginia bred. But
18 basically we're delivering money to Virginians
19 when we go up there. I think that's positive for
20 anything and for what we're trying to do.

21 Alright. Then on a separate is the graded
22 stakes. All for same reasons, but you all, I
23 think, are familiar, the purses, it is an open
24 race. So that there are other horses in there
25 that are not Virginia bred or not Virginia

1 owned.

2 We got, as I said, we would, I think that we
3 get a lot of PR, because nationally people are
4 talking about let's try and work together. We
5 don't know how things are going to work going
6 forward. But as you are familiar with Colonial
7 and Maryland Jockey Club always had a contract,
8 so that Maryland did not run while Colonial was
9 running. For the simple reason to fill races we
10 need that horse population.

11 We, we're going to need some things
12 potentially for Maryland if we run at Morven
13 Park. One of those being the jockeys. Number two
14 might be the great gate crew. We, I think it's a
15 perfect lead-in to try something that already
16 looks like we're working in good faith with each
17 other. And, as I said, I think we can get some
18 real promotion. I think that as we take those
19 graded stakes up there, they could be run, say
20 the Virginia Oaks, I think that could be run as
21 the Virginia Oaks sponsored by the Virginia
22 Equine Alliance, so it's very clear that those
23 are Virginia races in Maryland. And Maryland does
24 know that we intend to bring those back here to
25 this state next year.

1 I think that as far as financially what
2 happens to keep those stakes graded, the horsemen
3 couldn't be in a better shape. The Maryland
4 Jockey Club is going to put half the purse money.
5 So it's \$900,000 worth of purses; \$450,000 of it
6 would be paid by the Maryland horsemen.

7 Our folks would get half the, on the open
8 graded stakes our folks would get half of the
9 horsemen's share of the handle, bet on those
10 races. Commissioner Van Clief had asked me what
11 that might like look money-wise.

12 We don't have a great corresponding day to
13 compare it with with Laurel, because of how they
14 ran; were shut down all summer and didn't pick up
15 until the fall. They didn't have any graded
16 stakes last fall, I don't believe. Sals Knutcher
17 thinks that's a \$3,000,000, those days, graded
18 stakes are \$3,000,000 day worth of handle. I went
19 to the February and pulled what Barbara Frishee
20 and the John B. Campbell did. I think he thinks
21 it's going to be more handle.

22 We'll have more time to promote. It's a
23 better time of year. But if what happens with the
24 horsemen's share on live racing there they get
25 four-and-a-half percent would come our way. And

1 on the simulcast handle it would be a one in
2 three quarters percent.

3 So historically when you put up money for a
4 stake it's not necessarily what comes back to you
5 and handle the horsemen's share. It's what helps,
6 what helps it do overall handle-wise,
7 promotion-wise, quality-wise. So we're looking at
8 potentially about \$8,000 coming back to the
9 horsemen for their share on a, on one of those
10 races. What else can I tell you.

11 You know, I think that people that have had
12 maybe not, didn't have the best experience with
13 old Maryland Jockey Club have to realize is that
14 Maryland Jockey Club is a different company than
15 it was here when it managed the Colonial Downs.
16 And it's owned by Frank Stronic.

17 And one of the things for you all that don't
18 know nationally is he's trying to put together,
19 and perfect example in Florida, instead of tracks
20 running against each other, to try and put tracks
21 together, which he's trying to do in the mid
22 Atlantic. Because we have something like four,
23 six, eight tracks that run in the mid Atlantic
24 that are all trying to pull horses at the same
25 time. We're competing for purses. We're competing

1 for promotion money, for fans, for betters. And,
2 so, I think the idea would be to try and
3 consolidate in ways where we can to make
4 everything a positive so we're not running
5 against each other in the future.

6 The other thing I'd like to know is that, I
7 think we need to know is there was some
8 discussion on whether we could vote on these
9 individually and put off one part of it until the
10 meeting. I think that we need to go ahead and
11 vote on these today, because there is a certain
12 lead-up time, promotion time-wise it needs to
13 happen.

14 And I'll quote Mr. Becker, one of my
15 esteemed, very famous these days, board members.
16 He said if these races are rode back to quality
17 and if we lose them we're starting from ground
18 zero again. Which we are to start with. I think
19 it will be a big heads-up for us promotion-wise
20 with what we're trying to do and America is
21 looking at us a little bit for this new way of
22 racing that we're doing. And I think it will help
23 start us off on a real positive way.

24 CHAIRMAN REYNOLDS: Okay. Quickly--

25 MS. EASTER: Yes.

1 CHAIRMAN REYNOLDS: I would like divide it
2 into votes. First the Virginia bred, and then the
3 discussion on graded stakes. And do it like that.

4 MS. EASTER: Yes.

5 CHAIRMAN REYNOLDS: You just said that you
6 wanted to have an up or down vote today.

7 MS. EASTER: I did.

8 CHAIRMAN REYNOLDS: And I have no idea of
9 what the Commission's feeling on this, but if we
10 were to, say, on the graded stakes we're not
11 ready to vote yes today, but we might like to
12 defer it so we can talk about it some more, get
13 some more information.

14 But it looks like we're getting ready to meet
15 probably very quickly to approve that other
16 contract in the next couple of weeks.

17 Is that something you can wait for then, or
18 do you want it up or down today?

19 MS. EASTER: Well, I hadn't anticipated that
20 you might meet on shorter notice. And was
21 actually thinking that you wouldn't have an
22 August meeting. I would need, I know that the
23 lead time on promotion and everything, I don't
24 know exactly what Georgianne's, her condition
25 book is, I thought we'd have an answer today.

1 CHAIRMAN REYNOLDS: You might.

2 MS. EASTER: Obviously if you're going to
3 vote no, I'd love to have more time to talk
4 about--

5 CHAIRMAN REYNOLDS: I'm just trying to vett
6 out your flexibility on this.

7 MS. EASTER: If you're going to vote no, I'd
8 love to have the--

9 CHAIRMAN REYNOLDS: I don't know. I'm going
10 to turn it over to the Commissioners for
11 questions. And then I'm going to give the public
12 a chance to do the public comment period.

13 MS. EASTER: Sure.

14 CHAIRMAN REYNOLDS: Commissioners, do y'all
15 have questions?

16 COMMISSIONER STEGER: Mr. Chairman, I just
17 have one comment. I was contacted last week by an
18 individual who is active in the horse industry of
19 Virginia. And he was very supportive of having
20 these Virginia bred races out of state. And not
21 just in Maryland, but looking at other sites as
22 well.

23 MS. EASTER: That would be super. I think
24 that's something that gives a little opportunity
25 for horsemen. Just I know there's a political,

1 potentially a political problem with too much out
2 of state.

3 CHAIRMAN REYNOLDS: Mr. Lermond.

4 MR. LERMOND: Mr. Chairman, I would just like
5 to ask Ms. Easter, how much Virginia breeders
6 fund money are you talking about--

7 MS. EASTER: For the?

8 MR. LERMOND: Contributing for the Virginia
9 breeder, stakes.

10 MS. EASTER: For the breeder stakes
11 historically we, Frank put up \$50,000, HBPA; we
12 put up \$10,000. So per race. Last year we ran
13 six races because one was split, so we're talking
14 \$60,000. I don't think that would be any
15 different this year, Frank.

16 MR. PETRAMALO: That's correct.

17 MR. LERMOND: \$10,000 per race. So if that's
18 the case, Sarg, I would need to have you do
19 another motion. But for procedurally and for our
20 auditors they'd probably like to see you make a
21 motion to spend \$10,000 per race out of the
22 breeders fund money for this assuming you want to
23 approve this.

24 MS. EASTER: Which would be \$50,000 unless
25 we're in a situation that we had last year where

1 we had people split one race.

2 MR. LERMOND: So you probably should say
3 10,000 per race.

4 CHAIRMAN REYNOLDS: Remind me again.

5 MR. LERMOND: I will. Thank you.

6 COMMISSIONER MILLER: Could I ask--

7 CHAIRMAN REYNOLDS: Yes.

8 COMMISSIONER MILLER: Try to settle my
9 personal confusion. 10,000 per race from the
10 breeders fund; correct?

11 CHAIRMAN REYNOLDS: Right.

12 COMMISSIONER MILLER: And then horsemen are
13 contributing to how much per race?

14 MR. PETRAMALO: 50,000.

15 COMMISSIONER MILLER: Per race.

16 MR. PETRAMALO: Commissioner, each race runs
17 for a purse of \$60,000.

18 COMMISSIONER MILLER: Okay.

19 MR. PETRAMALO: 50,000 comes from the
20 HBPA. 10,000 comes from the breeders fund. Last
21 year we were scheduled for five races. The
22 two-year-old race attracted so many entries that
23 we split it in two. We put in an extra 50,000.
24 Breeders fund put in an extra 10,000, for a total
25 of 360,000 that we spent at Laurel last year on

1 those races.

2 COMMISSIONER MILLER: So you could be
3 anticipating that much this year?

4 MR. PETRAMALO: Yes.

5 MS. EASTER: And, again, like last year
6 we're, we did not receive any handle, Maryland
7 has agreed to give us the entire horsemen's share
8 they handle back on those races.

9 MR. PETRAMALO: I'd also like to say
10 something about the timing. My recollection is
11 with regard to the graded stakes, now, the four
12 graded stakes, the Derby, the Oaks, the Turf cup,
13 and the All Along. Maryland Jockey Club was
14 proposing to run, I believe two of graded stakes
15 sometime in September--

16 MS. EASTER: September 12th.

17 MR. PETRAMALO: Which means you should act on
18 that today. The other two races, I believe
19 were--

20 MS. EASTER: Virginia bred stakes, September
21 26th; and the first two graded stakes on
22 September 12th; and the second two graded stakes
23 on October 3rd.

24 MR. PETRAMALO: Right. Right. Let me say
25 something else I want to emphasize. Debbie may

1 have mentioned it. But the point is the HBPA,
2 over the years, have spent millions of dollars
3 from its purse fund to obtain graded stake status
4 for the Derby, the Turf Cup and the Oaks.

5 Some of you who've been around for a while
6 may have remembered. But we at one time put up
7 million dollars in 2008, for the Derby. That got
8 us to the grade two status. The Oaks is grade
9 three; the Turf Cup is grade two; and the All
10 Along is grade three.

11 Without doubt, now those races were not run
12 in 2014, because Colonial was closed to
13 thoroughbred racing. Without doubt they will
14 lose their graded status if they are not run this
15 year. That's an immutable rule of the graded
16 stakes committee. So it's very important that we
17 not lose the value that we've put in those races
18 by not running them this year.

19 CHAIRMAN REYNOLDS: How does it work
20 procedurally with Maryland? Y'all are going to
21 let them run it up there, so it's their graded
22 race this year. What certainty--

23 MR. PETRAMALO: A couple of things.

24 CHAIRMAN REYNOLDS: We're never certain that
25 it will remain graded. That's just up to the

1 Committee. But what certainty do we have that
2 Maryland give us back those graded races next
3 year? Would that be in the contract?

4 MR. PETRAMALO: Two things. We have made
5 informal inquiries of the folks who sit on the
6 graded stakes committee. And this is informal.

7 CHAIRMAN REYNOLDS: Right.

8 MR. PETRAMALO: And they've said as long as
9 you, if you, the Maryland, as long as you run
10 them under basically the same conditions, you
11 know, distance, et cetera, entry three year olds,
12 et cetera, you will keep it even though it's in
13 Maryland. Now the Maryland Jockey Club would have
14 to make the request that, yes, these continue in
15 the graded status.

16 With regard to our getting them back the
17 management of the Jockey Club has made it
18 absolutely clear to us that, one, they will run
19 those races. I suggested the other day to them
20 we call it the Old Dominion Derby, the Old
21 Dominion Oaks, et cetera, each race being
22 presented or sponsored by the Virginia Equine
23 Alliance.

24 And they said no problem, plus we'll give you
25 your own logo to attach to those races; to make

1 sure everybody understands these are Virginia
2 races. And we will assist you in taking them
3 back to Virginia next year.

4 From my board's standpoint, and I don't mean
5 to be flip, my board thought it was a
6 no-brainer. It's \$900,000 in purses. Maryland
7 Jockey Club is offering to put up 450,000, and
8 they're offering to give us half of the handle
9 revenue. My board said are you kidding, why are
10 you even asking.

11 CHAIRMAN REYNOLDS: Right.

12 MR. PETRAMALO: To me, it's really
13 important. Principally because it keeps in the
14 public mind the notion that Virginia racing is
15 still there. It hasn't disappeared even though
16 Colonial Downs has gone away. Very important.
17 We can't lose that. We want that marquee value to
18 come back next year hopefully when we start up at
19 Morven Park and run those races there.

20 MS. EASTER: A brand, a Virginia brand is
21 something that we've always thought--

22 CHAIRMAN REYNOLDS: -- money is going of out
23 state, it's going to the graded stake races that,
24 you know, Virginia horses, it's open, so Virginia
25 horses very well may not win, but that was the

1 case when it was at Colonial Downs as well.

2 MS. EASTER: Right.

3 CHAIRMAN REYNOLDS: Even though the fans were
4 from Virginia went to Virginia track. You know,
5 I agree it's very important to protect the graded
6 stakes races, get them back, and still have it. I
7 think it's very, very important. I think it's
8 important to have the Virginia bred stakes in
9 Maryland one more year.

10 But you talked, you used the word precedent
11 earlier, we set a precedent. Well, we have, but I
12 don't want to set a precedent. I want to do this
13 as a stopgap to get us through this year and get
14 us racing at Morven Park.

15 I won't be on the Commission next year, but
16 for future commissions it's up to them. But to
17 come back every single year and ask us if we can
18 go run up in Maryland, I don't think that's very
19 palatable with most people.

20 MS. EASTER: I think that, you know, what's
21 great about the Alliance is that we've got
22 volunteers who are working very hard, and they
23 run around the state trying to find a place to
24 race is hard as we get.

25 Obviously, Commissioner Miller asked what

1 happens if, you know, plan B, if we don't have a
2 place. Our intention is to have these back in
3 Virginia. We need these as the cornerstone of
4 our feature everyday. What the future brings and
5 what we have I can't hardly project, but we're
6 working hard to get.

7 And we'd love to run some of them at the Gold
8 Cup. If we can work out, the only hitch to
9 running them at the Gold Cup is the fact that the
10 overlay of rail with the jumps makes it difficult
11 to do.

12 CHAIRMAN REYNOLDS: Right.

13 MS. EASTER: So everybody's working on these
14 things. The intention of all parties is to have
15 them back here.

16 CHAIRMAN REYNOLDS: I'm going to turn it over
17 to Commissioner Miller.

18 COMMISSIONER MILLER: I wanted to ask
19 Mr. Petramalo a question. So if these Virginia
20 graded stakes are run in Maryland, the percentage
21 of the handle that is paid to the Virginia
22 horsemen you get a certain percent of the handle;
23 is that right?

24 MR. PETRAMALO: Yes. Here's out it works.
25 The live handle on those races for the horsemen

1 generates seven percent. What Maryland has agreed
2 to do is to give us half.

3 COMMISSIONER MILLER: Half of that seven
4 percent?

5 MR. PETRAMALO: Half of that seven
6 percent. Sure. Because we're putting up half of
7 the purse.

8 COMMISSIONER MILLER: Okay.

9 MR. PETRAMALO: The same with regard to the
10 simulcast signal. Debbie mentioned, I think
11 \$3,000,000. Well, 10 percent, 300,000 will
12 probably be bet on track. The other 2.7 million
13 is simulcast. The simulcast fee that the horseman
14 receive is probably close to two percent. What
15 they would do is split that with us.

16 MS. EASTER: I thought it was three, and we'd
17 get 1.75.

18 MR. PETRAMALO: It's a little foggy, because
19 remember the track itself gets a piece of it.

20 MS. EASTER: Sure.

21 MR. PETRAMALO: And, two, it depends on what
22 posts these are. It's complicated. But it's not
23 unreasonable to think that we get, we get one
24 percent of the signal sale, and maybe three and a
25 half of the live wagering on our races.

1 COMMISSIONER MILLER: Thank you.

2 CHAIRMAN REYNOLDS: Well, if you have,
3 please--

4 COMMISSIONER MILLER: Well, it occurs to me
5 this Colonial Turf cup. The Turf Cup and the
6 Virginia Derby were created in the mind of
7 Mr. Jacobs, were they not?

8 CHAIRMAN REYNOLDS: Probably the derby, they
9 trademark that.

10 COMMISSIONER MILLER: That's what I'm ask--

11 CHAIRMAN REYNOLDS: The derby is, Colonial
12 Downs owns the trademark for Virginia Derby. As
13 best I can tell from the website of the US patent
14 office and trademark office, the other three
15 graded races are not trademark.

16 COMMISSIONER MILLER: How do you handle that?
17 I mean if they're trademark, do they get
18 something out of that?

19 MR. PETRAMALO: No. We can't run it as
20 Virginia Derby without his consent. But if we
21 call it something else, the Old Dominion Derby,
22 that's ours.

23 COMMISSIONER MILLER: Oh, you're not calling
24 it Virginia Derby?

25 MR. PETRAMALO: No. No.

1 CHAIRMAN REYNOLDS: But the graded status
2 goes whether you change the name?

3 MR. PETRAMALO: Yes. As long as it's raced
4 under the same conditions.

5 CHAIRMAN REYNOLDS: It's like the Strawberry
6 Hill races where Colonial Downs wanted to -- it
7 was trademarked, so they changed it to Dogwood.

8 MS. EASTER: And I think there'll be Virginia
9 all over. Old Dominion Derby brought to you or
10 sponsored by the Virginia Equine Alliance. So
11 there'll be Virginia all over these as far as
12 publicity.

13 COMMISSIONER VAN CLIEF: I just have one
14 question. Are there any other risks that you
15 haven't addressed at this point in sending these
16 races to Maryland, either in terms of the
17 Maryland, or the start-up groups participating
18 and cooperation in accepting them, sending,
19 petitioning, maintain the grade, and then sending
20 them back here to us.

21 In terms of your relationship with them is
22 there a risk inherent, and are there any risks
23 that we haven't discussed this morning in terms
24 of maintaining the grade? You're going to have to
25 change the condition a little bit on some of

1 these races to meet the configuration of the
2 racetrack.

3 Is there anything else that might have a
4 bearing that we're not taking into account at
5 this point?

6 MS. EASTER: Well, one of the things we asked
7 them to do was let's run these at the minimum for
8 each grade, the minimum dollar so we have to
9 spend less. One of the criterias, if you change
10 the distance, the money, too much, that you'll
11 lose the grade. So, Georgianne and Sal have
12 proposed this to the graded stakes committee.
13 They did not see any problems with this.

14 We did, obviously, the All Along came to
15 Colonial; was one of our first graded stakes,
16 came to Colonial from Maryland. We're now going
17 back. Indications are, I mean, the Maryland
18 Jockey Club's very clear that those are coming
19 back to us. I would guess the lawyers could get
20 that tied up if you're worried about that,
21 they're trying to pirate those from us or
22 something. I would think that would be something
23 you would want to put in a document. But
24 everything we, you know, from checking with what
25 we need to do these--

1 COMMISSIONER VAN CLIEF: And the graded
2 stakes committee you probably should talk to
3 them, and they've indicated --

4 MS. EASTER: There's no promises. Right.
5 There are no promises. Just so we're very
6 clear. There are no promises that it is coming
7 back to Virginia as graded stakes. But indication
8 talking to people they seem to be fairly positive
9 about that.

10 COMMISSIONER VAN CLIEF: Well, there's no
11 guarantee from year-to-year that any stakes'
12 going to keep its grade.

13 MS. EASTER: There you go.

14 COMMISSIONER VAN CLIEF: Okay.

15 CHAIRMAN REYNOLDS: Commissioner Dawson?

16 COMMISSIONER DAWSON: Yeah. And I think Frank
17 said earlier that there's no question but that
18 they were run this year in Maryland that they
19 will go away.

20 MS. EASTER: That's --

21 MR. PETRAMALO: Guarantee that they are not
22 run for a second consecutive year the grade is
23 gone.

24 COMMISSIONER DAWSON: And although they're no
25 promises that they'll come back here, there's an

1 expectation.

2 COMMISSIONER VAN CLIEF: Right.

3 CHAIRMAN REYNOLDS: We don't do anything,
4 they're gone.

5 MS. EASTER: Then we --

6 CHAIRMAN REYNOLDS: Commissioner Steger?

7 COMMISSIONER STEGER: I have no questions.

8 CHAIRMAN REYNOLDS: Commissioner Miller, and
9 then I'm going to turn it over for public
10 comment.

11 COMMISSIONER MILLER: If those stakes are run
12 in Maryland, and the graded stakes committee,
13 where are they, Kentucky?

14 MR. PETRAMALO: They are.

15 COMMISSIONER MILLER: And they say it's
16 fine. I mean they approved this for this year,
17 graded stakes in Virginia at least four races be
18 run in Maryland. But they're Virginia stake
19 races run in Maryland this year. Right?

20 MR. PETRAMALO: Yes.

21 COMMISSIONER MILLER: Now, wherever they're
22 run, next year, if you try to run them in
23 Virginia somewhere, Morven Park or wherever you
24 try to run them, does the graded stakes committee
25 go back to square one and look at the conditions

1 under which these races are being run, length of
2 race, etc.?

3 MR. PETRAMALO: Yes.

4 NOTE: Voices overlapping.

5 COMMISSIONER MILLER: It determines whether
6 or not maintain their graded stakes this
7 designation?

8 COMMISSIONER VAN CLIEF: They do, but they're
9 typically after the fact. So they'll evaluate
10 the performance of your race once they run. And
11 then that will impact on whether you proceed same
12 grade, an upgrade, down grade or no grade the
13 next year.

14 MS. EASTER: It's typically a two-year
15 process. They look at the race over two years.

16 COMMISSIONER MILLER: So if they're
17 successfully run in Maryland this year, these
18 Virginia races, then you're assured that next
19 year wherever they're run, they'll be graded
20 stakes?

21 MS. EASTER: I did not say. I said there is
22 no 100 percent assurance.

23 COMMISSIONER VAN CLIEF: It's not a
24 guarantee. Because if there's a qualitative
25 problem, say you have a weak field or bad horses,

1 which can happen anywhere then that jeopardizes
2 your grade as well.

3 COMMISSIONER MILLER: But the race is over.

4 COMMISSIONER VAN CLIEF: That's right. But
5 they grade on performance and award--

6 COMMISSIONER MILLER: So this is, okay, so I
7 can understand. The race is over. It's been
8 run. It's a graded stakes for advertising, etc.
9 So it really boils down to the marketing of the
10 horse later on. That's all we're concerned about.

11 COMMISSIONER VAN CLIEF: Right. And one of
12 the great values not only does it provide marquee
13 value for your racing program, but it is
14 undeniably a very strong recruiting tool to get
15 quality horses to come run in the race. That form
16 will show up in their --

17 COMMISSIONER MILLER: But I'm confused. But
18 the race is already, you've already attracted
19 quality horses because it's graded stakes. Let's
20 say it's run at Morven Park next year. So you've
21 already got publicity, you got the horses, you
22 got the owners, jockeys from world-wide came to
23 Morven Park because this was a Virginia graded
24 stakes, and the race has been run. Then they
25 meet in Kentucky six weeks late and decide that

1 wasn't, that was terrible.

2 COMMISSIONER VAN CLIEF: Well, if the
3 scenario you describe occurred when the graded
4 stakes committee review your race you'll probably
5 get your grade back. If it's successful.

6 MS. EASTER: And it would be for the future
7 year, I think.

8 COMMISSIONER VAN CLIEF: That's right.

9 MS. EASTER: Now, there is a situation
10 because they're turf stakes, if it comes off the
11 turf, it doesn't matter -- we're not talking
12 Virginia anyway. But say you're at graded stake,
13 and it's a rain and it drops down to the dirt
14 then sometimes they will not grade it for that
15 year because it did not go.

16 MR. PETRAMALO: Let me see if I can address
17 in a slightly different fashion. It's an
18 after-the-fact analysis, so at the end of the
19 year, or the beginning of the new year the graded
20 stakes committee gets together. There are about
21 400 graded stakes. 40,000 races run each year in
22 the U.S. 400 are graded stakes.

23 So the graded stakes committee gets together
24 every year and goes through all 400 races that
25 were run the prior year. Some go up. For example,

1 the Virginia Derby started at grade three. When
2 we bumped the purse to a million bucks, it went
3 up next year to a grade two. So it goes up and
4 down.

5 So what would happen is at the end of this
6 year the graded stakes committee would take take
7 a look at the Old Dominion Derby presented by the
8 Virginia Equine, and they'd say, well, gee, you
9 know, they had a full field, nine horses, good
10 racing, etc. You guys keep the grade two. Or they
11 might say, well, it was kind of a weak field,
12 we're going to downgrade that to a grade three.
13 That happens all the time.

14 So if we have successful racing of the graded
15 stakes in Maryland, likelihood is they'll all
16 keep their same graded, grade two or grade
17 three. When they come back to Virginia,
18 hopefully we'll be able to say, okay, now we're
19 in Virginia we just pick up where we left off.

20 COMMISSIONER MILLER: I think I understand.

21 MS. EASTER: They're continually under review
22 no matter where they're run.

23 COMMISSIONER VAN CLIEF: I can assure
24 Commissioner Miller that he won't be the only
25 person who doesn't understand the graded

1 program. It's pretty complicated.

2 CHAIRMAN REYNOLDS: They'll take those horses
3 that were in that races, the horses who do well
4 in other venues. Like a horse will run there and
5 all of a sudden go into grade one somewhere, that
6 creates value for that race that you raced there.

7 MR. PETRAMALO: Absolutely.

8 CHAIRMAN REYNOLDS: Gio Ponte and these other
9 horses that have been (inaudible).

10 Okay. Anymore?

11 COMMISSIONER DAWSON: Mr. Chairman, I just
12 have one question.

13 MS. EASTER: Sure.

14 COMMISSIONER DAWSON: Given that the races
15 will be branded as Virginia races and the VEA is
16 going to be listed as a sponsor.

17 MS. EASTER: However you'd like us--

18 COMMISSIONER DAWSON: What does the
19 membership of, for example, VTA, how do they feel
20 about, are they supportive, or.

21 MS. EASTER: I can tell you about the boards
22 more than the membership, because that's where we
23 have the vote. My board is solidly 100 percent
24 behind this. I believe the VHBPA board is. I
25 missed that vote. And the Alliance board voted

1 unanimously as well. And I said to start off
2 this is, my board has talked about how we've got
3 to stop acting as individual states and try to
4 put things together. That's something my board
5 been interested for a long time.

6 COMMISSIONER DAWSON: Thank you.

7 CHAIRMAN REYNOLDS: Anything else? I'd like
8 to turn it over for any public comment. I will
9 say that you have five minutes if you want to say
10 anything on this issue. We'll have the public
11 comment period after this, but on this particular
12 issue is there anybody from the public that would
13 like to say something?

14 A SPEAKER: I would.

15 CHAIRMAN REYNOLDS: State your name, please.

16 A SPEAKER: Tad Berman. I'm a member of the
17 general public. Last year I spoke up and
18 mentioned that when I voted to have pari-mutuel
19 racing in Virginia I didn't do it so that I would
20 have to drive to Maryland to watch the races. I
21 love racing. I want to see racing succeed in
22 Virginia. I understand that the breeders are
23 caught between a rock and a hard spot. It's a
24 tough pill to swallow, but I can almost go along
25 with this. A couple of the concerns that I have

1 is the purse money that the VHBPA is making
2 available, where is that coming from. I would
3 assume it's coming from the account deposit
4 wagering money that had accumulated for years
5 where there were no restrictions.

6 I know that Senator Vogel just passed her
7 most recent legislation. And in it it says that
8 the account deposit wagering money that is
9 collected is to be used specifically for purses
10 for races run here in Virginia. One of the
11 questions I have is how much more of this money
12 is available that Mr. Petramalo has, and what is
13 it being spent on. Up until now I haven't really
14 seen any accountability for that money. So
15 that's one concern I have.

16 I see that the horsemen said that we're going
17 to get seven percent of the handle from these
18 races. And last year after these races were
19 completed I did a study. I think Dave Lermond can
20 probably help me with this. I think the handle
21 for those races were between 35 and \$40,000. And
22 if you multiply that by seven percent, that means
23 we were getting about \$2800 on our \$30,000
24 investment from the HBPA, which doesn't seem very
25 substantial.

1 The other concern that I have is these
2 races, when I did look at them after the fact, I
3 looked at the 18 horses that finished first,
4 second and third. And I also compared it to the
5 VTA's list of people who receive their money.
6 And from the top to the bottom breeder's
7 incentive, and I saw that the breeders that were
8 in the top 12 received the majority of the
9 money. And that the breeders that were maybe in
10 the top 20 received just about all of it. So it
11 doesn't really offer any value to the rank and
12 file horseman. Not only do the more affluent
13 breeders win the purse money, but they also get
14 the black-type which helps them to sustain their
15 operations, and make even more money while the
16 rank and file horsemen basically receive
17 nothing.

18 The seven percent, I have a question about.
19 Is the seven percent just the live handle at the
20 track? Is that what it is?

21 MS. EASTER: That's correct.

22 MR. BERMAN: So if the seven percent is the
23 live handle like you say, seven percent of 40,000
24 is what, 2800 bucks. So we're going to receive
25 2800 bucks on each \$30,000 we invest. That's not

1 returning much back to our funds here in
2 Virginia.

3 And in addition, like I said last year, when
4 we run these races out of state, New Kent, and
5 the horse center, the Vet Center up in Virginia
6 Tech. And none of the other organizations
7 receive any of the benefits.

8 Like I said this is a hard pill for me to
9 swallow. State bred races. But I can understand
10 it. I don't agree with it all together. But
11 another question I have is do we have these
12 agreements in writing, or are these just promises
13 that these folks have made?

14 MS. EASTER: We don't have them in writing
15 yet. And we will have those in writing.

16 MR. BERMAN: But right now there's no
17 guarantee that we're going to get that seven
18 percent. I mean can back out of that.

19 CHAIRMAN REYNOLDS: This is a public comment
20 period, not a back and forth. And you've got one
21 minute.

22 MR. BERMAN: Okay. As far as the graded
23 stakes are concerned, we are going to spend an
24 additional \$450,000 of our purse money from here
25 in Virginia, or money from the same account. I

1 would assume that Mr. Petramalo is getting the
2 other 300,000 out of it. So that's \$750,000 in
3 purse money that's going out of state. And in the
4 Freedom of Information Act that the VTA or VEA
5 had sent to them, the Commission, and nowhere in
6 there did it say anything about us receiving any
7 of the percentage of handle, or anything about
8 the simulcast handle at all.

9 So, once again, I just have another question
10 is to the Commission. Do we have any of that in
11 writing or any guarantees, or is it possible that
12 we could go up there and run these races and
13 receive nothing? If you approve this today, the
14 possibility exist that that will never material.

15 CHAIRMAN REYNOLDS: Thank you, very much.
16 Are there any other comments?

17 Hearing none -- yes, ma'am, I'm sorry. State
18 your name for the record.

19 MS. HOLLAND: My name is Rhonda Holland, and
20 I probably shouldn't be speaking about this, but
21 from a marketing standpoint let me say that at
22 this point racing in Virginia for someone who
23 hasn't been at every single Racing Commission
24 meeting or gone to the races, we know that
25 Colonial Downs isn't there anymore. I think it's

1 very important that the thoroughbreds don't have
2 a place to race at that we do have it out there
3 that Virginia is still racing. And the sooner we
4 can move away from the Colonial Downs and back to
5 Virginia racing the better off everybody's going
6 to be. And when I say everybody, everybody from
7 the breeders on up. Not just the winners.

8 CHAIRMAN REYNOLDS: Thank you. Any other
9 comments? All right. Commissioner comments?

10 COMMISSIONER VAN CLIEF: Mr. Chairman, would
11 you entertain a motion at this point?

12 CHAIRMAN REYNOLDS: Yes, I would.

13 COMMISSIONER VAN CLIEF: Okay. I won't
14 bifurcate the motion, but I want to address the
15 two. A couple of comments just before I make
16 motion.

17 CHAIRMAN REYNOLDS: Please.

18 COMMISSIONER VAN CLIEF: I walked into the
19 room thinking distribution of the stake bred
20 money through your stake bred race day is a no
21 brainer, and there's nothing that I heard that
22 doesn't reinforce that. I also walked into the
23 room ambivalent about whether or not we should
24 utilize purse money to support your four graded
25 stakes and maintain those grades, which we all

1 understand will be gone temporarily if we don't
2 race them this year somewhere. And there's
3 plenty of precedent around the country for moving
4 graded stakes around and maintaining those
5 grades.

6 I think that what I've listened to from
7 Debbie, from Frank and others is a very
8 compelling case for spending the money, and
9 working with the Maryland Jockey Club to maintain
10 those grades.

11 We spent a lot of time last year in our study
12 group talking about how woefully weak the
13 Virginia racing brand really is. And how
14 important it is to make it stronger. So I think
15 you made a good marketing argument. I think it
16 justifies the expenditure and the effort.

17 I think we all wish we had an appropriate
18 venue for running those races here. And we all
19 understand that you're making, as an association
20 and alliance the utmost effort to provide those
21 facilities as quickly as you can.

22 We further understand that this is a one-year
23 stop-gap. And it's important to maintain the
24 continuity for this year wherever we have to go
25 to do it, and that looks like Maryland.

1 So I'm prepared to make a motion that we
2 approve the distribution of your stake bred
3 races, that we approve an allocation of \$360,000,
4 in combination from the VHBPA and VTA, should say
5 the Virginia Breeders Fund for the purpose of
6 funding those five races. And some of those
7 funds with the contingency for a split if
8 necessary. And then we further approve the
9 running of the four graded stakes races with the
10 Maryland Jockey Club.

11 COMMISSIONER DAWSON: I second that.

12 CHAIRMAN REYNOLDS: Any further discussion?
13 All those in favor say aye.

14 NOTE: All indicated by voting aye.

15 CHAIRMAN REYNOLDS: Those opposed? Hearing
16 none, the motion carries unanimously.

17 Let me ask a question.

18 COMMISSIONER MILLER: I'm not voting. I'm
19 just, I would have liked to have a little more
20 time on the Virginia graded stakes. Something
21 doesn't register right. But anyway, that's just
22 me.

23 CHAIRMAN REYNOLDS: Do I need to redo that or
24 just go down the line?

25 COMMISSIONER MILLER: Just show me

1 abstaining.

2 MR. LAWS: Dr. Steger, you voted aye?

3 COMMISSIONER STEGER: Yes.

4 MR. LAWS: And Commissioner Dawson?

5 COMMISSIONER DAWSON: Yes.

6 MR. LAWS: And D.G.

7 COMMISSIONER VAN CLIEF: Aye.

8 CHAIRMAN REYNOLDS: Okay. The motion
9 carries. Thank you, COMMISSIONER MILLER.

10 MS. EASTER: Commissioner Miller, I would be
11 happy to spend any time you need that you wanted
12 to hear a little bit more about.

13 COMMISSIONER MILLER: Yeah, I have to be
14 educated.

15 MS. EASTER: We'll be glad to educate you.
16 Thank you, very much.

17 MR. LERMOND: He said 360,000, that would
18 assume there were six races. But it's really
19 10,000 per race from the breeder's fund is really
20 what I'd like to have clear.

21 COMMISSIONER VAN CLIEF: My intention was,
22 but I'll reword the motion if necessary. Is to
23 approve an allocation of up to \$360,000 which
24 would cover your five races plus a split with the
25 VEA.

1 MR. LERMOND: Well, the 300 is Frank's money.

2 MR. PETRAMALO: Woe, woe, wait a minute.

3 Let's be technical. Commissioner Van Clief is
4 absolutely right. Because under the new statute
5 going into effect today ADW revenue coming to us
6 has to be spent in Virginia unless otherwise
7 authorized by the Commission.

8 So if we're going to spend some of that money
9 in Maryland, mainly 300,000, it has to be
10 approved by the Commission. And I took your
11 motion to approve that. To include that.
12 Because you said 360,000 will be coming from the
13 VHBPA and the --

14 MR. LERMOND: That's from money you earn
15 after July 1.

16 MR. PETRAMALO: That's correct.

17 MR. LERMOND: You're going to spend money
18 that you've earned prior, which has no--

19 MR. PETRAMALO: Maybe yes, maybe no.

20 CHAIRMAN REYNOLDS: Okay. That's what I was
21 thinking, too.

22 COMMISSIONER VAN CLIEF: My intention was to
23 provide the approval of the expenditure of up to
24 360,000 with 300 coming from the the HBPA, the
25 balance from Virginia bred fund. And I should

1 probably rephrase that. Say authorize an
2 expenditure of purse money up to 360, because I
3 understand if you don't split a race, you may not
4 be authorized to spend that; correct?

5 MS. EASTER: The likelihood of splitting more
6 than one race I would think very minimal. If that
7 likelihood appeared, I think (inaudible due to
8 coughing.)

9 COMMISSIONER VAN CLIEF: Does the motion
10 achieve what you need?

11 MR. PETRAMALO: Yes.

12 MS. EASTER: Yes.

13 CHAIRMAN REYNOLDS: Yes, sir.

14 MR. BERMAN: Since everybody's asking
15 questions and things seem to be changing, I
16 would, once again, like to bring up the fact that
17 there is a whole lot of money, I don't know,
18 maybe Mr. Petramalo can tell us how much money he
19 is holding onto previous to today. I would see
20 us using that like we did last year. I didn't
21 anticipate that we were going to start using the
22 money we're going to accumulate now because that
23 will leave him the additional money to continue--

24 CHAIRMAN REYNOLDS: Thank you.

25 MR. BERMAN: -- what he wants to do with it.

1 MR. PETRAMALO: I'd be more than happy to
2 answer the question.

3 CHAIRMAN REYNOLDS: Let me first make a
4 comment that, and I appreciate your comments,
5 but, Frank does have to show his financials to
6 the Racing Commission. We are charged with
7 making sure everything is in order, and where
8 things come from. And, Frank, go ahead.

9 MR. PETRAMALO: Yes.

10 CHAIRMAN REYNOLDS: It's not like he's just
11 out doing what he wants when he wants.

12 MR. PETRAMALO: Last year, 2014, we didn't
13 race. If we would have raced, we would have
14 spent close to 5 and a half million dollars in
15 purses. We didn't spend that money. It's sitting
16 in the bank. It hasn't gone any place. It's
17 sitting in the bank available to be used for
18 purses going forward.

19 CHAIRMAN REYNOLDS: Right. Thank you.
20 Commissioner Miller.

21 COMMISSIONER MILLER: That raised another
22 question. Could you designate this money that
23 you're, that the horsemen are sending to Maryland
24 for these races, could that, could you segregate
25 that and have that come from the money that you

1 have in your account now? I mean show that as
2 being spent from this accumulated fund rather
3 than the funds you are receiving perspectivevely.

4 MR. PETRAMALO: We could do that. The answer
5 is yes.

6 COMMISSIONER MILLER: Just for bookkeeping
7 purposes.

8 MR. PETRAMALO: For bookkeeping purposes let
9 me explain three accounts that we have at Access
10 National Bank. We have an account that has all
11 of our ADW online wagering money that was paid to
12 us before July 1st of this year. That's in one
13 account. We now have a new account that opened
14 up which will include all of the July 1st, 2015,
15 going forward money, which is restricted. It has
16 to be spent in Virginia or otherwise approved by
17 this Commission.

18 COMMISSIONER MILLER: Right.

19 MR. PETRAMALO: We have a third account
20 historically, and we call it a partnership
21 account. It contains about 1.2 million dollars
22 that's from the old OTVs that Colonial use to
23 run. Since we didn't spend that money last year
24 it's still sitting in that account. So those are
25 the three accounts.

1 COMMISSIONER MILLER: Okay. Thank you.

2 MS. EASTER: Commissioner, thank you, very
3 much.

4 CHAIRMAN REYNOLDS: Alright. So we'll try to
5 wrap this up. Next on our agenda is review of the
6 administrative regulations. And I'm going to turn
7 it over to Mr. Hettel to explain, not to ad
8 nauseam, what this is, but gotta change the ranks
9 to comply with the new legislation.

10 MR. HETTEL: That's exactly, Mr. Chairman.

11 CHAIRMAN REYNOLDS: So I'll turn it over to
12 you.

13 MR. HETTEL: Highlighted in the booklet,
14 Josh, would you like to briefly tell us --any
15 questions you might have.

16 MR. LAWS: Sure. The purpose of these changes
17 is to comply with the new law that became
18 effective today. Senate bill 1097 that made
19 changes to the Code of Virginia. The Virginia
20 Administrative Code is the regulations that the
21 Virginia Racing Commission issues to comply with
22 the Code Of Virginia and to regulate the industry
23 in the Commonwealth. Because of the changes in
24 the Senate bill 1097, which is Acts of Assembly,
25 chapter 751, the Virginia Administrative Code

1 needs to be changed to conform with the Code of
2 Virginia. And the Racing Commission is required
3 to make those changes. And, in fact, under the
4 Administrative Process Act, Title 2.2 Section
5 4006A4A, I believe it is, the Commission is
6 required to make those changes, to conform with
7 statutory law that there's no discretion
8 involved. It says because of Senate bill 1097 as
9 necessary to change the Virginia Administrative
10 Code to conform with the Code of Virginia. And
11 that's what reflected in the document that you
12 have before you.

13 MR. PETRAMALO: Can I get a copy of the
14 proposed changes at some point?

15 CHAIRMAN REYNOLDS: Yes. Commissioner Miller.

16 COMMISSIONER MILLER: Mr. Laws, you've
17 reviewed all the--

18 MR. LAWS: Correct.

19 COMMISSIONER MILLER: And all these
20 administrative code changes comport with the
21 statute?

22 MR. LAWS: Correct.

23 COMMISSIONER MILLER: As passed?

24 MR. LAWS: Correct.

25 COMMISSIONER MILLER: There's no problem?

1 MR. LAWS: Correct. When the staff sent it
2 to me, I made, recommended a few changes that
3 were necessary. They made those changes and
4 that's in the documents.

5 COMMISSIONER MILLER: Okay. Mr. Hettel, you
6 feel the same?

7 MR. HETTEL: I do, indeed, yes, sir.

8 COMMISSIONER MILLER: Well, I move that we
9 approve all the administrative section or changes
10 en bloc.

11 CHAIRMAN REYNOLDS: Okay.

12 COMMISSIONER VAN CLIEF: I'll second that.

13 CHAIRMAN REYNOLDS: All those in favor say
14 aye.

15 NOTE: All indicated by voting aye.

16 CHAIRMAN REYNOLDS: Those opposed?

17 Hearing none, the motion carries
18 unanimously. Is that right, Commissioner Miller?

19 COMMISSIONER MILLER: That's right.

20 CHAIRMAN REYNOLDS: Alright. Thank you. That
21 was a record.

22 Okay. I feel like I've already had the
23 public comment period, but if there's other
24 people from the public that would like to say
25 something right now.

1 You've had your five minutes, but I'll talk
2 to you personally afterwards.

3 Yes, ma'am. You haven't had your five
4 minutes.

5 MS. HOLLAND: I haven't had five minutes.
6 I'll take three more. Again, I'm Rhonda Holland
7 from Oak Ridge. I just want to tell y'all that
8 we're really looking forward to having races out
9 at Oak Ridge, having harness races, at least some
10 racing in Virginia beside Gold Cup.

11 And to say how impressed I am. I was at the
12 very beginnings of the Racing Commission. What I
13 see now is a problem solving, cooperative,
14 progressive group. And it's really nice to see.
15 Racing started off kind of exclusive, and now I
16 feel it's very inclusive. And I thank you for
17 that.

18 Fred Boger, after the Oak Ridge races said it
19 been a long time since he had fun at a race he
20 had Oak Ridge. So I hope all of you will come out
21 and enjoy our races.

22 CHAIRMAN REYNOLDS: Thank you, very much. Did
23 you get all that?

24 Any other comments? Go ahead. Two minutes.

25 MR. BERMAN: I want to thank Commissioner

1 Miller for recognizing the four percent that's
2 going to the VEA is coming from the public's
3 pocket. And I also want to thank him for
4 bringing up the fact that there's going to be
5 monthly meetings to evaluate how that money is
6 being spent.

7 I've looked at that budget. I've studied it
8 for the last week. There are some things on it
9 that concern me. And a couple of them are the
10 administrative expenses. And one of those is the
11 government affairs expenses, the lobbyist.

12 As much as I like Ms. Easter, I do have a
13 problem with conflicts, and I know she's
14 president of the VEA. And I looked up to see who
15 the lobbyists were for the Virginia Equine
16 Alliance, and I discovered that it is three
17 people whose last name are Easter.

18 MR. PETRAMALO: Not correct.

19 MR. BERMAN: That's not correct? They were
20 registered on five seven.

21 MR. PETRAMALO: No, they're our lobbyists.

22 NOTE: Voices overlapping; unable to discern
23 speakers.

24 MR. PETRAMALO: Virginia HBPA.

25 A SPEAKER: Well, I looked on the Virginia

1 --you'll have to look at that. Let's make sure of
2 that. But I wondered are they member of Easter
3 and Associates also? So is Easter and Associates
4 also receiving that money. And then when you got
5 down to the management expenses, I'd like to know
6 who those people are going to be that are going
7 to receive that money. And I'm not going to
8 guess. But like I say, I would like to know who's
9 going to get that and who's going to get paid
10 there too.

11 So is a lot of things in that budget. Is
12 that going to be open to the public when you guys
13 have those meetings about these budgets or are
14 they going to be closed?

15 CHAIRMAN REYNOLDS: Anything that gets
16 approved will be approved here, so you'll be the
17 first to know.

18 MR. BERMAN: That is a public meeting?

19 MR. LAWS: Yes.

20 MR. BERMAN: Okay. Thank you, very much.

21 CHAIRMAN REYNOLDS: If you any other issues
22 off line, you're always welcome to call me, come
23 see me. I'm happy to talk about it, just this is
24 not the form to get into a lot of back and forth.
25 But I'm happy to get you all the information you

1 want outside of this. Thank you, very much.

2 Any last issues or comments before we
3 adjourn?

4 COMMISSIONER STEGER: I just wanted to
5 mention one thing. As we are working hard and
6 successfully get our house in order that we think
7 about the marketing strategy perhaps
8 collaborating with the Virginia Department of
9 Tourism, and other agencies. Because the numbers
10 in the budgets for the Equine Alliance it seems
11 like a lot, but it's really quite a modest amount
12 for marketing.

13 And, secondly, we still have yet to determine
14 what it is we're going to market in terms of
15 shaping the program. And that's going to take
16 some time. And I'd like perhaps a future meeting
17 to think about that.

18 CHAIRMAN REYNOLDS: Absolutely. We talk about
19 our committees and revamping our committees and
20 our work sessions, and the marketing part of it
21 is a big part of how we position ourselves moving
22 forward. So thank you for that comment.

23 COMMISSIONER MILLER: Mr. Chairman.

24 CHAIRMAN REYNOLDS: Commissioner Miller.

25 COMMISSIONER MILLER: Before where he we

1 adjourn, I would move that we set a schedule for
2 regularly monthly meetings.

3 CHAIRMAN REYNOLDS: I would like to do that.

4 COMMISSIONER MILLER: Now, when I was on the,
5 always hate to hear the played on that team, way
6 back, you know, when baseball was great and all
7 that. But the way we use use to do it when I
8 first came on the Commission in 2006, at that
9 time we had regular monthly meetings. That
10 doesn't mean that you're mandated to meet.

11 Because many times executive secretary at that
12 time would get in touch with everybody and --

13 NOTE: Voices overlapping, unable to
14 distinguish speakers.

15 COMMISSIONER MILLER: Therefore, won't have a
16 meeting that month. But it's good for public;
17 it's good for everyone to realize that we have
18 ongoing meetings. I would suggest that everyone
19 look on their calendars and pick a day of the
20 week and a week in the coming months. I would
21 suggest maybe take the third, first Wednesday of
22 each month. What's that look like?

23 CHAIRMAN REYNOLDS: It looks pretty good
24 right now.

25 COMMISSIONER MILLER: First Wednesday of each

1 month.

2 CHAIRMAN REYNOLDS: And if we need to change
3 days--

4 COMMISSIONER VAN CLIEF: Can we take an
5 opportunity to go back and look at our calendar.

6 COMMISSIONER MILLER: Yeah. But I suggest
7 that start looking at maybe the first Wednesday
8 of each month. If that causes a lot of problem
9 then we'll look at the first Thursday. We got 30
10 days--

11 CHAIRMAN REYNOLDS: Your point's well-taken.
12 We'll have a normal regularly scheduled meeting
13 every month.

14 COMMISSIONER MILLER: August, the first
15 Wednesday in August is August the 5th. So I
16 would move -- you have a chance? Can we --

17 COMMISSIONER VAN CLIEF: Let's go ahead and
18 put it down.

19 COMMISSIONER MILLER: Can we schedule our
20 next meeting for Wednesday, August the 5th?

21 CHAIRMAN REYNOLDS: Yes.

22 COMMISSIONER MILLER: And then at that time
23 everyone will have a chance to review four or
24 five months for a regularly scheduled date.

25 MR. LAWS: I want to mention that I won't be

1 available that day, but I can send somebody--

2 COMMISSIONER VAN CLIEF: Actually I won't be
3 either.

4 CHAIRMAN REYNOLDS: Let's do this. We'll get
5 it done. But I think your point's well-taken.
6 We'll get on the schedule and have the first or
7 second Wednesday in every month.

8 COMMISSIONER MILLER: Well, it doesn't have
9 to be Wednesday. Let's look at Tuesday, August
10 the 4th.

11 COMMISSIONER VAN CLIEF: No, sir.

12 CHAIRMAN REYNOLDS: How about the 12th?

13 COMMISSIONER MILLER: That's fine. Whatever
14 the date, pick a date.

15 NOTE: Voices overlapping.

16 COMMISSIONER MILLER: Surely we can all agree
17 on a day today for our next meeting. Can we all
18 do that?

19 CHAIRMAN REYNOLDS: It might be to meet
20 sooner.

21 MR. HETTEL: At the end of July. The
22 Wednesday of July. Let's see if we can do that.

23 CHAIRMAN REYNOLDS: The 29th.

24 COMMISSIONER MILLER: The 29th of July is the
25 last Wednesday in July.

1 CHAIRMAN REYNOLDS: Because they need a
2 contract.

3 COMMISSIONER MILLER: What's that look like
4 for everyone?

5 CHAIRMAN REYNOLDS: July 29th. Is there an
6 issue?

7 COMMISSIONER MILLER: See, my problem, I'm
8 retired. I work in my yard. I can take off any
9 day I want.

10 MR. HANNUM: We've pencilled in the 29th. Is
11 that still--

12 COMMISSIONER VAN CLIEF: Pencil that in. I
13 did not bring my calendar with me, and I
14 apologize.

15 CHAIRMAN REYNOLDS: If there's an issue.

16 COMMISSIONER VAN CLIEF: Mr. Chairman, can we
17 get back to our executive secretary on that
18 date?

19 CHAIRMAN REYNOLDS: Yes. Shoot for the 29th
20 unless you hear otherwise.

21 COMMISSIONER MILLER: 29th of July at
22 10:00 a.m. Unless we hear otherwise.

23 CHAIRMAN REYNOLDS: And then we'll figure out
24 a regular schedule, and go from there.

25 Any other comments?

1 COMMISSIONER VAN CLIEF: Just want to add
2 another positive note. I've seen a lot of
3 negative in the last 18 months, but I think three
4 of the most positive things, pleasure of seeing
5 have been the operation of pari-mutuel, the Gold
6 Cup, the reemergence in Nelson, Oak Ridge, as a
7 racing venue. And the foundation of the VEA to
8 add to the concerts. So I look forward personally
9 of working with all of you.

10 COMMISSIONER DAWSON: Mr. Chairman, I just to
11 thank you and my fellow Commissioners. I think
12 this was a very productive meeting with the
13 Virginia Racing Commission. And I'm very pleased
14 with the way it worked. To be part of it.

15 CHAIRMAN REYNOLDS: Commission Miller? There
16 being no further business, we stand adjourned.

17 Thank you, very much.
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25

1 COMMONWEALTH OF VIRGINIA,
2 COUNTY OF HENRICO, to wit:

3
4 I, Kathleen Chancey, do hereby certify that I was
5 the Court Reporter in the Virginia Racing Commission
6 hearing held on July 1, 2015, at the time and location of
7 the hearing herein.

8 I further certify that the foregoing transcript
9 is true and accurate record of the testimony, to the best
10 of my ability, of the hearing herein.

11 Given under my hand this 17th day of July, 2015.

12
13 _____
14 KATHLEEN CHANCEY
15 Certified Court Reporter

16 My Commission Expires: 10/31/16
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