VIRGINIA RACING COMMISSION

JULY 1, 2015

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

Commencing at 10:00 a.m.

COMMISSION MEMBERS:

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

COMMISSION STAFF:

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

ATTORNEY GENERAL'S OFFICE
Joshua E. Laws, Assistant Attorney General
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CHAIRMAN REYNOLDS: I'm going to call the July 1st, Virginia Racing Commission meeting to order. The first thing that we want to do today is have the Administrative Process Act hearings, so that we can put ourselves into a position to vote on our two majority horsemen's groups, one for the thoroughbred and one for the standardbred. And then to hear from the Virginia Equine Alliance has applied to be our nonprofit group.

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

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

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

CHAIRMAN REYNOLDS: Okay.

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

CHAIRMAN REYNOLDS: Okay. All the
Commissioners are here today. We have a quorum of five willing and able Commissioners.

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

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

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

MR. PETRAMALO: I do.

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

COMMISSIONER DAWSON: I move.

COMMISSIONER VAN CLIEF: Second.

CHAIRMAN REYNOLDS: All those in favor say aye.

NOTE: All indicated by voting aye.
CHAIRMAN REYNOLDS: Ayes have it. Motion carries. Go ahead, Mr. Petramalo.

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

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

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

Tab 6 contains our certificate incorporation from the State Corporation Commission, our articles of incorporation, our corporate bylaws...
and our tax exempt, federal tax exempt
documentation from the Internal Revenue Service.
For tax purposes we're classified as a nonprofit,
tax exempt trade association under Section 501C6
of the tax code.

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

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

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

And if you take a look, Tab 9, you will see,
by way of example, the ballot and the biograph
materials that were sent out by an independent mailing company to all 1300 members. And the ballots are returnable to our accounting firm, I get the name mixed up, Hyde and Taylor in Williamsburg. They tally the results and then certify the results to us. And in January a new board is sealed.

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

When we had our last election in 2012, we had 21 candidates running for 14 seats. And we expect to have a similar number running this December. The board meets on a regular basis every month, usually the third Tuesday of the month at
the HBPA office in Warrenton. We keep formal minutes of our meetings. And just by way of example, at Tab 8, I've included our board meeting notes from January 14, 2014 through May, I think. Our last meeting, not yet reduced to writing, was last Tuesday.

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

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

We also, in addition to negotiating the contracts with racetrack operatives on behalf of the horsemen, we conduct benevolent programs. As you may recall when Colonial Downs was operating every summer before the meet, we would present to you what I refer to as the benevolence budget. And it usually ran between, say, over the years,
between 120 and 200,000 a year. And we, that was for providing benevolent services to the people on the backside.

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

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

And the benevolence program continues even though we are not racing yet in the summer. For example, when individuals associated with Virginia racing needed help we assist them.
Tragically, last week, an exercise rider who used to ride at Colonial for a number of our trainers died in a motorcycle accident. She had two or three youngsters. So we will be contributing to the health of the family. That's where the benevolent comes from in our title, Virginia HBPA.

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

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

But the racing, we petitioned the Racing Commission and we sought membership, authorization cards from Virginia Horsemen, and
we, in 1994, we presented about 400 of those
cards to the Commission. I was only able to dig
up over 200 of them from our files, but these
were presented to show that we represented the
majority horsemen. And interestingly enough, the
person on top is Stephanie Nixon. I'm sure she
was very young at the time. Much younger than she
is now. She still is.

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

And then after Colonial Downs was licensed we
immediately began negotiating with them for first
horsemen's contract. Even before racing started
because Colonial Downs opened up two ODBs. First
one was in Chesapeake, the second one was here in
Richmond on West Broad Street. We negotiated the
contract for our share of the purses, and then
subsequently we negotiated our first horsemen's
contract for racing. That's dated 1997. And it's
at Tab 3 in your packet.
From that time forward we, at least through 2013, we negotiated eight or ten contracts with Colonial spanning the continuous period from 1997 to 2013. And starting in 2000, with an amendment to our Racing Act, all of those contracts were required by the Racing Commission. The statute says the Racing Commission shall require a contract between the racetrack licensee and the majority horsemen's group providing for purses and prizes. And that contract was subject to approval.

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

We also, most recently, I think starting in 2013, when the Virginia Gold Cup Association was first licensed for pari-mutuel wage agreement at its facility in Great Meadow. And according to statute we negotiated contracts with them. And we kept current contract with them that runs from 2015. And I would expect that we will negotiate future contracts with them.
To make a long story short, since 1994, we have been the recognized majority horsemen's group. There's never been any other horsemen's group that purported to represent a majority of the horsemen.

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

And to be quite candid the reason that is in the legislation is because we engaged HBPA to ask the sponsors to include that because last year in our dispute with Colonial Downs, Colonial was contending that it and not the Racing Commission had the authority to determine who was the majority horsemen's group. So it put an end to that argument. The sponsors graciously put it in language that (inaudible).
In summary then nothing is really happened since 1994 to change our status as the majority horsemen's group. And we would ask you today to simply confirm that, and formally say that Virginia HBPA is the majority horsemen's representative.

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

MR. LAWS: I have a couple of questions.

CHAIRMAN REYNOLDS: Yes.

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

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

What we have done over the years is simply determine our membership role by each year going to the Racing Commission and asking for a
list of the licensed owners and trainers. And that list is what we use as a membership list for all purposes including elections.

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

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

So what you will see at Tab 3; I apologize in advance, Tab 7. That's our membership list displayed backwards. It was bound incorrectly. It was bound on the left side. What's the left side should be the right side. So if you start from the last page, page, Tab 7, and work your way to the front page that is the correct order of our
current membership. And that's roughly between 1300 and 1400 members.

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

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

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

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

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

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

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

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

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

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

Yes, Commissioner Dawson.

COMMISSIONER DAWSON: In our working session we discussed criteria for making this recognition. And one of the, I think it was
Commissioner Van Clief, suggested the criteria should be, a horseman should be a current license holder and also had started a horse or maintained one or more horses in training in Virginia within the last 36 months and going forward. And then later on Commissioner Miller suggested that that criteria be put into a letter announcing this hearing.

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

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

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

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

COMMISSIONER DAWSON: Okay.

COMMISSIONER VAN CLIEF: I think to be fair, that we looked at the two criteria, one being licensure and the other being bona fide activity in the state. And I think ended up, I'm sure we ended up deleting the first criteria, which was current licensure, because of the fact that
people don't, just aren't going to take out a license to pay the fee until there's racing in which to participate. So created, the criteria would include some bona fide activity during the past, or 36 months for the calendar years 2013 and '14, and the current year.

COMMISSIONER DAWSON: Thank you.

CHAIRMAN REYNOLDS: Mr. Miller.

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

MR. PETRAMALO: Yes. That would be me.

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

MR. PETRAMALO: Yes.

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

MR. PETRAMALO: Yes. I put it the other way.
The vast majority of our horsemen don't run steeple chase horses. Some of them do--

COMMISSIONER MILLER: Well, nonetheless--

MR. PETRAMALO: Yes.

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

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

MR. PETRAMALO: That's correct.

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

MR. PETRAMALO: That's correct.

COMMISSIONER MILLER: So your bylaws, I mean what I'm trying to understand is how did you make, how can you, under your bylaws, make the determination that in addition to those who are eligible under the bylaws go back and expand that membership by going back including people who are
not currently licensed? I mean how can you do that under your bylaws? Don't you need to amend your bylaws?

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

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

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

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

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

MR. PETRAMALO: We will. And we will chalk it up to sloppiness on the part of the general
counsel for the Association.

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

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

COMMISSIONER MILLER: Page 13 of Tab 6.

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

COMMISSIONER MILLER: Yeah, contribution.

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

COMMISSIONER MILLER: Okay. A layperson looking at this would, I mean someone untutored in law, perhaps would look at and say they want to be a trainer or a owner in Virginia. And they're looking to see what's expected. I assume
someone with some intelligence would call you or
call somebody in the organization for
clarification. But the way this reads it makes
it look like that each member shall contribute to
the association not less than 1 percent -- amount
of support may determine his purse earned by and
or awarded to him.

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

MR. PETRAMALO: Yes. We can do that.

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

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

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

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

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

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

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

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

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

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

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

COMMISSIONER MILLER: That action been's taken--

MR. PETRAMALO: Yes. We discussed it at our
COMMISSIONER VAN CLIEF: I have a question for our counsel. In making a motion to recognize that the HBPA, do we need to include any verbiage to recognize the difference between these bylaws and the definition of membership that coming out of our work session we're prepared to adopt or recognize?

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

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

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

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

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

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

COMMISSIONER DAWSON: So we would be recognizing--

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

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

MR. LAWS: Exact same process.

COMMISSIONER VAN CLIEF: Okay.

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

COMMISSIONER MILLER: Just a mechanical thing. They hold a, they send out these cards
annually, the membership?

MR. PETRAMALO: No, no.

COMMISSIONER MILLER: Every three years?

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

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

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

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

And all of them miraculously decide we don't want to have anything to do with this group that's here in Virginia now. We've had, we've heard so many bad things from people all over the world of how, you know, we shouldn't join. So
they opt to not be a member of your organization. To the extent that, lo and behold, you sit down and you see there's more of them than those who opt to be a member of your group. Okay.

What's the situation then, Josh?

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

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

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

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

MR. LAWS: Correct.
COMMISSIONER MILLER: There's more nonmembers, more people opting out than opting in, therefore, we have to call these folks in. Have to call Frank in here and start a process to unrecognize them.

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

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

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

But it seems to me a little cumbersome that once we're recognized having been here for 20
years that every year we have to come back and do the same thing even though no one is raising a question of membership representation.

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

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

CHAIRMAN REYNOLDS: Anything else?

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

CHAIRMAN REYNOLDS: So move.

COMMISSIONER MILLER: Second.
CHAIRMAN REYNOLDS: All in favor say aye.

NOTE: All indicated by voting aye.

CHAIRMAN REYNOLDS: Motion carries.

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

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

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

MR. HETTEL: I do.

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

MR. HETTEL: Bernard J. Hettel.

MR. LAWS: And who is your employer?

MR. HETTEL: Virginia Racing Commission.

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

MR. HETTEL: I'm the Executive Secretary.

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

MR. HETTEL: Four years.

MR. LAWS: And where were you employed prior
to coming to the VRC?

MR. HETTEL: I was employed by Frank

Stronach, Entertainment Corporation. Previous to

that I was employed by the Kentucky Racing

Commission. Previous to that I was an independent

contractor racing official. Previous to that --

groom.

MR. LAWS: So how long would you say of life

how many years have you spent in this industry?

MR. HETTEL: Over 40.

MR. LAWS: Thank you. You and your staff

reviewed the application of the HBPA submitted;

correct?

MR. HETTEL: That's correct.

MR. LAWS: Did the HBPA refuse to provide any

information that was requested by the Racing

Commission?

MR. HETTEL: No. They've been very

cooperative.

MR. LAWS: Did the Racing Commission receive

any other applications for the thoroughbred

recognize majority horsemen's groups?

MR. HETTEL: No, we did not.

MR. LAWS: Those are all the questions I

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

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

MR. PETRAMALO: No.

CHAIRMAN REYNOLDS: Okay. Any other comments?

COMMISSIONER STEGER: Mr. Chairman--

CHAIRMAN REYNOLDS: Commissioner Steger.

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

CHAIRMAN REYNOLDS: Speak up to the microphone.

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

CHAIRMAN REYNOLDS: Commissioner Miller.

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

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

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

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

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

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

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

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

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

COMMISSIONER MILLER: Well, I move that we
recognize Virginia Horsemen's Benevolence and
Protective Association as the recognized majority
horsemen's group as called for by Section --

MR. LAWS: 59.1-364, 59.1-365, 59.1-369, and

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

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

COMMISSIONER VAN CLIEF: I'll second that
motion.

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

NOTE: All indicated by voting aye.

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

MR. PETRAMALO: Thank you, very much.

CHAIRMAN REYNOLDS: Congratulations.

MR. LAWS: Mr. Chairman, would you like the
record to reflect that the motion carried unanimously?

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

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

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

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

MR. DUNAVANT: I do.

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

CHAIRMAN REYNOLDS: So move.

COMMISSIONER MILLER: Second.

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

MR. LAWS: I'm sorry. I picked up the wrong one.
CHAIRMAN REYNOLDS: Do you want to hold it up so. Alright. I'd like to move that we submit the Virginia Harness Horse Association's application into the record as Exhibit 1. Do I hear a second?

COMMISSIONER VAN CLIEF: Second.

CHAIRMAN REYNOLDS: All those in favor say aye.

NOTE: All indicated by voting aye.

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

Dr. Dunavant.

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

I think maybe the letter from Jeb Hannum is self-explanatory. As you know we've had some dissension on our board as to purse monies administered for some of our races. I think we have got those issues kind of resolved amongst ourselves.
The monies that we have set aside from the Advanced Deposit Wage when it came in effect, we have, the boards in the past and this present board voted to use that money basically for our two and three-year-old Virginia bred program. We have also used that money to bring our purse accounts for the last three or four years at Colonial Downs up to $50,000 a day minimum that we had projected. And we're going to continue to do that.

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

The difference in our membership versus the HBPA's, our members pay a $30 fee to be a member. We had 200 members for our meet in 2014. That was the largest membership we have had since we've been racing at Colonial. And that was basically because in our contract for the previous three years at Colonial we had agreed to pay a stall rent for each horse that was stabled on the ground. And we agreed to pay $40,000, which was half of the cost of converting the dirt track.
from dirt to our harness surface. When they
didn't have thoroughbred racing last year we did
not have to pay that $40,000 fee that we had
budgeted.

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

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

And Mr. Reynolds asked me last time about me
appointing people. I have asked people, you
know, would you be willing to serve on our
board. And it's like pulling hen's teeth to get people to work and do. And when they said they would our board did vote on those people. They were voted on.

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

MR. HETTEL: That's correct.

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

You know, excuse me, I've had a cold this week, and my voice a little cracky. But I think everything here is self-explanatory. I think we have a list of our directors, who they are. Most all of them are breeders, owners, trainers and drivers of our horses. We are a lot more hands-on than thoroughbred racing.
So with that, if y'all have any questions specifically, I will be happy to try and answer them for you.

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

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

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

I really have a hard time getting participants. It's unfortunate, but that's, we don't have a big population of harness horse enthusiasts in Virginia. We've been trying and
trying to get that up. I hope that we will get
the participation from out of state for our four
days at Oak Ridge that we're planning for this
year.

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

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

COMMISSIONER VAN CLIEF: Not to nitpick, but,
again, we're thinking about your membership and
the unique situation we find ourselves in this
year. The conversation we just had with Frank
As I understand it the federal legislation, as well as the state legislation provides an apparatus for representation for owners and trainers, but not jockeys and drivers. So my question is do those drivers vote, do they get the same prerogatives and rights in your organization -- the answer may be that the drivers are also owners.

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

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

COMMISSIONER VAN CLIEF: As I understand it I think you probably, just to be consistent with the existing statute, should allow your trainers and your owners to vote, but anybody that is a
driver but not also a trainer and owner. I'm not saying if you're a trainer or an owner and also a driver you can't vote. But if you're not a trainer and you're not an owner, it seems to me that you don't necessarily rate the representation under the law.

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

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

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

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

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

CHAIRMAN REYNOLDS: What do their bylaws --
I'm perusing their bylaws now. Their bylaws, I'm trying to see where the qualification to vote.
And membership--set forth in the bylaws.

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

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

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

DR. DUNAVANT: Are you saying we should exclude drivers? We have a provision --
COMMISSIONER MILLER: No, no, no. The code says that the majority horsemen's group is made up of owners and trainers. You need to make sure that your bylaws reflect that. That persons of authority within this horsemen's group, which you represent standardbred horsemen, that the people who vote for the leadership of your group, the people who vote for what your group does, how it operates and so forth, are the owners and trainers. They can also be drivers. I mean, you know, they can be grooms. They can be exercise walkers, or whatever, but they have to be an owner or a trainer. And your bylaws have to reflect that. Because if you allow other people to vote, other than those called for by the Code, that means that your majority horsemen's group that we've recognized would be going off and doing something perhaps counter to what the owners and trainers might decide.

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

DR. DUNAVANT: We can do that.

COMMISSIONER MILLER: And then only those
members have the right to vote. You have membership in your group when you can extend your membership for nonvoting members to drivers who are not owners or trainers, I suggest. You extend your membership to anyone I guess that you wanted to that's interested in standardbred horsing.

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

MR. LAWS: I believe that's correct.

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

DR. DUNAVANT: They precede this new law.

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

And then we can approve you today, I assume we can recognize you today with the caveat that
the organization must come forward with
appropriate bylaws that reflect the authority you
have under the present code.

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

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

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

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

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

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

COMMISSIONER MILLER: It's prima facie.

DR. DUNAVANT: We no longer have an attorney
representing us. You know, we had--
COMMISSIONER MILLER: Well, with the amount of money that's involved here, and we got to remind everybody, again, this is all public money. We talk about pari-mutuel wage in Virginia, when we talk about those percentages that are paid out of that to the various places, that's public money. The same as if it was collected at the grocery store on gross receipts, or it was collected from me on my income tax, that's public money. And we have the responsibility to see that that money is appropriately applied to whatever purpose the legislature named appropriate.

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

MR. PETRAMALO: May I speak?

CHAIRMAN REYNOLDS: Yes.

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

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

COMMISSIONER MILLER: That's my only concern.

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

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

MR. PETRAMALO: Yes.

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

DR. DUNAVANT: And I appreciate it.

COMMISSIONER MILLER: Okay. Thank you.

COMMISSIONER DAWSON: Commissioner--

CHAIRMAN REYNOLDS: Yes.

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

DR. DUNAVANT: Yes, ma'am.

COMMISSIONER DAWSON: So that the corrections or the amendments to the bylaws should include
the fact that, you know, breeders and drivers may become members of your organization; they are not eligible to vote for the board or whatever votes--

DR. DUNAVANT: I understand.

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

DR. DUNAVANT: Yes, ma'am.

COMMISSIONER DAWSON: So, just for the record.

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

But what I'm reading and what I've been told it sounds like you all have gotten back together. You're going to settle your differences through this election of a whole new
board. And you all are going to work as one
under VHHA moving forward.

DR. DUNAVANT: That's correct.
CHAIRMAN REYNOLDS: Okay.
MR. LAWS: Mr. Chairman, could I ask a couple
of questions?
CHAIRMAN REYNOLDS: Yes, sir.
MR. LAWS: Doctor, if you can't hear me, let
me know, I'll speak louder.
DR. DUNAVANT: Yeah. I'm a little--my hearing
aids, I forgot.
MR. LAWS: How many owners and trainers are
currently members of your nine person board?
DR. DUNAVANT: Owners and trainers currently,
you know, we're like the thoroughbreds. Our
people joined in September. But our bylaws say
that that membership only lasts until the end of
December. We've got, and changing our bylaws,
that was brought up at our last meeting. I mean
when you pay $30 you should get more than three
month's membership. And we assume that, you
know, it's been a long time since we read the
bylaws and follow them to the letter.

But we had 200 members last year that raced
at Colonial. How many of those were owners and
MR. LAWS: Or drivers.

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

But I can't give you an exact number.

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

DR. DUNAVANT: Yes.

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

DR. DUNAVANT: That's correct.

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

DR. DUNAVANT: Every one of them.

MR. LAWS: Every one of them. So I, Commissioner Miller and other Commissioners, unless you have some reason to doubt Dr. Dunavant's credibility or testimony, the evidence that has been presented today shows
their organization is made of a majority of
owners and trainers as is their board.

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

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

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

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

MR. HETTEL: Yes, we did.

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

MR. HETTEL: They did not.

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

CHAIRMAN REYNOLDS: Okay. So moved.
COMMISSIONER VAN CLIEF: Second.

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

Motion carries unanimously.

MR. LAWS: I have nothing further.

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

MR. LAWS: Sure.

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

Any other comments or questions? Okay.

Mr. Laws, would you please put a motion together similar to the one we did before?

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

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

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

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

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

COMMISSIONER DAWSON: Thank you.

MR. LAWS: Anything else, Commissioner Miller?

COMMISSIONER MILLER: I do not.

CHAIRMAN REYNOLDS: Okay. Entertain a motion?

MR. LAWS: Does a Commissioner to wish to make the following motion on the Code of Virginia Section 59.1-364, 59.1-365, 59.1-369, and 59.1-392.1; the Commission finds that Virginia Harness Owners Association has presented
sufficient evidence to show that it represents
the majority of owners and trainers within the
Commission's jurisdiction, and, therefore, should
be recognized as the majority horsemen's for this
league.

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

MR. LAWS: Oh, I'm sorry.

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

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

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

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

COMMISSIONER DAWSON: Second.

CHAIRMAN REYNOLDS: All in favor say aye.

NOTE: All indicated by voting aye.

CHAIRMAN REYNOLDS: All those opposed?

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

DR. DUNAVANT: Thank you, very much.
CHAIRMAN REYNOLDS: Look forward to working with you.

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

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

MR. HETTEL: Yes, sir, it is.

CHAIRMAN REYNOLDS: Okay. Mr. Hannum.

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

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

MR. HANNUM: Yes.

MR. LAWS: Okay.

MR. HANNUM: Thank you, Commissioners. I am Jeb Hannum, executive director of the Virginia Equine Alliance. I'm here to represent the Virginia Gold Cup, VHHA, VHBPA, and the VTA. On behalf of those organizations, Dr. William, Allison and Dr. Al Griffin are representing the Virginia Gold Cup. Dr. Charles Dunavant is
representing the Harness Association. Frank Petramalo is here representing David Ross of the thoroughbred horsemen's association. And Debbie Easter is the president of Equine Alliance, and she is here representing Wade Chatfield Taylor.

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

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

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

Nonetheless, the task before the Equine Alliance and all of us in enormous. Bringing
racing back to Virginia will not happen over
night nor will it be easy. We will all need to
work together to make this happen.

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

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

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

COMMISSIONER MILLER: Before you get into the
budget. The general provision relating to your
organization under the bylaws is of some concern. If you look under Article 3, members.

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


    MR. HANNUM: Yes.

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

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

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

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

    COMMISSIONER MILLER: Yeah.

    MR. LAWS: Okay. To include the recognized
majority horsemen's group and breeders
organization and a licensed track operator.

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

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

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

MR. HANNUM: Yep. That--

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

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

MR. HANNU: Yeah.

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

MR. HANNU: Yes.

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

MR. LAWS: Yes, you're correct.

COMMISSIONER MILLER: So what I'm suggesting, hypothetical, et cetera, et cetera, that you have your counsel look at your bylaws. And some way you construct this right to withdraw to allow a time frame for some intellectual review by your counsel and Attorney General and the Racing
Commission, so that we make sure that on that effective date the Gold Cup gets out that the other track operator immediately jumps in.

MR. HANNUM: Yep, yes.

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

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

COMMISSIONER MILLER: Alright. Thank you.

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

Circumstances could change whether or not someone wanted to be a member. And let's say we had we ourselves without the pari-mutuel licensee
at our track operator through no particular fault of the association.

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

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

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

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

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

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

MR. HANNUM: Absolutely.

MR. LAWS: The instructions, necessary to
comply.

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

MR. HANNUM: Right.

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

CHAIRMAN REYNOLDS: Yes.

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

CHAIRMAN REYNOLDS: So move.

COMMISSIONER DAWSON: Second.

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

Hearing none, the motion carries unanimously.

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

MR. HETTEL: That's correct.

MR. LAWS: Did the VEA refuse to provide any information that the VRC requested?
MR. HETTEL: They did not.

MR. LAWS: No further questions.

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

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

CHAIRMAN REYNOLDS: That works.

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

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

MR. HANNUM: Yeah, sure, absolutely.

CHAIRMAN REYNOLDS: We can ask questions as they arise.

MR. HANNUM: Okay. So, first of all, what we're going to focus on is the estimate for 2015. So this is for the six months going forward from today to the end of the year. The assumptions for cost are based on six days of racing. And
there's some notes on the right-hand side of the budget. But it's six days of racing.

At the very top, gross proceeds from ADW, the 900,000 plus number, that's an estimate obviously from the three licensed ADW companies. Importantly that represents five-sixths of the half of the year. So that's because we won't receive the July money until August.

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

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

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

We are fortunate in that we have the Gold Cup model to look at, which provides us with, literally down to the last penny on how much it
actually costs to conduct racing. And with them conducting pari-mutuel racing for the last two years we can, we've been able to add in the extra expenses that are associated with pari-mutuel racing.

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

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

Morven Park, we're moving forward, and we're cautiously optimistic that that will work out. That would be, for one day, for this year,
$50,000. And then the lease for Morven Park would be $250,000 per year for up to 14 days of racing going forward.

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

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

So moving down to administrative expenses. These are, some of these are standard; the executive director position is myself as the only paid staff member of the Equine Alliance. We anticipate bringing in consultants to help us on race day. Importantly we're going to need a turf
consultant to help bring Morven Park and other facilities up to the proper quality that we'll need. And also to bring Oak Ridge back. There hasn't been any racing at Oak Ridge for about 10 years. So will need some maintenance required there. And we have a couple of turf consultants under consideration.

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

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

Under management expenses. This bucket represents the back office support that the Virginia Equine Alliance will need to hit the
ground running as we go forward. So we don't want to have a lot of staff. And we don't need a full-time secretary; we don't need a full-time accountant, etc. But we do need this support so we can be focused on conducting our business of promoting and advancing racing.

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

The marketing and promotion section of the budget is an important area of the statute. Very clearly states that we're to advance and promote racing. This is an area that we probably as an organization haven't spent as much time focused on as we have in other areas. This was, we've been focused on different priorities. But we feel very strongly that we need to have as many social media tools as we can that are appropriate. And we look to have a PR firm or a communications consultant to help promote races, and to develop a brand around what we're doing to get people
excited about what's happening, and to understand that racing in Virginia is coming back.

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

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

Moving upward, capital improvements to Morven Park and re-engineering costs to Morven Park. These are two big items that I'll comment on.
Capital improvements to Morven Park will continue to make a significant investment to bring that facility back up to standards. It's been a good 10, 12 years since they've had racing there.

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

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

And, so, in order to change all their plans and to completely re-engineer everything that they've done, it's about $250,000, which
represents approximately 10 percent of their overall budget for this project.

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

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

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

CHAIRMAN REYNOLDS: Commissioners, any questions?

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

MR. HANNUM: That is correct. So they, their executive committee met last, what's today, Wednesday. They met last, I think last Wednesday. The executive committee voted to, they voted to move the proposal forward to the full board.
So on July 13th, the full board will vote as to whether or not to approve racing with pari-mutuel wagering at the site. And we have the general terms agreed. The re-engineering costs, $250,000 per year, 14 days of racing.

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

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

CHAIRMAN REYNOLDS: Commissioner Miller, do you have any?

COMMISSIONER MILLER: The initial
contributions, where did they, who made initial contributions?

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

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

MR. HANNUM: That's correct.

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

MR. HANNUM: That is correct.

COMMISSIONER MILLER: Um.

CHAIRMAN REYNOLDS: Yes, sir, please.

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

MR. HANNUM: Those would be, that would be factored in at the top under stewards and
officials; the $300,000 line. The $50,000 per
race day takes into account the certain amount of
maintenance. And we're fortunate at Oak Ridge,
there really isn't a whole lot that needs to be
done. The facility's in great shape. The track
needs to be worked on.

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

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

MR. HANUM: Yes, sir.

COMMISSIONER MILLER: It may or not reflect
what you put down here. But I would suggest to
you that it appeared to me that if you have the
VTA, that's an organization, that's a part of your group, and you have the Gold Cup as a part of your group, and that they take some initiative themselves with the legislature I'm sure as they had in the past and will in the future, I assume; it just seems to me that the VEA itself probably should not, although this is just my own personal opinion, but you probably should not incur a great deal of what we call lobbying expenses in the future. You shouldn't unless there's some kind of radical change in the statutory scheme that you come up with, or unless you're exploring new streams of revenue to, for instance, (inaudible) pari-mutuel wagering or something like that; some kind of an issue like that.

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

MR. HANNUM: I would agree with you, and our budget does drop off considerably from 2015. But I do feel that, based on the uncertain environment that we're in right now, I think that we do want to have a ability to be well-represented before the general assembly.
Alternative gaming is not something that's immediately on our horizon. But that's a discussion that may come up. So I think the VEA would be well-suited just to be able to have that representation. And our budget does, is half of what it was in 2015.

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

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

But, as you approach the future and as you have certain issues that may come up, you may want to hire a lobbyist; it's prudent to budget it for that day. At least from your annual budget each year set aside a certain amount toward possible future lobbying efforts. But I would just hope that your group wouldn't be
inclined to hire a professional lobbyist on a
retainer or an ongoing recurring annual basis.
As a quasi-public body.

MR. HANNUM: Right.

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

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

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

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

MR. HANNUM: Yes, sir.

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

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

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

MR. HANNUM: Yes, sir.

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

MR. HANNUM: And as I acknowledged, I mean this is a section of the budget that we haven't
been able to think through as much as we have in other areas. And the Commission's input as we think about that.

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

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

MR. HANNNUM: Sure.

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

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

MR. HANNNUM: Yep.

COMMISSIONER MILLER: Would you have any problem with that?

MR. HANNNUM: No. And I would like to do that, absolutely.

COMMISSIONER MILLER: Okay. Now on the other point regarding Morven Park. Is Morven Park in Loudon County or is it in Leesburg? Is it in the
corporate zone of Leesburg or is it in Loudon County?

MR. PETRAMALO: Loudon County.

COMMISSIONER MILLER: Okay.

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

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

They all have, everything's packaged together and there it is and everybody ready to sign. And all of a sudden the board of supervisor's member X says what about all that traffic, what about all that, that housing division, those people don't want—in other words, have you done that type of work?
MR. PETRAMALO: The answer is not yet, but that's an excellent point. Loudon County is my home county, and there's probably no county in the state that's more pickier when it comes to permitting and things like that.

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

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

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

MR. PETRAMALO: Yes.

COMMISSIONER MILLER: I just read the Washington Post.

MR. PETRAMALO: Yes.

COMMISSIONER MILLER: A recurring thing in Loudon County.

So I suggest--

MR. PETRAMALO: We'll do that.

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

MR. HANNU: Yes. Thank you.

COMMISSIONER MILLER: Also my next question. What about if the board of Morven comes back and says no go? What's the plan B for thoroughbred
racing; do you have one right now?

MR. HANUM: Can I talk about that in the September Commission meeting?

COMMISSIONER MILLER: Yes. Okay.

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

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

MR. HANUM: Yes.

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

CHAIRMAN REYNOLDS: Commissioner Van Clief?

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

MR. HETTEL: Let me defer to Dave Lermond,
who's our financial guy.

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

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

MR. LERMOND: I do.

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

MR. LERMOND: David Lermond.

MR. LAWS: And who's your employer?

MR. LERMOND: Virginia Racing Commission.

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

MR. LERMOND: Deputy executive secretary slash fiscal officer.

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

MR. LERMOND: Eleven years.

MR. LAWS: Okay. Thanks.

MR. LERMOND: Commissioner Van Clief, to answer your question, the 55,000,000 is probably a little conservative. And a little more optimistic based on what we've seen the last couple of months that could be as high as approaching 70,000,000.
MR. HANNUM: That's, I mean that was the approach we took for the first budget to be very conservative.

COMMISSIONER VAN CLIEF: Good. Thank you.

MR. HANNUM: You're welcome.

CHAIRMAN REYNOLDS: That's it?

COMMISSIONER VAN CLIEF: That's all I have.

CHAIRMAN REYNOLDS: Commissioner Dawson.

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

MR. HANNUM: Yes.

COMMISSIONER DAWSON: --race is.

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

So if you were to go there this afternoon, it looks wonderful, but it hasn't had any proper
turf maintenance. The rail, the inner rail, we need to add a racing rail. And outside there needs to be perimeter fence. The steward stand needs to be fixed up. So there all these things that have been 10 years in maintenance.

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

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

COMMISSIONER DAWSON: Are you building any stands or seating?

MR. HANNUM: That's a good question. I think initially we don't, right now we probably don't have any plans for that. A little bit depends on what sort of crowd in Morven Park we'd like to
have there. So they're going to handle the front
side, the tickets and the people.

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

COMMISSIONER DAWSON: Okay.

CHAIRMAN REYNOLDS: Dr. Steger?

COMMISSIONER STEGER: No.

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

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

CHAIRMAN REYNOLDS: Yes.

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

As I said we have a signed contract back from
the Holland family for Okay Ridge. And I laid out those terms. And we know what the cost will be for Morven Park. Could I seek approval from the Commission now as you look at this overall budget for approval for those two sites? Pending board approval for the final lease.

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

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

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

CHAIRMAN REYNOLDS: Commissioner Miller.

COMMISSIONER MILLER: Well, first of all we need to get out of the way the --
CHAIRMAN REYNOLDS: Approval.

COMMISSIONER MILLER: The approval recognition.

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

COMMISSIONER MILLER: Josh needs to frame a motion--

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

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

CHAIRMAN REYNOLDS: Yes.

MR. LAWS: Pursuant to Code of Virginia, Section 59.1-364, 59.1-369, and 59.1-392.1, the Commission finds that the Virginia Equine Alliance has presented sufficient evidence to show it includes the recognized majority horsemen's group, a breeder's organization, and a licensed track operator; and will operate for the purpose of promoting, sustaining, and advancing horse races within the Commonwealth; therefore, Virginia Racing Commission recognizes VEA as the nonprofit industry stakeholder organization under the Code of Virginia. And that recognition will expire three years from today's date.
COMMISSIONER VAN CLIEF: Mr. Chairman, I'd be happy to make that motion.

CHAIRMAN REYNOLDS: Do I hear a second?

COMMISSIONER DAWSON: Second.

CHAIRMAN REYNOLDS: All those in favor say aye.

NOTE: All indicated by voting aye.

CHAIRMAN REYNOLDS: Those opposed?

Hearing none, the motion carries unanimously.

Thank you, very much. Now we can talk about.

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

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

Then on a similar vain with Morven Park, I just want to make sure you all understand where we are with our discussion with Morven Park, which are not quite far down the line. But, again, if the Morven Park votes in July to approve it, we would need to be in a position to...
move forward very quickly to get that facility
ready.

CHAIRMAN REYNOLDS: Could that wait until an
August meeting?

MR. HANNUM: Yeah, I suppose it could.

CHAIRMAN REYNOLDS: I'm not saying--

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

CHAIRMAN REYNOLDS: Yes.

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

MR. HANNUM: Yes.

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

MR. HANNUM: Yes. Thank you.

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

MR. HANNUM: Well, it's a budget item, so,
you know, we're not, this is the first time we've
gone down this road. So the Oak Ridge costs are
articulated in the budget. So it would be my
understanding that, that the recognition that you
just granted would have been with the
understanding that your approval for the overall
budget as well.

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

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

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

CHAIRMAN REYNOLDS: It's in the booklet.

MR. PETRAMALO: Where is that--

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

UNKNOWN SPEAKER: Where is the contract --

MR. LERMOND: Tab one.

CHAIRMAN REYNOLDS: I've seen it. It was also
sent as a separate e-mail outside of the packet as well, wasn't it?

MR. HANNUM: It came as a separate document.

MR. LERMOND: Tab one.

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

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

MR. LERMOND: No. Racing--

MR. HETTEL: Racing Commission.

MR. LAWS: Different Tab one; I understand.

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

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

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

CHAIRMAN REYNOLDS: Okay. I'll entertain any Commissioner comments. I am concerned and would yield to my counsel as to whether this is permissible or not. Because it's, you can argue
whether it was on the agenda or not. But I think
we're being asked to act on something other than
the approval of the nonprofit status of the VEA.

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

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

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

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

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

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

COMMISSIONER MILLER: Mr. Chairman.

CHAIRMAN REYNOLDS: Yes.

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

I would suggest, I mean they can go ahead enter into a contract with Oak Ridge or Morven Park. But in it each instance all parties to the
contract understand that the contract is subject to Virginia Racing Commission approval.

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

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

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

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

Am I not correct?

MR. LAWS: You're correct.

CHAIRMAN REYNOLDS: Yeah. I'd rather see all the signatures on the contract. It's done; no
more amendments when it comes to us for final
approval.

MR. HANNUM: Okay.

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

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

NOTE: Voices overlapping.

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

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

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

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

MR. HETTEL: Then that's my error. He asked
to be included. And I thought it was a part of
the presentation, so that's my error.
MR. LAWS: And I apologize if I'm being too literal. I'm not trying to throw a wrench into the newly form organization's process, but is it a problem for approval for August?

CHAIRMAN REYNOLDS: COMMISSIONER VAN CLIEF.

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

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

CHAIRMAN REYNOLDS: Yes.

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

CHAIRMAN REYNOLDS: Yes.

COMMISSIONER MILLER: It's not as if we can't, we can meet whenever we want to meet. We meet when this Commission decides. If we want to meet day after tomorrow. However we need to give proper notice for certain things.
So we can have a meeting as quickly as Josh Laws says we can have a meeting to approve such a contract. And it may be next Monday.

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

COMMISSIONER VAN CLIEF: Close.

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

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

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

MS. HOLLAND: I understand--

MR. HANNUM: Yeah.

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

MR. HANNUM: Thank you, Ms. Holland.
CHAIRMAN REYNOLDS: I don't anticipate any problems.

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

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

That's why something has to appear as Josh recommends, not recommends, but points out that it's a requirement that you have agenda items on the agenda so it draws attention of the general public of what this public body is going to be acting on. So if they have something they want to say about, they have an opportunity to come and say it.
CHAIRMAN REYNOLDS: And if we act on something and didn't have opportunity to--

COMMISSIONER MILLER: Can cause problems.

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

MR. HANNUM: Okay.

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

MR. HANNUM: Thank you.

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

Commission Dawson, any comments or?

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

CHAIRMAN REYNOLDS: Will make that correction.

COMMISSIONER DAWSON: And then down two more, three more paragraphs. It says, there's a
misspelling of Oak Ridge. It should be two words.

CHAIRMAN REYNOLDS: And capitalized--

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

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

COMMISSIONER MILLER: I move we approve all
three minutes.

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

COMMISSIONER VAN CLIEF: I'll second that.

CHAIRMAN REYNOLDS: Okay. All in favor say
aye.

NOTE: All indicated by voting aye.

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

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

COMMISSIONER STEGER: I move to approve.
CHAIRMAN REYNOLDS: Okay. How about any additions or corrections to the working session, Tuesday, June 9th?

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

COMMISSIONER VAN CLIEF: Second that.

CHAIRMAN REYNOLDS: All in favor say aye.

NOTE: All indicated by voting aye.

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

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

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

MR. LAWS: Correct.

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

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

NOTE: Laughter.

MS. EASTER: Do I have to be sworn in?
CHAIRMAN REYNOLDS: No. And then after, what
I'm going to do is after you've presented and
after we've had some comments, I think better
request from the public to make some public
comments. And I'm going to allow that. Part of
the public comment period. I think people of the
public thought it would be beneficial instead of
being the last to speak in front of these issues
that they would like to make some comments.

MS. EASTER: Sure.

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

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

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

I think I did a fairly good job of pointing
out the reasons why. But I think there were some things left out in my letters that might help things, and we can explain things a little better.

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

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

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

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

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

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

And I think if on a purely promotional basis that we would gain ourselves a lot of attention
not only nationally, but everybody that's watching us, hey, here's states trying to work together and make something happen. Maryland was going to run these things for Virginia with the knowledge that they will come back here in 2016.

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

With the graded stakes, and maybe I should address easily. Maybe I should start with the Virginia stakes and then I'll move to the graded stakes. I think that's probably the easiest thing. Safety, number one. I don't know that we're going to have a safe place to run these. The Gold Cup was nice enough. We did have discussions with the Gold Cup whether we could run these stakes at the Gold Cup this year. I think through good education and research that Dr. Griffin did; he went around and talked to trainers. There's certain things about the course
at the Gold Cup with the steeple chase jumps that are not going to allow us to have a rail all the way around the course. I think that trainers told him that longer on the grass races would be a good thing. Some of our stakes include two year olds and short sprint races along with longer races.

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

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

One of the reasons for that, for breeders is they always have told me that this was the most, our black-type stakes, our stake bred stakes were the most important program of our breeders fund. Because simply out of appreciation when they're running those stakes and win, not only does that
horse become more valuable potentially, but so do the mares and the future offspring of the mares. And for industry way it's a way for them to get a little easier black-type than having to go to other places and run against Oak and company.

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

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

So I hope that we can run those stakes out. There's precedence on that. We use to run them out of state before Colonial Downs was here in Virginia. We ran those stakes last year up at Laurel when Colonial didn't run. It was a
terribly successful day. Handle-wise, I don't know that it was as successful as the corresponding day the year before. But we kind of put it in at the last minute.

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

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

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

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

We, we're going to need some things potentially for Maryland if we run at Morven Park. One of those being the jockeys. Number two might be the great gate crew. We, I think it's a perfect lead-in to try something that already looks like we're working in good faith with each other. And, as I said, I think we can get some real promotion. I think that as we take those graded stakes up there, they could be run, say the Virginia Oaks, I think that could be run as the Virginia Oaks sponsored by the Virginia Equine Alliance, so it's very clear that those are Virginia races in Maryland. And Maryland does know that we intend to bring those back here to this state next year.
I think that as far as financially what happens to keep those stakes graded, the horsemen couldn't be in a better shape. The Maryland Jockey Club is going to put half the purse money. So it's $900,000 worth of purses; $450,000 of it would be paid by the Maryland horsemen.

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

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

We'll have more time to promote. It's a better time of year. But if what happens with the horsemen's share on live racing there they get four-and-a-half percent would come our way. And
on the simulcast handle it would be a one in three quarters percent.

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

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

And one of the things for you all that don't know nationally is he's trying to put together, and perfect example in Florida, instead of tracks running against each other, to try and put tracks together, which he's trying to do in the mid Atlantic. Because we have something like four, six, eight tracks that run in the mid Atlantic that are all trying to pull horses at the same time. We're competing for purses. We're competing
for promotion money, for fans, for betters. And, so, I think the idea would be to try and consolidate in ways where we can to make everything a positive so we're not running against each other in the future.

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

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

CHAIRMAN REYNOLDS: Okay. Quickly--

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

MS. EASTER: Yes.

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

MS. EASTER: I did.

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

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

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

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

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

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

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

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

MS. EASTER: Sure.

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

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

MS. EASTER: That would be super. I think that's something that gives a little opportunity for horsemen. Just I know there's a political,
potentially a political problem with too much out of state.

CHAIRMAN REYNOLDS: Mr. Lermond.

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

MS. EASTER: For the?

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

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

MR. PETRAMALO: That's correct.

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

MS. EASTER: Which would be $50,000 unless we're in a situation that we had last year where
we had people split one race.

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

CHAIRMAN REYNOLDS: Remind me again.

MR. LERMOND: I will. Thank you.

COMMISSIONER MILLER: Could I ask--

CHAIRMAN REYNOLDS: Yes.

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

CHAIRMAN REYNOLDS: Right.

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

MR. PETRAMALO: 50,000.

COMMISSIONER MILLER: Per race.

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

COMMISSIONER MILLER: Okay.

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

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

MR. PETRAMALO: Yes.

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

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

MS. EASTER: September 12th.

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

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

MR. PETRAMALO: Right. Right. Let me say
something else I want to emphasize. Debbie may
have mentioned it. But the point is the HBPA, over the years, have spent millions of dollars from its purse fund to obtain graded stake status for the Derby, the Turf Cup and the Oaks.

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

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

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

MR. PETRAMALO: A couple of things.

CHAIRMAN REYNOLDS: We're never certain that it will remain graded. That's just up to the
Committee. But what certainty do we have that Maryland give us back those graded races next year? Would that be in the contract?

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

CHAIRMAN REYNOLDS: Right.

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

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

And they said no problem, plus we'll give you your own logo to attach to those races; to make
sure everybody understands these are Virginia races. And we will assist you in taking them back to Virginia next year.

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

CHAIRMAN REYNOLDS: Right.

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

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

CHAIRMAN REYNOLDS: -- money is going of out state, it's going to the graded stake races that, you know, Virginia horses, it's open, so Virginia horses very well may not win, but that was the
case when it was at Colonial Downs as well.

MS. EASTER: Right.

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

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

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

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

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

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

CHAIRMAN REYNOLDS: Right.

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

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

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

MR. PETRAMALO: Yes. Here's out it works.
The live handle on those races for the horsemen
generates seven percent. What Maryland has agreed
to do is to give us half.

    COMMISSIONER MILLER: Half of that seven
    percent?

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

    COMMISSIONER MILLER: Okay.

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

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

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

    MS. EASTER: Sure.

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

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

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

CHAIRMAN REYNOLDS: Probably the derby, they trademark that.

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

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

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

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

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

MR. PETRAMALO: No. No.
CHAIRMAN REYNOLDS: But the graded status goes whether you change the name?

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

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

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

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

In terms of your relationship with them is there a risk inherent, and are there any risks that we haven't discussed this morning in terms of maintaining the grade? You're going to have to change the condition a little bit on some of
these races to meet the configuration of the racetrack.

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

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

We did, obviously, the All Along came to Colonial; was one of our first graded stakes, came to Colonial from Maryland. We're now going back. Indications are, I mean, the Maryland Jockey Club's very clear that those are coming back to us. I would guess the lawyers could get that tied up if you're worried about that, they're trying to pirate those from us or something. I would think that would be something you would want to put in a document. But everything we, you know, from checking with what we need to do these--
COMMISSIONER VAN CLIEF: And the graded stakes committee you probably should talk to them, and they've indicated --

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

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

MS. EASTER: There you go.

COMMISSIONER VAN CLIEF: Okay.

CHAIRMAN REYNOLDS: Commissioner Dawson?

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

MS. EASTER: That's --

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

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

COMMISSIONER VAN CLIEF: Right.

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

MS. EASTER: Then we --

CHAIRMAN REYNOLDS: Commissioner Steger?

COMMISSIONER STEGER: I have no questions.

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

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

MR. PETRAMALO: They are.

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

MR. PETRAMALO: Yes.

COMMISSIONER MILLER: Now, wherever they're run, next year, if you try to run them in Virginia somewhere, Morven Park or wherever you try to run them, does the graded stakes committee go back to square one and look at the conditions
under which these races are being run, length of race, etc.?

MR. PETRAMALO: Yes.

NOTE: Voices overlapping.

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

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

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

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

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

COMMISSIONER VAN CLIEF: It's not a guarantee. Because if there's a qualitative problem, say you have a weak field or bad horses,
which can happen anywhere then that jeopardizes your grade as well.

COMMISSIONER MILLER: But the race is over.

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

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

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

COMMISSIONER MILLER: But I'm confused. But the race is already, you've already attracted quality horses because it's graded stakes. Let's say it's run at Morven Park next year. So you've already got publicity, you got the horses, you got the owners, jockeys from world-wide came to Morven Park because this was a Virginia graded stakes, and the race has been run. Then they meet in Kentucky six weeks late and decide that
wasn't, that was terrible.

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

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

COMMISSIONER VAN CLIEF: That's right.

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

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

So the graded stakes committee gets together every year and goes through all 400 races that were run the prior year. Some go up. For example,
the Virginia Derby started at grade three. When
we bumped the purse to a million bucks, it went
up next year to a grade two. So it goes up and
down.

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

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

COMMISSIONER MILLER: I think I understand.

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

COMMISSIONER VAN CLIEF: I can assure
Commissioner Miller that he won't be the only
person who doesn't understand the graded
program. It's pretty complicated.

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

MR. PETRAMALO: Absolutely.

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

Okay. Anymore?

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

MS. EASTER: Sure.

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

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

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

MS. EASTER: I can tell you about the boards more than the membership, because that's where we have the vote. My board is solidly 100 percent behind this. I believe the VHBPA board is. I missed that vote. And the Alliance board voted
unanimously as well. And I said to start off
this is, my board has talked about how we've got
to stop acting as individual states and try to
put things together. That's something my board
been interested for a long time.

COMMISSIONER DAWSON: Thank you.

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

A SPEAKER: I would.

CHAIRMAN REYNOLDS: State your name, please.

A SPEAKER: Tad Berman. I'm a member of the
general public. Last year I spoke up and
mentioned that when I voted to have pari-mutuel
racing in Virginia I didn't do it so that I would
have to drive to Maryland to watch the races. I
love racing. I want to see racing succeed in
Virginia. I understand that the breeders are
caught between a rock and a hard spot. It's a
tough pill to swallow, but I can almost go along
with this. A couple of the concerns that I have
is the purse money that the VHBPA is making available, where is that coming from. I would assume it's coming from the account deposit wagering money that had accumulated for years where there were no restrictions.

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

I see that the horsemen said that we're going to get seven percent of the handle from these races. And last year after these races were completed I did a study. I think Dave Lermond can probably help me with this. I think the handle for those races were between 35 and $40,000. And if you multiply that by seven percent, that means we were getting about $2800 on our $30,000 investment from the HBPA, which doesn't seem very substantial.
The other concern that I have is these races, when I did look at them after the fact, I looked at the 18 horses that finished first, second and third. And I also compared it to the VTA's list of people who receive their money. And from the top to the bottom breeder's incentive, and I saw that the breeders that were in the top 12 received the majority of the money. And that the breeders that were maybe in the top 20 received just about all of it. So it doesn't really offer any value to the rank and file horseman. Not only do the more affluent breeders win the purse money, but they also get the black-type which helps them to sustain their operations, and make even more money while the rank and file horsemen basically receive nothing.

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

MS. EASTER: That's correct.

MR. Berman: So if the seven percent is the live handle like you say, seven percent of 40,000 is what, 2800 bucks. So we're going to receive 2800 bucks on each $30,000 we invest. That's not
returning much back to our funds here in
Virginia.

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

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

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

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

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

MR. BERMAN: Okay. As far as the graded
stakes are concerned, we are going to spend an
additional $450,000 of our purse money from here
in Virginia, or money from the same account. I
would assume that Mr. Petramalo is getting the other 300,000 out of it. So that's $750,000 in purse money that's going out of state. And in the Freedom of Information Act that the VTA or VEA had sent to them, the Commission, and nowhere in there did it say anything about us receiving any of the percentage of handle, or anything about the simulcast handle at all.

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

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

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

MS. HOLLAND: My name is Rhonda Holland, and I probably shouldn't be speaking about this, but from a marketing standpoint let me say that at this point racing in Virginia for someone who hasn't been at every single Racing Commission meeting or gone to the races, we know that Colonial Downs isn't there anymore. I think it's
very important that the thoroughbreds don't have a place to race at that we do have it out there that Virginia is still racing. And the sooner we can move away from the Colonial Downs and back to Virginia racing the better off everybody's going to be. And when I say everybody, everybody from the breeders on up. Not just the winners.

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

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

CHAIRMAN REYNOLDS: Yes, I would.

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

CHAIRMAN REYNOLDS: Please.

COMMISSIONER VAN CLIEF: I walked into the room thinking distribution of the stake bred money through your stake bred race day is a no brainer, and there's nothing that I heard that doesn't reinforce that. I also walked into the room ambivalent about whether or not we should utilize purse money to support your four graded stakes and maintain those grades, which we all
I understand will be gone temporarily if we don't race them this year somewhere. And there's plenty of precedent around the country for moving graded stakes around and maintaining those grades.

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

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

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

We further understand that this is a one-year stop-gap. And it's important to maintain the continuity for this year wherever we have to go to do it, and that looks like Maryland.
So I'm prepared to make a motion that we approve the distribution of your stake bred races, that we approve an allocation of $360,000, in combination from the VHBPA and VTA, should say the Virginia Breeders Fund for the purpose of funding those five races. And some of those funds with the contingency for a split if necessary. And then we further approve the running of the four graded stakes races with the Maryland Jockey Club.

COMMISSIONER DAWSON: I second that.

CHAIRMAN REYNOLDS: Any further discussion?

All those in favor say aye.

NOTE: All indicated by voting aye.

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

Let me ask a question.

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

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

COMMISSIONER MILLER: Just show me
abstaining.

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

COMMISSIONER STEGER: Yes.

MR. LAWS: And Commissioner Dawson?

COMMISSIONER DAWSON: Yes.

MR. LAWS: And D.G.

COMMISSIONER VAN CLIEF: Aye.

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

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

COMMISSIONER MILLER: Yeah, I have to be educated.

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

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

COMMISSIONER VAN CLIEF: My intention was, but I'll reword the motion if necessary. Is to approve an allocation of up to $360,000 which would cover your five races plus a split with the VEA.
MR. LERMOND: Well, the 300 is Frank's money.

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

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

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

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

MR. PETRAMALO: That's correct.

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

MR. PETRAMALO: Maybe yes, maybe no.

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

COMMISSIONER VAN CLIEF: My intention was to provide the approval of the expenditure of up to 360,000 with 300 coming from the the HBPA, the balance from Virginia bred fund. And I should
probably rephrase that. Say authorize an expenditure of purse money up to 360, because I understand if you don't split a race, you may not be authorized to spend that; correct?

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

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

MR. PETRAMALO: Yes.

MS. EASTER: Yes.

CHAIRMAN REYNOLDS: Yes, sir.

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

CHAIRMAN REYNOLDS: Thank you.

MR. BERMAN: -- what he wants to do with it.
MR. PETRAMALO: I'd be more than happy to answer the question.

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

MR. PETRAMALO: Yes.

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

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

CHAIRMAN REYNOLDS: Right. Thank you.

Commissioner Miller.

COMMISSIONER MILLER: That raised another question. Could you designate this money that you're, that the horsemen are sending to Maryland for these races, could that, could you segregate that and have that come from the money that you
have in your account now? I mean show that as being spent from this accumulated fund rather than the funds you are receiving perspective.

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

COMMISSIONER MILLER: Just for bookkeeping purposes.

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

COMMISSIONER MILLER: Right.

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

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

CHAIRMAN REYNOLDS: Alright. So we'll try to wrap this up. Next on our agenda is review of the administrative regulations. And I'm going to turn it over to Mr. Hettel to explain, not to ad nauseam, what this is, but gotta change the ranks to comply with the new legislation.

MR. HETTEL: That's exactly, Mr. Chairman.

CHAIRMAN REYNOLDS: So I'll turn it over to you.

MR. HETTEL: Highlighted in the booklet, Josh, would you like to briefly tell us --any questions you might have.

MR. LAWS: Sure. The purpose of these changes is to comply with the new law that became effective today. Senate bill 1097 that made changes to the Code of Virginia. The Virginia Administrative Code is the regulations that the Virginia Racing Commission issues to comply with the Code Of Virginia and to regulate the industry in the Commonwealth. Because of the changes in the Senate bill 1097, which is Acts of Assembly, chapter 751, the Virginia Administrative Code
needs to be changed to conform with the Code of Virginia. And the Racing Commission is required to make those changes. And, in fact, under the Administrative Process Act, Title 2.2 Section 4006A4A, I believe it is, the Commission is required to make those changes, to conform with statutory law that there's no discretion involved. It says because of Senate bill 1097 as necessary to change the Virginia Administrative Code to conform with the Code of Virginia. And that's what reflected in the document that you have before you.

MR. PETRAMALO: Can I get a copy of the proposed changes at some point?

CHAIRMAN REYNOLDS: Yes. Commissioner Miller.

COMMISSIONER MILLER: Mr. Laws, you've reviewed all the--

MR. LAWS: Correct.

COMMISSIONER MILLER: And all these administrative code changes comport with the statute?

MR. LAWS: Correct.

COMMISSIONER MILLER: As passed?

MR. LAWS: Correct.

COMMISSIONER MILLER: There's no problem?
MR. LAWS: Correct. When the staff sent it to me, I made, recommended a few changes that were necessary. They made those changes and that's in the documents.

COMMISSIONER MILLER: Okay. Mr. Hettel, you feel the same?

MR. HETTEL: I do, indeed, yes, sir.

COMMISSIONER MILLER: Well, I move that we approve all the administrative section or changes en blac.

CHAIRMAN REYNOLDS: Okay.

COMMISSIONER VAN CLIEF: I'll second that.

CHAIRMAN REYNOLDS: All those in favor say aye.

NOTE: All indicated by voting aye.

CHAIRMAN REYNOLDS: Those opposed? Hearing none, the motion carries unanimously. Is that right, Commissioner Miller?

COMMISSIONER MILLER: That's right.

CHAIRMAN REYNOLDS: Alright. Thank you. That was a record.

Okay. I feel like I've already had the public comment period, but if there's other people from the public that would like to say something right now.
You've had your five minutes, but I'll talk
to you personally afterwards.

Yes, ma'am. You haven't had your five
minutes.

MS. HOLLAND: I haven't had five minutes.
I'll take three more. Again, I'm Rhonda Holland
from Oak Ridge. I just want to tell y'all that
we're really looking forward to having races out
at Oak Ridge, having harness races, at least some
racing in Virginia beside Gold Cup.

And to say how impressed I am. I was at the
very beginnings of the Racing Commission. What I
see now is a problem solving, cooperative,
progressive group. And it's really nice to see.
Racing started off kind of exclusive, and now I
feel it's very inclusive. And I thank you for
that.

Fred Boger, after the Oak Ridge races said it
been a long time since he had fun at a race he
had Oak Ridge. So I hope all of you will come out
and enjoy our races.

CHAIRMAN REYNOLDS: Thank you, very much. Did
you get all that?

Any other comments? Go ahead. Two minutes.

MR. BERMAN: I want to thank Commissioner
Miller for recognizing the four percent that's going to the VEA is coming from the public's pocket. And I also want to thank him for bringing up the fact that there's going to be monthly meetings to evaluate how that money is being spent.

I've looked at that budget. I've studied it for the last week. There are some things on it that concern me. And a couple of them are the administrative expenses. And one of those is the government affairs expenses, the lobbyist.

As much as I like Ms. Easter, I do have a problem with conflicts, and I know she's president of the VEA. And I looked up to see who the lobbyists were for the Virginia Equine Alliance, and I discovered that it is three people whose last name are Easter.

MR. PETRAMALO: Not correct.

MR. BERNMAN: That's not correct? They were registered on five seven.

MR. PETRAMALO: No, they're our lobbyists.

NOTE: Voices overlapping; unable to discern speakers.

MR. PETRAMALO: Virginia HBPA.

A SPEAKER: Well, I looked on the Virginia
--you'll have to look at that. Let's make sure of that. But I wondered are they member of Easter and Associates also? So is Easter and Associates also receiving that money. And then when you got down to the management expenses, I'd like to know who those people are going to be that are going to receive that money. And I'm not going to guess. But like I say, I would like to know who's going to get that and who's going to get paid there too.

So is a lot of things in that budget. Is that going to be open to the public when you guys have those meetings about these budgets or are they going to be closed?

CHAIRMAN REYNOLDS: Anything that gets approved will be approved here, so you'll be the first to know.

MR. BERMAN: That is a public meeting?

MR. LAWS: Yes.

MR. BERMAN: Okay. Thank you, very much.

CHAIRMAN REYNOLDS: If you any other issues off line, you're always welcome to call me, come see me. I'm happy to talk about it, just this is not the form to get into a lot of back and forth. But I'm happy to get you all the information you
want outside of this. Thank you, very much.

Any last issues or comments before we adjourn?

COMMISSIONER STEGER: I just wanted to mention one thing. As we are working hard and successfully get our house in order that we think about the marketing strategy perhaps collaborating with the Virginia Department of Tourism, and other agencies. Because the numbers in the budgets for the Equine Alliance it seems like a lot, but it's really quite a modest amount for marketing.

And, secondly, we still have yet to determine what it is we're going to market in terms of shaping the program. And that's going to take some time. And I'd like perhaps a future meeting to think about that.

CHAIRMAN REYNOLDS: Absolutely. We talk about our committees and revamping our committees and our work sessions, and the marketing part of it is a big part of how we position ourselves moving forward. So thank you for that comment.

COMMISSIONER MILLER: Mr. Chairman.

CHAIRMAN REYNOLDS: Commissioner Miller.

COMMISSIONER MILLER: Before where he we
adjourn, I would move that we set a schedule for
regularly monthly meetings.

    CHAIRMAN REYNOLDS: I would like to do that.

    COMMISSIONER MILLER: Now, when I was on the,
always hate to hear the played on that team, way
back, you know, when baseball was great and all
that. But the way we use use to do it when I
first came on the Commission in 2006, at that
time we had regular monthly meetings. That
doesn't mean that you're mandated to meet.
Because many times executive secretary at that
time would get in touch with everybody and --

    NOTE: Voices overlapping, unable to
distinguish speakers.

    COMMISSIONER MILLER: Therefore, won't have a
meeting that month. But it's good for public;
it's good for everyone to realize that we have
ongoing meetings. I would suggest that everyone
look on their calendars and pick a day of the
week and a week in the coming months. I would
suggest maybe take the third, first Wednesday of
each month. What's that look like?

    CHAIRMAN REYNOLDS: It looks pretty good
right now.

    COMMISSIONER MILLER: First Wednesday of each
CHAIRMAN REYNOLDS: And if we need to change days--

COMMISSIONER VAN CLIEF: Can we take an opportunity to go back and look at our calendar.

COMMISSIONER MILLER: Yeah. But I suggest that start looking at maybe the first Wednesday of each month. If that causes a lot of problem then we'll look at the first Thursday. We got 30 days--

CHAIRMAN REYNOLDS: Your point's well-taken. We'll have a normal regularly scheduled meeting every month.

COMMISSIONER MILLER: August, the first Wednesday in August is August the 5th. So I would move -- you have a chance? Can we --

COMMISSIONER VAN CLIEF: Let's go ahead and put it down.

COMMISSIONER MILLER: Can we schedule our next meeting for Wednesday, August the 5th?

CHAIRMAN REYNOLDS: Yes.

COMMISSIONER MILLER: And then at that time everyone will have a chance to review four or five months for a regularly scheduled date.

MR. LAWS: I want to mention that I won't be
available that day, but I can send somebody--

COMMISSIONER VAN CLIEF: Actually I won't be either.

CHAIRMAN REYNOLDS: Let's do this. We'll get it done. But I think your point's well-taken. We'll get on the schedule and have the first or second Wednesday in every month.

COMMISSIONER MILLER: Well, it doesn't have to be Wednesday. Let's look at Tuesday, August the 4th.

COMMISSIONER VAN CLIEF: No, sir.

CHAIRMAN REYNOLDS: How about the 12th?

COMMISSIONER MILLER: That's fine. Whatever the date, pick a date.

NOTE: Voices overlapping.

COMMISSIONER MILLER: Surely we can all agree on a day today for our next meeting. Can we all do that?

CHAIRMAN REYNOLDS: It might be to meet sooner.

MR. HETTEL: At the end of July. The Wednesday of July. Let's see if we can do that.

CHAIRMAN REYNOLDS: The 29th.

COMMISSIONER MILLER: The 29th of July is the last Wednesday in July.
CHAIRMAN REYNOLDS: Because they need a contract.

COMMISSIONER MILLER: What's that look like for everyone?

CHAIRMAN REYNOLDS: July 29th. Is there an issue?

COMMISSIONER MILLER: See, my problem, I'm retired. I work in my yard. I can take off any day I want.

MR. HANNUM: We've pencilled in the 29th. Is that still--

COMMISSIONER VAN CLIEF: Pencil that in. I did not bring my calendar with me, and I apologize.

CHAIRMAN REYNOLDS: If there's an issue.

COMMISSIONER VAN CLIEF: Mr. Chairman, can we get back to our executive secretary on that date?

CHAIRMAN REYNOLDS: Yes. Shoot for the 29th unless you hear otherwise.

COMMISSIONER MILLER: 29th of July at 10:00 a.m. Unless we hear otherwise.

CHAIRMAN REYNOLDS: And then we'll figure out a regular schedule, and go from there.

Any other comments?
COMMISSIONER VAN CLIEF: Just want to add another positive note. I've seen a lot of negative in the last 18 months, but I think three of the most positive things, pleasure of seeing have been the operation of pari-mutuel, the Gold Cup, the reemergence in Nelson, Oak Ridge, as a racing venue. And the foundation of the VEA to add to the concerts. So I look forward personally of working with all of you.

COMMISSIONER DAWSON: Mr. Chairman, I just to thank you and my fellow Commissioners. I think this was a very productive meeting with the Virginia Racing Commission. And I'm very pleased with the way it worked. To be part of it.

CHAIRMAN REYNOLDS: Commission Miller? There being no further business, we stand adjourned.

Thank you, very much.
COMMONWEALTH OF VIRGINIA,
COUNTY OF HENRICO, to wit:

I, Kathleen Chancey, do hereby certify that I was the Court Reporter in the Virginia Racing Commission hearing held on July 1, 2015, at the time and location of the hearing herein.

I further certify that the foregoing transcript is true and accurate record of the testimony, to the best of my ability, of the hearing herein.

Given under my hand this 17th day of July, 2015.

___________________________________
KATHLEEN CHANCEY
Certified Court Reporter

My Commission Expires: 10/31/16