VIRGINIA RACING COMMISSION

November 17, 2015

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RICHMOND, VA 23219

Commencing at 10:00 a.m.

COMMISSION MEMBERS:
J. Sargeant Reynolds, Jr., Chairman
D.G. Van Clief, Jr., Vice Chairman
Dr. Charles Steger
I. Clinton Miller

COMMISSION STAFF:
Bernard J. Hettel, Executive Secretary
C. Richard Harden, DVM, Equine Medical Director
David S. Lermond, Deputy Executive Secretary

OFFICE OF AGRICULTURE AND FORESTRY:
Sam Towell, Deputy Secretary of Agriculture and Forestry

ATTORNEY GENERAL'S OFFICE:
Joshua Laws, Esquire
J. Duncan Pitchford, Esquire
Kristina Stoney, Esquire
John W. Daniel, Esquire

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CHAIRMAN REYNOLDS: It's ten o'clock. I would like to call the Virginia Racing Commission meeting for November 17, 2015 to order, and I would like to state for the record that we have four commissioners today. Commissioner Steger; Vice Commissioner Van Clief; myself, Sarge Reynolds, and Commissioner Miller. Commissioner Dawson is not with us today. We do have a quorum present.

The first thing I'd like to do is go ahead and get a meeting scheduled for next month, and I would like to pick, if it works for all of the commissioners, and I believe it does, I'd like to set December 16th as our next meeting date, the place to be determined. I'm sure it will be here somewhere, but we'll let you know at ten o'clock in the morning.

Anybody have an issue with that? Commissioners? Everybody good with that? Okay. If we decide not to have a meeting, we don't have a reason to have a meeting, we'll certainly let you know and cancel it. But right now, we will schedule that meeting on the 16th.

All right. So we will move on to the agenda. Please forgive me. I'm working with half of a shoulder and less than that of a brain today.
probably.

The first item on the agenda is to have a hearing, Administrative Process Act hearing, and first on the agenda is the TwinSpires advance deposit account wagering license. Mr. Hettel, can you update on me on where we stand?

MR. HETTEL: Mr. Chairman, I would request, based on the conversations I've had this morning with all the parties and participants, that this action be deferred until the 16th, our next Racing Commission meeting. I've got a scheduled conference call among them all on Monday, November 30th, and hopefully, there will be an agreement reached during that conversation. If not, we can proceed on the 16th with the hearing.

CHAIRMAN REYNOLDS: Okay. Mr. Laws, does the Commission need to take any official action on deferring to the December 16th meeting or can I just poll my fellow commissioners and see if there's a consensus?

MR. LAWS: We'll take an informal poll of the commissioners, but first, I'll ask the parties if they're in agreement with continuing it until December 16th. Brad Blackwell, are you in agreement to continuing the hearing until December
16th?

MR. BLACKWELL: Yes. Thank you.

MR. LAWS: And Jeb, are you in agreement to continuing the hearing until December 16th?

MR. HANNUM: Yes. That's fine. Thank you.

CHAIRMAN REYNOLDS: Fellow commissioners, will that be okay with you all to defer this?

COMMISSIONER STEGER: Yes, sir.

VICE CHAIRMAN VAN CLIEF: Yes, sir.

CHAIRMAN REYNOLDS: Mr. Miller?

COMMISSIONER MILLER: That's fine.

CHAIRMAN REYNOLDS: Okay. Consider that done.

We will defer the TwinSpires advance deposit account wagering license issue until our next meeting on December 16th.

Next on the agenda is the Colonial Downs, L.P. application for a limited license to have race days in 2016. Colonial Downs plans to conduct live racing on September 24th through 27th, 2016, and to simulcast that meet to other simulcast outlets.

What we'll do now is first consider the application for the limited license.

MR. LAWS: At this point, Mr. Chairman, I will read the exhibits that the Commission has prepared and ask that they be admitted into the record.
The first exhibit is Exhibit A, that includes the limited license application of Colonial Downs, L.P., for the Virginia Derby festival date, October 27, 2015. It also is an October 29, 2015 letter; subject, Colonial Downs' applications to the executive secretary and a copy of a Thoroughbred horsemen's agreement dated October 28, 2015.

Exhibit B is a November 12, 2015 letter to Ms. Lantz from the executive secretary of the Racing Commission. Exhibit C is 22 pages. It consists of at the beginning a letter dated October 15, 2014 to the executive secretary of the Racing Commission; subject, return and surrender of the unlimited licenses of Colonial Downs, L.P. and Colonial Racing Corporation, formerly Stansley Racing Corporation.

D is a transcript of the Virginia Racing Commission December 11, 2013 hearing. Exhibit E is a copy of the November 2nd, 2015 notice of hearing for the hearing that's being conducted today.

Mr. Weinberg, do you have any objection to any of those exhibits being admitted into the record?

MR. WEINBERG: I have no objection; however, I would observe that Colonial Downs will present all
three applications at once, and if the Commission
desires to modify its agenda to hear all three
applications at once, Colonial Downs is agreeable
to that.

MR. LAWS: Just for the record, I apologize I
left off Exhibit F, which is a copy of the
November 16, 2015 letter to Ms. Lantz from the
executive secretary of the Racing Commission.

So at this point, if the Commission wants to
entertain a motion to admit Exhibits A through F
into the record.

COMMISSIONER MILLER: Second.

CHAIRMAN REYNOLDS: All those in favor, say
aye.

NOTE: The Commission votes aye.

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

Okay. I would call upon Colonial Downs to make
their presentation. I believe you all probably
need to be sworn in for any -- sworn in first; is
that correct?

MR. LAWS: Ms. Lantz and Mr. Weinberg have
ethical duties; they don't need to be sworn in, but
if Stan or Jeanna wants to testify, we can swear
them in and any other witnesses. Are those your
only two witnesses? Could you all raise your right
hand for me?

NOTE: Mr. Guidroz and Ms. Bouzek are
collectively sworn.

MR. LAWS: Thank you. Mr. Weinberg, you may
begin.

MR. GUIDROZ: Good morning. I'm Stan Guidroz,
acting president of Colonial Downs and regional
vice president of Jacobs Entertainment. With me
today is Jim Weinberg and Chandra Lantz with
Hirschler Fleisher; Jeanna Bouzek with Colonial
Downs. Behind me is Tim Valente, the president of
Old Dominion Horsemen's Association, and his
attorneys, Bob Hughes and Richard Samet from the
law firm of Florance Gordon Brown.

I'm here to discuss Colonial Downs' application
for licenses in 2016. Colonial Downs wishes to be
Virginia's venue for high-quality Thoroughbred
racing and home of the virginia Derby and other
graded stakes.

Its world-class turf course is the sole
Virginia venue where such races can be conducted.
Unlike the past, Colonial Downs seeks a limited
license for a limited purpose; to be the venue for
high-end racing.
Colonial Downs desires to put its world-class Thoroughbred track to productive use to host national-caliber racing. No longer is there a need for Colonial Downs to be all things for all people in Virginia horse racing. There are other venues and venues developing. We are supportive of these other venues across the state that host other types of racing.

Colonial Downs' license applications are financially self-contained. The proposed races and operations are financed without the aid of any of the resources allocated to the VEA and the VHBPA by the General Assembly and the VRC.

The operations of the Richmond and Hampton SWFs are expected to generate sufficient revenues over time to sustain the purse structure and racing operations of Colonial Downs.

During the start-up period, funding will be provided by Jacobs Entertainment, Colonial Downs' parent.

Colonial Downs' applications consist of three integrated parts. The application for a significant infrastructure limited license to conduct four days in 2016, license applications to reopen the Richmond and Hampton SWFs, and a
Thoroughbred horsemen's agreement in compliance with §59.1-369 of the Virginia Racing Act. I'd like to address each of these points separately.

As it relates to race days, Colonial Downs proposes four days of racing from September 24th through the 27th for 2016. Racing on September 24th and 25th will feature 500,000 a day in purses and the running of the Virginia Derby on the 24th, the Colonial Turf Cup and Virginia Oaks on September 25th, and other stakes races and traditional races to round off the race card each day. The races on the 26th and 27th will be of the type that have historically been run at Colonial Downs during the summer.

Colonial Downs will perpetuate the graded status of the Virginia Derby, Colonial Turf Cup and Virginia Oaks. From the first Virginia Derby in 1999 to 2013, these race events were originated and promoted by Colonial Downs through over 600,000 in purse supplements from Colonial Downs to make the races more attractive and to secure graded status.

Jacobs Investments provided sponsorships of over 700,000 to put the Virginia Derby on CBS Sports for two years in 2007 and 2008. The Derby earned a Grade III rating in 2004 and was elevated
to a Grade II status in 2006. Purse levels have ranged from 500,000 to $1 million a day.

The track in New Kent with its doublewide turf course is a showplace in which we have invested millions of dollars. Year after year, the Commission's own annual reports describe our course as being known as the "Thoroughbred turf racing capital of the nation."

The Virginia Derby and Colonial Turf Cup have attracted over the years the best horses, jockeys and trainers. The Grand Slam of Grass captured national attention and put Colonial Downs and Virginia on the map for Thoroughbred turf racing at the highest levels.

TVG routinely covered the races with its live broadcasts and broadcasters. Horses such as Kitten's Joy, English Channel and Gio Ponti have raced at our track. Kitten's Joy won the 2004 Secretariat Stakes, had two Grade I wins on his way to the Eclipse Award for Outstanding Male Turf Horse.

English Channel, trained by Todd Pletcher, won the inaugural Colonial Turf Cup at Colonial Downs, and later that season, the Virginia Derby, the first and second legs of the Grand Slam of Grass.
He went on to a number of remarkable victories. Gio Ponti, a winner of the Virginia Derby, became one of the best American turf horses of all time. In its earlier years, the Colonial Turf Cup and Virginia Derby established one-day handle records; the peak handle, which was in 2008. The source of this was the Commission Annual Reports.

The experience that Colonial Downs has gained over the years in successfully staging these races will insure Colonial Downs' and the industry stakeholders' benefit in implementing the plan reflected in Colonial Downs' applications.

If the Virginia Racing Commission desires graded-stakes-quality Thoroughbred racing as part of Virginia's equine industry, Colonial Downs' license applications provide that exclusive opportunity to do so.

There is no other venue in Virginia, and there is not likely to be one in the foreseeable future that can host such races.

Colonial Downs recognizes the need for other racing opportunities in Virginia. The VEA is well on its way to providing those opportunities. Colonial Downs will contribute to the effort as well. Included in the proposal are two days of
bread and butter races that have historically been run at Colonial Downs. These are intended to provide development opportunities for minor league horses to race in a major league track facility on a turf course that they cannot race on anywhere else.

With regards to the satellite facilities. To defray the operational expense of live racing at the racetrack and generate funds for purses that will otherwise be financed by Colonial Downs, Colonial Downs requests licenses to reopen the Richmond and Hampton SWFs. The facilities will be operated as they had been for over 15 years. To be clear, Colonial Downs is not seeking an ADW license, and there will be no EZ Horseplay or ADW kiosks in the SWFs.

Historically, Richmond has been the best performing SWF, and at its height had annual handle in excess of $50 million for several years. The Richmond SWF operated without incident from 1996 until October 2014. Licensed in '96, it is a well-attended venue with average daily attendance of 270 over the past ten years. In the last full year of operation with a full simulcast race card, it generated average daily handle of in excess of
$74,000 a day.

The Hampton SWF was historically the third best performing SWF. At its height, the Hampton SWF produced in excess of $25 million of handle a year for several years. The Hampton SWF was operated without incident from 1998 until October 2014. It is a well-attended venue with average daily attendance of 189 over the past ten years. In this last full year of operation with a full race card, it generated average daily handle in excess of $49,000 a day.

Since the opening of the SWFs in Chesapeake and Richmond in 1996, Colonial Downs has refined its expertise in marketing, equipping, staffing and operating SWFs that is unmatched in Virginia.

Operations of the SWFs by Colonial Downs also is consistent with the deal struck in Senator Norment's office during the amendments in the Racing Act.

Regarding the amendments in the Racing Act. The VEA and the horsemen would control the ADW revenue and Colonial Downs would be entitled to apply for licenses and open SWFs.

With regards to the Thoroughbred horsemen's agreement. As part of Colonial Downs' license
application, Colonial Downs has submitted a
Thoroughbred horsemen's agreement with the Old
Dominion Thoroughbred Horsemen's Association. This
agreement is based upon horsemen's agreements that
the Commission has previously approved.

Colonial Downs and the Old Dominion
Thoroughbred Association have negotiated a 25-year
agreement that provides for the Virginia Derby,
stakes races, and bread and butter races every
year, an open backstretch for four weeks in the
summer, purse contributions from the SWFs, and a
schedule of future race days based on a formula
that provides a bread and butter race day for every
high-end race day added to the schedule.

Initially, Colonial Downs shall provide funding
for purses. The Old Dominion and Colonial Downs
have agreed that Colonial Downs will contribute 1%
of handle from the SWFs to purse funds until it has
realized earnings before the payment of interest,
depreciation and taxes and amortization of $1.5
million each year, and thereafter, Colonial Downs
will contribute 4% of handle.

Colonial Downs is well aware of the controversy
surrounding the majority horsemen's group. To seek
clarity on this legal matter, Colonial Downs filed
a declaratory judgment action on Friday for a federal court to provide guidance regarding conflicting federal and state law on the matter. If the licenses are granted, Colonial Downs' expectation is that the federal court's decision will provide instruction as to how a majority horsemen's group is recognized.

Put that proceeding aside, the agreement can be assigned and assumed by the VHBPA without further consent from Colonial Downs. Colonial Downs invited the VHBPA to have discussions about the elements of the contract to be tweaked but never received a call.

The nature of the licenses being sought and why Colonial Downs turned in its unlimited license. This morning, we have noted our past operations for 17 years. There seems to be some confusion about how the operations came to an end last November. We voluntarily turned in an unlimited license in 2014 where we were required to be all things to all people. We were not able to focus on the high-end racing product that our fans demand. With a limited license, we are able to focus on high-end racing and move forward successfully.

Mr. Miller, as you observed in the June 2014
Commission meeting that, and I quote, Our
responsibility as a Commission is to make sure that
the licensee that has the authority to run
Thoroughbred racing in Virginia, make sure that
they run races or at least operate in such a manner
as it is a positive economic benefit to the
agribusiness industry in Virginia. That's the
primary purpose for which this legislation was
passed. End quote. The proposal you have before
you today will do that. We are looking to the
future and not back at the past.

Since the Commission first solicited
applications for an unlimited license in 1993, the
racing industry has changed dramatically over the
years -- over the last 22 years.

There's a greater competition for wagering on
horses in general, there's casino-style gambling
fueling purses in other Mid-Atlantic states, but
not Virginia. There are fewer horses available to
run at the racetrack.

In this environment, Colonial Downs could not
continue to be all things for all people. Colonial
Downs has been telling that to the Commission for
years. It is a death by a thousand cuts. Colonial
Downs needed to change the dynamic where the
industry became segmented to meet different needs.

The advent of other tracks to support other racing is a great development. Colonial Downs wants to fit a different niche. Its desire is to host the Virginia Derby and graded stakes while providing some opportunity for bread and butter racing.

Colonial Downs is looking to the future, not the past. Colonial Downs and the Virginia equine industry are now operating in a different landscape. The Racing Act has been reworked to change from where an unlimited licensee was called upon to support the entire industry, to multiple licenses and venues supporting a diverse industry.

Colonial Downs has a role as one of many to play in the new landscape. Outfitted with one of the best turf courses in North America, that role is to play host to high-end racing and graded stakes -- will also provide a venue for bred and butter racing to run on the turf as well. It's a narrow but important focus.

Everyone from the Commission to Mr. Frank Petramalo has acknowledged how vital these stakes are in Virginia racing. Colonial Downs is the only venue for them currently and probably in the
future.

And with that, I turn it over to Jim for some other comments.

MR. WEINBERG: There are a number of legal requirements that are associated with the license application that I would just like to review as to Colonial Downs' satisfaction of those legal requirements. The first deals with a significant infrastructure limited licensee. There are certain physical requirements that are mandated by the law. I'd just like to review them.

First, New Kent County has passed a referendum in 1986; one of the first jurisdictions in Virginia to do so, approving pari-mutuel wagering at a racetrack.

Second, Colonial Downs has the requisite racing infrastructure, consisting of an outer mile and one-quarter dirt oval and 180-foot-wide mile turf course of which races of various lengths can be run.

Third, its grandstand contains approximately 127,000 square feet, which can contain in excess of 3,000 people under cover. Finally, there are barns providing for over 1,000 stalls, all of which satisfy the requisite infrastructure limited
licensee criteria.

There are additional criteria which is reflected in the application that I won't review in detail, but going to the quality of the physical improvements, the equipment employed in the operation of the track and satellite facilities, security plans at the track and satellite facilities, government actions that have been secured and management personnel outlined for the management for track and in satellite facilities and compliance with laws and the effects of competition is all set out in the application.

In addition, there are a number of regulatory requirements set out in the Commission's regulations. The first is the issuance of a license that will not adversely affect the horse racing industry in the Commonwealth of Virginia or the public interest.

Colonial Downs has satisfied the more rigorous requirements of being an unlimited licensee. In that period, the track, the satellite facilities produced tax revenues for over ten localities. Total tax revenue to these localities was in excess of $18.6 million, as reflected in the 2014 Commission Annual Report.
From 2000 to 2014, in excess of 25.2 million was generated for wagering for the Breeders Fund, again as outlined in the Commission's report. In 2010, the estimated impact in Virginia of just pari-mutuel racing was $103 million. This is just the racing and the wagering operations.

These results are set out in The Economic Impact of the Horse Industry In Virginia, prepared by the Weldon Cooper Center for Public Service, at the University of Virginia. We'd like to submit that report and make it part of the record after the conclusion of this hearing.

Colonial Downs provided the same world-class turf course to English Channel, a world champion Thoroughbred, as it did to a $5,000 claiming horse. The applications seek to utilize this wonderful course in return from Maryland the Virginia Derby, the Colonial Turf Cup and the Virginia Oaks.

As Mr. Guidroz noted, this role is vital to the success of the Virginia industry as acknowledged by this Commission in its annual reports and at various Commission meetings over the last 18 months.

Even the HBPA recognizes the importance of these races in an effort to have the races run in
Maryland for Virginia purses. These races have enhanced the reputation of Virginia as an important stop on the national Thoroughbred circuit. The Colonial turf course has won national acclaim and the license requested will bring additional attention to this remarkable turf course and high-quality Thoroughbred racing on it.

In the period as the unlimited licensee, Colonial Downs through its track and satellite facilities gave rise to horse racing with pari-mutuel wagering in Virginia. This Commission's own Annual Reports repeatedly describe Colonial Downs as "the catalyst" of horse racing in Virginia, generating substantial handle, and from that, revenues to support the growth of the horse industry in Virginia.

Finally, there are other reasons that horse racing at Colonial Downs is important to the Commonwealth. There are a number of tourist benefits outlined in the Weldon Cooper report, as well as generating in-state wagering by out-of-state guests.

The second requirement in the Commission's regs is the horse racing facility will be operated in accordance with all applicable state and federal
statues and regulations.

For 17 years, Colonial Downs operated the racetrack and satellite facilities in compliance with all applicable laws and local ordinances. Colonial Downs will continue to do so for 2016 race days and any races that may be generated in the future.

Finally, the third prong of the three-part test is the issuance of a limited license to the applicant will not adversely affect the public health, safety and welfare.

The Commission has determined for each of the last 17 years that that racing proposed at Colonial Downs is beneficial and not adverse to the public health, safety and welfare. Every year from 1997 to December 2013, Colonial Downs has been evaluated by the Virginia Racing Commission as to the effect of its operations and the public health, safety and welfare.

Each year in approving race dates, the Commission has found that its operations were beneficial and not adverse to the public health, safety and welfare. The plans presented in Colonial Downs' applications are consistent with Colonial Downs' past operations of the racetracks
and the satellite facilities.

The plans for safety and security are the same. The plans for a healthy and safe environment of satellite facilities are the same. In short, Colonial Downs has a 17-year history of satisfying this criteria.

There are additional factors that the Commission can consider in an application for a limited license that deal with the integrity of the applicant and other factors that the Commission deems crucial to its decision-making.

With respect to the integrity of Colonial Downs, as its beneficial owners have been evaluated numerous times over the last 17 years; namely, Colonial Downs' license application for all SWFs, the most recent of which was in 2013. The acquisition of all of the outstanding stock of the MJC Circuit buying out Maryland Jockey Club's management of Colonial Downs. The transfer of indirect ownerships over the years to trusts controlled by Mr. Jeffrey Jacobs and refinancing of Jacob's Entertainment debt. In each proceeding related thereto, the Commission affirmed the honesty and integrity of Colonial Downs and its beneficial owners.
In correspondence with the Commission, which I believe is Exhibit B that Mr. Laws introduced, there was an indication that the Commission may rely upon the surrender of all previously granted licenses, including owners, operators, events, account wagering and satellite wagering facility licenses as a grounds for denying the current license application.

In addition, I think the last exhibit introduced indicated that the withdrawal of Colonial Downs' application for 2015 may be considered in the same light.

Mr. Guidroz provided an explanation of why Colonial Downs turned in its license; however, Colonial Downs does note its objection to the record of this criteria to it.

The criteria has not been applied to all applicants for a limited license. It was never applied to the Gold Cup. It was only asked of the Virginia Equine Alliance after Colonial Downs filed a limited license application.

Indeed, the order citing this as a factor in the award of a limited license to the VEA was only published on November 9th, long after the VEA had conducted its races for which the order related.
It appears the order was written in contemplation of consideration of Colonial Downs' limited license application, and to this, Colonial Downs registers its objection.

It is also worth noting that an inquiry to whether a license has ever been surrendered is a factor outlined in the Commission's regulations for an unlimited license, not a limited license.

Presumably, the Commission, in promulgating these regulations, made a conscious and binding decision that such a factor was inappropriate in considering an application for a limited license, given its shorter duration of only one year, and its limited application to fewer than 15 days of racing.

If the Commission does consider their surrender a factor, the Commission is possibly in violation of its own regulations.

Finally, Colonial Downs has surrendered licenses on prior occasions without comment from the Commission or any adverse decision for new licenses or race day requests.

In connection with the closing of satellite facilities at Mulligan's Sports Bar in Richmond, Paradocks Restaurant in Chesapeake, Hull Street in
Richmond, Military Highway in Chesapeake, Finn McCools and Major Willie's in Richmond, not only did the Commission not comment on such surrenders, it readily granted Colonial Downs new satellite facility licenses following such surrenders to meet the changing business environment.

Yet today, Colonial Downs is told that the surrender of a license forms the possible basis of denying Colonial Downs a limited license. This approach is contrary to the Commission's past decisions regarding limited license requests and has not been applied consistently with respect to other licenses.

Finally, Colonial Downs will operate its facilities in compliance with requirements set out at 11 VAC 10-30-50 of the Commission's regulations.

Finally, one last legal note. That if the Commission does not reach a decision today, Colonial Downs will request that the record be held open until the end of the week for submission or findings of facts and conclusions of law consistent with the evidence it has presented today.

MR. GUIDROZ: In conclusion, we spent a lot of time this morning talking about the past. Colonial Downs' license applications look to the future, not
the past. Putting aside past history and
personalities, the question for the Commission is a
simple one: Do you want the Virginia Derby, the
Colonial Turf Cup and the Virginia Oaks to return
to Virginia next year?

The Commission authorized the use in Maryland
of $800,000 of Virginia funds to preserve the
graded status of these races. In 2016, Colonial
Downs is offering to do it at no cost to the
Commission, the VEA or the VHBPA. Colonial Downs'
proposal is financially self-contained with no
request for any portion of the revenue sources the
General Assembly and the VRC have granted to the
VEA and VHBPA.

The granting of the requested licenses will
provide a venue for national-caliber racing in
Virginia, will return the Virginia Derby to
Virginia, thereby restoring Virginia as a stop on
the national Thoroughbred circuit. Colonial Downs
asks for your support today on our applications.

CHAIRMAN REYNOLDS: Okay. Is that -- Jeanna,
did you have anything?

MS. BOUZEK: (Shakes head.)

MR. WEINBERG: Nothing further.

CHAIRMAN REYNOLDS: All right.
MR. LAWS: Mr. Hettel, at this point, the Commission has a responsibility under 11 VAC 10-30-30 to review the application for Colonial Downs concerning its limited license requests to see if it has the actual material present required in the application. Has the Commission had a chance to do that?

MR. HETTEL: It has been reviewed by staff.

MR. LAWS: Are all the materials that are required in the application correctly assembled?

MR. HETTEL: Correctly assembled.

CHAIRMAN REYNOLDS: Okay. I ask my fellow commissioners do they have any questions they would like to ask the applicant?

COMMISSIONER MILLER: I have a general question.


COMMISSIONER MILLER: Whether or not the Commission -- on the question of whether or not the Commission should consider the surrender of a license in making a determination about the viability of issuing a new license to an applicant who has done so with a previous license, can you explain to me, or anyone in your organization
explain to me how the surrender of your license in 2000 -- when was it done?

MR. LAWS: October 2014.

COMMISSIONER MILLER: -- October of 2014 -- Can you explain to me how the surrender of the license to operate your track facility and surrender of your license to operate satellite wagering facilities contributed to the promotion, sustenance and growth of the native industry in Virginia?

MR. WEINBERG: Commissioner Miller, I think Mr. Guidroz explained the circumstances around that surrender of the license; that at the time, the Commission was looking for Colonial Downs to be all things to all people, to run multiple days of what we are calling bread and butter races that it had repeatedly explained to the Commission it could not afford.

A desire to place an emphasis on high-end racing that would promote, grow and sustain a native industry. It was clear that there needed to be changes in the paradigm that racing is conducted in Virginia, that there were continuing focus that Colonial Downs was to shoulder the entire burden for the catalyst for growth, maintenance and support of a native industry.
What was clear and what was desired even before it surrendered the license was the growth of venues at other locations, whether those be Morven Park, Great Meadow or Oak Ridge. Colonial Downs thinks that is a great idea and is fully supportive of growth of those venues, and believes it has a role to contribute in the mosaic of Virginia racing.

We want to promote those other things, and what we'd like to see at Colonial Downs is the Derby, the Turf Cup and the Oaks, as well as provide opportunities for, quote, minor league racing to develop in to major league racing, sort of develop the farm team that you discussed on one occasion.

So this is the opportunity to do that. It would only come about as a consequence of Colonial Downs turning in its license. It wasn't being allowed to modify its existing license.

CHAIRMAN REYNOLDS: I have a question. I have a question. You're talking about your vision. I guess mostly, you all talked about what you would like to do next year; hold on to the Derby and the Oaks and high-end races and things like that.

Will you talk a little bit more about maybe how you're going to build for the future, say what it's going to look like two, three, four, five years
down the road? And probably more importantly, will you also speak to whether or not you even have the Standardbred folks in mind as you all are trying to re-brand and rebuild Colonial Downs where the Standardbred stands in all of that, please?

MR. GUIDROZ: Well, the economic engine that's going to provide the funding to cash flow for Colonial Downs and provide purses to the Old Dominion is going to come from the satellite wagering facilities, and so the trend of handle in the satellite wagering facilities will dictate growth in the future.

We feel that within the next two to three years, with the support of Old Dominion based on the quality of races being put on at Colonial Downs and the partnership between to two, that within three to four years, we should be looking at growth of one-on-one between high-end and bread and butter racing.

With regards to Standardbred, I have had an initial conversation with Dr. Woogen for Standardbred; that didn't go very well. We tried to exchange ideas on how to move forward in this new paradigm in Virginia where there are other venues for harness racing that are more efficient
in terms of putting on races in terms of allocating and budgeting for industry funds, and we did not come to an agreement on how that would come together between the two of us. So that's where things stand with the Standardbred.

CHAIRMAN REYNOLDS: Okay.

VICE CHAIRMAN VAN CLIEF: I have a related question --

CHAIRMAN REYNOLDS: Yes, sir.

VICE CHAIRMAN VAN CLIEF: -- related question looking at the growth issue short-term. I believe your proposal includes an offer that one percent be set aside for purses until you reach an EBITDA of $1.5 million, at which point you will set aside four percent to purses from your -- from the satellite wagering facilities.

MR. GUIDROZ: Correct.

VICE CHAIRMAN VAN CLIEF: I understand that to trigger the four percent contribution, you will need somewhere in the vicinity of $65 million of handle annually. And that being the case, can you refresh me on where you would expect to be if you were licensed to operate the Richmond and Hampton satellite wagering facilities in terms of your initial handle production and how long it would
take you to get to the $65 to $70 million benchmark?

MR. GUIDROZ: We're projecting that to be in years three and four. Again, it's based on the product and the signal that we're able to pick up in the satellite wagering facility. So we are conservatively expecting that to take three to four years. We have that marked at about 60 million closer to the number you're estimating, at which time we reach that 1.5 million in EBITDA.

VICE CHAIRMAN VAN CLIEF: You mentioned the signal import. What are the realities of that? What would you expect to be able to import for your customers? If you were authorized to open up, how long would it take you to open, and at that point, what signals would you expect to be able to access, and if you are not expecting to be able to offer a full menu of high quality signals from around the country, what are the reasons? What's happening there? What's the reality of the product you're going to be able to offer your customers if you're licensed to operate?

MR. GUIDROZ: Well, I mean the reality is we have a contract in this concept, and we have a contract with the Thoroughbred horsemen's group.
At which time we have a license to operate the satellite wagering facilities, we'll have to do what we've always done in the past and go out and solicit product. Make application to not only the Commission, but to other tracks, and at that point in time, I'll be able to answer that question better.

VICE CHAIRMAN VAN CLIEF: Let me ask it a different way maybe. What reason would you expect to have any difficulty in importing signals at the minimum? What's the inhibition?

MR. GUIDROZ: Well, the concern would be that there would be a boycott from other tracks to provide signals to Colonial Downs. We don't anticipate that. We're having the horsemen's group contract, and so we will market our product and look for signals, but our concern would be to the extent that signals come on as fast as we had them for -- the host of signals we had back in 2013 would be something similar to what we experienced in 2014. But that's going to be the difference between the speed in which those signals come back or not. I'm not expecting the same condition.

VICE CHAIRMAN VAN CLIEF: Shift gears a little bit and to follow on Sarge's question. You
indicated that your vision includes a sort of a one-for-one match, if you will, so-called bread and butter or every-day racing to so-called high quality.

Do you have a projection as to how many high-quality days you'll be able to offer going forward? You're starting with two-and-two in your request. Where would you be five years down the road in your mind in terms of I'm assuming you have some performance that you work with internally.

What do you think the product is going to look like? What would you anticipate your daily purse distribution being, and how many days of racing would you have in the years going forward?

MR. GUIDROZ: Well, again --

VICE CHAIRMAN VAN CLIEF: I know these are projections.

MR. GUIDROZ: Back to the signal strength question. We're projecting right now once we get satellite wagering facility handle to 75 million, then we've reached a point where the effective four percent purse schedule is in effect and we're looking to grow race days.

Our goal is to get to ten in ten. Ten high-end race days and ten bread and butter days. It's
gonna take, based on the two performing assets of Hampton and Richmond, our projection is it's probably going to take another one or two satellite wagering facilities to reach the point where we can sustain and grow purse amounts.

That's going to be another application we'd have to come back to at that point time, because I think those two particular facilities can get us close to that number, but reality is we'll probably need a third and a fourth satellite wagering facility to look at substantial growth and number of race days.

VICE CHAIRMAN VAN CLIEF: Thank you.

CHAIRMAN REYNOLDS: Questions?

COMMISSIONER STEGER: I just had one question about the issue of the majority horsemen's association. I suppose it would be helpful to get some guidance from our legal counsel as to whether or not we have to follow the law of the Commonwealth that says we can only recognize one. Mr. Weinberg offered advice on that, but I would feel reluctant to vote until I had guidance from the Attorney General as to the appropriateness of how we consider this issue. To me, it's not resolved.
MR. LAWS: If the Commission wants to procure legal advice from the Attorney General's office, we can go into closed session and provide that legal advice if that's the Commission's will.

CHAIRMAN REYNOLDS: We probably will need to go into closed session at some point. My question is do we want to do that now or finish up the questions and get public comments and then maybe perhaps go into closed session.

MR. LAWS: That's okay.

CHAIRMAN REYNOLDS: We'll do that. We'll go into closed session and discuss.

COMMISSIONER STEGER: I didn't want to continue without knowing what is legal.

CHAIRMAN REYNOLDS: Are there any other questions from the commissioners for the applicant? If not, I would like to entertain any public comments at this point.

If you do wish to make a comment, it can be neutral, it can be in favor, it can be against the application, but if you do wish to make a comment, please stand, state your name and speak clearly and for no more than five minutes, please. And that will be your public comment for today of five minutes. Did anybody from the public wish to speak
on this application? Yes, sir. You stood up first.

MR. QUINAN: Mr. Chairman, members of the Commission, my name's Mike Quinan. I'm an attorney with Christian & Barton here in Richmond. I represent the Virginia Horsemen's Benevolent Protective Association. I wanted to start out with a general point I know you all are well aware of, but I think this deserves underscoring.

First of all, the VHBPA opposes this application and would request that the Commission deny it, the application for the racing in 2016, and then if that's denied, then of course the applications for the satellite wagering facilities would also be denied.

The general point is that under the Racing Act, there's not a list that Colonial Downs simply needs to check off that will entitle them to a license.

The Racing Act is clear that racing is to be permitted for the promotion, sustenance and growth of the native industry, as Commissioner Miller has already pointed out, and that the Commission is vested with plenary power to prescribe regulations and conditions under which the racing and wagering shall be conducted. This means the Commission has
discretion to exercise its judgment to deny the
application if it does not serve the purposes set
out in the Act, even if all the, quote,
requirements of the application are satisfied.

In fact, under §59.1-364 of the Act, which I
was quoting goes on in Subsection B to very clearly
provide that the conduct of horse racing is a
privilege which may be granted or denied by the
Commission in its discretion in order to effectuate
the purposes of this chapter.

Likewise, specifically with regard to the
existence of a contract with a recognized majority
horsemen's group, the Racing Act of 59.1-369
Subsection 14 provides that the Commission will
require the existence of the contract such that the
contract will be subject to approval of the
Commission which has the power to approve or
disapprove any of its items, and then it sets out
certain requirements that must be satisfied.

But again, the mere satisfaction of those
requirements does not oblige the Commission to
approve a contract with a horsemen's group if it
does not serve the purposes of the Act, and our
position in this case is that the contract that has
been proffered with the Old Dominion group does not
serve the purposes of the Act.

Commissioner Steger has asked for legal advice from counsel, and there is a lawsuit pending in federal court about whether the Commission can or must approve a horseman's group other than the one that has been specifically designated and approved after due process and full hearings pursuant to the very clear provisions of the Racing Act as amended last year.

Our position on that is clear. The VHBPA is and has been and continues to represent the owners and trainers, the horsemen in Virginia, and the VHBPA, not the Old Dominion THA, is the recognized majority horsemen's group. In fact right now, that's the only recognized majority horsemen's group for Thoroughbred horses in Virginia.

But let's put that aside. Even if you don't consider that fact, what is before you today is a contract which clearly should be rejected by the Commission.

First of all, the contract itself admits that it has no members. It is a contract that was not negotiated with a group of horsemen, so there's no evidence before this Commission right now that this contract is a contract with horsemen.
Secondly, the contract is for at least 25 years. Some of the provisions extend as long as 124 years in ways that would rob this Racing Commission of its oversight authority and clearly is not in the best interest of horse racing in Virginia.

The contract establishes a November 30, 2014 termination date and sets the termination of November 2139, that's the 124 years of provisions dictated by the horsemen's share of other forms of wagering at Colonial Downs such as racing.

In the past 17 years of Thoroughbred racing at Colonial, this Commission has never approved a horsemen's contract longer than three years in duration, and clearly, it would be adverse to the interest of horse racing in the Commonwealth for the Commission to approve a contract of that duration at this point.

Next, the proffered contract with the Old Dominion Group cuts the statutorily mandated -- It's a five percent, six percent, seven percent sliding scale of simulcast wagering down to one percent until that $1.5 million pretax trigger is set off.

In the applications for off-track betting, both
of them that Colonial Downs submitted, they predict that in the first year of operations, the handle, the total handle for the horsemen's fund would be $20 million. One percent of that is just $200,000, as opposed to $1 million which would be provided at five percent.

This is nothing like the kind of percentage that has been negotiated in the past by the VHBPA and does the horsemen a grave disservice.

Next, the Old Dominion THA contract surrenders the horsemen's right to object to the number of annual racing days and purse amounts which would be dictated by Colonial Downs. It would not permit the horsemen to negotiate a critical element of the contract that they have been negotiating for years, and that's absolutely necessary to protect the interests of owners and trainers of Thoroughbred horses in Virginia, and that is the number of race days and the purse amounts.

Those are the issues that brought us to this place, and what Colonial Downs asks to do here is to essentially be given -- have those issues put in their discretion.

Finally and generally, this is clearly not a contract that was negotiated at arm's length
between the racetrack owner on one hand and the owners and trainers of Thoroughbred horses on the other.

It's essential that this Commission protect the right of the owners and trainers of Thoroughbred horses to negotiate the terms of their contract at arm's length, regardless of what happens with the lawsuit that's pending now.

Regardless of the issue that we think it's clear that the Virginia VHA is and should be the majority horsemen's group, but one thing that is absolutely clear is if there's one group that should not be recognized as the recognized majority horsemen's group in Virginia, it's a group that was created by and for the benefit of the racetrack owner, which is exactly what is being proposed to you today.

And for all those reasons as well as other reasons unrelated to the proposed horsemen's contract but just related to the proposal for merely four days of racing in September and other concerns that have been and will be voiced, the VHBPA urges the Commission to reject this application. Thank you.

CHAIRMAN REYNOLDS: That was a long five
minutes, but thank you. I felt like that was important. Mr. Hannum. Excuse me. I'm going to
call this gentleman in the back. He stood up first. State your name and let's do try to keep it
to five minutes, if you can.

MR. HATHAWAY: Thank you. My name is Rodney Hathaway. I'm the county administrator for New
Kent County. Good morning, Mr. Chairman, members of the Commission, counsel and staff. I am here
this morning to speak on behalf of the New Kent County Board of Supervisors and express our
support, our full support for the Colonial Downs application.

We believe that this application will restore Thoroughbred racing in Virginia, and we support the
application which involves a significant infrastructure limited license to conduct four days of Racing in 2016. Also to reopen the Richmond and Hampton satellite wagering facilities, and to seek approval of their Thoroughbred horsemen's agreement in compliance with §59.1-369(14) of the Virginia Racing Act.

We believe this application is consistent with the admission of the Virginia Racing Commission, which involves the promotion and sustainability of
the native horse racing industry in the Commonwealth. There is currently no other venue in the Commonwealth that is more suited for national-caliber quality Thoroughbred racing.

I applaud Colonial Downs for developing a proposal that is financially self-contained, meaning that races and operations will be financed without any resources allocated to the VEA and VHBPA by the General Assembly and Racing Commission.

I believe that Virginia is large enough to support multiple race operations and venues and not one group organization should be given a monopoly on this industry.

Again, New Kent fully supports the applications submitted by Colonial Downs, and we thank you for your consideration.

CHAIRMAN REYNOLDS: Thank you very much.

Mr. Hannum.

MR. HANNUM: Thank you, Commissioners. I'm Jeb Hannum. I represent the Virginia Equine Alliance. I'm pleased that we've spent some time talking about the native industry today, because I think that's at the heart of the discussion, and as the law states, the purpose for having pari-mutual
wagering on Thoroughbred and Standardbred races in Virginia is to develop the native industry.

Let me just remind everyone that in 2015, the Virginia Equine Alliance with its partners, the VHHA, the harness horsemen, the Virginia Gold Cup, the Thoroughbred horsemen and breeders put on a steeplechase race at the Virginia Gold Cup, four days of harness racing at Oak Ridge, a special day of Thoroughbred racing at Great Meadow, and through all those races, significant breeders awards were paid out to horsemen on the Thoroughbred and standard side, and I think that speaks very directly and clearly to our efforts in a very short period of time to put money back in to Virginia for the horsemen, which is the intent of having racing in the state.

Colonial Downs spoke earlier and made many assumptions, and I just wanted to point out what the VEA has done as reality. It is our intent to grow the industry.

The Racing Commission before today has an important decision to make to go with an organization that is specifically designed to expand racing for Thoroughbred and harness horses, or to go with an organization that will have a
restrictive model with limited growth for horsemen,
and I think that's a very important consideration.

The VEA can do this, but we need additional
funds, and the OTB network which we can open
without an application from Colonial with those
funds from the OTBs, we can then put more money
into racing and make a further investment.

I think it's worth noting that Colonial
submitted an application on I think it was July
24th or July 28th, right before the deadline, an
application for racing which they subsequently
withdraw, which then prevented us from opening the
OTBs. Now we have another application which
further complicates the ability of the VEA to open
the OTBs to put more money back in to racing.

So, you know, if the VEA are to go forward, we
need to get those OTBs open and put that money back
into racing.

Approving the Colonial application would
essentially tie one hand behind our backs as well
as Colonial. We have sort of a worst case scenario
where the VEA would be denied funds which we would
use to grow racing, but Colonial would have a
situation where it is going to take them years to
generate any meaningful revenue, and quite frankly,
those OTBs are just simply not going to have any
signals that are going to make them viable, so they
are going to be hamstrung in what they want to do.
So I respectfully request the Racing Commission
deny the application before you today. Thank you.

CHAIRMAN REYNOLDS: Thank you. Other comments
from the public?

MR. QUINAN: Mr. Chairman, I apologize. I
don't have anything more to say. I forgot I had a
couple of exhibits I wanted to submit.

CHAIRMAN REYNOLDS: Does he need -- he's a
lawyer. He's ethical.

MR. LAWS: Yeah. Yeah. He's sworn in.

CHAIRMAN REYNOLDS: Okay.

MR. QUINAN: What it is, is -- and much of this
is in the public record before you. For your
convenience, at least, the application that was
filed by the Virginia HBPA for designation as the
recognized majority horsemen's group back in July,
the notice minutes and transcript of that
proceeding, the VHBPA bylaws which were revised
pursuant to suggestion of Commissioner Miller
during those proceedings, and the current election
notice of the VHBPA with the list of the VHBPA
members. Those are the exhibits. I've got three
copies here. I will give one to Colonial Downs and I have two.

MR. LAWS: How many exhibits total?

MR. QUINAN: You know, you could do the hearing application notice and hearing transcript as one piece, so that would be one. And then the second would be the amended bylaws, and the third would be the notice of the board of elections -- Board of Directors election with the list of members attached. So three.

MR. LAWS: Okay.

CHAIRMAN REYNOLDS: Do you all have any objection to entering that into the record?

MS. LANTZ: Chairman Reynolds, I would just submit that it really has no relevance of a limited license application as being sought by Colonial Downs. We don't object to them being entered, but they have no bearing or relevance to the issues at hand.

COMMISSIONER MILLER: Mr. Chairman.

CHAIRMAN REYNOLDS: Yes, sir.

COMMISSIONER MILLER: I'd like to point out these are matters of public record within the contents of our records and we refer to them in any event.
CHAIRMAN REYNOLDS: So don't really need to enter it?

COMMISSIONER MILLER: No. It's nice to have lawyers point out specifically what we should look at, rather than go back and look at 17 years worth of records.

CHAIRMAN REYNOLDS: But they are available to the public?

COMMISSIONER MILLER: It's all in the public record.

CHAIRMAN REYNOLDS: Why don't we leave it at that?

MR. QUINAN: The -- some of it is in the public record. The notice minutes related to the proceedings in July. The amended bylaws are not in the public record, and the notice of the elections with the roster attached is not in the public record.

MR. LAWS: So at this point, Commission members, we have four potential exhibits. One we'll mark as Exhibit G that's been offered by Colonial Downs is the report from the -- strike that -- UVA and three potential exhibits, H, I and J, from the HBPA regarding Colonial Downs' objection about relevance; relevance is a very low
bar, and administrative hearings, evidentiary rules are even more relaxed. So I don't think that would be a bar to admitting them as Exhibits H, I and J. And it's more weight as opposed to admissibility, but if you disagree, Ms. Lantz.

MS. LANTZ: Well, just one question for clarification. You said that one was being offered by Colonial Downs.

MR. LAWS: During Mr. Weinberg's presentation, he did mention a report from UVA that he wanted to be included in the record.

MS. LANTZ: Okay.

MR. WEINBERG: Just for administrative clarity. We have I think -- are there eight?

MS. LANTZ: We have eight exhibits I think we were going to tender at the end.

MR. LAWS: I understand.

MS. LANTZ: I just wanted to make sure that we weren't --


MR. WEINBERG: If I could suggest, I would take HBPA's exhibits in consecutive order, and at the end of this hearing, we'll give you our exhibits and just tack on the alphabet.
MR. LAWS: Thank you. So we'll mark the HBPA's exhibits as G, H and I, and if the Commission wants to admit them, they can make a motion and that can be seconded to by the HBPA as Exhibits G, H and I.

MR. QUINAN: I'm sorry. Are they not admitted at this point?

MR. LAWS: Strike that. I'll speak loud. I apologize. At this point, we'll mark the HBPA's tendered exhibits as Exhibits G, H and I, and the Commission can make a motion to either vote to admit them as exhibits or deny them as exhibits. Whatever the will of the Commission is.

COMMISSIONER MILLER: I move we admit them.

VICE CHAIRMAN VAN CLIEF: Second.

CHAIRMAN REYNOLDS: Hearing a motion and the second, all those in favor, say aye.

NOTE: The Commission votes aye.

CHAIRMAN REYNOLDS: All those opposed. No answer. The exhibits are admitted unanimously.

VICE CHAIRMAN VAN CLIEF: I had another question, if the Chairman will indulge some additional minutes from those giving testimony. Representatives of the HBPA mentioned, addressed the one issue with regards to the horsemen's group, then you mentioned that there were other issues
that you could address with regards to the application.

My personal note is it is important for us to hear any relevant and substantive testimony that anybody wants to give here this morning before we are asked to make what is going to be a very important vote.

So Mr. Chairman, could I ask him to elaborate on that comment if you have some further issue you'd like to address?

MR. QUINAN: I'll ask Mr. Petramalo, if that's permitted. He's in a better position to address those issues.

MR. PETRAMALO: The application includes request for four days of racing. I believe it's Saturday, Sunday, Monday and Tuesday in September. I think it's the 25th through the 27th or 28th. It seems to me that's a particularly inappropriate time to try and race, because it would be directly in conflict with racing at Laurel Park in Maryland. And the gate crew, the valets, the jockeys, a substantial portion of the racing secretary's office come from Maryland to Virginia to run the racetrack.

We've been successful in the past because there
has been an agreement between Maryland and
Virginia; we didn't compete when we ran normally in
June and July. We had that window and that window
created great success for us.

What Colonial is now proposing is to throw that
out the window and go head-to-head with Maryland.
Creates practical problems as well as the problems
of getting horses to come and race.

As the commissioners may be aware, there is no
racetrack in America, and certainly not in Delaware
or Pennsylvania or Maryland that's going to allow
horses to be stabled there but to come to Virginia
to race in conflict with the Maryland racing. My
point is the dates selected by Colonial don't
envision, I think, success for their proposed four
days.

MS. BOUZEK: Can I respond to that?

VICE CHAIRMAN VAN CLIEF: It might be
appropriate to ask Colonial Downs if they would
like to respond to that.

MS. BOUZEK: Jeanna Bouzek, vice president of
operations. We of course talked to Tyler
Picklesimer, our racing secretary who is still
employed by Colonial Downs, and that's his job.
He's assured us that we understand that the gate
crew and the racing office comes under Maryland, but there's nothing that says it has to come out of Maryland.

He's in Kentucky right now. He's guaranteed us if we were to race in November, he would have been able to have a crew here and horses, and we wouldn't have picked those days if he said he couldn't get horses. He's guaranteed us that he could get the horses for racing and the gate crew and the race office staff. Certainly wouldn't have picked those days if we couldn't staff it.


MS. HOFFMAN: I'm Sheila Hoffman. I don't have any exhibits or anything to tender to you, so I should be brief. But thank you for the opportunity. But I think one thing everyone can agree on in here is we racing fans and everybody in the room want races to come back to Virginia. What is unclear about that -- all of us have lost. We've lost as racing fans. Everyone has lost. The employees of Colonial Downs lost their jobs. I mean across the board.

But what I don't think is clear is who should be given the opportunity to bring that back to
Virginia. And sitting here today and listening to everyone in their conversation, I'm not sure that Colonial Downs is the one that can bring back the integrity that we need in Virginia. So thank you for your time.

CHAIRMAN REYNOLDS: Thank you. Yes, ma'am.

MS. GODSEY: Hi. I'm Karen Godsey. My family has had Eagle Point farm in Ashland, Virginia since 1947. I'm the third generation to run it. I've been with -- my family fought for pari-mutuel racing way back when. I worked at Oak Ridge, I've been an owner, a trainer, a pony person, an exercise rider, everything, and I've been at Colonial since it opened.

My family, and I'm just one of just a huge industry in Virginia and we're the HBPA. I mean Old Dominion Horsemen's Group, I can't find one true, honest horseman that has fought for Virginia racing that believes in that group. It's obviously in-house. It's just that Colonial can get their deal through, but it doesn't support the people like me that are in the industry.

CHAIRMAN REYNOLDS: Thank you. Ms. Easter.

MS. EASTER: Debbie Easter, Virginia Thoroughbred Association, but also I think today,
I'll speak as somebody that's made a living in the horsing business in Virginia for her entire life.

Mr. Jacobs came and Colonial Downs was developed and we all had great plans for what was going to happen in racing in Virginia. Let's be honest. The racing industry isn't what it used to be, and it's a tough business to make money for, for horsemen, for Mr. Jacobs.

We're not gonna stand up and say Mr. Jacobs was getting rich here in Virginia, but I think that probably they had a plan, and you know, these things aren't out there, but probably there were hopes that there would be other forms of gambling here in the state of Virginia and it hasn't worked out that way.

It's very clear in the Racing Act that racing in Virginia is here to help grow and sustain the industry in Virginia. That's not very helpful to guys who own casinos and want to cut their losses. If I'm a businessman, that's what I'm trying to do, the best thing I can do for my business, but that's not what the Racing Act said.

Hopefully with a little bit of patience, some of these other forms of gambling might happen in the state of Virginia, but unfortunately, just like
every other casino operator that owns a racetrack in this country, they want to cut their expenses and they want to cut days.

All right. Mr. Jacobs' plan before was let's have four or five days of racing. You all have told him previously that's not what is good for Virginia. So Mr. Jacobs voluntarily blows up all of the revenue sources or at least half of the revenue sources here in Virginia because he didn't get what he wanted. Now he wants to come back and run four or five days of racing, where from our side looks like it will be very tough to grow that.

He's the only one I think that in this whole group of people that sits in this room, I think an agreement probably could have been worked out, but there's one man that's never in this room and seems to be the impediment to making a deal to the growth of racing in Virginia.

And right now, the VEA was formed because of the actions that Mr. Jacobs took, and we're trying to grow racing in this state again. We'd love to have OTBs open for the wagerers. We'd like to support New Kent County, and we do do that. We support all the other organizations in Virginia that were included in the Racing Act when it was
written.

And I just think that Mr. Jacobs has told us he doesn't want to grow racing, not unless he gets alternative gaming and nobody can promise him that. And he took his own actions, and sometimes you take actions and you don't like the results.

And so I think for those of us that want the horse industry to continue in Virginia and feel it's an important part of Virginia agribusiness, I think you have to deny this license, because the VEA is the only one trying to make this industry grow at this point. Thank you very much.

NOTE: Applause from the public.

CHAIRMAN REYNOLDS: Thank you. Other comments?

Yes, sir.

DR. ALLISON: Will Allison, Virginia Gold Cup. I didn't hear any expression of monies directed to local charities by these folks, and it's my understanding the new legislation emphasizes local charities.

CHAIRMAN REYNOLDS: Okay. Other comments?

MS. HESTER: Leanne Hester. Breeder, trainer in Virginia. I'd just like to plead extreme caution from the Commission. We haven't seen anything from Colonial that has shown in the past
several years to grow and sustain. They keep wanting to cut back, and my worry is who is going to monitor a long-term contract? Do you have the authority to review it to make sure it's being -- the obligations are to fulfill, grow and sustain? And I never heard any escalation clauses that were based on anything but money. They can make the money look like anything they want.

So just extreme caution in this contract, because as much as we want racing, this did not sound like something we can trust and that will actually promote and grow the industry in Virginia. More days, more money. There's no guarantee there. Obviously, there's no guarantee, but I just worry that the Commission give themself some sort of power to look over it and really have control over it. Thank you.

CHAIRMAN REYNOLDS: Thank you. Other comments? Okay. Seeing none, would like to move into closed session so that I and the commissioners can discuss the pending litigation.

MR. WEINBERG: Commissioner Reynolds?

CHAIRMAN REYNOLDS: Yes, sir.

MR. WEINBERG: We would like the opportunity to respond.
CHAIRMAN REYNOLDS: Okay. Let's -- I would love to give you that opportunity. Go ahead.

MR. WEINBERG: Let me address just a few items that were raised. I think --

CHAIRMAN REYNOLDS: Speak up so everybody can hear you as best as possible.

MR. WEINBERG: The characterization that Colonial Downs dictated race days in the contract, we disagree with. There is a mechanism in that contract that Colonial Downs and the Old Dominion Thoroughbred Association agrees on how many dollars are available for purses, and from that, there's a formula that sets a one-to-one ratio in the initial years of $500,000 a day of high-ends and 150 for bread and butter.

So contrary to the assertion that there is somehow a dictation of the race days is much like what has always gone on. There's a formula. There's a purse amount and the days are calculated. That's how we lead to growth.

With respect to the charities, I just want to clear up any confusion. I think Mr. Hathaway can speak to Colonial Downs' history of charitable contributions in New Kent County, but that the law provides that you can operate a racetrack without a
county-wide referendum, only if you are a nonprofit, which would necessitate some contributions to charities perhaps.

So we are not asking for that exception in the end. We are racing in a jurisdiction that has passed a referendum. I'd just like to note that.

Anything you want to add?

MR. GUIDROZ: No.

MR. WEINBERG: I think we will submit our disagreement with the breadth of the plenary powers of the Commission. I can go into detail now, but I think it's well set out in a memorandum we will submit to you and ask that the memorandum, the report memorandum dealing with a few other matters be admitted to the record.

CHAIRMAN REYNOLDS: Okay. Thank you.

MR. LAWS: At this point, Mr. Chairman, did you want me to prepare a motion to go into closed session?

CHAIRMAN REYNOLDS: Yes, please.

MR. LAWS: So at this point, the Commissioner wants to make the following motion. In accordance with the provisions of §2.2-3711(A)(7) of the code of Virginia, I move that the Commission go into closed meeting for the purpose of consultation with
legal counsel and briefing by staff members or consultants pertaining to consultation with legal counsel employed or retained by a public body regarding specific legal matters, applying legal advice by such counsel concerning agenda Item 2B, which is Colonial Downs, L.P. application, limited license 2016.

Counsel, as mentioned in the motion, includes four members from the office of the Attorney General, and staff members includes Bernie Hettel, the executive secretary of the Racing Commission, and Sam Towell, Deputy Secretary of Agriculture and Forestry.

Would any commissioner like to make that motion?

VICE CHAIRMAN VAN CLIEF: So moved.

CHAIRMAN REYNOLDS: Second?

COMMISSIONER MILLER: I'll second it.

CHAIRMAN REYNOLDS: Commissioner Miller seconds. All those in favor, say aye.

NOTE: The Commission votes aye.

CHAIRMAN REYNOLDS: Those opposed. Hearing none, the motion carries unanimously. We will go into closed session and be back as soon as possible.
NOTE: There is a recess from 11:24 a.m. until 11:40 a.m.; thereafter, the meeting continues as follows:

MR. LAWS: At this point, does one of the commissioners want to make the following motion? Quote, I move the adoption of the following resolution, whereas the Virginia Racing Commission was convened in closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act, and whereas §2.2-3712 of the code of Virginia requires a certification by this Commission that such closed meeting was conducted in conformity with Virginia law; now therefore be it resolved that the Virginia Racing Commission certifies that to the best of each members' knowledge, one, only public business matters lawfully exempted from open meeting requirements under the Virginia Freedom of Information Act, and two, only such public business matters as were identified in the motion, meeting or posting were heard, discussed or considered by the Commission in the closed meeting. End quote. Does anyone wish to make that motion?

VICE CHAIRMAN VAN CLIEF: So moved.
COMMISSIONER MILLER: Second.

CHAIRMAN REYNOLDS: All those in favor, say aye.

NOTE: The Commission votes aye.

CHAIRMAN REYNOLDS: Those opposed. Hearing none, the motion passes unanimously and we're back out of closed session.

MR. LAWS: At this point, Mr. Commissioner, I did receive the, or Mr. Chairman, I did receive the exhibits from Colonial Downs that they mentioned during their presentation.

It's a series of eight exhibits in a three-ring binder and the proposed findings of fact and conclusions of law document that they prepared. There's one copy of the eight exhibits, one copy of the proposed findings of fact. I'll mark those as Exhibits 1 through 9, and if the Commission so desires, they can admit that into the record after a motion and a second.

CHAIRMAN REYNOLDS: Is there a motion on the table to accept the exhibits just described by Mr. Laws?

VICE CHAIRMAN VAN CLIEF: So moved.

CHAIRMAN REYNOLDS: Second?

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

NOTE: The Commission votes aye.

THE COURT: Those opposed. Hearing none, the motion carries unanimously.

Is that it for housekeeping?

MR. LAWS: Correct.

CHAIRMAN REYNOLDS: Okay. Before we entertain a motion for either the approval or denial of Colonial Downs' application, I'd like to now turn it over to commissioners for their comment on this matter, and I will call on Commissioner Vice Chairman Van Clief, if you have any comments.

VICE CHAIRMAN VAN CLIEF: Mr. Chairman, just to clarify the procedure, you're looking for simply comments from us at this point and not a motion?

CHAIRMAN REYNOLDS: Not until everybody has had a chance to make a comment.

VICE CHAIRMAN VAN CLIEF: Thank you. All right. I'm sure that in my almost three years as a commissioner, I've not been asked to cast a vote that I think is any more important than this. As I see it, we've reached a true crossroads in the Commonwealth's racing and overall horse industry.

I like to think that every decision we've made
and every action we've taken as a Commission has
been and will be guided by that portion of the
statute that I've heard quoted an awful lot this
morning. The obligation to sustain and to promote
and to grow our native horse racing and the
collateral industries that go along with it.

In my mind, it is absolutely critical, and I
think we've seen what happens if this doesn't
happen, it is absolutely critical that this
industry be unified if it's going to grow, and
unfortunately, we've seen a schism of major
proportions.

It's a bit ironic to sit here and to be asked
to regulate and to vote on issues for an industry
that is, has been at least numerically on the
decline and seems to be warring within itself, and
to be asked to deal with the bifurcation of an
industry that by all rights if it was going to
succeed should have been unified long ago.

In as much as I think that we are obligated to
do everything in our power to make sure that we do
see a growth occur and reemerge for our horse
racing industry and to sustain it and grow it and
to promote it, I think we've got to take steps to
make sure it's consolidated and that it's working.
As much as I would like to see the Virginia Derby run on that beautiful turf course, as much as I would like to see Colonial Downs as part of Virginia's racing infrastructure working to build a strong brand and strong racing product, I do not feel today that I can support the Colonial Downs application for the 2016 dates that you proposed.

I think that what it does is bifurcate the industry. It splits the revenues. It splits the authority under which the industry will operate, and I think it is just exactly the wrong thing to do for the future growth, if not the survival of Virginia's racing and breeding industries.

Unfortunately, the actions that have been taken by this industry have stopped it virtually dead in its tracks. If it wasn't for the current legislation and the emergence of the Virginia Equine Alliance, there would have been no racing whatsoever in this state for about two years.

As a Commission, we asked the industry to get together. We begged Colonial Downs to agree to any number of compromises, and for whatever reasons has had I think a very unfortunate and long-term effect on the industry.

I think we need to take action and take action
now. Regardless of on the face of it how difficult it is, we've got to move forward and we've got to have a plan.

So Mr. Chairman, I cannot vote for an application that I think further bifurcates the industry, bifurcates the revenue flow, and candidly, as difficult as it is to say, voting against racetrack operation seems on its face to be exactly the wrong direction, but I think is the action we should take today in order to give us a chance for growth in the future, and we've got to consolidate our activities and our strategy going forward.

CHAIRMAN REYNOLDS: Thank you, Mr. Vice Chairman. Commissioner Miller, do you have any comments?

COMMISSIONER MILLER: Well, I'd agree with some of the comments of Commissioner Van Clief. There's no doubt, and I've said it time and time again at many of our meetings that we have one of the most outstanding racetrack facilities in the country. It's an outstanding physical facility. The problem has been ownership and operational questions.

I might say this is probably superfluous to what needs to be said, but the owner and operator
of the track under this previous application had a lot of good people working for him here in Virginia. Unfortunately, he has chosen in the past not to be in the same caliber as those people he has employed.

I think surrendering the license in the way it was done by Colonial Downs in 2014 was a terrible blow to racing not only in Virginia, but nationwide. It is an industry that's in decline. It needs all the positive measures it can get in order to survive.

Surrendering that license, those licenses, plural, and the way it was done and closing those satellite wagering facilities, suddenly ending significant employment for a lot of people in Virginia, ending the opportunity for a lot of racing fans in Virginia to enjoy Thoroughbred and Standardbred racing at the satellite facilities, affecting horsemen and suppliers throughout Virginia and other ancillary effects on the agricultural economy, and having a significant negative impact on the overall economy in Virginia by this sudden action of surrendering his license, and why was it surrendered? That's an argumentive question, I'll grant you. But my position is, as
opposed to that of counsel, it was surrendered
because Mr. Jacobs was dissatisfied with the
licensing agent's vision of its legislative
mandated mission.

A difference of opinion by the licensee with
the licensing agent, a difference of opinion over
the mission that the licensing agency was trying to
carry out. Instead of working towards compromise
and solution, no. You can have my license. I'm
leaving. And the effect that had throughout
Virginia to the horsemen, all these stakeholders,
the employees, the racing fans and those people who
wish to wager in Virginia, that effect had little
bearing on his decision, apparently.

Now, I don't disagree with corporate giants
wanting to look at the bottom line. That's
important. You don't want to throw money away. Of
course you don't. But you also need to work within
the system, and if you can work out compromise, if
you can work out a way to get along in the industry
in which you choose to operate, you do that. You
don't walk away and leave everyone else in a lurch.
And it did.

Racing closed down completely. As Commissioner
Van Clief said, if it were not for the horsemen
here in this state, if it were not for the VEA, if it were not for the people involved in the Standardbred racing in Virginia taking the initiative, we would have no racing, completely dead here in Virginia for a two-year period as a result of the actions of the controlling interest in this application. Closed down, end racing, terminate employment, affect agriculture, suppliers, affect the entire industry for that period of time.

What assurance would this licensing agency, the Virginia Racing Commission, have that if the licensee doesn't get all it wants in the future or have its viewpoint prevail as to what its new paradigm in racing is? If the licensing agency or the horsemen of Virginia disagree with his vision, what assurance do we have that he's not going to walk away, here's my license and I don't care what happens to all the people affected thereby?

That's why I can't support this application, because I don't believe we can get that kind of assurance from the party that has controlling interest in this application at this point.

I would hope that some day, we can have someone
come to Virginia that believes in the horse industry, that believes in the Thoroughbred racing industry, and that believes in the structure that we created in Virginia to try to have a proper balance in that industry going forward. Maybe we won't. Maybe we're going to be destined to be a country racing state henceforth. Well, that's okay. I can tell you that we are lucky to have racing and pari-mutuel wagering in Virginia to begin with, even a modicum of it.

The legislatures that we've had in the past and the legislative position that has been taken in the past, we're lucky to have the ability to have any racing activity or pari-mutuel wagering activity in Virginia at all. We should be grateful for it and we should work towards sustaining and growing it and not throwing up roadblocks to its future. That's why I can't support this application.

CHAIRMAN REYNOLDS: Thank you, Commissioner Miller. Commissioner Steger.

COMMISSIONER STEGER: Mr. Chairman, in the interest of time, I would just like to go on record saying that Vice Chairman Van Clief has very effectively expressed my opinion on the matter.

CHAIRMAN REYNOLDS: Okay. Thank you very much.
Now I'll make a couple brief comments. I totally concur with Vice Chairman Van Clief and Commissioner Miller on all points. It has been a long, tough two years for everybody in this room, certainly for the Commission. I know it has been tough on Colonial Downs and all the horsemen, but I just felt like we spent hours and hours and hours, negotiated back and forth, you think you're so close so many times, only to have the wind shift at the last second for whatever reason.

I think the telling thing for me was back in 2014 when Colonial Downs is obviously obligated. They were assigned race days. They had the obligation to run those days, and we certainly understand why that wasn't happening, because we were negotiating, trying to get a contract.

We understood that Colonial Downs was still obligated to race those days in 2014, but that wasn't realistic, so I thought perhaps I could convince my fellow commissioners and that we could come up with some sort of resolution that said, okay, we'll let you off the hook for 2014, and in lieu of running in 2014, you all please go and get something settled for 2015 and get some dates, and we gave them a deadline to come back to the
Commission, and I thought that was probably a good way to at least get something on the books at some point, and hopefully they would have worked it out. But Colonial Downs decided that it was not lawful for the Commission to take that action, and perhaps they're right, perhaps they're wrong, but from the spirit of trying to do that, there was an opportunity for them to reach some sort of compromise, some sort of an agreement. That's just one example of a lot of times when I thought there would be some sort of compromise and settlement to try to move this industry forward.

Then the straw that broke the camel's back for me personally is when they turned in their unlimited license, and in my opinion made a complete public spectacle of the whole thing. And that's just my opinion. I won't go into that. I think Commissioner Miller clearly articulated that position.

I love that facility. I'm a huge fan of horse racing. I love high-end meets, but we've got to at the same time sustain, promote and grow the native industry, and I just don't think that has happened over the last two years, and I do think the VEA has done a great job of moving that forward. I know
the VHHA is doing what they can in a different
venue to try to keep their program alive and
growing, so I'm encouraged by that.

I hope one day we can utilize Colonial Downs'
track facilities, whether it's Mr. Jacobs coming
back and working out an agreement with the Virginia
stakeholders or somebody else who may come in and
operate that track, whether Mr. Jacobs will sell it
or maybe lease it to somebody.

I would love -- it is a beautiful facility,
it's wonderful, and I do hope to see racing there
again one day, but right now, I can't support this
application as it sits today, and those are my
comments.

Now, I guess it's time to entertain a motion.
Is there a motion that we can read or that I can --
I'll entertain a motion to deny the application.

VICE CHAIRMAN VAN CLIEF: Mr. Chairman, I'll
make that motion.

CHAIRMAN REYNOLDS: Okay. Please.

VICE CHAIRMAN VAN CLIEF: I simply move that
based on the submissions we reviewed, the testimony
and opinion we've heard today, and taking into
account the comments of my fellow commissioners, I
would move that we deny the application as
submitted.

CHAIRMAN REYNOLDS: Okay. Do I hear a second?

COMMISSIONER MILLER: Second.

CHAIRMAN REYNOLDS: Okay. I'm going to go down role call and ask for your vote. Are there any commissioner comments before we take the vote? Hearing none, I will ask Commissioner Steger.

COMMISSIONER STEGER: I voted in favor of the motion.

CHAIRMAN REYNOLDS: Okay. Mr. Van Clief made the motion.

COMMISSIONER STEGER: I vote in favor of the motion.

COMMISSIONER MILLER: Aye.

CHAIRMAN REYNOLDS: The motion carries unanimously. All commissioners present have voted aye, so the motion carries.

MR. LAWS: We'll reduce the Commission's decision to writing and mail, of course mail you a copy and it will become effective the day the final order is issued by the Commission.

CHAIRMAN REYNOLDS: Thank you all for your time.

MR. LAWS: I apologize for interrupting. There are two other applications, the satellite wagering
facility applications. How do you want to handle those?

MR. WEINBERG: I think as you're well aware, without a significant limited license, we're not eligible -- Colonial Downs is not eligible for those.

CHAIRMAN REYNOLDS: That's correct.

MR. LAWS: Do you want to withdraw those applications at this point?

MR. WEINBERG: We'll take it under advisement.

MR. LAWS: Okay. Thank you.

CHAIRMAN REYNOLDS: All right. Thank you all.

MR. HETTEL: We'll continue with the meeting now. If you have discussion, if you'd take it to the hallway, please. Mr. Chairman. Let's seek approval of the minutes from the meeting of October 14th.

CHAIRMAN REYNOLDS: Okay. I have one. I see Commissioners, plural, not singular, when I call the meeting to order. No biggie. Just a little typo.

MR. HETTEL: Okay.

CHAIRMAN REYNOLDS: Other than that, I didn't see anything. Did other commissioners have any comments or additions, deletions to the minutes?
VICE CHAIRMAN VAN CLIEF: I move approval.

COMMISSIONER MILLER: Second.

CHAIRMAN REYNOLDS: All those in favor, say aye.

NOTE: The Commission votes aye.

CHAIRMAN REYNOLDS: The motion carries unanimously. The minutes of October 14, 2015 are approved.

Now we move on to new business. We'll ask the VHBPA to report on the Virginia-bred and stakes races at Laurel, please.

MR. PETRAMALO: Mr. Chairman, with the Racing Commission's approval, we held two days of racing at Laurel Park in Maryland. We had the three graded stakes, for which we put up 800,000 from the horsemen's purse account, then we had five Virginia-bred stakes races, and then we put up a total of 60,000 per race for a total of 300,000. So for the eight races, we had $1.1 million in purse money that we put in.

Let me quickly add that 50,000 of that came from the Virginia Breeders Fund with the Commission's approval.

Actually, when you take into account the nomination fees, entry fees and starter
fees collected by the Jockey Club, our purse outlay was about $1 million; a few cents more than $1 million.

As best I can tell from the information available to me, wagering on those eight races was roughly $2.1 million. Our agreement with the Maryland Jockey Club and the Maryland horsemen was that we would receive, we will receive the horsemen's share of that wagering $2.1 million. I can't quite, from information available to me, calculate it with certainty for two reasons.

One, the $2.1 million included both on-track wagering and simulcast wagering. I can't tell from my information how that broke out. Generally speaking, it's about a 90/10 split. Ten percent of the total pool is usually wagered on the track; ninety percent comes from simulcast.

The other factor that I wasn't privy to was the horsemen's share. Now, that varies. On live racing here in Virginia, it's anywhere from eight to nine percent. In Maryland, I think it may be seven percent. With respect to the horsemen's share of simulcast wagering, I'm estimating that the horsemen's share is about two percent.

Bottom line is my best estimate is that when
Maryland gets done with the numbers, we will probably get somewhere between 40 and $60,000, which we will deposit in our horsemen's purse account, which is restricted for use on purses here in Virginia, unless you give us permission otherwise. With that, I'll sit down, unless you have any questions.

CHAIRMAN REYNOLDS: Thank you. Are there any questions? Commissioner Van Clief?

VICE CHAIRMAN VAN CLIEF: No questions.

CHAIRMAN REYNOLDS: Commissioner Miller?

COMMISSIONER MILLER: None.

CHAIRMAN REYNOLDS: Thank you, Mr. Petramalo. I guess there's a request for approval of the VHHA. Bernie, do you want to help me with that?

MR. HETTEL: Dave, have you got that information?

MR. LERMOND: I believe under Tab One, there's an email from Iain Woolnough.

CHAIRMAN REYNOLDS: In the back.

MR. LERMOND: Mr. Chairman, I'd like to give you just a brief summary of what they're asking for. In prior years, the horsemen agreed to rebate some of the money they got back from TwinSpires and Xpressbet. After the July 1 code change took
effect, the horsemen, both Thoroughbred and harness, wanted to continue this agreement that they had with TwinSpires and Xpressbet.

Because this money is going to come out of money earned prior or after July 1, we would need the Commission's approval for them to use the purse funds for this purpose. Maybe Frank wants to expand a little bit on it, but that's it in a nutshell.

VICE CHAIRMAN VAN CLIEF: I have a question.

CHAIRMAN REYNOLDS: Okay. There's a question.

VICE CHAIRMAN VAN CLIEF: How does that request coincide with the statute under which we are currently working?

MR. LERMOND: The current statute requires any purse money received from ADW after July 1 to be used for purses or as otherwise, if not used for purses, then whatever it would be used for would have to be approved by the Commission.

VICE CHAIRMAN VAN CLIEF: So the Commission does have the flexibility to approve a fee if it so decides?

MR. LERMOND: That's correct.

COMMISSIONER MILLER: I move we approve the rebate fee.
VICE CHAIRMAN VAN CLIEF: I second that.

MR. PETRAMALO: Does that motion cover both the VHHA and VHBPA?

CHAIRMAN REYNOLDS: No. I don't think so, unless you have a different one. You just went through yours.

MR. PETRAMALO: No.

MR. LERMOND: I went through the harness, not --

CHAIRMAN REYNOLDS: In your earlier report, you talked about what happened up in Maryland and with the fees. Do they have a request as well?

MR. HETTEL: That's separate.

CHAIRMAN REYNOLDS: Okay.

MR. HETTEL: Frank, explain.

MR. PETRAMALO: What I'm saying is, with regard to the -- we'd like to, on behalf of the VHBPA, join in the Harness Association's request to be given permission to use the post-July 1 fees to pay rebates.

CHAIRMAN REYNOLDS: Okay. Amend that motion? Just vote on it separately?

COMMISSIONER MILLER: I move that we approve both the harness horsemen's rebate proposal as expressed by Mr. Lermond and the Thoroughbred VHBPA
rebate program that they have in place and we approve those expenditures. And this is a program. This has been in place for several years.

VICE CHAIRMAN VAN CLIEF: The question is, moving forward, are we looking, given the motion, are we looking at the same arrangement or will the numbers be changing, and if so, I wondered if we might not want to have the deal come back at least to Bernie so we can see.

MR. HETTEL: That goes back to the essence of the November 30th meeting, that discussion with TwinSpires. Those numbers are flexible and variable, depending on the situation.

MR. PETRAMALO: I agree with your comment, Commissioner Van Clief. That is, I think you should approve anything going forward. Without getting too complicated, we have a current written contract with Xpressbet that expires December 31st. We will probably have a new one.

With regard to with TwinSpires, we have been living under a handshake agreement for six or eight years. We hope to continue it, but it's a little complicated because now the VEA to a certain extent is standing in the shoes that used to be filled by Colonial Downs, so we've got to figure out some way
to solve the problem. That's, among other things, the purpose of the November 30th meeting with TwinSpires.

CHAIRMAN REYNOLDS: Okay. So do you second that motion?

VICE CHAIRMAN VAN CLIEF: Yes.

CHAIRMAN REYNOLDS: Okay. All those in favor, say aye.

NOTE: The Commission votes aye.

CHAIRMAN REYNOLDS: The motion carries unanimously.

COMMISSIONER MILLER: I assume, Mr. Petramalo, when you get together to renew this contract by December 31st with Xpressbet, any agreement you make with them regarding this further expenditure, you will put in there that it is subject to review of the Racing Commission.

MR. PETRAMALO: That would be my view. Yes.

CHAIRMAN REYNOLDS: Thank you. Next is an update from the Virginia Equine Alliance.

MR. HANNUM: Thank you, Commissioners. I just want to briefly touch on three things. When we last met, we were halfway through the Oak Ridge meet, so I wanted to just give you the final numbers on that meet. The Holland family are here,
and if it's okay, I'd like to let them comment as well on the meet.

So the totals for the four days, we had 2,229 people attend over the four days. Total handle was $31,871. We had 39 races and 227 horses ran in total.

So based on the fact that we've pulled this meet together under very short time scales and had a monsoon come up through the east coast a week before the races, I think everything went extremely well.

I just wanted to acknowledge John Dale Thomas, who did a heroic effort putting the track back together. He had a great crew that was literally working from sun-up to sun-down in the pouring rain preparing the track and getting it ready for the races, so thank you, J.D.

I'll just defer to the Hollands, if I may for a moment. If I could put you two on the spot. If you want to say anything, or you don't have to.

MS. HOLLAND: First, I want to say what a great job VEA job did. We kind of split responsibilities. We had basically 60 days to put together a horse race with a track that hadn't been run in 13 years. Darryl, J.D., Jeff, Jeb, Debbie,
everybody came together. They took the horse side, we dealt with the public side, and while not a huge, profitable event, it was a successful event in the respect that the horse racing went off very well.

The guests that were there had a wonderful time, and a lot of people on that side of the state learned how to bet. If you look at the handle, you'll see the first two races each day, the choices that were being made was Win or -- what was that? It was Win and Place, and mostly Win. And by the time they got to the end of the day, they had worked their way into Place and Show. So we had a lot of learning going on.

And to the Commissioners, I'd like to say the decision you made today, I know it was tough one. It is in the best interest of the state of Virginia. I've been watching this with my husband since pari-mutuel came in to being in this state, and after 20 years, basically, we had racing in Richmond and not a lot of it.

Now, I think there's an opportunity for there to be racing all over the state of Virginia, and I appreciate the decision you made. That's all.

CHAIRMAN REYNOLDS: Thank you. Heather.
MS. GOODWIN: The only thing I would add --
Heather Goodwin. You saw me when you actually
approved our days, 60 days before, and I do
appreciate your action on that, that in the very
short timeframe, especially from the public side, I
know the horsemen worked miracles getting their
horsemen and their staff together.

It's very hard to promote an event within the
60-day time period, so I'm very excited about what
we will have the opportunity to do once we have our
dates for next year, and I'm impressed with the
members.

Personally, I can tell you I'm pretty much a
fixture at my kids' school, and the number of
children who came and saw horses, they don't know
what kind of horses, but horses on the property,
who were very excited and wanted to know where we
keep the horses during the regular parts of the
year.

We have a population at least locally of people
who attended, and they were very excited. There
were people who came up to me and said they won 55
cents, but they were so excited about their 55
cents. That's the kind of love for this sport and
the activity that we hope to build upon.
There's a million and one things, as I said before, that these people can click on a TV or bet on the internet and be entertained by. We have to make them fall in love with racing again, and so that will be our push as of the first of next year, and we appreciate the opportunity to do that.

CHAIRMAN REYNOLDS: Thank you very much.

MR. HANUM: Thank you. The second thing I just wanted to comment on, based on developments earlier today, the Virginia Equine Alliance will now move forward, and it's our intent to open the OTBs.

We will begin formal discussions with consultants and outside firms to start that process. We've had four meetings over the past, really the past, you know, half of the year, but those have just been sort of a fact-finding as much as anything, and now we can move forward in a more formal way. I just leave it at that, and at the December meeting, we'd like to have the opportunity to speak to the OTBs in a little bit more detail.

The third thing I wanted to mention just for the record is that we do have the November 30th conference call with TwinSpires. Just for public record, the total amount due to the Virginia Equine
Alliance from July through October is now 360,506.88. So we'll need to have that matter resolved for us to move forward with our plans for next year. So thank you, and if there are any questions, I'll take those.

CHAIRMAN REYNOLDS: Congratulations on a great, great year so far, and we look forward to the future with you guys.

MR. HANNU: Thank you to the Commission for all of your support. Thank you.

CHAIRMAN REYNOLDS: You're welcome. Thank you.

Next will be a public comment period. Are there folks that wish to speak on any issue? Well, hearing none, do the commissioners have any general comments at this point? Would you like to wait for a few minutes?

VICE CHAIRMAN VAN CLIEF: Nothing from me.

CHAIRMAN REYNOLDS: I think everybody's spent. We do need to go into closed session for a couple of minutes to discuss a personnel matter. So we are going to need to do that. We will come back out and vote our way back out of closed session.

I don't think we're going to be discussing anything else. Well, actually, if there are not going to be any commissioners' comments, when we
come back out of closed session, we plan on adjourning the meeting immediately.

No other business is going to take place, so if you feel like leaving, that is fine. If you don't and you want to stick around, that's fine. It shouldn't take too long. We do need go into closed session to discuss personnel issues. So with that, I will ask counsel to close me out.

MR. LAWS: Do any of the commissioners wish to make the following motion? Quote, In accordance with the provisions of §2.2-3711(A)(1) of the code of Virginia, I move that the Commission go into closed meeting for the purpose of discussing assignment, appointment, promotion, performance, demotion, salaries, disciplining or resignation of specific public officers, appointees or employees of any public body. The executive secretary of the Racing Commission, deputy secretary, Sam Towell, from the Secretary of Agriculture and Forestry, and two members from the Attorney General's office will accompany the Commission into closed session. End quote.

COMMISSIONER MILLER: So moved.

VICE CHAIRMAN VAN CLIEF: Second.

CHAIRMAN REYNOLDS: All those in agreement, say
aye.

NOTE: The Commission votes aye.

CHAIRMAN REYNOLDS: The motion carries. We are in closed session.

NOTE: The Commission is in closed session from 12:17 p.m. until 12:27 p.m.; thereafter, the hearing continues as follows:

MR. LAWS: Do any of the commissioners want to make the following motion? Move the adoption of the following resolution. Whereas the Virginia Racing Commission has convened a closed meeting on this date pursuant to an affirmative recorded vote, and in accordance with the provisions of the Virginia Freedom of Information Act, and whereas to §2.2-3712 of the code of Virginia requires a certification by this Commission that such closed meeting was conducted in conformity with Virginia law, now therefore be it resolved that the Virginia Racing Commission certifies that to the best of each members' knowledge, one, only public business matters lawfully exempted from open meeting requirements under the Virginia Freedom of Information Act, and two, only such public business matters as were identified in the motion convened in the closed meeting were heard, discussed or
considered by the Commission in the closed meeting.

End quote.

COMMISSIONER MILLER: So moved.

CHAIRMAN REYNOLDS: Second?

VICE CHAIRMAN VAN CLIEF: Second.

CHAIRMAN REYNOLDS: All those in favor, say aye.

NOTE: The Commission votes aye.

COMMISSIONER MILLER: I move we adjourn.

CHAIRMAN REYNOLDS: All those in favor, say aye.

NOTE: The Commission votes aye.

VICE CHAIRMAN VAN CLIEF: We are adjourned.

Thank you all for coming.

NOTE: This hearing of the Virginia Racing Commission is adjourned at 12:30 p.m.
CERTIFICATE OF COURT REPORTER

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

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

Given under my hand this 23rd day of November, 2015.

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SANDRA G. SPINNER
COURT REPORTER