VIRGINIA RACING COMMISSION

January 6, 2016

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1111 EAST BROAD STREET
RICHMOND, VA 23219

Commencing at 10:02 a.m.

COMMISSION MEMBERS:
D.G. Van Clief, Jr., Chairman
Carol G. Dawson, Vice Chairman
J. Sargeant Reynolds, Jr.
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
Kimberly C. Mackey, Office Administrator

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

ATTORNEY GENERAL'S OFFICE:
J. Duncan Pitchford, Esquire

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MR. HETTEL: Let's come to order, folks. This is the first meeting of the new year. We have the entire Racing Commission assembled this morning. It's time to elect a chairman for this year for 2016, and I'd like to seek a nomination from J. Sargeant Reynolds, please.

CHAIRMAN REYNOLDS: Yes. Mr. Executive Secretary, I'd like to nominate for Chairman of the Virginia Racing Commission, Vice Chairman Commissioner D.G. Van Clief, and I would welcome a second.

COMMISSIONER STEGER: Second.
COMMISSIONER DAWSON: Second.
CHAIRMAN REYNOLDS: Okay. All those in favor, say aye.

NOTE: The Commission votes aye.

CHAIRMAN REYNOLDS: Those opposed? Hearing none, congratulations, Mr. Chairman.

CHAIRMAN VAN CLIEF: You're too quick.
COMMISSIONER REYNOLDS: I've worked this group pretty hard.

MR. PETRAMALO: You have our condolences.
COMMISSIONER REYNOLDS: I love being back at the end of the table.

CHAIRMAN VAN CLIEF: Well, I appreciate the
consideration. I'm not going to issue any thanks just yet.

COMMISSIONER REYNOLDS: The meeting is now yours, Mr. Chairman.

CHAIRMAN VAN CLIEF: Thank you. Before we move to the next agenda item, I want to make as my first order of business to thank our previous chairman. Sarge Reynolds has served for the last two years, and I'm not certain that there has been any more contentious and tumultuous period in Virginia racing history, and there have been a few.

I think he has done a fantastic job of overseeing this period in a very constructive and a very positive way. He's handled every issue that has come his way. He's done a great job of being the face of the Virginia Racing Commission. We've never had so much in the way of interested media. Just shows what you have to do to get media attention.

He's handled it all with a great deal of equanimity and sophistication, and on behalf of my fellow commissioners, I want to thank you, Sarge, for doing a great job and guiding us through. We may have water in the bilges at this point, but the ship is still afloat. Thank you, Sarge.
COMMISSIONER STEGER: A round of applause.

COMMISSIONER REYNOLDS: Hopefully, the graying process can slow down a little bit. Thank you all. I had a great Commission to work with, a great staff, and I appreciate a great public, great horsemen, and I enjoyed working with the track, but I'm sorry that didn't work out. But anyway, Mr. Chairman, please.

CHAIRMAN VAN CLIEF: Hopefully, we will continue to have your services on the Commission. That appointment, I guess, remains to be seen.

COMMISSIONER REYNOLDS: We will see.

CHAIRMAN VAN CLIEF: As the agenda indicates, the next order of business is the election of a vice chairman, as we are undergoing a complete change of officers here today. Is there a motion to nominate a vice chairman?

COMMISSIONER MILLER: I nominate Carol Dawson, Commissioner Dawson, as vice chairman.

CHAIRMAN VAN CLIEF: Is there a second?

COMMISSIONER STEGER: Second.

CHAIRMAN VAN CLIEF: All in favor?

COMMISSIONER REYNOLDS: Aye.

CHAIRMAN VAN CLIEF: Any opposed? It's unanimous. Congratulations, Madam Vice Chairman.
VICE CHAIRMAN DAWSON: Thank you. I second your remarks about the former chairman, Commissioner Reynolds.

COMMISSIONER REYNOLDS: Thank you.

VICE CHAIRMAN DAWSON: I will just say that I'll try to do my very best to be a good vice chairman and serve the Commonwealth.

CHAIRMAN VAN CLIEF: I know we both look forward to working with our fellow commissioners and we will do our very best.

Next order of business is agenda item number four. We have an Administrative Process Act hearing. Before we recess the Commission meeting and commence that, I am wondering aloud whether or not we have a reason for the hearing in the first place.

Let me just recap to make sure we're all on the same page where we are with TwinSpires' licensure.

At our last meeting, the question was on the table as to whether TwinSpires had been or was in compliance with state law. We determined that at the time they were not. They were overdue on fee payments for the relevant parties as stipulated under state law and had not come to an agreement with the VEA with regards to, again, stipulations
under state law.

So we asked them to please consider complying, gave TwinSpires two days, as I recall, and until five p.m. on the Friday following the last Commission meeting to become compliant; that did not occur.

They've indicated they were not going to make the relevant payments, and in accordance with our order, their license was suspended at five p.m. the Friday following the last Commission meeting.

I gather that they've continued to do business in violation of that order, and so I'm wondering at this point whether we even need to go forward.

But before answering that question, are there -- I don't see Brad Blackwell here today. Are there representatives for TwinSpires?

MR. JOHNSON: Yes. Mr. Chairman, my name is Harry Johnson, Hunton & Williams, legal counsel to Churchill Downs for this matter. Mr. Blackwell is not here today, but I'm prepared to address the Commission with Churchill Downs' position on these matters.

CHAIRMAN VAN CLIEF: Okay. Given your presence then, I assume that it's your assumption that we are going to go ahead with a hearing, that you do
have some -- that you've got something to say to
the Commission for Twinspires?

   MR. JOHNSON: I do, and let me back up so that
it's easier for you all to see me and hear me. Let
me first say that Churchill Downs is committed to
getting this right, getting an agreement and
working this out with everyone, and appreciates the
Commission's desire to do the same thing and the
attention the Commission has made to this.

   But given the situation and given that I am a
lawyer, I need to now raise the legal defenses to
the actions the Commission has taken and may be
considering taking.

   The first thing is for purposes of the hearing
today, I don't believe it has been properly
noticed, so I don't think the Commission can go
forward today. Let me explain the technicalities
of how that mistake was made, and then I will
explain how it works backwards to affect the
attempted suspension of their license.

   The notice for today's hearing is in the name
of Churchill Downs, L.P., doing business as
TwinSpires.com. That is not the license holder.
The license holder here is Churchill Downs
Technology Innovations Company, doing business as
TwinSpires. So the notice to hear today for the renewal of the license is improper, so we are not here on proper notice.

If you look at the application that was filed for the renewal of the license, it is in the name of Churchill Downs Technology Innovations Company. So I would submit that at the very least, this hearing on the renewal needs to be continued.

Now let me work back and go back to December 2014, and let me just explain what I'm going to say here is that Churchill Downs Technology Innovations Company, doing business as TwinSpires, is operating with a license today, and here's how that works.

In December of 2014, the Commission authorized the executive director to continue the 2014 license pending the confirmation of compliance, and on December 30, 2014, the executive director did just that.

The motion that was passed unanimously by the Commission in December 2014 was that the executive director could continue that license pending further action, and let me get it exactly right. Pending until such time as the VRC can conduct further proceedings related to the conditions
described therein; that being the license.

Now, when this Commission convened in December and had a hearing to suspend the license of Churchill Downs, it also did so in the wrong name. It did so in the name of Churchill Downs, L.P. That's an entity that to my knowledge does not exist, and so the order that came out on December 16 is in the matter of Churchill Downs, L.P., doing business as TwinSpires. It's important here. If you're going to suspend a license, the order needs to suspend the license in the name of the license holder.

So I respectfully submit to the Commission that I understand what you were trying to do, but legally, I don't think you did it effectively.

I'm happy to share all of this with counsel or with the Commission to explain it in more detail and provide you the documents which are all I think already in the Commission's record, but let's get back to what I think the Commission wants and what Churchill Downs wants.

We need -- I know you've heard it before and I know you're frustrated by it, but we need some more time. I believe we can make some progress with the relevant stakeholders on reaching an agreement to
resolve all of this. You know, as with all
negotiations, nobody's going to be completely
happy, but you're going to get something. What the
Commission will get, what the Commission will get
is Churchill Downs doing business in Virginia with
a license and the money from that advance deposit
wagering going to support horse racing in Virginia.

So I provided the legal arguments and I have
others if the Commission reconvenes to suspend the
correct license, but I submit that given some more
time, an agreement can be reached.

So what I would submit to the Commission is the
appropriate thing to do is to continue this,
continue this entire matter until your next
meeting, give the parties time to get together.

In consultation with counsel yesterday, we
discussed perhaps submitting a status report to the
Commission, the status of negotiations about, you
know, approximately two weeks before your next
meeting so that you knew when you were coming in
here what the status of those negotiations were,
and it would give you time to take whatever actions
you deem necessary.

So to reiterate, I understand the Commission
may be thinking about actions that it wants to take
now, but I would submit that I don't believe that
would be in compliance with the law, and I know
you're committed to compliance with the law, as is
Churchill Downs. Thank you.

CHAIRMAN VAN CLIEF: Any questions for
Mr. Johnson from our Commission?

COMMISSIONER MILLER: Mr. Chairman.

CHAIRMAN VAN CLIEF: Commissioner Miller.

COMMISSIONER MILLER: Mr. Johnson, I'm

Commissioner Miller. I was outside of the room
when you began, but I think I got the substance of
your comments. You were talking about the
Commission giving authority to the executive
secretary to handle the license in December of
2014. Did you mean 2015?

MR. JOHNSON: No. I actually meant 2014.

COMMISSIONER MILLER: So you're going back to

December '14?

MR. JOHNSON: Yes, yes, yes. So when the
Commission reconvened in November and then December
to act on the license, it was actually acting on
the 2014 license, which was still in effect.

COMMISSIONER MILLER: Another question. Would
you agree that the 2015 license to operate in 2015
now is gone? I mean that license terminates at the
end of the year; does it not?

MR. JOHNSON: The 2014 license is still in effect today. The 2015 license was never issued. It was never renewed in 2015.

COMMISSIONER MILLER: Explain to me how the 2014 -- you say that 2014 license was continued into 2015; is that what you're alleging?

MR. JOHNSON: It was continued until such time as the VRC can conduct further proceedings relating to the conditions described therein.

COMMISSIONER MILLER: So you're saying on December 31st of any calendar year, the license issued on January 1st of that calendar year does not expire?

MR. JOHNSON: This Commission, I believe, is authorized to continue a license, and that's what the Commission did, and that 2014 license is still in effect by your own motion.

COMMISSIONER MILLER: But would you agree that you continue a license for one year to the next? The license becomes the license from the following year; does it not?

MR. JOHNSON: You continue it --

COMMISSIONER MILLER: Yeah. If you have a license in 2014 January --
MR. JOHNSON: I see.

COMMISSIONER MILLER: -- that license would end on December 31st, 2014. If we through some process say that license can be continued and then that license goes into 2015 and becomes the 2015 license; does it not?

MR. JOHNSON: If that's what the Commission did, then perhaps that's the case.

COMMISSIONER MILLER: No, no. Excuse me. Mr. Chairman, may I redirect my question to the executive secretary?

CHAIRMAN VAN CLIEF: Please.

COMMISSIONER MILLER: The license that is issued by the Virginia Racing Commission; is that not an annual license?

MR. HETTEL: It is. All licenses are annual.

COMMISSIONER MILLER: And do the annual licenses run from January 1st of whatever year to December 31st of whatever year?

MR. HETTEL: That's correct.

COMMISSIONER MILLER: Is that correct?

MR. HETTEL: That's correct.

COMMISSIONER MILLER: So on December 31st of whatever year, whatever license is out there --

MR. HETTEL: Yes.
COMMISSIONER MILLER: -- unless that license is through some magic continued to become a license for the following year, that license terminates?

MR. HETTEL: Yes.

COMMISSIONER MILLER: So would you agree that in the past, if perhaps through some magic a license has gone over to the next year, but when that license goes over to the next year, is that not the license --

MR. HETTEL: It's that year's license.

COMMISSIONER MILLER: -- is that not the license for that following year?

MR. HETTEL: It becomes that year's license.

COMMISSIONER MILLER: Okay. I just wanted to get that part cleared up. Do you disagree with that, sir?

MR. JOHNSON: I disagree only to this extent and with all due respect.

COMMISSIONER MILLER: No. No. You don't have to respect.

MR. JOHNSON: Well, I do anyway.

COMMISSIONER MILLER: No. No.

MR. JOHNSON: I promise you, I do.

COMMISSIONER MILLER: Let's not go through all this senatorial stuff. We don't need that.
MR. JOHNSON: Okay. But you did not continue it to the following year. You made -- there was a motion made to stay the expiration of the ADW license until such time as the VRC can conduct further proceedings related to the conditions therein. You did not say until -- for the calendar year 2015. You said until such time as the VRC can conduct further proceedings.

COMMISSIONER MILLER: So it's your contention, Mr. Johnson, that the Commission then trumped the rules and regulations of the Commission --

MR. JOHNSON: I don't believe it --

COMMISSIONER MILLER: -- by putting some other qualification in the license other than the end of the calendar year?

MR. JOHNSON: I don't believe you trumped it. I wouldn't agree with that characterization. I think you're authorized, you're authorized to continue licenses when you all think it's appropriate, and I would respectfully suggest that that's what you did here, and perhaps -- from reading the transcript, I think you were thinking this would be a temporary thing, but that's not how you acted. Your action was until such time as the VRC can conduct further proceedings.
COMMISSIONER MILLER: So on December 31<sup>st</sup> of 2014, the license of 2014 did not terminate; is that correct?

MR. JOHNSON: That's correct.

COMMISSIONER MILLER: And on December 31<sup>st</sup> of 2015, the 2015 license did not terminate?

MR. JOHNSON: There was never a 2015 license, per se. We were still operating -- Churchill Downs was still operating under the 2014 license, whose expiration had been stayed by the Commission.

COMMISSIONER MILLER: So you operated in 2015 under your 2014 license, despite the fact that our regulations say otherwise?

MR. JOHNSON: We operated under the 2014 license. I don't believe that's despite the regulations.

COMMISSIONER MILLER: Okay.

MR. JOHNSON: I think you were fully authorized to continue that 2014 license for as long as you deemed fit.

COMMISSIONER MILLER: And your company has applied for a 2016 license; has it not?

MR. JOHNSON: That's correct.

COMMISSIONER MILLER: And you do not have a 2016 license as of yet, do you?
MR. JOHNSON: We have a license. It's the 2014 license that is still in effect, and we have applied for a 2016 license pursuant to the regulations which say December 1 of each year, you have to submit your application for renewal.

COMMISSIONER MILLER: One more question. So the December of 2015 action taken by the Virginia Racing Commission suspending the 2015 license is not valid, in your opinion?

MR. JOHNSON: It's not valid. The attempt to suspend the license that was in effect. I hesitate to call it the 2015 license because that's not -- that's not what you did.

COMMISSIONER MILLER: However you would categorize it or whatever character you give to it, whatever license you had in 2014, I mean 2015 --

MR. JOHNSON: Right.

COMMISSIONER MILLER: -- we say it was a 2015, you say it was a 2014 license. But in any event, according to our rules and regulations, at midnight December 31st, 2015 without further action from this Commission, that license expires automatically; does it not, whether it was a 2014 license as you -- the character you give it as a 2014 license, or whether it was a 2015 license as
we say, as at least I would say it was, at midnight on December 31st of 2015, a significant event happened regarding that license, in that according to our rules and regulations, that license expired; did it not?

MR. JOHNSON: I disagree.

COMMISSIONER MILLER: Okay. All right. I'm just trying to get to the point of where we are today.

MR. JOHNSON: Sure.

COMMISSIONER MILLER: You have indicated that the notice regarding whatever we were going to do today was not valid. Well, that's fine. I mean I would -- if that's your contention, I certainly wouldn't want to argue over that note. I mean if there's some defect in that notice, we certainly wouldn't want to do anything with a defective notice.

I would suggest that the Commission do nothing today. I would also suggest to you to notify your wagerers and shut down your operation immediately. Should have been done earlier.

MR. JOHNSON: Well, I respect, Mr. Miller, your views on that. We firmly believe that we are operating with a license now that --
COMMISSIONER MILLER: Okay.

MR. JOHNSON: -- that action that was taken in December was just as defective as the notice for this hearing.

COMMISSIONER MILLER: Mr. Chairman, I would suggest that makes the necessity for us having a lawyer and for Churchill having a lawyer absolutely necessary, and that's something that you all should address before a judge, I suspect. Thank you.

CHAIRMAN VAN CLIEF: Thank you. I'm not certain I understand the point you're making with regards to a 2014 continued permission or license to operate versus 2015.

Let me ask our executive secretary. Bernie, other than whatever action you took in December of 2014, what action did this Commission take? Refresh our memory with regards to a 2015 license for TwinSpires.

MR. HETTEL: To the best of my recall, and I will call on my staff, there was an application made by TwinSpires; was there not, Dave --

MR. LERMOND: Yes. There was.

MR. HETTEL: -- in 2015 for a 2015 license, and to the best of my knowledge, it was acted on by granting. The 2016 license was made application on
whatever day it was. Dave, do you have the --

MR. LERMOND: I do. It was sent by

December 1st.

MR. HETTEL: Yeah. So by December 1st of this previous year, '15, there was an application made for '16. So I'm not sure -- the argument I believe you're espousing is by the act of the Racing Commission giving TwinSpires, Churchill Downs or whatever name we'll call that company, a license to be perpetually recognized until they took some other action, I believe for further consideration. Well, there's been further consideration, I believe.

So I'm not sure where the active license is or when that '14 slash '15 license expired and why Churchill Downs, if your argument is correct, why they felt it necessary to make an application for '15 and for '16.

MR. JOHNSON: First of all, I do not believe that the 2015 license renewal application was ever acted upon.

MR. HETTEL: Okay.

MR. JOHNSON: We have no indication that it was ever approved or denied, and the reason is because, frankly, all of this controversy and then the law
changed, and I think the Commission wanted to act on the Churchill Downs issue in December, in November and December of 2015.

But in trying to explain, although licenses ordinarily are calendar year licenses, they have a duration for a calendar year, Churchill Downs was issued a license, and that license is in effect until either the calendar year ends or the Commission does something to continue it, and that is exactly what happened in 2014.

CHAIRMAN VAN CLIEF: Mr. Johnson, is your argument with regards to the December 2015 suspension, that that did not properly take place because of a defective notice? Is that the sole argument there?

MR. JOHNSON: No. That's not the sole argument, but the notice for that hearing was defective, but also the order itself is in the improper name. The order itself suspending the license suspends a license that doesn't exist because the entity named as a license holder on the order doesn't exist.

CHAIRMAN VAN CLIEF: I simply note that Mr. Blackwell representing TwinSpires made no mention of that during the course of the hearing,
and nor was it ever pointed out as an issue up until now.

At any rate, I agree with Commissioner Miller. I would suggest that TwinSpires cease and desist doing business in Virginia immediately. That's just an opinion, and I would ask counsel to communicate with you and take whatever action is necessary and appropriate under the Racing Act.

For moving along, do we need a motion to side-step this hearing or would the consensus of the Commission be to move on to the next item?

MR. PITCHFORD: Mr. Chairman, I believe given the nature of things, it would be proper if the Commission's desire is to continue the hearing that there be a motion and a vote taken, and I think the Commission can note for the record that the continuance is at the request of Churchill.

CHAIRMAN VAN CLIEF: If it's the consensus of the Commission that a continuation makes no representation about TwinSpires' prerogative to do business in the Commonwealth, does that need to be noted?

MR. PITCHFORD: Mr. Chairman, the motion can take the form the Commission desires. If that's the desire of the Commission, I would say that
CHAIRMAN VAN CLIEF: All right. In that case, I think it would be appropriate if we did have a motion, number one, to continue the hearing. And Mr. Hettel, if we can convene immediately after the meeting and get a notice out ASAP, it would be my desire this continuation be as brief as possible and that we take action before the end of the month.

MR. HETTEL: Yes, sir.

CHAIRMAN VAN CLIEF: I would also suggest that the Commission reinforce its obvious desire at the meeting last month, and that the motion include a sentiment that TwinSpires is not authorized to do business in the Commonwealth at this time. It would be our opinion that they cease and desist until we can bring this matter to hopefully a satisfactory conclusion.

VICE CHAIRMAN DAWSON: Mr. Chairman, can I just ask. Are you making this proposal on the grounds that we agree that the so-called alleged defective decision or lack of a proper title for the licensee makes this ineffective and therefore we need to go back and do it again?

CHAIRMAN VAN CLIEF: Good point. I am not
suggesting that we admit that TwinSpires by virtue of a potentially defective notice has the privilege to continue doing business. It's clear they have not paid the relevant fees under state law, and whatever the technicalities might be, it's my opinion that they should not be doing business until we can get it resolved.

And a side note, we agree with what you said, Mr. Johnson, before. It has always been all of our hopes that TwinSpires will continue to do business and be a part of Virginia industry going forward. Under the current circumstances, I don't think that's possible. So it would be my opinion that our motion not imply or grant consent to continue business, such that it is to the date of the hearing.

VICE CHAIRMAN DAWSON: I agree with that, and I think we should make that clear, because I agree with your premise the company should not continue to do business until their just debts are paid.

CHAIRMAN VAN CLIEF: Commissioner Miller.

COMMISSIONER MILLER: Mr. Chairman, I think the calendar speaks for itself. Whatever motion we make, this is a motion to continue the hearing on the request of the applicant for a 2016 license; is
CHAIRMAN VAN CLIEF: That's correct.

COMMISSIONER MILLER: All right. So we all know that according to the calendar, the applicant does not have a 2016 license at this time; is that not correct? Would you agree with that? You don't have a 2016 license right now, do you?

MR. JOHNSON: We have a license that's in effect.

COMMISSIONER MILLER: Okay, but you don't have a 2016 license.

MR. JOHNSON: The regulations don't refer to licenses by year.

COMMISSIONER MILLER: Okay.

MR. JOHNSON: They talk about when they expire and our license has not expired.

COMMISSIONER MILLER: The applicant takes the position that a license from this Commission, an annual license from this Commission is terminated by some means other than the end of the annual period. That's fine.

I think the record is clear whatever motion we make, that from January 1 of 2016 until January 6th of 2016, the applicant, if it is still operating in Virginia, is operating illegally.
In that spirit and with that premiss, I guess is the way to say it, I would move that the application for a 2016 license which was to be heard today be continued until a future date at the -- and we're doing so at the request of the applicant because the applicant says it did not receive proper notice.

Now, before we vote on the motion to continue this hearing on this application, I would like for the counsel for the applicant to indicate to us whether or not he feels it necessary because of this name differentiation he has raised today, do you want the Commission to give another formal notice in whatever name you think is necessary, or will you go forward on your application based upon the previous notice if we continue it to a date today?

MR. JOHNSON: I would suggest that to comply with the Administrative Process Act in Virginia, a formal notice has to be issued. I don't know that I can waive that and I'm not willing to waive the proper notice.

COMMISSIONER MILLER: Okay. That's fine.

MR. JOHNSON: I would also point out that I am not moving to continue the hearing. I'm here to
object to the hearing going forward today. I was
making a suggestion that I think to correct it,
what you need to do is to properly notice it to a
future day.

So I want to make it absolutely clear on the
record I'm not asking for a continuance of this
hearing or moving for it. I'm here to say it was
done improperly. It was in the wrong name;
therefore, under the Administrative Process Act of
Virginia, it can't go forward today. And to go
forward, it has to be done in the proper name and
in compliance.

Also, again, I need to get these on the record
because I don't know where this is leading. To the
extent the Commission is proposing to take some
action or to put in a motion whether Churchill
Downs Technology Initiatives Company is in
compliance, that has not been noticed for today and
no evidence has been taken, and I would suggest
that that should not be a part of any motion that
you might make to reschedule a hearing.

COMMISSIONER MILLER: Okay. Mr. Chairman.

CHAIRMAN VAN CLIEF: Commissioner.

COMMISSIONER MILLER: I'll remake my motion,
but before I make my motion, I want the minutes to
reflect that according to records of the Virginia Racing Commission, the applicant by whatever name is in non-compliance as of this date for 2016.

I want the minutes to also reflect that non-compliance began at the least at 12:01 January 1st of 2016, and that they continue in non-compliance until this day.

I would also like the minutes to reflect so far, we have heard nothing from the applicant relating to its 2015 activities, and that apparently as of this time, I would like the minutes to reflect that from our last meeting of this Commission until now, that -- Bernie, what was that date we gave him to comply? December the 18th was it?

MR. HETTEL: December 18th.

COMMISSIONER REYNOLDS: December 18th.

COMMISSIONER MILLER: That from December 18th of 2015 through midnight of December 31st of 2015, that the applicant was also in non-compliance according to our records, and that at the next meeting of this Commission, if action has not been initiated by the next meeting of this Commission, it's my intent to make a motion on that date that we go forward with whatever enforcement provisions
we can to impose whatever penalty the Commission feels necessary for the non-compliance for 2015 and for the non-compliance of 2016, and whatever other action the Commission may deem appropriate toward this applicant.

CHAIRMAN VAN CLIEF: I concur and ask that that be included in the minutes.

COMMISSIONER MILLER: And our stenographer has gotten all that. Now, so I move now that we continue the -- because of the question about the defect in the notice that we don't need to go through that hassle; therefore, I move that we issue a new notice for a new hearing date on the applicant under its appropriate name, which will be given to our executive secretary today in the exact form that the company requests, and that the secretary then give notice to that company in the exact form as given to our executive secretary today and at the address that is given to our executive secretary today and all necessary parties that the applicant feels is necessary to get the notice under the Administrative Process Act, and that that notice go forward and that we set a date in the future at whatever date is convenient to hear the applicant's position on this 2016 license.
CHAIRMAN VAN CLIEF: Thank you. There is a motion. Is there a second?

COMMISSIONER REYNOLDS: Second.

CHAIRMAN VAN CLIEF: Thank you. Is there any discussion? All those in favor?

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? Motion carries unanimously. Thank you, Mr. Johnson.

MR. JOHNSON: Thank you.

MR. PETRAMALO: May I be heard?

CHAIRMAN VAN CLIEF: Mr. Petramalo, you may.

MR. PETRAMALO: I think Mr. Johnson said that there had been no findings with regard to compliance. I don't think that's correct, because at the December meeting, there was a good bit of discussion and testimony about compliance; namely at that time, the Racing Commission staff had calculated that since July 1st of 2015, Churchill, excuse me, TwinSpires had not paid the statutory four percent to the Virginia Equine Alliance, and as of October had not paid the statutory five percent to the horsemen's organizations and the one percent to the state Breeders' Fund, and I believe the state calculated -- the staff calculated that the total sum due was $668,000 as of the end of
November.

Mr. Blackwell was here; he did not contest that. So the point is that there was a finding, which was the predicate, by the way, for the suspension that beginning July 1st, whatever license they had, TwinSpires was not in compliance.

Now if this is going to be an issue, I would suggest that your notice that goes out under the proper name notice also the issue of compliance in 2015 and going through 2016, because I don't think there's any doubt that TwinSpires is continuing to take wagers from Virginians after January 1st of this year.

COMMISSIONER MILLER: Mr. Chairman.

CHAIRMAN VAN CLIEF: Commissioner Miller.

COMMISSIONER MILLER: Mr. Petramalo raises a good point. So I would move that the notice that goes out regarding this 2016 license, I assume, well, we probably should go into session with our counsel.

Can we have the hearing on the renewal of the application or on their application for 2016, have that hearing and have it combined with the hearing on the non-compliance for the 2015 license, including the fact that the allegation that from
July 1st, 2015 until the end of 2015 and even up until --

MR. PETRAMALO: Today.

COMMISSIONER MILLER: -- to whatever date the hearing is, that they have been in non-compliance and therefore, they may be subject to, in addition to other normal penalties, they may be subject to the legal issue as to whether or not there ought to be some return of -- well, wagers, I guess --

MR. PITCHFORD: Okay.

MR. MILLER: -- from July 1 from their alleged non-compliance until the day we have the hearing.

MR. PITCHFORD: Mr. Commissioner, the hearing, the scope of the hearing under the Administrative Process Act matters that may be heard are determined by what's contained in the notice.

So if the notice includes the matters other than the request for a 2016 license, that would have to be set forth in the notice.

Whether or not the Commission maybe has already accomplished that task that you have raised by previous action, that may be an issue of further, as you suggested earlier, lawyering between the lawyers, and that issue can be addressed in due course.
But if the Commission desires for matters to be included in the hearing notice, certainly, we can craft the notice to cover those matters that the Commission deems appropriate.

COMMISSIONER MILLER: Mr. Chairman, in order to maybe make it a cleaner, as clear as possible when you get into these legal disputes, make it as clean as possible, I suggest that the notice by the executive secretary for the hearing on the application for 2016 be noticed for one hearing, and also send out a notice for an additional hearing on the same date relating to their non-compliance in 2015, their non-compliance as indicated by Mr. Petramalo; that is, the failure to make the appropriate payments alleging -- well, they failed to make the appropriate payments, and the allegation is that from that date, July 1st of 2015 until whatever date it's paid, that so long as that applicant has not paid that sum, that they are not in compliance with their 2015 license and may be subject to penalties under the law. Would that be --

MR. PITCHFORD: Mr. Commissioner, I believe that you're requesting some advice of counsel here, then perhaps that might be better addressed in
closed session, and if you would like to make the
motion to do so --

COMMISSIONER MILLER: Let's do that.

CHAIRMAN VAN CLIEF: Let's do please have a
motion to go into closed session.

COMMISSIONER STEGER: Mr. Chairman, before we
go into closed session, I may offer just a couple
observations. One is I think we all want to see a
constructive result from all of this. We want to
see TwinSpires operating in Virginia.

Secondly, I share the chairman's disappointment
that the representative did not notice that the
name of the company was not proper at the last
meeting. That could have been handled and resolved
some of this.

But third, and this is the most important
thing. I would urge that the parties retain a
professional mediator. Regrettably, I've been
involved in more litigation than I'd like to admit.
Often, these are individuals who are former judges.
They are very fair and constructive and it helps to
avoid the enormous expense of litigation which is
incurred by both parties in this thing.

I don't see the differences of view as
irreconcilable here, and I think if people can sit
down in a closed environment that it can be resolved. So I would strongly urge everyone involved to retain a professional mediator to help bring this to a closure.

We want to have a win-win for both parties. We want you all to do business in Virginia. We don't want protracted litigation for several years. It's extensive, time consuming, and it damages everybody involved. So I hope that you can do that, and if you can't do that, I'd like to know why at the next meeting.

CHAIRMAN VAN CLIEF: Thank you.

COMMISSIONER MILLER: I move we go in closed session. Mr. Counsel, read whatever is necessary remarks that lead to a closed session.

MR. PITCHFORD: Thank you. Mr. Chairman, in accordance with the provisions of Section 2.2-3711(a)7 of the Code of Virginia, I move the Commission go into closed meeting for the purposes of consultation with legal counsel and briefings by staff members or consultants pertaining to actual or probable litigation, where such consultation or briefing in open meeting would adversely affect the negotiating or litigating posture of the public body; and consultation with legal counsel employed
or retained by a public body regarding specific legal matters requiring the provision of legal advice by such counsel concerning agenda item number four, the application, the APA hearing for TwinSpires. The commissioners will only ask counsel questions and will not engage in deliberation or any other activity.

CHAIRMAN VAN CLIEF: That motion has been made by Commissioner Miller. Is there a second?

COMMISSIONER STEGER: Second.

VICE CHAIRMAN DAWSON: Second.

CHAIRMAN VAN CLIEF: Thank you. All in favor?

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? Thank you. We will adjourn to executive session.

NOTE: There is a recess from 10:55 a.m. until 11:28 a.m.; thereafter, the meeting continues as follows:

CHAIRMAN VAN CLIEF: Thank you very much for your forbearance and patience.

MR. JOHNSON: Mr. Chairman --

CHAIRMAN VAN CLIEF: We need a motion.

MR. JOHNSON: I'm sorry.

CHAIRMAN VAN CLIEF: We're technically still in executive session. We need a motion to bring us
back in to open session.

MR. PITCHFORD: Mr. Chairman, Section 2.2-3712 of the Code Of Virginia requires certification by this Commission that such closed meeting was conducted in conformity with Virginia law.

Therefore, be it resolved that the Virginia Racing Commission certifies to the best of each members' knowledge only public business matters lawfully exempted from open meeting requirements under the Virginia Freedom of Information Act, and only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Commission in the closed meeting.

CHAIRMAN VAN CLIEF: I believe we have that motion from Commissioner Reynolds.

COMMISSIONER REYNOLDS: Yes.

CHAIRMAN VAN CLIEF: Is there a second?

VICE CHAIRMAN DAWSON: Second.

COMMISSIONER STEGER: Second.

CHAIRMAN VAN CLIEF: All in favor?

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? Motion carries unanimously. We are back in open session.

Commissioner Miller.
COMMISSIONER MILLER: I have a motion to make before we do anything else. I move to withdraw my previous motion that the executive secretary be directed to issue a notice for a hearing on non-compliance. I move to withdraw that motion.

CHAIRMAN VAN CLIEF: There's a motion and a second. Do we have a second?

VICE CHAIRMAN DAWSON: Second.

CHAIRMAN VAN CLIEF: We have a second. All in favor?

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? Thank you, Mr. Miller.

MR. PITCHFORD: Mr. Johnson, do you wish to be heard?

MR. JOHNSON: I would.

CHAIRMAN VAN CLIEF: Would you like to be heard at this point, Mr. Johnson?

MR. JOHNSON: Yes, please. Mr. Chairman, Commission, I have been on the phone with my client and had a rather lengthy conversation and would just like to offer that in response to Commissioner Steger's suggestion for a professional mediator, that Colonial, excuse me, Churchill Downs, let me get the names down here.
COMMISSIONER REYNOLDS: We've already been there.

MR. JOHNSON: Churchill Downs is willing to do that and accepts that as a good recommendation for trying to get this resolved as quickly as possible.

I've had a brief discussion with Mr. Daniel about an appropriate mediator, and we certainly agree with the name that was suggested and we're willing to try to get this done as quickly as possible.

COMMISSIONER STEGER: Thank you.

MR. JOHNSON: I just want to reiterate I thank the Commission for the patience that you all have shown, and Churchill Downs really is committed to horse racing in Virginia and getting a resolution to this. Thank you.

CHAIRMAN VAN CLIEF: Thank you, Mr. Johnson. I appreciate that. What we're talking about up here is the conversation we've had with counsel and a remark I made earlier that it was the Commission's desire that we ask counsel to take whatever action is appropriate and necessary to enforce the Virginia Racing Act, specifically with regards to TwinSpires and the circumstances surrounding the questions we've been discussing today. I think
Commissioner Steger has a point to make in that regard.

COMMISSIONER STEGER: I would say I think because of the timing, we should proceed with that, but I would also like to be sure that we delay that so we have a chance for the mediation to take a constructive process.

CHAIRMAN VAN CLIEF: So Mr. Pitchford, in that case, I think our request to you and the office of the Attorney General still stands, but we ask that you defer as necessary to allow the mediation to hopefully be profitable. The end game we're all looking for is to find ourselves with TwinSpires operating in the Commonwealth of Virginia and continuing to do business here.

One last point in this regard and the issue on the 2016 license still is pending, so Mr. Hettel, we would ask that we reschedule the hearing with proper and appropriate notice.

I think we all want to see this happen as quickly as possible. This is an urgent question and the issue of whether or not TwinSpires is going to continue to operate in the state is of import to all of us.

I would suggest we may have to make the rounds
of the Commission after the meeting, but let me ask
the Commission if they can tell us right now. Can
we set this for Thursday the 21st of this month?
January 21st.
VICE CHAIRMAN DAWSON: That's fine.
COMMISSIONER MILLER: That's fine.
COMMISSIONER REYNOLDS: All right.
CHAIRMAN VAN CLIEF: All right. In that case,
Bernie, we ask that we issue appropriate notice to
all parties setting it for the morning of the 21st
of January.
MR. HETTEL: Yes, sir.
COMMISSIONER STEGER: Do we start at ten?
CHAIRMAN VAN CLIEF: Are you all right on that
day?
COMMISSIONER STEGER: I have a meeting, but I
think --
CHAIRMAN VAN CLIEF: Rather than our usual ten
o'clock hour, why don't we make that eleven
o'clock? All right. Thank you all very much.
We move on to the next order of business, which
is the approval of the December 16th meeting
minutes. Those were distributed to all of the
commissioners. Have you all had a chance to review
those, and if so, are there any questions, changes,
modifications? If not, I need a motion to approve.

COMMISSIONER STEGER: I move approval.

CHAIRMAN VAN CLIEF: Second?

COMMISSIONER MILLER: Second.

CHAIRMAN VAN CLIEF: All in favor?

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? Minutes of the December 16 meeting are approved.

New business. We have a Gold Cup contract. Bernie, can I ask you to brief the group quickly on what's contained in that contract?

MR. HETTEL: The contract is the continuation between the Virginia HBPA and the Gold Cup. It's by and large a continuation of what has been previously approved. We've got Dr. Allison here this morning and Frank Petramalo to agree, I guess. I don't know. Any complications, Doctor?

DR. ALLISON: No.

MR. HETTEL: Frank, any complications?

MR. PETRAMALO: No, sir.

MR. HETTEL: Mr. Chairman, I'd suggest we seek motion for approval.

COMMISSIONER MILLER: So moved.

CHAIRMAN VAN CLIEF: Thank you, Commissioner Miller. Is there a second?
VICE CHAIRMAN DAWSON: Second.

CHAIRMAN VAN CLIEF: Second, Commissioner Dawson. Any questions or discussion with regards to the motion to approve the Gold Cup HBPA contract? All in favor?

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? Thank you. Motion carries unanimously.

Mr. Executive Secretary, could you brief us quickly on Xpressbet?

MR. HETTEL: XpressBet, Mr. Petramalo is here. Frank, could you give us a few words of encouragement with your good work with Xpressbet in coming to an agreement?

MR. PETRAMALO: Yes.

MR. HETTEL: I expect signatures today?

MR. PETRAMALO: Yes. We submitted to you what I call the executory copy of the rebate contract. I'm authorized to represent on behalf of Xpressbet that they agree to the terms of the contract and that their president has signed.

The other person who has to sign it is on vacation. On our side, two of the three parties have signed it. We need a third signature. Bottom line is we will have a complete document signed by
all of the parties to you within a day or two.

Let me quickly just back up and explain to you what this is all about. For many years, at least since 2008, we've had what we call a rebate contract with Xpressbet. When I say we, on one side there was Xpressbet, the online wagering company, and on the other side was Colonial Downs and the two horsemen's organizations; the Thoroughbred people, my group, and the harness people, Dr. Woogen's group.

Under that contract, we had a quid pro quo. We agreed to rebate to Xpressbet a certain percentage of the money that was sent to us under the statutory scheme. It was kind of a complex formula.

In return, Xpressbet sold to Colonial Downs EZHorseplay signals from tracks that it controlled; namely, Gulf Stream, Santa Anita, the Maryland tracks, et cetera.

That agreement expired in December of 2015. We have subsequently negotiated a new three-year contract which takes us through 2018. The formula is somewhat different, but basically, here is an easy way to look at it.

Xpressbet under the statute contributes
eleven-and-a-half percent of Virginia handle back to Virginia. A percent-and-a-half goes to the Racing Commission, one percent goes to the state Breeders' Fund, and the other nine percent is split. Four percent goes to the Equine Alliance and five percent goes to the horsemen's group.

Under this agreement for the first year, Xpressbet winds up paying nine percent. In other words, we're rebating two-and-a-half percent. In the second and third year, they get a three percent rebate, so they're paying eight-and-a-half percent.

In return, they have agreed to sell to the VEA, if and when it operates its own ADW company, certain signals which they control. Gulf Stream, Gulf Stream West, the two tracks in Maryland, Santa Anita, a track in northern California and a track in Oregon at rates that are very, very favorable to us. That's the quid pro quo.

Also in the contract is what the lawyers call a most favored nation clause. That's what Xpressbet wanted in the contract. That means if we were to ever negotiate a contract with another online wagering company that gave them better terms than Xpressbet, Xpressbet also would get the better terms. That's the sum and substance of what the
contract is.

CHAIRMAN VAN CLIEF: Thank you very much, Frank. Are there any questions on the part of the Commission? Do we have a motion on the table?

COMMISSIONER MILLER: I move we approve the contract of Xpressbet, VEA and the horsemen.

COMMISSIONER REYNOLDS: Second.

COMMISSIONER MILLER: Second.

CHAIRMAN VAN CLIEF: Thank you, Commissioner Miller. Commissioner Reynolds has seconded. All in favor?

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? The motion to approve carries unanimously.

That brings us to the public comment period. As usual, there's an opportunity for any of the public to make a statement or just unload whatever is on your mind. We'd ask that you, as before, maintain a maximum of five minutes duration to your comments, if that, and I'll now open it to the public. Yes.

MR. QUINAN: Mr. Chairman, Michael Quinan. I'm from Christian & Barton, counsel for VHBPA. I think I can actually keep this within five minutes, for once.
It relates to the date of the next hearing of the Commission. That same date, the 21st, this struck me after you passed that motion setting that date.

That date is the date of the annual meeting of the Virginia Bar Association. Mr. Johnson is currently the president of the Virginia Bar Association, and if all goes according to plan on that date, I'll be named general counsel to the Virginia Bar Association, so it would be a difficulty for either of us, I think, to be anywhere other than in Williamsburg at the VBA meeting that day.

If there's any way possible that a date could be selected that would accommodate us.

CHAIRMAN VAN CLIEF: Okay. I'll simply ask, Bernie, if you would, perhaps we can circulate the Commission and get this done after the meeting.

MR. HETTEL: Okay.

CHAIRMAN VAN CLIEF: We'll get that notice out and keep that in mind.

MR. QUINAN: Thank you.

CHAIRMAN VAN CLIEF: Are there any comments from the group? If there are none, then I would like to ask Jeb or Debbie on behalf of the VEA.
I had an opportunity earlier this week to chat with both Debbie and Jeb about the VEA's game plan for this year, given the fact that the pieces always seem to be moving around the game board in our industry, and they expressed an interest in taking a few minutes this morning to sketch out their vision for the coming year and perhaps beyond.

I think that would be important. I think it's absolutely key that we all be on the same page, and so sharing a vision and developing that vision together is going to be, I think, an important part of our job going forward.

So if you all are prepared to do that, we'd love to hear from you for a few minutes this morning. If you would like to go past the five minute maximum, you're more than welcome to do so.

MR. HANUM: Great. Thank you. Thank you, Commissioners. I'll start out and then I'll ask Debbie to comment as well, then I'll call upon Tom Eshelman, who is the executive director of the Shenandoah County fair for a few comments from him as well.

Just as a little bit of background, at the end of December of 2015, the Alliance board and all of
our sort of associate members got together and two commissioners, Commissioner Miller and Commissioner Van Clief, were able to observe and participate.

We had a one-day essentially retreat, which was the first time we've really been able to take our foot off the gas and really think about how we wanted to go forward and reflect on some of the things we accomplished in 2015.

That was an all-day session, so I'm just going to summarize two of the key priority areas that we determined to be of importance for the organization to focus on for 2016 and 2017.

So really, it came down to two issues. One is infrastructure, so site selection and infrastructure improvements is the first bucket, and the second bucket being revenue generation. So we really felt those were the two important areas for the Equine Alliance to be focused on as we move forward.

Regarding infrastructure, as we all know here, the critical issue for both harness and Thoroughbred is defined as sites that we can use long-term for racing for the two different breeds. We're fortunate that we have an opportunity out at the Shenandoah County fair at Woodstock to renovate
their existing half-mile harness track, which they've held harness racing there for almost 100 years.

In order to do so, in order to have pari-mutuel wagering and to get it up to standard, it will require investment, and we've taken some preliminary steps to move forward with that.

We had a site visit out at Woodstock January 4th and 5th with Gray Kuhn [ph], who is a nationally renowned track designer and consultant, who came out with an engineering and contracting firm to look at the site and to develop a blueprint to how we could move forward and invest in that site and make it not only a great facility for Virginia, but really for the entire Mid-Atlantic. So that's an exciting opportunity.

So I'll pause right there and just let Tom Eshelman sort of speak to that and let him just sort of speak to his board's thinking behind this project as well.

MR. ESHELMAN: Thank you, Mr. Chairman and Commission and thank you, Jeb. My name is Tom Eshelman. I've been manager of the Shenandoah County fair, and we're working very closely with the VEA and the VHHA and we've had several
meetings.

This past week, it started coming together. As Jeb said, we've hired, I guess it's like getting a really great director for your movie by bringing in Mr. Kuhn, and the end result is going to be I think something Virginia can be very proud of.

The investment in this track is going to equal two years' worth of temporary investment that we had at Oak Ridge. We're looking for a long-term home for harness racing, Virginia harness racing at Woodstock.

My board is behind it unanimously. There's a lot of sacrifices being made. Facilities are going to be destroyed that have been there for 99 years. Roads are going to be changed. But we see this as an investment in our future as well.

If you've never been to the woodstock site, it's adjacent to I-81, hotels, restaurants, very easy to get to, and we feel it's gonna be a great home.

The end result of the track is we feel very strongly what we're gonna end up with is probably one of the premier half-mile tracks on the east coast.

This gentleman has been involved with Little
Brown Jug, Yonkers and other tracks across the country and across the world and we feel very strongly that this is gonna be a permanent home.

Facilities are there. They're on the grounds and we're welcoming this opportunity. We're welcoming the VHHA and we're hoping they'll make this a long-term home for a long time to come, and we're hoping to do racing there for the entire month of September this year, and preparations are already under way to get ready for the construction that could start in as little as sixty days, so we'll see what happens. We're proud to be part of it.

MR. HANNU: Thank you, Tom. That's a project once we have the engineering blueprint together, then we'll have a formal estimate developed, but that's gonna be a half a million, $600,000 project to get Woodstock to the level that it would need to be.

The second thing to comment on is Morven Park. We've spoken about Morven before the Commission. Things sort of moved slowly through the end of summer and through the fall. Morven Park has been going through some changes. Their long-time executive director retired, and so they have a new
executive director in place and the board has reached out to the Alliance reaffirming their commitment to make Morven Park the site for flat racing on sort of the Kentucky downs model for the Thoroughbreds. So they're very committed to it.

We're closing in on finalizing the lease. We had a similar site visit out at Morven Park with an engineer where a plan is being put together.

While Morven Park was a very nice steeplechase course, based on feedback from horsemen and jockeys, we determined that some of the significant undulations in the current course would need to be leveled out. Again, sort of on the Kentucky downs model, so there would be some up and down, but not significant rolling that is there right now. So the engineers have looked at that and are developing their plan for making those changes.

So the type of course we want to have at Morven Park would be able to host our graded stakes in time and would be proper flat racing with a gate and flat jockeys, and while we welcome the steeplechase horses, it would be primarily flat horses from the neighboring tracks and from Virginia.

So this is gonna be an expensive item as well.
Budget for this is still under way, but we estimate that this will be a project somewhere between 700 and $900,000 to get this project done. That includes the engineering, but also the fences, paddocks and rebuilding the steward stand, et cetera.

But it's really an enormously exciting opportunity to have the commitment of the Morven Park board and the commitment of the Shenandoah County fairground for these two sites to be the long-term home for Thoroughbred and harness racing in Virginia.

We of course as an Alliance will continue to support the Virginia Gold Cup as robustly as we can. Dr. Allison and his team do such a good job there, that we find that sometimes the best thing we can do is buy our tickets and show up and get our hot dogs and bet and he handles the rest of it. So that's a well-oiled machine we are happy to have as part of our Alliance.

Oak Ridge, we had a great meet there in the fall, but as Tom alluded to, it was very expensive. We knew that was gonna be the case. It's a great site. The Holland family were just wonderful partners and we want to work with them long-term.
Our hope is that if we can establish Woodstock as the home for harness racing, Oak Ridge could in time then be converted as an additional place for flat racing and steeplechase racing, which is really sort of how it's suited long-term, but that is a discussion we'll be having with the Holland family.

But just in terms of the cost, the tents, you know, the offices, the generators, all those sorts of things would be a recurring cost that Woodstock would not have because we have all that infrastructure.

In terms of our open stakes in the Virginia-bred races, we'd be looking to have those races out-of-state again to continue to provide those opportunities for horsemen.

As you know this past fall, the feature race at Laurel was won by a Virginia-bred horse, so that speaks to the importance of having these races, whether they be out-of-state for a temporary period.

So in terms of infrastructure, the investments that we look to make in 2016 would be providing the long-term stability for Thoroughbred and harness going forward.
So while we see a limited race schedule this year, we obviously would then be in a position to have an enhanced race schedule in 2017. But if all goes well at Woodstock, we would have an eight-day meet there this fall, and our races and our open stakes and Virginia-bred races as well.

So switching to revenue generation, the second key priority for the Association, we've had three national companies review opportunities for opening the OTB network in Virginia.

We've had two formal presentations before the Alliance. We have a third company that is literally as we speak driving up and down Virginia reviewing sites, looking at potential places where OTBs could be open, and we hope to have a proposal from the third company.

So we're moving forward with that as quickly as we can, and we're also looking to see what opportunities there may be for the Alliance to open an OTB more quickly, perhaps in advance of some of these national companies coming in. But these things are things that are happening right now, and we'll keep the Commission posted as they develop.

We look to work with Xpressbet and TVG to continue to promote Virginia ADW activity, which is
very important to us. We have a wonderful fan and supporter network that's been developed through the successful steeplechase races and the breeders and Frank's organization over the years, and we're looking to do more of a proactive outreach for people that are coming to the races and enjoying the races, to explain to them what the Alliance is doing and encouraging them to become active wagerers through our ADW partners.

So that's just kind of a quick overview of the two key priorities; infrastructure and revenue generation. I'll leave it to Debbie to fill in any gaps that I left, and we have Scott Woogen here as well, if he'd like to make any comments on the harness racing. So thank you, and obviously, I can answer any questions.

MS. EASTER: I think Jeb covered our vision of what we think for the next few years, but I'll add a little more rah-rah to it.

I'm very excited about what's going on. I think we have -- at Morven Park, not only are we trying to redevelop the racetrack there, but their plan there is to redevelop the whole horse facilities and look at this as a multi-use horse park where they'll have rings inside of our track.
that they will use when we're not running.

Once again, the cost savings there because of
the permanent barns and the fact that we're in
Northern Virginia and all that is very positive,
and as Jeb said, taking little hills out.

We actually with the track are looking -- the
engineer was looking at doing something even better
than that, banking the turns. Unfortunately, we
won't be Colonial Downs or Laurel's turf course,
but we will be hopefully better than Kentucky Downs
and a place that we can be proud of.

As we said before, we wanted to have the racing
back here in 2016, but as we got to talking to
horsemen, we just didn't feel like the course,
cutting the grass and just moving into Leesburg was
gonna get done what we needed to get done.

So I think we're all very excited about what
this course can be, and while we understand you
alls' apprehension about taking the races
out-of-state, we hope that you will understand that
nobody wants to bring them back in the state better
than the horsemen of Virginia, so we need to give
our guys opportunities until we can give them a
place to race.

At Woodstock, I wish that you all -- I think
Commissioner Van Clief and Commissioner Miller, we were all just very impressed with Tom's presentation about what they're gonna do there, and I think it's just really a neat facility and an opportunity that the harness guys haven't had for a long time; that they have somebody that wants them there, that wants to build business, and hopefully, that's gonna make things grow in Virginia.

I'll speak about brand. I think that's something that's gonna be important that hopefully Commissioner Van Clief can help us with.

As Jeb alluded to, we've got an association, the Gold Cup, that has created the greatest brand that you could ever want. We have the largest sporting event in Virginia that's held right there at Great Meadow every year. We're bringing this whole concept of country racing. We're bringing racing to beautiful venues. It's something brand new that hasn't been tried. We're bringing it to beautiful venues where people have fun.

People pay good money to go to the races and to Gold Cup. That's unheard of in the flat game. If we could take the Gold Cup's brand of being able to attract people to the races like they do, and take the Kentucky Downs brand of quality racing and how
they're able to package their signal and sell it, those are two of the things we want to put together and try to have happen in Virginia. Now I'm not gonna say this is gonna happen over night, but it gives us something to build for.

I think that some of Frank's folks would ask about our Colonial strategy. Unfortunately, there is no Colonial strategy now because they're out of the picture. But if Colonial Downs would be made available to us, I think we'd all be interested in being there, but at that, we would come up with some kind of strategy, but we're not gonna spend a lot of time dealing with that right now until we know what's going on there.

I guess the other big thing that I think is gonna be important as Jeb alluded to is that the Gold Cup, Fox Field, Montpelier, Middleberg, they all get great attendance and we've got built-in lists of people that may not be horse owners and may be more of that they just enjoy the experience of being out there that day, but at least we've got a very targeted list that if we can market to and try and move these people from being just social come-to-the-races guys to maybe turning them over to being wagerers and even better, owners of horses
in Virginia.

So I think all of this, we've got a big task in front of us, but these are things we're thinking about and talking about, and I think we would love all of you alls' expertise, because all of you on this Commission are very accomplished people, and hoping that we can continue to move forward positively more than we have in the past.

I would hope that TwinSpires, Churchill Downs, would come in and join us also, because the whole reason this wagering was -- ADWs, OTBs are important in Virginia is to support this industry and make racing go. So if that's not what people want to do, then you're missing the boat. Thank you.

CHAIRMAN VAN CLIEF: Thank you, Debbie. Dr. Woogen, did you want to say something?

DR. WOOGEN: I'll say quickly I sit here and I see an opportunity that I don't think is available anywhere else in the country. We have a state where we have the Virginia Equine Alliance committed to grow racing in the state.

We have three horsemen groups, steeplechase, harness, Thoroughbred all with the same goal, all working together, all just looking forward to the
future, and we have a Racing Commission on the same page.

In a small state surrounded by states that have casino gambling, track operators living off of casino gambling, we have to come up with a new model to make Virginia grow.

This is it. This is wonderful. There's no contention, there's no hidden agenda. This is all about growing the sport that we love.

In Woodstock with the help of Tom and his people, we have the opportunity to bring horse racing back to the way harness racing was meant to be; half-mile track in front of large audiences, close-up, get a good feel for the racing, but now with a modern track which means high banking, good track surface so that we can generate the speeds that are necessary today, and with Gray Kuhn, who is the preeminent racetrack builder for harness racing across the world, we have the opportunity to have probably the best half-mile track in the country.

So we really appreciate all the support of the Commission, the support of the VEA, and I'm looking forward to a future that we couldn't have without the type of organization that's been built here.
So I thank you.

CHAIRMAN VAN CLIEF: Thank you.

COMMISSIONER REYNOLDS: Well said.

CHAIRMAN VAN CLIEF: I think that's an exciting new year's message. If you listened to all that, you see an industry where we're starting to grow again, emerging new venues. I wish everybody in the room could have heard Tom Eshelman's presentation last month. It's great stuff.

A growing race schedule, not a shrinking one, a renaissance of our OTBs, the stabilization of our ADW market and the growth of that market, a new Virginia racing brand and a customer growth strategy. I think it sounds great, so congratulations to all of you for not only paddling in the same direction, but actually starting to move up stream a little bit. It's very exciting, and I know I speak for all of my colleagues. We're prepared to do whatever we can to help move the agenda along.

We now come to the part of the meeting where commissioners may comment. I'm gonna start with our most recent chairman and move from left to right. Commissioner Reynolds.

COMMISSIONER REYNOLDS: Mr. Chairman, I want to
reiterate what you just said. It was great to
listen to the enthusiasm, and I know that you all
have worked tirelessly and hard. It seems like we
are moving in the right direction.

I just reiterate what the chairman said. We're
here to help, so let us know what we can do to move
this along. But I love what I heard today, and
hopefully, we'll get TwinSpires back in the tent
and we look forward to getting that resolved as
well. Thank you.

CHAIRMAN VAN CLIEF: Thank you. Commissioner
Steger.

COMMISSIONER STEGER: I first of all want to
thank former Chairman Sarge Reynolds for his
dedication and the new chairman and vice chairman
for their willingness to take on this task. I have
to say I have been riding horses since I was five
years old almost every day of my life, and this is
very exciting. I'm looking forward to seeing great
success. Thank you.

CHAIRMAN VAN CLIEF: Commissioner Dawson.

VICE CHAIRMAN DAWSON: Yes. I don't have a
whole lot left to say, but I would like to thank
Sarge Reynolds for having led the Commission
through some difficult times, and I'm sure that we
all appreciate that.

COMMISSIONER REYNOLDS: Thank you.

VICE CHAIRMAN DAWSON: I want to also say that I really am thrilled to hear about what Debbie and Jeb and Dr. Woogen and Tom Eshelman have told us today. It's very exciting because we only dreamed about it about a year ago that this would happen, and here it is. So we congratulate you and pledge that our support will be there.

I'm especially thrilled to hear that there will be good news for the harness horsemen. I'm really anxious to see that new track come about and will be anxious to go and be there. So good job and keep working and we'll be there to support you.

And again, with our friends from TwinSpires, I again do hope that some resolution can be worked out before our next meeting. Thank you.

CHAIRMAN VAN CLIEF: Commissioner Miller.

COMMISSIONER MILLER: I would just second what everyone said, and I do want to make a special thank you to the horsemen, harness horsemen, Thoroughbred, the VEA, everyone, Gold Cup, Dr. Allison, everyone that has worked so hard to keep things going here in Virginia after some very trying circumstances.
I do think the future looks good for racing in Virginia and I'm looking forward to working with Commissioner Van Clief and Commissioner Dawson as we go forward.

CHAIRMAN VAN CLIEF: Thank you.

COMMISSIONER MILLER: And of course the other commissioners, too, but under their leadership.

CHAIRMAN VAN CLIEF: Thank you very much, and hopefully, we're gonna spread the tasks around as much as possible.

COMMISSIONER MILLER: Oh, and I should thank the staff. Our staff works under very trying circumstances. They really do. I want to publically thank them for their efforts.

And it comes to mind also the fact that, you know, for the last year or so, the assistance we've gotten from the Department of the Secretary of Agriculture, Secretary of Agriculture department, hands down the effort they put into racing is tremendous.

You know in the past, we've just been an, I don't know how you would characterize it in the scheme of the growth and structure, but to have the secretary take such a particular interest in what we're doing and trying to help us achieve the goal
that I think the legislature intended us to
achieve, the secretary and the department and all
those people, we thank them.

CHAIRMAN VAN CLIEF: I think it's a great
point. I think we enjoy a relationship with not
only the secretary but the administration as a
whole that not many industries in many states
enjoy. So the stars are certainly aligned. I hope
it's gonna be a productive and know it's gonna be
an exciting year.

We have had our closed session for the day, I
believe. I don't think we need to go there again.

Before we adjourn, Bernie, if we could get
together and let's get cracking on a date for the
hearing for TwinSpires. We want to get that done
as quickly as possible.

That having been said, is there a motion to
adjourn?

COMMISSIONER REYNOLDS: So moved.

CHAIRMAN VAN CLIEF: Second?

VICE CHAIRMAN DAWSON: Second.

CHAIRMAN VAN CLIEF: Any opposed? Thank you
very much. Thank all of you.

NOTE: The meeting is adjourned at 12:02
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 13th day of January, 2016.

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SANDRA G. SPINNER
COURT REPORTER