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VIRGINIA RACING COMMISSION

January 17, 2017

STATE CORPORATION COMMISSION
TYLER BUILDING
COURTROOM A
1300 EAST MAIN STREET
RICHMOND, VA 23219

Commencing at 10:00 a.m.

COMMISSION MEMBERS:

D.G. Van Clief, Jr., Chairman
Carol G. Dawson, Vice Chairman
Charles Steger, PhD
J. Sargeant Reynolds, Jr.

COMMISSION STAFF:

David S. Lermund, Jr., Executive Secretary
Kimberly C. Mackey, Office Administrator

ATTORNEY GENERAL'S OFFICE:

J. Duncan Pitchford, Esquire

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1 CHAIRMAN VAN CLIEF: All right. My watch says
2 we are coming up on ten o'clock. Good morning,
3 everybody. Happy new year and welcome to the
4 Virginia Racing Commission meeting. We'll call the
5 meeting to order.

6 Our first order of business is approval of our
7 minutes from the December 5th meeting. For my
8 fellow commissioners, there are copies of that under
9 Tab One in your book. If you need a minute to go
10 over those, we can do that. Otherwise, I'll ask if
11 there are any suggestions or changes or desires for
12 modification.

13 COMMISSIONER STEGER: I move approval.

14 CHAIRMAN VAN CLIEF: We have a motion to approve
15 from Dr. Steger. Second?

16 COMMISSIONER DAWSON: Second.

17 CHAIRMAN VAN CLIEF: Thank you very much. Any
18 opposed? Minutes are approved.

19 We'll go straight to new business. We have a
20 couple of approvals that we need to consider this
21 morning, all of which have to do with the VEA's
22 finances. For those of you who are gazing at an
23 agenda, I'm going to change the marching order here
24 just a little bit.

25 Under item number three, new business, I would

1 like to start first with the report from the
2 Virginia Equine Alliance, which includes OTB
3 development, a status report on Morven Park, and
4 anything else that Ms. Easter would like to include.
5 So I think that'll put our budget and loan
6 deliberations in a little bit of context.

7 Debbie, if we could start with you and go
8 straight to that report.

9 MS. EASTER: Thank you, Chairman. I think what
10 I'll do is just kind of lay out what I think our
11 vision is for 2017, and then Frank can follow up and
12 then Bill will hit you with the numbers. So I'll
13 throw out what I have. If you all have any
14 questions, just stop me and ask, or if you want any
15 additional definition.

16 I think you all know we all ended up 2016 with
17 something that we were proud of with the racing at
18 Woodstock and getting our first OTB open, so I think
19 that we just want to continue to build on the
20 positive momentum in 2017.

21 I think that we'll be looking at ten days of
22 harness racing again at Woodstock, and what we hope
23 to do there is get the word out more and try to get
24 more people there. But that was a positive thing
25 for the guys that race here in Virginia and we hope

1 that can be a good marketing tool for us in 2017.

2 Once again, I think I don't want to precede what
3 the Gold Cup does, but I think there's plans for two
4 more wonderful days of racing at the Gold Cup in
5 2017. That just has followed along with our racing
6 in the country, and I think the Gold Cup leads us in
7 our ideas of what we would like to see with flat
8 racing down the road in hopefully 2018.

9 Morven Park. Morven Park, as I think you all
10 are aware of, has given us an addendum to our
11 original lease, so there's a few sticking points
12 that we're going back and forth on, and we do have
13 all the permits that have been approved, so at this
14 point, we could start to cut dirt there at Morven
15 Park, but there's a few sticking points we need to
16 get ironed out with them, and I believe Jeb sent
17 them a letter yesterday and Frank can talk to that
18 if anybody has any questions, but it's just a matter
19 of about four details we need to get worked out.

20 We still hope that there will be racing there in
21 2018, but I think one thing that we've learned from
22 our relationship at Shenandoah is that it's really a
23 positive thing to have a racing facility where
24 people want you, where people are excited, and we
25 want to make sure that whatever partner we go in

1 with, either with Thoroughbred racing or any racing
2 in the future, we have that same spirit going
3 forward, and to start off a relationship with
4 anything less than that, I think would put us in
5 jeopardy.

6 So I hope that's going to still go forward.
7 We're positive about that, but I can tell you that
8 that's signed at this point.

9 The other very positive thing that we'll be
10 doing in 2017, as you know from the last meeting,
11 you approved the 2017 owners' bonus program. While
12 that's not in this budget, it comes out of the HBPA
13 budget. That's a program I hope we can build on in
14 the future, and I think it's creating a lot of
15 positive press for Virginia-breds running, certainly
16 in the east coast.

17 I think that my guess is that sometime at the
18 next meeting, that we'll be asking for some kind of
19 Thoroughbred dates in 2017. Whether that's what we
20 do in Maryland going forward with Virginia-bred
21 racing, you know, I don't think we'll have a place
22 in Virginia that we will have dates to run in 2017
23 as far as Thoroughbred.

24 A lot of our focus is revenue production. As
25 you all know, we had Breakers on West Broad open,

1 the OTB open, you know, just at the end of 2016.
2 The very positive news there is that the revenues
3 are coming in about twice what we had projected. We
4 hope that continues. Everybody has been very happy
5 with it.

6 Exciting news, we opened our second OTB
7 yesterday, Ponies & Pints, down in Shockoe Bottom.
8 I have pictures for those of you who can't join us
9 later, but I think we had a great crowd for the
10 first day, you know, considering I don't know that
11 there's a lot of people that know it's out there and
12 we had a great turnout. They did a little over
13 \$18,000 in handle yesterday. Combined with the 26
14 plus that we did at Breakers, for a Monday, that's a
15 pretty nice Monday.

16 So we're excited. It was a really good feeling.
17 By the end of the afternoon about 5:30, this whole
18 crowd of young folks came in and packed the bar, and
19 you know, whether we can turn them in to wagers, who
20 knows, but it was nice to see a bunch of young
21 folks in there that were drinking and having a good
22 time and everybody was having a great time there
23 yesterday.

24 I think our next spot that we're going to is
25 Chesapeake, and I'm hoping that maybe we could have

1 something there open by the end of the first
2 quarter. I'm hoping that we will have an
3 application for a Chesapeake OTB in front of you
4 maybe at the next meeting.

5 So I think that's all exciting and our plans
6 would be to have five OTBs open by the end of 2017.
7 If we can get all that accomplished, I think that's
8 a big boost in revenue and very positive for what
9 we're doing.

10 We did not include ADW, additional ADW on our
11 forecast for the budget, and we have an in-house
12 meeting about that on Thursday. We've been working
13 on a plan to try and do a limited amount of kiosks
14 in the northern Virginia area; maybe team up with
15 another ADW community to do that. We want to test
16 the water and see if the market is still out there
17 before we go full blast.

18 The plan is not finalized, so I didn't really
19 want to put it in here quite yet, but before we get
20 anything going, you would see the plan. I do think
21 that we will have something up and going by the end
22 of the year. I just would hope that you all would
23 let us bring that later on to you.

24 Other than that, I think it's all -- we're
25 working hard and I think there's a lot of positives

1 that are going to happen in 2017, and you know, our
2 focus is getting revenue going and I think we're
3 doing a pretty good job of it. That would be our
4 hope for the future.

5 CHAIRMAN VAN CLIEF: Debbie, thank you very
6 much. That sounds very positive. At this point,
7 could you take any questions from the Commission?

8 MS. EASTER: Love to.

9 CHAIRMAN VAN CLIEF: Commissioners?

10 MS. EASTER: Yes, sir.

11 CHAIRMAN REYNOLDS: Debbie, back to Morven Park.
12 You said there were four sticking points. Without
13 getting in to what they are, do those pop up with
14 that addendum to lease or are those sticking points
15 that have always been there?

16 MS. EASTER: I'd say looking at them, I would
17 say that three of them are sticking points we've
18 been talking about from the very beginning, and the
19 others just have to do with the construction and our
20 oversight.

21 You know, what participation we get to have in
22 the oversight of the construction, but the other
23 things have to do with things you've heard before;
24 water, crossings and race stations.

25 COMMISSIONER REYNOLDS: That was my next

1 question. Is water still an issue?

2 MS. EASTER: They're working on, you know --
3 yes. It is an issue. Before we sign anything,
4 we've been very clear from the beginning we wanted
5 to make sure there was enough water to take care of
6 our turf course, and they are working on that, but
7 we have to come to an agreement if we're going to
8 sign the lease. So the wording of that is what is
9 holding one of those up.

10 COMMISSIONER REYNOLDS: Good luck.

11 CHAIRMAN VAN CLIEF: Debbie, a follow-up to
12 Sarge's question, and not to put you on the spot,
13 and I know you probably don't want to get into a lot
14 of detail because some of these negotiations are in
15 progress. I'm trying to read between the lines a
16 little bit.

17 I think we all believe and I know you do, that
18 Morven Park is the very best location and you put a
19 lot of time and effort and you're prepared to put a
20 lot more money, perhaps even more than you expected
21 in the project initially, just because it is such a
22 good location, and I think we agree with you on
23 that.

24 Do you feel that the project is in jeopardy at
25 this point to the extent you're thinking about

1 contingency plans? I'm not asking for details, but
2 should we be expecting a change in the first quarter
3 or do you feel pretty good about your progress and
4 your ability to overcome some of these issues you've
5 been grappling with all year?

6 MS. EASTER: Maybe I ought to change it to a
7 lawyer. I want to still be very optimistic. As far
8 as what we want to do, we know what we want to do.

9 CHAIRMAN VAN CLIEF: Again, I don't want to put
10 you on the spot any more than I already have. My
11 reason for asking is I think as commissioners, we
12 want to be as aware as we can be and as anticipatory
13 as we can be, and if there's anything any of us can
14 do, either as a commission as a whole or
15 individually to help push this project forward,
16 that's my reason for asking, so couch it in those
17 terms.

18 MR. PETRAMALO: I think at this point, it's
19 probably -- I'm getting into trouble now. It's
20 probably 50/50. There are some important issues, as
21 Debbie pointed out, that have been around from day
22 one; water being one and crossings being the other.
23 I hope we can work it out, but I can't say that it's
24 going to happen.

25 But that said, as we've gone along with our

1 various projects at the VEA, we've always had some
2 sort of contingency plan; Plan B and Plan C. We do
3 have Plan B and Plan C at least in thought with
4 regard to the Morven Park situation.

5 MS. EASTER: I think there would be things -- if
6 this didn't work out, I think there would be things
7 that we would try and work out very quickly, but you
8 know, we have not started. We'd like this to work
9 out. But I think it's in their ball court now and
10 see what they want to do.

11 CHAIRMAN VAN CLIEF: I think I speak for the
12 commissioners generally in saying we share your
13 vision at Morven Park, and if we can be of help, do
14 not hesitate to let us know how.

15 MS. EASTER: Sure. Thank you. Any other
16 questions? Thank you all.

17 CHAIRMAN VAN CLIEF: Debbie, I may have one or
18 two, possibly more.

19 MS. EASTER: Sure.

20 CHAIRMAN VAN CLIEF: In terms of the development
21 and marketing of your ADW product, I know you've
22 been discussing at least at a preliminary level
23 partnerships that can help you in the kiosk
24 development area. Can you let us know if you think
25 you've got some partners and candidates out there

1 that are going to merge realistically, and can you
2 speak more specifically where we might be headed in
3 the development of that market?

4 MS. EASTER: Sure. I don't really want to name
5 a partner, but part of it is that's in our court.
6 The last time we spoke, we needed to come with a
7 business plan, and we've met on that and we have a
8 meeting Thursday, an internal meeting Thursday, just
9 to make sure the numbers -- we're all comfortable
10 with the numbers, and then we probably need to run
11 that by our board, and then we will be speaking to
12 potential partners about that.

13 But I think that, you know, what happens is we
14 don't have a large staff to run around and do all
15 different things. We don't have an OTB staff, an
16 ADW staff. So we get Ponies going. Next is ADW,
17 next is Chesapeake. That's how it kind of goes.

18 It hasn't gotten -- with the holidays, it hasn't
19 gotten as much attention as it probably should have,
20 but you know, I hope to be able to give you a better
21 update on that by the next meeting or at least by
22 the end of the first quarter, but we've just got to
23 make sure that the internal staff are all
24 comfortable with what we've come up with, and that's
25 happening Thursday and then the board is.

1 CHAIRMAN VAN CLIEF: Thank you. On the OTB
2 development, you mentioned the opening yesterday of
3 Ponies & Pints, and I wanted to ask you if you could
4 talk just a little bit about -- since that is
5 a new facility, I think with the opening of the
6 first facility, you kind of recaptured an old
7 audience and they are glad to come back and it has
8 been performing very well, I know.

9 with this brand new facility, what are you doing
10 in the way of publicity and marketing to build that
11 clientele, both young and old?

12 MS. EASTER: If you don't mind, maybe I'll turn
13 that over to Darryl, because he's been more
14 intimately involved with that.

15 So do you want to speak to that a little bit?

16 MR. WOOD: Yeah. Like you said, Breakers opened
17 and there was a base of players that have been going
18 to Colonial Beach, quite a big base of players, some
19 of them daily making the trip up there, so they've
20 just re-shifted over to Breakers.

21 The timing of that was great, too, because it
22 kicked off on Breeders Cup week and it brought, you
23 know, a lot of players out initially. That's kind
24 of carried through and that's why it's doing so
25 well.

1 with Ponies & Pints, we know we've got to extend
2 the reach, so we've got a billboard campaign going
3 now from different parts of town, taking people
4 toward the whole Shockoe Bottom area. We're doing a
5 lot of social media right now, actually targeting
6 NFL fans for the last couple play-off games, trying
7 to let them know there's two places in Richmond that
8 you can watch and wager horses. That's going to
9 continue for Super Bowl Sunday as well, so we're
10 trying to find that audience.

11 we're doing a campaign with Virginia residents
12 that go to the Daily Racing Forum website and
13 download past performance information from them as
14 well, let them know we've got two sites.

15 Yesterday, the Derby prep season started at
16 Oaklawn. This weekend it goes to fairgrounds.
17 Pretty much every weekend, there's going to be a
18 major prep leading on to the Derby, so I think the
19 timing for this one is right.

20 Yesterday, we saw probably ten or 12 faces of
21 good betters that had not been coming to Breakers.
22 They came out to Ponies & Pints. It's a whole
23 different environment. It's all non-smoking, a
24 little roomier, and I think the two offer really
25 distinct vibes and that we're gonna bring a lot of

1 players that came to the Colonial OTBs and the live
2 track out.

3 CHAIRMAN VAN CLIEF: Thank you very much.

4 MS. EASTER: Did you mention the ESPN broadcast
5 and stuff?

6 MR. WOOD: We have a sports radio remote this
7 afternoon and we're doing a ten-day campaign leading
8 up to the Pegasus world cup on the 28th and let it
9 carry from there.

10 CHAIRMAN VAN CLIEF: Great. Thank you.

11 MS. EASTER: I think some programs we haven't
12 even put into place. One thing that's nice is Eric,
13 the gentleman that owns Ponies & Pints, has a
14 restaurant right across the street. He's very
15 familiar with the restaurant business, so a little
16 bit of combo marketing between both of us lets us
17 get some people in the restaurant, and they're tied
18 in with some of these groups and stuff that like to
19 go around to bars, younger people, and we're trying
20 to figure out the best way to get people that are
21 wagers.

22 We've got to figure by watching it at Breakers a
23 little bit, just the watching -- I've been in there.
24 Guys that like to wager, even if it's on sports, we
25 can turn some of those guys. If we can get them

1 there, we can turn them into wagerers on horses,
2 too. Because it's fun once they get in there and
3 they're having a good time. The best thing is the
4 owners enjoy wagering, so they're in there having as
5 good a time as anybody is. It was a very good
6 feeling in there yesterday, don't you think?

7 MR. WOOD: Oh, yeah.

8 MS. EASTER: So it was fun.

9 CHAIRMAN VAN CLIEF: I'm very excited.

10 MS. EASTER: We haven't had to market Breakers
11 because it's doing really well without it, but I
12 think we're going to have to spend more money
13 getting folks down here.

14 CHAIRMAN VAN CLIEF: That's exciting. We look
15 forward to an application on the Chesapeake site.

16 MS. EASTER: So we're excited.

17 CHAIRMAN VAN CLIEF: All right. Excellent.
18 Thank you very much. Does anybody else have any
19 questions for Debbie?

20 COMMISSIONER STEGER: I think it might be useful
21 to calculate the tax revenue that these new
22 initiatives are bringing into the Commonwealth that
23 we can share with some of our representatives as we
24 move forward.

25 MS. EASTER: We can do that.

1 CHAIRMAN VAN CLIEF: Absolutely. I think
2 anything we can do to demonstrate the positive
3 impact we're creating.

4 MS. EASTER: I agree. That's very easy to do.

5 CHAIRMAN VAN CLIEF: That would be helpful.
6 That's a good suggestion. Okay. We're going to
7 stay with the VEA new business. Again, we're going
8 to take this slightly out of order, and I would like
9 to go now to Item A under section three on our
10 agenda, and Mr. Petramalo is going to brief us on a
11 proposed loan from the Virginia HBPA to the VEA to
12 help finance some of these activities Debbie's just
13 been talking about.

14 MR. PETRAMALO: Yes. The VHBPA would like to
15 formally request permission from the Racing
16 Commission to loan \$1.5 million from our purse
17 account to the VEA.

18 Quickly, the terms would be a three percent
19 interest-bearing note, which would go from the VEA
20 to the HBPA. Repayments wouldn't commence until
21 five years down the road, and then once they've
22 commenced, the pay-off period would be another five
23 years.

24 The point being we don't want to put the VEA in
25 a position of being cash-strapped while in the next

1 three to five years it's growing out the OTB system
2 as well as running races.

3 Now, the purse account that I'm talking about at
4 present has a carry over of, as of yesterday, it was
5 \$3 million. This year, it will generate -- this is
6 mostly from ADW wagering, although we are now
7 getting a share from the offtrack betting. We
8 should generate a net of probably \$2.5 million to
9 \$2.75 million dollars on top of the three million
10 that we already have.

11 Now, the reason that the VEA needs the loan is
12 quite obvious. If the Morven Park project does go
13 forward, it's going to cost probably about between
14 \$3 million and \$3.5 million from us, the VEA and the
15 horsemen.

16 The initial excavation, which is a serious
17 undertaking because they're really moving a lot of
18 dirt to create a flat one-mile turf course from what
19 used to be up and down. Our share of that is \$1.6
20 million. Permits have been issued. If we were to
21 loan -- if you were to approve the loan, \$1.5
22 million would go to pay for the excavation.

23 Once beyond the excavation, there's probably an
24 equal amount of funds that need to be spent to plant
25 the grass, put up fencing, put in an irrigation

1 system, et cetera.

2 So as I said, we're looking at a \$3 million to
3 \$3.5 million project to get a professional,
4 high-quality race course ready for racing.

5 Let me just take minute to talk about the if.
6 Our original lease that we signed with -- when I say
7 we, now I'm speaking of the VEA. That we signed
8 with Morven Park required, among other things, that
9 they provide a sufficient amount of water for us to
10 irrigate the course. Obviously, it's silly to fund
11 \$3 million for a course and then have it die because
12 there's not enough water there.

13 Morven Park has other calls on its water. It
14 has soccer fields that it leases out. It has event
15 rings, et cetera. Everybody needs water. So we're
16 trying to work out with Morven Park a reasonable
17 accommodation for, one, supplying the water, and
18 then two, taking care of the possibility that water
19 is insufficient. So we're working on that.

20 The other issue is the crossing over the turf
21 course. Now remember, you recall the plan will have
22 the one-mile turf course, and then inside there will
23 be two event rings that Morven Park will use and the
24 horses are back here. So the horses and the people
25 have to come across our turf course to get to the

1 event ring, so what we have to do is devise
2 crossings so that we don't tear up the turf.

3 Originally, our lease called for one crossing.
4 Morven Park wanted two; we've agreed to two and now
5 we're trying to work out the details of the design
6 of the crossings. That's the second issue.

7 The third issue has to do with scheduling race
8 days. Ideally from the horsemen, the HBPA's
9 standpoint, what we'd like to do is put together a
10 program like our friends at Shenandoah; that is, the
11 harness horsemen know that they will be racing five
12 or six weekends at the county fairgrounds beginning
13 at the end of August, early September and going
14 through mid October. We'd like to be able to plan
15 like that also. So that's what we're trying to work
16 out with Morven Park.

17 Now let me quickly add that there's no animosity
18 between us and Morven Park. They're nice people to
19 deal with, but they have other calls on their
20 facility, namely the show horse world. So it's a
21 problem trying to accommodate our interests in
22 racing and theirs predominantly in the show horse
23 world. So hopefully, we'll work it out, but as I
24 said before, it's 50/50.

25 Now, let me quickly add that if you do approve

1 our loaning the money and something happens and the
2 deal with Morven Park doesn't go through, we
3 wouldn't loan the money. Or let me put it another
4 way. If VEA came up with another use, another
5 facility, we would come back to you and ask for
6 permission to use the -- to loan the money for that
7 facility.

8 So it's not as though we're asking you to
9 forever and a day agree that we loan \$1.5 million
10 from our purse account to VEA. It's specifically
11 for VEA's use at Morven Park. Any questions?

12 CHAIRMAN VAN CLIEF: Yes. Anybody?

13 COMMISSIONER REYNOLDS: I've got a question
14 that's more about the unrestricted account versus
15 the restricted account. I certainly understand why
16 you would want to use money out of the restricted
17 account, and I know you're going to replenish that
18 with \$2.5 million to \$2.7 million.

19 Can you tell me a little about how much is in
20 your unrestricted account? It seems that you always
21 want to take stuff out of the restricted account,
22 which is neither here nor there, but I just would
23 like to know a little more about what do you
24 anticipate ever using that unrestricted account for?
25 Is that more of a rainy day fund or does that give

1 you more flexibility?

2 MR. PETRAMALO: It's sort of a rainy day fund,
3 but it's raining. Here's why, Commissioner. We
4 have a shade over \$4 million in that account.
5 Remember I said that the Morven Park deal would
6 probably run three to 3.5 million? Well, the other
7 1.5 million, if it goes forward, we anticipate
8 taking from the rainy day fund, as opposed to the
9 purse account.

10 COMMISSIONER REYNOLDS: Got you.

11 MS. EASTER: As a contribution to that project,
12 not another loan.

13 MR. PETRAMALO: That's correct.

14 COMMISSIONER REYNOLDS: That answers it. Thank
15 you.

16 MR. PETRAMALO: That's correct.

17 CHAIRMAN VAN CLIEF: Any other questions? In
18 that case, it would be appropriate to ask for a
19 motion to approve the loan as set forth by Mr.
20 Petramalo.

21 COMMISSIONER REYNOLDS: I'll make the motion.

22 CHAIRMAN VAN CLIEF: Commissioner Reynolds
23 makes the motion. Is there a second?

24 COMMISSIONER DAWSON: I'll second it.

25 CHAIRMAN VAN CLIEF: Commissioner Dawson seconds

1 it. Any further discussion? If not, all in favor,
2 please signify by saying aye.

3 NOTE: The Commission votes aye.

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

6 All right. That takes us to consideration of
7 approval of the 2017 VEA budget, and I believe,
8 Debbie, are you going to pick it up or is Bill
9 Murrell [ph] going to take you through?

10 MS. EASTER: Bill Murrell is going to take you
11 through the numbers.

12 CHAIRMAN VAN CLIEF: Bill Murrell is serving as
13 the CFO of the VEA and we're going to ask him to
14 take us through the numbers today. By the way, for
15 the commissioners, that's under Tab Three in your
16 books.

17 MR. MURRELL: Thank you very much. You should
18 be looking at the summary graph budget for the year
19 ending December 31st, 2017. You'll see three
20 columns. The first two columns are just for
21 reference for your purposes what is projected so
22 far, and this is still a moving target.

23 If you look at the bottom of the projected
24 column, we're expecting that income of around
25 \$970,000 for the year. Now, we have poured that

1 money back into the industry; \$850,000 to renovate
2 the Shenandoah track, \$300,000 into the different
3 OTBs that we've opened so far. So that money is
4 being poured back into the industry and rebuilding.

5 COMMISSIONER REYNOLDS: Bill, are these numbers
6 through the end of November?

7 MR. MURRELL: These numbers are through the end
8 of December. Again, the only thing that is not
9 adjusted for, is I did not have the December ADW
10 numbers at the time we put this together, so that is
11 going to be a little off, and again, it's changing
12 daily as we get better numbers and get additional
13 invoices.

14 COMMISSIONER REYNOLDS: The numbers should be
15 better, not worse.

16 MR. MURRELL: Well, I don't know what the impact
17 of that is, but we're saying 950 -- between 900,
18 975, I believe is a good target range for that.

19 MS. EASTER: We're getting in bills for
20 the new OTBs, because we haven't been in business
21 for very long. That stuff is coming in and we think
22 we have them all in here, but there's stuff that --

23 MR. MURRELL: They're still coming in, but we
24 expect to be more than \$900,000 for that.

25 So anyway, what we're focusing on is this column

1 three, draft budget, and I'll just kind of go down
2 the different line numbers and give a brief
3 explanation. Stop me at any time that you might
4 have a question and we'll just kind of move forward
5 from there.

6 As you see on the top, the revenue, line one,
7 gross proceeds from ADW. That's based on a \$80
8 million handle. That's \$4 million more than we did
9 this past year based on NYRA coming into the game.
10 So we're expecting NYRA and the combination of
11 increased sellers to boost us \$4 million.

12 The rebates, those three line items, these are
13 pretty self-explanatory. They are the rebate of the
14 ADW companies based on our agreement. The statutory
15 distribution of \$520,000, that's New Kent County,
16 Virginia Tech and various letter groups. So the net
17 proceeds from the ADW companies we expect to be a
18 little under \$2 million.

19 Line six, the OTB revenue of \$7.1 million. We
20 have a second sheet. We'll just look at that, so
21 just hold that in your heads for now.

22 Line seven, miscellaneous \$12,000. The bulk of
23 that is pari-mutuel wagering up at Shenandoah and a
24 little bit of advertising. So we're looking at the
25 possible net revenue of about \$9.1 million.

1 under expenses, nine through eleven are the race
2 day expenses. As Debbie mentioned Shenandoah, we're
3 looking at ten days of racing. We expect that run
4 about \$300,000 for that. The host site rent, that's
5 what we pay Shenandoah. That's a combination of the
6 daily rent, plus there's a stage rent that we agreed
7 upon for that facility.

8 The Gold Cup pari-mutuel, that's our
9 contribution to support the Gold Cup and their
10 pari-mutuel racing efforts for both of their races.

11 Going down to Line 13, Morven Park maintenance.
12 We don't have any of that, but Line 14, Shenandoah
13 maintenance, \$70,000. We spent about \$20,000 last
14 race at Shenandoah just redoing the surface and
15 keeping the surface tight. We have some other
16 things that we are looking at possibly doing;
17 painting the fence, expanding the crow's nest,
18 putting in cement pads. So there are some projects
19 up there that we want to set aside some money to
20 move that forward.

21 Line 16, the OTB expenses. Again, we have a
22 separate sheet on that \$6 million. Getting in to
23 administrative expense. Most of these are
24 self-explanatory. The salaries. Line 17,
25 administration staff. You have payroll taxes and

1 the benefits related to that staff.

2 Line 21, dues and fees. The bulk of that are
3 licensing fees for the OTBs or for the races.

4 Twenty-two, equipment repair. That is we have a
5 tractor, a water truck and some other equipment up
6 around Shenandoah. So that's just expectations of
7 repairing that equipment during the year.

8 Line 23, racing consulting. That's the fee
9 that -- \$50,000 is the fee if we move forward with
10 Morven Park. We have a couple of people that --

11 MS. EASTER: We do. We split a manager for
12 Morven Park for the project, but he's not versed in
13 racetracks or he's not our guy, so we would be
14 paying \$30,000 to one guy that's a site manager,
15 plus something to probably John Versaro, who has
16 been very involved in building tracks and managing
17 tracks around the country. So if we go forward,
18 that's what we anticipate that being.

19 COMMISSIONER REYNOLDS: Is that a one-time
20 budget item or is that something that carries on?

21 MS. EASTER: That's a one-time. We would have
22 Versaro come look at our track once in a while or if
23 there's somebody to help JD possibly, but the big
24 chunk of that is a one-time while we're building it.

25 COMMISSIONER REYNOLDS: More of your share of it

1 as a construction supervisor and not necessarily a
2 racing consultant, right?

3 MS. EASTER: Construction supervisor plus, yes,
4 a racetrack consultant. Somebody that's more versed
5 in horse racing than our construction supervisor
6 would be.

7 COMMISSIONER REYNOLDS: Okay.

8 MR. MURRELL: Line 24, audit tax legal. Again,
9 that's our annual audit plus any possible legal
10 expense that Frank can't handle. IT software,
11 computers. Easter provides most of the computer
12 support. The computer support specific to the
13 bookkeeping at the races, we get through -- a part
14 of a bulk of that is that fee. Insurance liability,
15 general liability, workman's comp. That is specific
16 to the VEA itself. The OTBs have their own
17 insurance expense line which we'll see on the other
18 side.

19 Interest expense. Again, Frank, where it looks
20 like this won't be a cash item, but it will be
21 booked as an accrual expense, but we don't see that
22 cash coming out, cash based on what Frank told you
23 today.

24 Management fees. That is an Easter fee, annual
25 fee for the accounting services, the graphics,

1 administrative services and website services that we
2 provide. The office rent is the warrenton office
3 where Jeb resides. Office expense. Again, that's
4 pretty self-explanatory. Travel and expenses, that
5 should be self-explanatory, too.

6 Then there's Line 33, print media website
7 \$105,000. That's just budgeted to promote primarily
8 the races up in Shenandoah, but other items.

9 MS. EASTER: The OTBs have their own marketing
10 expenses. That's marketing money we can use for the
11 races for VEA causes or whatever, but probably
12 mostly the races.

13 MR. MURRELL: So 34 and 35 are retirement
14 program contributions, and then Line 37 would give
15 us that income based on this of \$1.7 million.

16 Are there any questions on specific expenses?
17 Then I can go to this top right column and explain.

18 COMMISSIONER DAWSON: Mr. Chairman, I have a
19 question. On Line 15, track maintenance.

20 MR. MURRELL: Correct.

21 COMMISSIONER DAWSON: You don't show anything
22 for 2016, and then you're showing 70,000 for 2017.

23 MR. MURRELL: Right. Well, if you look at the
24 first column, that was our actual expense. We
25 didn't budget anything because I don't think we

1 thought we would really have a racetrack, or maybe
2 we just didn't break out anything for that expense.
3 So we did not budget anything in 2016 at the time we
4 did the budget because we really didn't know what we
5 were going to do, I think.

6 MS. EASTER: That \$19,000 is what JD and his
7 crew spent from the time they finished the track at
8 Shenandoah through the race meet. So that 19
9 travels over -- that 20,000 travels over to 2017.

10 But as bill explained to you, we have some
11 projects we want to do at Shenandoah; expanding the
12 steward stands. They want to put some pads down for
13 the -- we had some flooding problems in the stable
14 area, so they want to locate some areas to put barns
15 and either put concrete or gravel dust pads, some
16 painting and stuff. So that's why the additional
17 money in 2017 for that.

18 COMMISSIONER DAWSON: I have another question
19 related to that, and that is, in that year looking
20 at possibly 70,000 for 2017, any guesses on the
21 maintenance, presuming you have Morven Park up and
22 running in 2018 what those maintenance expenses will
23 be?

24 MS. EASTER: It will be more for sure, because
25 we're responsible for maintaining it the way our

1 deal shakes out. We haven't even sat down and tried
2 to project that yet, but it'll be more.

3 MR. MURRELL: To keep that grass.

4 COMMISSIONER DAWSON: By that time, you'll have
5 more revenue.

6 MR. MURRELL: Right. Any other questions
7 specific to the line items? All right.

8 CHAIRMAN VAN CLIEF: Bill, I've got one. Line
9 17 I think is the only other sort of differential
10 between your projected and budgeted for this year
11 that I see. Is the increase in salaries due to the
12 OTB build-out?

13 MR. MURRELL: The increase to salaries is
14 primarily if you see communication, Line 20, we had
15 a communication consultant in Darryl and he was an
16 independent contractor, and then we brought him on
17 full-time and that's the bulk of what that
18 difference is.

19 CHAIRMAN VAN CLIEF: Great. Thank you. Any
20 other questions?

21 MR. MURRELL: Okay. If you go up to the top
22 right, you see 2017 cash flow. So this is kind of
23 what we're looking at as how to spend this \$1.7
24 million. So the cash inflow, we have 1.7 million
25 from operations, as we just discussed. Frank's \$1.5

1 million loan would give us around \$3.2 million to
2 work with.

3 We're anticipating that we build out three more
4 OTBs. We expect that to cost about \$500,000. For
5 the OTB cash reserve, we have to keep about \$30,000
6 or more of cash in at the OTBs that we basically
7 lose access to or use of, so there's about \$100,000
8 in additional cash reserve for that.

9 The Morven engineering \$125,000, that's from the
10 original lease agreement where we would pay Morven
11 Park \$250,000. We made one payment the beginning of
12 this year. The expectation to be to make the second
13 payment this year, so that would need to come out of
14 that.

15 The Morven project Frank mentioned. The
16 expectation to move the dirt in the initial phase of
17 it would be \$1.6 million, and then the debt
18 reduction \$150,000. The VHHA loaned us \$300,000 at
19 the end of this past year, and the hope would be to
20 pay half of that back to them for that.

21 That would leave, according to this, assuming
22 everything goes as well as we hope it goes, about
23 \$750,000. So obviously, we want some wiggle room
24 because we don't know what opening these OTBs is
25 really going to do. It's still a guess only a

1 couple months in to this.

2 Two, I think we talked about the kiosk system.
3 There's going to be other things that come up, and
4 hopefully we do have that money pour in, but we're
5 certainly not going to be sitting on a big bank
6 account.

7 MS. EASTER: Commissioner Reynolds, you asked
8 about the HBPA's rainy day fund. Not to spend
9 Frank's money, but those kiosks are not cheap things
10 to put up and get running, so those are in our minds
11 whenever having to plan. You've got this kind of
12 money and that's probably not enough to do what we
13 need to do. So those are things that we talk about
14 and somewhere possibly down the road might have to
15 ask again.

16 COMMISSIONER REYNOLDS: That makes sense.

17 MR. MURRELL: All right. Does anybody have any
18 questions on this summary draft here?

19 COMMISSIONER REYNOLDS: One quick question.
20 Forget about staff costs and all that, but just hard
21 dollars. How much do you all have invested in
22 Morven today, roughly?

23 MR. MURRELL: So we have the \$125,000. I don't
24 know that we have any other --

25 MS. EASTER: I think we mowed the course once or

1 twice.

2 MR. MURRELL: Yeah. So that \$588, I think we
3 mowed the course a couple of times during the year,
4 but other than that, I don't think we had much of
5 anything else but a little engineering, but the 125
6 is the bulk of it.

7 COMMISSIONER REYNOLDS: That gives me an idea.
8 Thank you.

9 MR. MURRELL: All right. You have a second
10 page. I don't want to go line-by-line on this.
11 I'll just kind of explain what this shows.

12 MS. EASTER: What's the second page?

13 MR. MURRELL: The OTB page. So this goes into
14 the detail of the OTBs. The idea is that we have
15 Breakers established. We're expecting that Ponies
16 will probably cut into some of it, but Breakers is
17 running, I don't know, 14 million or so handle
18 annualized right now, so we expect still about a
19 12 million handle.

20 Ponies we just opened up. We think that we
21 would like for it to do better, but we're being a
22 little more conservative maybe doing six million for
23 the year so that we have a combination of about 18
24 million in the Richmond area.

25 Chesapeake, we expect to be hopefully like

1 Breakers, that there's a lot of pent-up demand. So
2 we're looking at the first quarter opening. The OTB
3 three, four and five are based on an annualized \$8
4 million handle each. OTB three would be opening
5 first quarter, OTB four at half year, and then OTB
6 five would be the last quarter.

7 MS. EASTER: So the plans right now, and this
8 could change, but OTB three would be Chesapeake.
9 OTB four, most likely would be a Hampton site, and
10 OTB five might be, could be another Chesapeake,
11 could be another Hampton, could be a Martinsville.
12 So that's kind of the way we're looking at things,
13 so you all know.

14 CHAIRMAN VAN CLIEF: Am I right in thinking that
15 that follows the footprint more or less of the
16 original OTB system, and you're taking that
17 experience from Colonial Downs and here is where
18 we're going to generate the most and that becomes
19 your priority build-out?

20 MS. EASTER: A little bit. I think we look at
21 where we think -- we took the OTBs where they were
22 the most successful, and we're trying to duplicate
23 that. I'd argue Martinsville, maybe not quite yet
24 this year, although I know Dave has a lot of people
25 that would like to go there, just because

1 regionally, it's a lot easier for us to manage the
2 first five in the Hampton, Chesapeake, Richmond area
3 than having to go all the way to Martinsville with
4 number five first before we expand again with
5 people. But I think let's get three and four open
6 and then we'll figure out where the best place to go
7 is. That's kind of how we do.

8 CHAIRMAN VAN CLIEF: Thank you.

9 MR. MURRELL: So really just focusing on the
10 total, based on the projections, we're hoping to do
11 around \$30 million in handle for the year.

12 To Dr. Steger's point, if we did \$30 million,
13 the state and local tax would be \$750,000. We'd pay
14 \$300,000 to the Breeders Fund. I don't mind writing
15 those state tax checks every week, because again, I
16 know that's going to the industry and that's a
17 different view if we were operating as a business,
18 so that's good money going to the industry.

19 So at the bottom line, we would think of looking
20 at EBITDA of around \$620,000. If you remember, and
21 we would hope that the horsemen would like to make
22 the same agreement with those other OTB sites, that
23 the idea would be we would split the total of the
24 net EBITDA along with the purse.

25 So if you take the 622 plus the purse money of

1 622 plus 1.5 million in purse and we split that
2 evenly, we each get a little over \$1 million split
3 between the horsemen and the VEA, which runs about
4 three-and-a-half percent of handle to each party.

5 MS. EASTER: while we wanted to make sure the
6 horsemen have purse money, everybody has to remember
7 the VEA is a racetrack and we have to have some
8 money to run the races. So that's that. But before
9 long if things go the way we want, they're going to
10 get their five percent, which is kind of cool.

11 COMMISSIONER REYNOLDS: Two questions.

12 MS. EASTER: Yes.

13 COMMISSIONER REYNOLDS: The first one is back to
14 your OTB page on Ponies. Looks like your EBITDA is
15 \$15,000, which is a lot lower than Breakers, and
16 your horsemen's rebate is considerably higher than
17 all of your other projections. Why is the
18 horsemen's rebate so high at Ponies and why is the
19 EBITDA so low compared to the others?

20 MR. MURRELL: Right. Because again, the
21 horsemen would have to contribute more back to us
22 based on that. We would basically almost split the
23 horsemen's purse at that point between the two of
24 us.

25 COMMISSIONER REYNOLDS: That's going back to the

1 horsemen?

2 MR. MURRELL: what's that?

3 COMMISSIONER REYNOLDS: That's going back to the
4 horsemen?

5 MR. MURRELL: well, the horsemen would come back
6 to us.

7 COMMISSIONER REYNOLDS: Okay.

8 MR. MURRELL: So we split the EBITDA plus the
9 purse, and since EBITDA is so low, basically at
10 zero, we're just splitting the horse money between
11 the horsemen and the VEA at that point.

12 COMMISSIONER REYNOLDS: My next question is, it
13 sounds like you all are very optimistic that you're
14 going to get Chesapeake open, since you said you
15 might bring an application to us soon. Have you run
16 any projections? I think OTB four and five are
17 awfully optimistic for this year. I hope you do it,
18 but I also hope you take your time and pick the
19 absolute best sites and don't rush in to anything.

20 MR. MURRELL: Right.

21 COMMISSIONER REYNOLDS: Have you rolled this
22 thing back and said, okay, worst case scenario we
23 get three OTBs open and how that affects your net
24 numbers on your budget. Kind of a sensitivity
25 analysis if that doesn't happen?

1 MR. MURRELL: We haven't sat down and done that.
2 I guess we're too moving forward.

3 MS. EASTER: That's probably a good point.

4 MR. MURRELL: It is a good point. Again, that's
5 why we left so much cushion. That's why we didn't
6 allocate this \$700,000 knowing that.

7 COMMISSIONER REYNOLDS: I know this is the OTB
8 and not the ADW part.

9 MR. MURRELL: Right. Right. But the OTB flows
10 into the first page of the budget, so that is
11 included and we have a \$700,000 cushion, I will call
12 it, that we didn't want to assign to specific
13 projects, just because we don't know what this is
14 going to do. But we're a little more optimistic now
15 after Breakers and maybe we're too heady.

16 COMMISSIONER REYNOLDS: You describe the
17 intersection of optimism and reality.

18 MR. MURRELL: Exactly. I think reality will hit
19 us in the face soon.

20 MS. EASTER: I think as we are successful with
21 this -- first of all, the whole process after one
22 and two is getting easier each time we do it for us.
23 It's a more of finding, like you say, the right
24 spot. It appears that once we can show owners,
25 restaurant and bar owners how this helps them, what

1 reality is, it's a lot easier to then go get in to
2 those markets than maybe the first one was. The
3 difference from the types of places we're looking at
4 on three and four are different types of places
5 compared to what we saw the first time.

6 COMMISSIONER REYNOLDS: I commend you all for
7 your progress. I really do. That's really
8 encouraging. I'm finished asking questions.

9 CHAIRMAN VAN CLIEF: Anybody else? I'd like to
10 shift to a slightly different theater of operations,
11 talking about intersections.

12 I notice that we continue, really thinking of
13 Gold Cup here now. That premier steeplechasing and
14 associated flat racing at steeplechase courses is
15 going to continue to be a major part of Virginia's
16 racing brand and a lot of the premier product we're
17 going to be offering live, at least for another
18 several years and maybe for some time to come.

19 As we've talked before, I'm always interested in
20 whether or not and how -- speaking again of
21 intersections, we might get to hopefully a profit
22 point, but at least to break even in terms of the
23 money it costs to operate pari-mutuels at our
24 premier steeplechase meet. I know we're looking at
25 continuing to be a cost center, not a profit center

1 for Gold Cup.

2 Do you have in your plans and in your thoughts
3 for the future, I think we're talking about really
4 the marketing effort here, some effort to begin to
5 build that handle, convert those racegoers to
6 betters and hopefully cross that line from expensed
7 profit in terms of our live pari-mutuel product?

8 MS. EASTER: I have an idea, but --

9 DR. ALLISON: From the very beginning, Gold Cup
10 set a five-year break even. We are ahead of our
11 schedule now, so we have many, many things that we
12 hope to implement for the spring in terms of
13 enlarging this.

14 One of the things we have a possibility of, MGM
15 casino operation in Washington becoming a major
16 sponsor, and we hope we can sort of join forces, and
17 this is very much a possibility if not this year,
18 next year. So that is a very big thing we have.

19 MS. EASTER: For us on the things that we're
20 looking at, and obviously, we'll be doing things
21 together with the Gold Cup. They're so established
22 and well-versed at what they do. But one of the
23 things we're looking at is potentially putting our
24 signal up for Standardbred racing.

25 Dave and I were talking about it a little bit.

1 The cost of actually putting it up there isn't
2 astronomical, but for me, and we realize we're
3 getting educated, but for me, I think the place that
4 would be the best for us is that if we have this OTB
5 system up and rolling, if we could be broadcasting
6 our own races into our own OTB system, hopefully, it
7 just allows people in other regions of the state to
8 see what we're doing.

9 They can't all get to Woodstock or get to
10 Warrenton, but I think it's a good marketing thing.
11 I think the reality is that we're going to have to
12 look into racing as marketing more than a profit
13 center for a while.

14 I do think as we've discussed, Chairman, that
15 we've got to do a better job of turning the folks
16 that come to Gold Cup into betters or we're not
17 going to -- in order for us to really grow this
18 thing in Virginia, I think we all once again need to
19 sit down and talk about it. We're just going, but
20 that is something we need to figure out and do
21 better than we've done in the past. I agree.

22 CHAIRMAN VAN CLIEF: Those are exciting thoughts
23 and it sounds like you're moving forward.

24 DR. ALLISON: We constantly focus on trying to
25 get more activity with our cell phone betting, and

1 we're in the midst of Verizon and AT&T building an
2 enormous silo antenna, and that will be ready for
3 spring.

4 This is important because one of the things is
5 how many signals can take place with 60,000 people,
6 and the load has been so great that it will shut the
7 system down. So this tower we have great hope is
8 going to help us improve the capacity of the cell
9 phones.

10 MS. EASTER: That would be huge, because we did
11 have -- in our push to try and do some of that, to
12 get people to wager more, we did have people that
13 wanted to sign up for ADW accounts last year at the
14 Gold Cup.

15 It was a nice place and XpressBet was offering a
16 nice program for people that did that, which we
17 would love to do again, but one of the issues is
18 everybody trying to hit their phones to get or
19 trying to get them on the internet to try and sign
20 up those accounts at that point is difficult. So
21 that would be a huge thing just to have that.

22 CHAIRMAN VAN CLIEF: Thank you very much.
23 That's exciting. I'm delighted to hear you're
24 looking for those synergies between the elements,
25 and sounds like real progress to me I wasn't aware

1 of. Thank you.

2 Any other questions? Bill, anything further you
3 want to take us through?

4 MR. MURRELL: I don't have anything else.

5 CHAIRMAN VAN CLIEF: Okay. If there are no
6 further questions, then we do need a motion to
7 approve the 2017 VEA expenditures as they've been
8 set forth today.

9 COMMISSIONER MILLER: I'll move.

10 CHAIRMAN VAN CLIEF: Commissioner Miller makes
11 the motion. Second?

12 COMMISSIONER DAWSON: Second.

13 CHAIRMAN VAN CLIEF: Commissioner Dawson
14 seconds. Thank you very much. Any further
15 discussion? If not, all in favor, please signify by
16 saying aye.

17 NOTE: The Commission votes aye.

18 CHAIRMAN VAN CLIEF: Any opposed? Motion
19 carries unanimously. The expenditures are approved
20 for 2017.

21 MS. EASTER: Thank you.

22 MR. MURRELL: Thank you, Commissioner.

23 CHAIRMAN VAN CLIEF: Okay. That takes us
24 through the bulk of the business. We've now reached
25 the part of our agenda where we open it up for

1 public comment, if there is any. If there is, I'd
2 ask anybody that wants to make a comment, please
3 state your name for the record and keep it to five
4 minutes. Anybody that would like to speak today?
5 Okay. Thank you.

6 Commissioners' comments. I think I went from
7 our left last time. I'd like to start with
8 Commissioner Miller today. Any additional comments?

9 COMMISSIONER MILLER: No.

10 CHAIRMAN VAN CLIEF: Commissioner Dawson?

11 COMMISSIONER DAWSON: None today.

12 CHAIRMAN VAN CLIEF: Commissioner Steger.

13 COMMISSIONER STEGER: I do have one question, I
14 guess, and would need legal counsel's advice as to
15 whether or not we might be eligible for some of the
16 governor's economic development opportunity money to
17 help with the Morven track expenditures.

18 I don't know if we're eligible or not, but these
19 things, as my experience and some of those in
20 construction, we never quite come in on budget, and
21 whether or not we could apply for a quarter of a
22 million grant or whatever else.

23 The reason I ask is I think it could be repaid
24 quite quickly, and I just would hope that we might
25 look in to that, if we are eligible. I rely on your

1 advice for that.

2 MR. PITCHFORD: Dr. Steger, I'm not familiar
3 with the nuances of that fund, but it is my
4 understanding it has a great deal of flexibility,
5 and that's certainly something we can investigate.

6 COMMISSIONER STEGER: I think it's important for
7 the Morven Park thing to realize we can and do
8 whatever we can to facilitate it.

9 MR. PITCHFORD: Yes, sir.

10 COMMISSIONER STEGER: We may have to build a
11 pond to store water.

12 MS. EASTER: That may be the answer.

13 CHAIRMAN VAN CLIEF: I think that's a great
14 question. I might ask Darryl for a little help on
15 this one as well. When we met with the Department
16 of Tourism a couple months ago, there was some
17 conversation there about grant money we might be
18 eligible for. I wonder if in this context we'd have
19 a shot of some of what was discussed that day.

20 MR. WOOD: There's some matching fund programs
21 that are out there twice this year that we should be
22 able to apply for, but it's a moderate amount, a
23 \$10,000 level or so.

24 CHAIRMAN VAN CLIEF: All right. Thank you. In
25 that case, Duncan, will you follow up then and get

1 back to us on Dr. Steger's question?

2 MR. PITCHFORD: Yes, sir.

3 CHAIRMAN VAN CLIEF: Commissioner Reynolds.

4 COMMISSIONER REYNOLDS: I just want to reiterate
5 thank you all for what you've done. You all have
6 made a lot of progress. We've got a long way to go,
7 but we've certainly come a long way in the last
8 couple of years, so thank you all for your hard
9 work. We want to support you in any way we can, so
10 thank you.

11 CHAIRMAN VAN CLIEF: Thank you. I would echo
12 that, and I think we all wade into 2017 with a lot
13 of optimism, and I think we've got some
14 justification based on the successes that we've seen
15 with the industry essentially reinventing and
16 rebuilding itself in 2016.

17 I think we're building a wonderful brand of
18 racing here, both on the flat, on the harness track,
19 over jumps, and there's a lot to be optimistic
20 about.

21 Speaking of optimism, we have an opportunity
22 today to go down and view the latest OTB, and our
23 commission is going to be able to go after the
24 meeting adjourns to take a look.

25 MS. EASTER: Love for anybody here in the

1 audience or you all to come.

2 CHAIRMAN VAN CLIEF: I'm not sure how many at
3 this point of us are going to be able to go, but
4 just in case, if there are three or more of us who
5 go, I'd make note that when we adjourn the meeting
6 here, that that will take place and it will be a
7 walk-through only of the newest OTB facility for the
8 sole purpose of viewing the facility, not having a
9 meeting, and so I'd ask the commissioners if there
10 are three of them present so we don't run afoul of
11 our open meeting laws to keep that in mind.

12 Is there anything further any of the
13 commissioners would like to discuss?

14 COMMISSIONER DAWSON: Yes, Mr. Chairman.

15 CHAIRMAN VAN CLIEF: Yes, ma'am.

16 COMMISSIONER DAWSON: I just want to say that I
17 share your comments, your earlier comments about
18 the new brand of type of racing industry that we're
19 building here in Virginia.

20 Relative to that, I wanted to ask Ms. Easter.
21 We haven't talked about the stakes races for 2017.
22 Do you have any thoughts that you would share with
23 us at this point?

24 MS. EASTER: Just that I think at your next
25 meeting, we will probably be bringing you requests

1 for dates is my guess on -- my guess is it will be
2 running in Maryland again, and whether we do any
3 other restricted racing anywhere else besides the
4 Gold Cup, I guess that's under discussion with the
5 HBPA. That's really more Frank's deal than ours,
6 but my guess is that would be the case.

7 MR. PETRAMALO: Just remember what we did last
8 year. At Pimlico, we had five Virginia-bred races.
9 Three were stakes, two were maiden races, and then
10 in the fall, we followed with five more
11 Virginia-bred stakes races at Laurel, plus the open
12 stakes races, the Commonwealth Derby and the
13 Commonwealth Oaks. We haven't talked to the
14 Maryland people yet, but my guess is we'll try and
15 replicate that in 2017.

16 COMMISSIONER DAWSON: You want to hold on to the
17 stakes races?

18 MR. PETRAMALO: Yes. Yes.

19 COMMISSIONER DAWSON: Thank you.

20 MS. EASTER: The open stakes are only two at
21 this point.

22 MR. PETRAMALO: Yes.

23 MS. EASTER: The Commonwealth Derby and the
24 Commonwealth Oaks. Everything else that we ran out
25 of the state was restricted Virginia-bred racing, so

1 that's all we're looking at. Those purses were a
2 total of 350 maybe. Two hundred and 150. Is that
3 what it was? So 250 and 150. I can't remember, but
4 that's what we're looking at.

5 MR. PETRAMALO: It was 200 and 150.

6 MS. EASTER: Yes. So 350 for those two races.

7 CHAIRMAN VAN CLIEF: Anything else? We usually
8 try to at least get a fix on our next meeting before
9 we adjourn. So Debbie, let me ask you. At this
10 point, I think we are hoping for and anticipating a
11 license application possibly for the Chesapeake OTB
12 location.

13 what do you think makes sense in terms of how
14 quickly we can have that? I'm thinking we're
15 probably looking at early March. Am I correct?

16 MS. EASTER: End of February or early March. I
17 was thinking early February -- excuse me. Late
18 February. That gave us time to get the application
19 together if everything was working well, and the
20 goal for us is to have that one open by the end of
21 the first quarter, but I don't know. Dave, do you
22 think it matters much whether it's the first of March
23 or the end of February?

24 MR. LERMOND: The first week of March will
25 probably give us more time to review it and make

1 sure everything is good to go.

2 MS. EASTER: Sure.

3 CHAIRMAN VAN CLIEF: why don't we shoot for a
4 date -- how does the work week beginning Monday,
5 March 6th sound? Dave do you want to poll the
6 commissioners and give everybody a chance to look at
7 their calendars and then coordinate with Debbie to
8 make sure we've got some substance on the table for
9 that meeting?

10 MR. LERMOND: Sure.

11 CHAIRMAN VAN CLIEF: I know we've got some
12 action items coming up, and hopefully that will be
13 at the top of our list. Let me ask the
14 commissioners generally if that week looks okay.

15 COMMISSIONER REYNOLDS: Through wednesday.

16 COMMISSIONER STEGER: That'd be fine.

17 CHAIRMAN VAN CLIEF: Through wednesday. Looks
18 like the 6th, 7th or 8th. Dave, if you'll
19 coordinate that and get the usual notice out, that
20 would be great.

21 One more chance. Anything else? In that case,
22 I need a motion to adjourn, please.

23 COMMISSIONER REYNOLDS: So moved.

24 CHAIRMAN VAN CLIEF: Second?

25 COMMISSIONER DAWSON: Second.

1 CHAIRMAN VAN CLIEF: Anybody opposed? We stand
2 adjourned. Thank you very much. Thank you,
3 everybody.

4
5 NOTE: The hearing is adjourned at 11:09
6 a.m.

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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 29th day of January, 2017.

Sandra G. Spinner

SANDRA G. SPINNER

COURT REPORTER