VIRGINIA RACING COMMISSION

March 7, 2017

STATE CORPORATION COMMISSION
TYLER BUILDING
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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.
I. Clinton Miller

COMMISSION STAFF:
David S. Lermond, Jr., Executive Secretary
Kimberly C. Mackey, Office Administrator

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

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CHAIRMAN VAN CLIEF: Good morning, everybody. I'd like to call the meeting of the Virginia Racing Commission to order and we should be fairly quick this morning. We do have some action items, I believe, that are all going to be straight forward, so we'll get going.

I'll note that all commissioners are in attendance and the first order of business is the approval of the minutes. I make a note there as well that the January 17 minutes need to be amended to indicate that Commissioner Miller was present, and that's the only change I had. Does anybody have anything else?

We need a motion to approve the minutes, please.

VICE CHAIRMAN DAWSON: I so move.

CHAIRMAN VAN CLIEF: Thank you, Commissioner Dawson. Second?

COMMISSIONER MILLER: Second.

CHAIRMAN VAN CLIEF: They stand approved. Thank you very much.

Under new business, I believe every action item we have has to do with the upcoming Virginia Gold Cup dates for this year, and so I would call on the Gold Cup chairman, Dr. Allison. You don't have to. You're not scheduled, but would you like to make any
comment or do you have anything you'd like to bring to the Commission's attention with regard to applications in front of us?

DR. ALLISON: Yes, Mr. Chairman. I wanted to mention that this is the 92nd running of the Virginia Gold Cup races and a wonderful tradition. Our secretary reminded me this is the fifth anniversary of the running under the Virginia Racing Commission rules, so that is a watermark and something we are very proud of and thankful to the Virginia Racing Commission for your support. So I look forward to your approval of our license.

CHAIRMAN VAN CLIEF: Thank you very much, Dr. Allison. That's interesting to note. Congratulations on your 92nd anniversary. It has been a wonderful event, and I'd also noticed that it has achieved status several times, I believe, as the Commonwealth's largest sports event by crowd count, which I like to note as often as possible.

I think it's notable also that it's your fifth anniversary of pari-mutuel wagering on-site, and as a Commission, I know we all thank you for your effort in making this happen and sticking with it and continuing to develop that pari-mutuel audience out there.
So thank you very much and we look forward to some excellent racing days and wonderful times and anything we can do to be of assistance, I know we're more than happy to do.

The first item then to deal with today on our agenda is under Item 3A, and that's the approval of the 2017 limited license application submitted by the Gold Cup. Does anybody -- that was, I would note, circulated to all the commissioners. If you have not had a chance to read it or if you have had a chance to read it, do you have any questions and are there any questions that any commissioners would like to bring up before I ask for motion to approve the application?

COMMISSIONER STEGER: Has staff reviewed it?

CHAIRMAN VAN CLIEF: The question is, Mr. Lermond, has staff reviewed this, and if so, could you brief us quickly and verbally make any recommendation that you may have already included in our books here today. There is a staff report that you can follow along with under Tab Two in your books today.

MR. LERMOND: That's correct. On February 6, the staff received the application from the Virginia Gold Cup Association. Everything included in the
application was 100 percent complete.

I would like to say that I feel that the Racing Commission is very fortunate to have a licensee such as the Gold Cup that cares so much about the safety and adheres to the rules and it's never a matter of how much it's going to cost. It's what can we do to make it the best it can be, and I think it's very admirable and I think we are lucky to have such a good licensee. I don't have any issues at all with the application and would recommend its approval.

CHAIRMAN VAN CLIEF: Thank you very much. Any questions for Mr. Lermond on his recommendation?

COMMISSIONER MILLER: I move it be approved.

CHAIRMAN VAN CLIEF: We have a motion to approve the license application. Is there a second, please?

COMMISSIONER REYNOLDS: Second.

CHAIRMAN VAN CLIEF: Thank you. That's moved by Commissioner Miller, seconded by Commissioner Reynolds. Any further discussion? In that case, all in favor of approval, signify by saying aye.

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? Motion carries unanimously.

Next up is Item 3B on your agenda, approval of racing officials for the Gold Cup races this year,
and Mr. Lermond, can I call on you for comments on that item?

MR. LERMOND: Along with the application, the Commission must also approve the list of racing officials for the Virginia Gold Cup races. That list is behind Tab Three of your packets. Again, staff has reviewed this list. As the presiding steward for the last two or three years, I've had the pleasure of working with everyone on this list. They are all very well qualified for the positions that they are going to undertake and I would recommend approval of the racing officials.

CHAIRMAN VAN CLIEF: Any questions for Mr. Lermond? In that case, we need a motion to approve the list of officials.

VICE CHAIRMAN DAWSON: I move approval of the list of racing officials for Virginia Gold Cup.

CHAIRMAN VAN CLIEF: Commissioner Dawson makes the motion. Second?

COMMISSIONER REYNOLDS: I'll second it.

CHAIRMAN VAN CLIEF: Commissioner Reynolds seconds. Any further discussion or questions? All in favor, please signify by saying aye.

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: All right. Any opposed?
The motion carries unanimously.

Next is the horsemen's agreement with the Virginia Gold Cup, and I call on Mr. Petramalo of the Virginia HBPA to walk us through that, and I think you'll find that agreement under Tab Four in your books.

MR. PETRAMALO: Mr. Chairman, the contract before you is quite similar to those that you've approved in the past between the HBPA and the Gold Cup, with two exceptions.

One, this is a three-year contract. Normally, we've had one- and two-year contracts. This is a three-year contract that allows everybody to plan a little more for the future.

And significantly, the HBPA is contributing $500,000 a year toward the purses at the Gold Cup. In the past, we have contributed 400,000, so we've increased that by 25 percent. We feel privileged to take part in the Gold Cup meets because in our view, they're the best in the country.

I might point out that the best steeplechase meet in England and Ireland is next week at Cheltenham. They get 60,000 people. Gold Cup on the first Saturday in May will probably have 75 or 80,000. So unless you have any questions, I'll sit
CHAIRMAN VAN CLIEF: Thank you very much. Good.

COMMISSIONER MILLER: Mr. Petramalo, are you going to attend the race in England?

MR. PETRAMALO: Not next week, but the following month I will.

COMMISSIONER MILLER: Give our regards to all the chaps there.

CHAIRMAN VAN CLIEF: Are there any questions on the part of commissioners for Mr. Petramalo or about this contract in any respect?

DR. ALLISON: Mr. Chairman, I would just like to say that Gold Cup appreciates the support that the horsemen's group has given us in the past. Unlike some other race meets, we've had no difficulty with this organization, so thank you so much, Frank.

CHAIRMAN VAN CLIEF: I think between racetrack operators and horsemen, it may be a rare and shining example of cooperation. Thank you.

If there are no questions, then we need a motion to approve the agreement as set forth in your books.

COMMISSIONER MILLER: So moved.

CHAIRMAN VAN CLIEF: So moved. Thank you. Is there a second?

VICE CHAIRMAN DAWSON: I second it.
CHAIRMAN VAN CLIEF: Thank you. All in favor, please signify by saying aye.

NOTE: The Commissioners vote aye.

CHAIRMAN VAN CLIEF: The motion caries unanimously. The contract is approved.

Lastly then in terms our action items under Tab 5 in your books, the relevant committee has met and we have a proposal for approval of expenditures from the Thoroughbred portion of the Virginia Breeders Fund for 2017, and I will ask Commissioner Reynolds who chairs that committee for a brief report.

COMMISSIONER REYNOLDS: Yes. The Thoroughbred subcommittee of the Virginia Breeders Fund voted recently to recommend expenditures from the Thoroughbred portion of the Virginia Breeders Fund for 2017. This is something we've done every year and I'd like to make the following motion. Unless there are questions first, I'd like to make the following motion.

That the Virginia Racing Commission approve expenditures of up to $60,000 for the Virginia-bred 100 percent owners bonus program on all non-restricted races contested at the Gold Cup and international Gold Cup races at Great Meadow racecourse for horses finishing first through sixth
with a cap of $10,000 per award, and $80,000 for
purse contributions to eight Virginia-bred stake
races to be contested in Maryland. Each race will
have a total purse of $60,000, consisting of $50,000
from the Virginia HBPA and $10,000 from the Virginia
Breeders Fund. That's the motion.

CHAIRMAN VAN CLIEF: We have a motion. We need
a second, please.

VICE CHAIRMAN DAWSON: I'll second that motion.

CHAIRMAN VAN CLIEF: Commissioner Dawson
seconds. Is there any discussion or are there any
questions about the authorization to expend these
dollars? Okay. If not, all in favor of the motion,
please signify by saying aye.

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? Motion
carries. Thank you, Commissioner Reynolds.

Those are our action items for this morning.
Thank you all very much. We're now going to turn to
our customary report from the VEA, and Jeb Hannum, I
believe, is going to do the honors this morning.

I noted at the top that the VEA plus members
stakeholders in the industry met in Middleburg last
Thursday to consider some of the ongoing issues and
very important and fundamental questions in front of
us as an industry as we look for the proper
strategies and the ways to continue rebuilding.

I think we had an amazingly successful 2016 and
off to a good start in 2017, but there are some
critical questions in front of us and I think
Mr. Hannum is going to discuss some of that and
bring us up to date on some news that was discussed
in that meeting. Jeb, it's yours.

MR. HANNUM: Great. Thank you. Yes. We had a
meeting of the horsemen last week in Middleburg, and
this was prompted by a few things. First of all,
with the decision not to move forward with the
development of a track at Morven Park, it seemed
that was a good opportunity for the horsemen to take
a pause and to gather and to consider the next steps
for the industry for the short-term and then also
consider steps for the long-term.

So that was really sort of one of the drivers to
gather everybody and it was good timing and the
turnout was excellent. We had a number of members
of the HBPA. We had some members of the VTA. We
had some breeders and horsemen and veterinarians
that are not members of either of those groups, but
we wanted to have some outsiders. We had a
representative from Maryland Jockey Club come down
and participate, and we even had leading up to the meeting people asking to participate that hadn't been approached originally.

So it was not an open meeting, but we wanted to try to control the attendance a little bit, just so it wasn't too unwieldy, but we did have people requesting attendance right before the meeting, which we thought was a good thing, so we did have some other people there as well.

So we had about 30 people. Commissioner Steger was there and we very much appreciate his attendance and participation. We went through an overview of the VEA and why the VEA was formed and its funding and we reviewed the funding for four member groups of the VEA.

These are things that we deal with on a daily basis, but I think for most horsemen and breeders, the numbers are not familiar to them as much as they are to us, so I think that was a good place to start to hopefully give people a better sense of the numbers and revenue and expenses that VEA has and the four member groups.

Then we asked everybody to think about the industry from a macro point of view. Really the 30,000 foot level. What do we need to do to sustain
the industry? What do we need to do to grow the
industry? What are the things that are important to
horsemen based on our budget realities? So we
really were trying to hold everybody off from
particular sites or sort of specific sort of ideas,
but really to step back and think about things from
a very broad and macro perspective.

So we had a very good discussion about that and
there were a couple of themes that came out. Again,
the meeting was not to make any hard and fast
decisions, but it was to gather feedback and ideas
and provide a forum for people to share their
thoughts for the VEA and for the member groups to
consider these perspectives in a little bit of a
different environment and again with different
people contributing.

So some of the themes that came about, and I'll
just go through these briefly and we can come back
to them and discuss them in a little more detail if
you'd like.

Obviously, we started off talking about live
racing. There was a consensus that in whatever form
or whatever timeframe live racing comes back to
Virginia, and obviously meaning the flat racing, it
has to be unique and it has to be credible and it
has to be quality racing, but it has to serve a certain niche in the industry and in the region, and the traditional racing facility really is just not something that is practical for the VEA to build in terms of a new racetrack with a big grandstand and a back side. That traditional model isn't really practical for us to consider.

So there was general consensus that in whatever form that took, you know, Virginia had to carve out something that was unique and then special in order for it to work.

And that sort of got to being very realistic about the investment the Maryland Jockey Club is making in its facilities to the north and that Virginia must never be competing with Maryland, but we must try to work with them, and whatever schedule we have, we want to be in concert with Maryland so that our schedules were coordinated, and that was important. And again, we had a representative from the Maryland Jockey Club, Georganne Hale, who is the racing secretary. So I think that was important.

Then there was a robust discussion about the breeders, and there was discussion that perhaps Virginia should be more focused on its traditional role as a state more focused on the breeding side of
the industry than on the racing side. There was
discussion about more money coming to the breeders
and to focus there, which as we all know, supports
the agricultural industry and is good for open space
and all of those types of things that we've talked
about before. So that was an important matter to
raise for the group.

A subcommittee was put together to come back to
consider ways of perhaps expanding the pool of
horses that are eligible for Virginia awards.
Awards, whether that be awards or perhaps eligible
for the owner bonus program. So the subcommittee is
going to do its work and we'll report back to you on
that.

As you all will remember maybe two commission
meetings ago, the harness industry modified its
criteria for what is a Virginia-eligible horse, and
so Dr. Woogen who was at the meeting shared his
thoughts on why the harness industry went in that
direction and that was particularly helpful and
relevant for the group to consider.

So again, there's a subcommittee that will come
back and I won't jump the gun on that, but we'll
perhaps talk about that at the next commission
meeting.
There was a group of people that felt very strongly that perhaps racing should be put on hold for a little while and that the revenue generation should be the focus for the VEA.

So we've been fortunate the first two OTBs we have up and running are performing well and that those sites should be supported and that we continue to try to roll out as quickly as possible new OTBs to just firm up our revenue generation.

Exchange wagering. One of the members felt strongly that we should move forward with adopting exchange wagering in Virginia, because that in particular is a popular betting format, specifically for steeplechase races, and the kiosk network sort of replicating the EZ Horseplay model is something the group encouraged us to look at. So revenue generation was an important theme.

Some of the other issues we talked about is the importance for the racing product to reach out to new customers. Again, we came back to the steeplechase model as being a way that has proven to be successful at introducing people to racing and that the whole environment is so pleasing compared to some of the racetracks in the country. So we talked about that.
There was generally good feedback for the new owner bonus program and for having the Virginia-bred races run out of state. So there was recognition that while we don't have a permanent facility now, we need to continue to provide opportunities out of state where we can, and so there was support for continuing the races up in Virginia.

So those are sort of the main themes that came out. Again, it wasn't a forum where any hard and fast decisions were going to be made, but it was more an opportunity to raise these ideas and thoughts.

And so again, I think the three main bucket lists were when live racing comes back, it needs to be unique, Virginia should continue to support the breeders and consider new ways to have additional horses eligible for Virginia programs, and then revenue generation needs to be an important focus for the VEA.

So those were sort of the main themes. Dr. Steger, I welcome any of your insight and I open it up, Frank and Debbie, to chime in on anything else, because it was a long discussion and we covered a lot of different things. So I'll pause there if
there are any questions or comments and allow
my colleagues to weigh in and hear your questions.

    DR. STEGER: I want to thank you and Debbie for
putting together what I thought was a very
instructive series of discussions. While we didn't
come to any final conclusion, I think the set of
issues we have to address are clearer as a result of
that meeting, so I just want to express my
appreciation for that.

    MS. EASTER: I think one thing that's learning
for the industry itself is, as Jeb said, it's the
revenue and the lack of revenue that's generated
potentially compared to other states. So I think a
new concept that everybody is having to get their
head around is that industry money, which might
include HBPA, VEA, Breeders Fund money, that pooled
we might have a better shot of developing a program
that could help Virginia.

    And as Jeb said, there is a subcommittee, but I
don't think just one -- our breeders incentive fund
isn't enough money to compete with anyone out of
state or lure people here to Virginia, so are there
other ways we can design programs here that could
create some economic benefit for the state, and I
think those are some of the things that the
A subcommittee is gonna look into, but it would be
more of a different look at things.
You'd have to pool funds to do it, rather than
just say this is going to be Breeders Fund money or
this is going to be owners money. So that was kind
of a new theme.

MR. PETRAMALO: Just to pick up on that, I think
from my standpoint, the most encouraging part of the
meeting was the general consensus that going
forward, we have to do things in a different way.
The old business model of a large racetrack with a
grandstand, et cetera, is not the future and it's
often difficult to get horsemen to understand and
accept that.

At the meeting, I think there was general
acceptance. As Debbie points out, we're looking
at new ways of doing things and I think that was a
good opportunity for us to hear ideas, but at the
same time educate those who were there to the notion
that we have to do something differently here in
Virginia if we're going to continue racing and
breeding racehorses.

CHAIRMAN VAN CLIEF: Question. I know you're
thinking about all the facets of the new model, one
of those I think as being as Debbie referred to as
pooling resources and looking for ways to use those resources not only to build the next generation of whatever the facilities might be, but also to stimulate the industry.

At this point, do you have a sense or will your committee be looking into developing a profile for what the industry really is right now in terms of job stimulation and growth within our horse industry? Will you look at it as a racing industry or an ag industry or both?

Are we now a state that in addition to special events like the Gold Cup, are we a breeding state? Are we a training state? What makes up our industry right now? Do we have a sense of what that really looks like? Are we layout facilities, training facilities, breeding farms? Who are we and what facets are we looking to stimulate and grow that we can build on now? Does that make sense?

MS. EASTER: I think we need to look at it. I think one of the realizations are maybe we're not just a breeding state. There are just as many people that foal out of state and raise their horses here in Virginia or bring their horses to break and train here.

I don't know that we have any numbers on that
right this second, but I'd probably argue there's just as many people that raise their horses here in this state that don't get to participate in any programs as there are people that just do the active foaling here in this state.

So I think I would encourage this committee to be kind of wide open thinking and we'll probably get some ideas from them and the rest of us will have to track down numbers and figure it out.

I think the reality is going to be I don't know that we can do something that's significant incentive-wise if we prioritize having a facility to live race at right away as going to be there, because I don't think building a program that is insignificant or doesn't have some kind of real funds that we can put to it is going to do us much good. So I think we're a long way from getting to the answers that you want right there, but at least people are starting to talk about it.

CHAIRMAN VAN CLIEF: Thank you.

VICE CHAIRMAN DAWSON: Mr. Chairman, I have a question.

CHAIRMAN VAN CLIEF: Yes, ma'am.

VICE CHAIRMAN DAWSON: This is in general to the VEA. I want to say first that we are grateful as a
Commission for all the work you're doing and have done over the years to keep this industry alive.

One thing that interested me in Jeb Hannum's presentation, he mentioned that there was a large group of people that wanted to focus more heavily in coming years on revenue-raising rather than on developing tracks. Is that what you said? It's kind of oversimplified.

MR. HANNUM: Yes. I think that there was the feeling that, well, there are a couple different ways to think about it. Currently, there's limited amount of purse money available. So if we found a site, we would only have X number of days to race based on our current model.

The thought was how does that fit in and is that going to be impactful, and I think the feeling was that if we focus on revenue generation and get to the point where there is more purse money available, it makes the state more favorable should somebody want to come in and make an investment in a new facility or it gives the VEA the ability to put on better and more racing down the road.

So I don't think it was not wanting to have racing, but it was being realistic that with Maryland and Charles Town in our back yard, what
value does Virginia really bring if you're having a short Thoroughbred meet as opposed to waiting for maybe five years when you have seven or eight OTBs running, you've accumulated some money, and then all of a sudden you've got a very significant source of revenue that you can apply towards a longer meet and the state is more attractive to other people to come in and perhaps participate in that.

The 30 people that were there, I don't know if three people felt way or if ten people felt that way, but that was certainly a sentiment that came out.

Again, I keep coming back to Maryland because that's what we're sort of up against a little bit when those sort of resources being invested in the neighboring state. It just forces Virginia to really think carefully about where do we fit in and what are we going to offer that's unique and different.

VICE CHAIRMAN DAWSON: I understand that and I thank you for that explanation.

MR. HANNUM: Yes.

VICE CHAIRMAN DAWSON: At the same time, I recall meetings that we had here at the Commission where we had lots of trainers and people who wanted
to race here in Virginia. I don't see those people anymore and I'm just wondering why they aren't coming. Is it because they've given up?

I wonder and I feel for them because they are businesses and they have businesses to support and clients to support, and I think we have to represent them as well. I'm just raising a concern here. I don't have any answers, either, but I don't want to see us neglect that aspect.

MR. HANNUM: Absolutely. That's a very good point. I think everybody wants to see racing, it's just a question of what does it look like and how quickly do we get there. So it's a very good point. I don't think those people disappeared, but I think they probably are not feeling the urgency to come out and participate in these meetings.

VICE CHAIRMAN DAWSON: They've gone to other tracks.

MR. HANNUM: Yeah.

MR. PETRAMALO: I have in mind a couple of the younger trainers who have had to remodel their business. They used to go to Colonial Downs; that was their main focus. But now with no Colonial Downs, racing more in Charles Town, shipping to Laurel, et cetera, they're dropping out of the
business, they're just refocusing on the market, and
I fully expect that if there were something here in
Virginia, they'd come right back to Virginia.

VICE CHAIRMAN DAWSON: Which is why I raised the
issue, because I'd like to see them stay here.

MS. EASTER: I think people being here is kind
of a lifestyle decision more than what we can do to
generate incentives for them, unfortunately. We
can't compete with those incentives.

So as Frank said, and I'll use one name. I
don't think she would mind. Let's take a younger
person like Karen Dennehy, who is probably affected
as much by the close of Colonial as anybody and was
worried about their business and the lack of being
able to be there training.

They've had to twist their business a little
bit. She tells me she's got as many horses as she's
ever had, breaking horses for people out of state
and sending them out. Well, there's not necessarily
anything wrong with that business model. She's just
had to tweak it.

I'm not going to paint a rosy picture for
anybody. We have less horse folks doing things here
in Virginia than we used to. I think that those
that want to stay here and want to create their
living are figuring out different ways to tweak their model a little bit.

VICE CHAIRMAN DAWSON: I'd just raise the issue and I'd like to have my colleagues on the Commission think about that, too. I don't want to see them forgotten.

MS. EASTER: We're trying to figure out ways to help them. It's just hard.

CHAIRMAN VAN CLIEF: I might follow up that line of questioning with the next sort of logical one, which is given those kinds of operations like the Dennehy family, are you seeing any departure from Virginia for other states or are our horsemen staying put?

Of course they're tweaking their business models in terms of sending horses out of state because they don't have racing opportunities here, but are our training operations staying put or are they migrating elsewhere at this point?

MR. PETRAMALO: My sense is they are staying put, but their focus is on other jurisdictions. One of the major breeders who attended the meeting last Thursday doesn't foal in Virginia anymore; he foals in Maryland. But guess what? He hasn't moved his farm. His farm, his horses, his training is still
in Clark County or Louden County. Anyway, it's still in Bluemont, and I think that's probably a typical example. This is a good place to raise and train horses, not so much for foaling, because there's no incentive here the way you have to foal in Maryland or Pennsylvania or even New York.

CHAIRMAN VAN CLIEF: So the conversation then might lean towards how do you develop an incentive program that's going to incentivize Virginia businesses, not just breeders.

MR. PETRAMALO: That was one of the themes that came across at the meeting last week. Not so much the notion of breeding, that is dropping foals here, but the notion of raising in Virginia as opposed to, quote, breeding in the traditional sense in Virginia.

MS. EASTER: I think the longer this goes on, we have to be realistic. The longer that we -- are people staying put. Those that have large constitutions, I think you're right, but the longer this goes on, the infrastructure, there are not as many vets.

All that infrastructure, a lot of people foal their horses out of this state because it's hard to find a -- if you don't want to stay up all night and
watch your own horses, it's hard to find a facility
that can deal with that.

As this lingers on, that becomes -- those
facilities are built elsewhere in other states. I
think we have to sustain is our first probably goal
and then see what we can do to grow, I hope.

COMMISSIONER MILLER: Mr. Chairman. In your
group, the VEA, when you're looking at revenue
enhancement, have you also concentrated on the tax
policies? Is there anyone who has the time or maybe
you've already done it or made the effort to examine
taxation policies, both statewide and local taxation
throughout the country and here in Virginia to see
if there's anything that can be done in Virginia to
adopt a more favorable tax environment for
ownership, breeding, training, racing of horses?
Anything to do with the equine industry that would
give a more favorable tax incentive to people to
stay in Virginia or to come to Virginia?

MS. EASTER: I think that there are those of us
who aren't quite sharp enough, but luckily, we had a
commissioner there that mentioned that. I think
those are things we need to look in to.

You and Dr. Steger are very sharp. I think that
would be great. I don't think any of us have ever
...thought about the government would probably -- the state of Virginia would be willing to support us at that kind of level, but I think it's worth looking into.

COMMISSIONER MILLER: You never know until you examine the situation.

MS. EASTER: Exactly.

COMMISSIONER MILLER: Dr. Steger would know this much better than I, but it seems to me that almost in every industry when it comes to taxation, you can find an economist or a group of economists that will tell you that if the state will just reduce the taxation burden in this particular area, it will enhance the revenue for the individual and the state. I don't know how they get to that point, but they do.

DR. STEGER: My take on it is that our industry is declining and that we should look at some tax credits to reinvigorate some investments so everybody wins in the process. That's a very good point.

MR. PETRAMALO: I can tell you a bit about how it works in England to support the horse industry there. In England, they have something called value added tax. Now I think it's 18 or 20 percent on
everything. If you're in the horse business and are registered with the revenue folks, you file a quarterly tax return and all of the tax that you paid, the 18 or 20 percent, is refunded to you and that's the way the government there supports the horse industry.

COMMISSIONER MILLER: I would suggest that if someone that has the time and the energy that someone in your horsemen's groups, plural, should try to make an effort to examine the ramifications of our current taxing policy in Virginia, not just statewide, but the different localities where we have a focus on the equine industry and do the best you can to try to come up perhaps with some suggestion of some approaches that might be made to make it more attractive for people to continue in the business here and bring people in from other jurisdictions.

MR. HANNUM: Thank you.

CHAIRMAN VAN CLIEF: One suggestion in that regard. You might, Debbie, give a call to KTBA or some of your Kentucky colleagues. I know they've had lots of initiatives over the years with state government for just that kind of tax relief and see if there might be some instructive lessons that you
could learn from them real quickly.

MS. EASTER: Okay. Thank you.

MR. PITCHFORD: Debbie, I know that they've had an economist from UK study that question.

MS. EASTER: There's some consultant out there that will give us some kind of idea. Thank you.

CHAIRMAN VAN CLIEF: You might check with the University of Louisville's equine program, too. I'm sure they've got a line on it.

MR. HANNUM: So would you like me to continue on with the VEA report or should we move on from this item?

CHAIRMAN VAN CLIEF: I think everybody is up to speed at this point. Please.

MR. HANNUM: So once again, this is an ongoing process. Some committee that's looking at expanding eligibility for horses will report back to us, hopefully in the next couple weeks, and we'll bring that before the Commission to discuss and share and we continue to have the dialogue with our stakeholders. So thank you for your interest and your contributions.

Moving on to Shenandoah Downs. We met -- the VEA met with Tom Eshelman, who is here today, and the Shenandoah County Fair has a subcommittee on
their board that interacts with us for racing. So we had a marketing meeting a few weeks ago out in Woodstock and it was also sort of a kickoff meeting for planning for this fall.

So marketing looked at enhancing some of the things that we had done last year, as well as leveraging the resources of the town and the county as well.

So we had a representative from Shenandoah County Tourism and Marketing Group and we also had a representative from the Chamber of Commerce from the county and also with the town of Woodstock, so we had a couple of people there and there are some initiatives we can work with them on, as well as continuing to do what we did last year to get the word out.

One of the things that we want to try to do which makes good sense is to increase our visibility on Route 81 because we have so much traffic there with an enhanced billboard. That's something that Tom has gotten started on and that has to go through some zoning issues to get that in place, but that's just one example of what we know will help us to get the word out.

We also talked about improved siting for the
barns. The configuration last year worked for us. It was a little bit crowded. We had one weekend where it rained quite a lot and we had a little bit of flooding in some of the barns, so we're looking at putting both of the barns in a different location on higher grounds.

There's a parking area sort of right of the Lilly building where the racing office was, so that's one possible spot where we could have barns.

But it really gets to a broader discussion that Tom and I had with his board and the VHHA, in that we have this wonderful partner in the Shenandoah County Fair. We have a 20 year lease and we really need to think about a master plan to put into place what we need to have a successful meet over the long-term, as well as recognizing what the fair needs for their purposes, and no doubt there are probably some outbuildings at the fair that maybe they would want to replace or maybe we can build some structures that work for both of us in terms of building stalls for the race meet and places for livestock at the county fair.

So these are all things that now that we're through our first meet and have a little bit more time to plan, we're working on that. So we have a
master plan meeting pending with the fair, and that will be an important step in laying out some of the things we want to get into place for this fall and then going forward, so we'll keep the Commission posted on that.

So other than that, we're starting to get organized for the races. We've posted on the USTA website our dates and information for the racing secretary for the races and just doing everything we can do to attract horsemen. So that's where we are at this early stage for Shenandoah in 2017.

CHAIRMAN VAN CLIEF: To your last point, do you have any indication from the horsemen community generally out-of-state? I know you've got good marks on your surface last year. Does it look like you're going to get a very positive response and get quality horses and plenty of them?

MR. HANNUM: Yeah, we hope so. Rosecroft would be our competition. And just drawing a blank right now, but there was a track that wasn't open for the first I think two weeks of our meet last year, and we're still trying to determine when it's going to be open or not. So we always have to keep in mind that we're going up with more established tracks in the area.
But I think everything went so well last year and the track was just a huge success and the horsemen raved about the surface, so that all just bodes very well for a better meet this fall.

CHAIRMAN VAN CLIEF: Thank you.

MR. HANNUM: So if there are no more questions on Shenandoah, I move on to OTB development. We have two sites open now, Breakers and Ponies & Pints. The January numbers I'll just go through. Breakers was open for 31 days in January and handle was 1,102,000 plus. That was about a 35, $36,000 per-day average for Breakers. Ponies & Pints was open for 16 days in January. Handle was a little over 300,000. Average per day was almost 19,000 per day for that site.

The split for Thoroughbred and harness was about 74 percent for Thoroughbred handle and about 26 percent for the Standardbred. So we look at that number carefully because we want to make sure we have a balanced racing program so we're adequately supporting both breeds and not favoring one or the other unintentionally. So that's I think a split that I think VHHA is comfortable with as we're sort of in the 75/25 neighborhood.

The handle for February where we had both sites
open all month was Breakers did 878,000, which was about 31,000 average per day. Ponies & Pints did 668,000, averaging about 24,000 per day. So we have a nice, friendly competition now between the two sites. Breakers has done very well, but Ponies & Pints just down the road has beaten Breakers on a few occasions, which I think is good.

As we've spoken, the two sites are very different. Breakers allows smoking, which appeals to certain people. Ponies & Pints, there's no smoking, it's a little bit bigger facility, and so it's just really nice to have the two that are a little bit different in character. But so far, so good, and we're looking forward to a robust Triple Crown season for those two sites.

I'll pause for a minute. Darryl Wood, who is the communications director for the VEA, he will speak about marketing at the two sites and a new initiative that we just signed off on.

MR. WOOD: Thanks, Jeb. Good morning, Commissioners. Like Jeb said, both places are doing pretty well right now, and with the amount of major Derby preparations that happen every weekend and some of the big stakes races, we see every weekend a whole new group of former players that used to be at
Colonial Downs now coming out to support both, so it's encouraging. This weekend it's the Santa Anita handicap and the Tampa Bay Derby, so we look for that to keep on going.

The two biggest ways that we hope to get new customers in is obviously the Kentucky Derby May 6th. We already had planning sessions with Breakers and Ponies & Pints. At Ponies & Pints, we're going to use the parking lot and have a big party there that would have a disc jockey and corn hole and beer trucks and betting in the parking lot. There's so many condos and apartments right by there, that we want those people to come in and experience that for the first time.

We've also through the owners at Ponies & Pints and Breakers, they felt that the Richmond Flying Squirrels baseball team here offered a great chance to partner with them. They draw close to 400,000 people over the summer, so we've now got a partnership. We signed that yesterday with them. It will give us some nice signage in the concourse areas of the Diamond going to concession stands and restrooms.

Also on the back of every four tickets sold or downloaded, there will be an offer to drive people
into both Breakers and Ponies & Pints for a discount food beverage option. So this time of year the regulars are coming in force, but this gets us two great options to try to build on that customer base.

MR. HANNUM: Thanks, Darryl. We had a third site selected down in Chesapeake. It's called Buckets and the owner is doing expansion. We've already done a lot of work to design the OTB area.

Unfortunately, we ran into a little problem with a zoning issue. There's an ordinance on the books down there that was designed, I think, to deal with the proliferation of internet cafés a few years ago, and unfortunately, the OTB has sort of fallen under that ordinance, so we're working towards addressing that.

We're going to be applying for a conditional-use permit to get approval. We have retained counsel down in Chesapeake to help us through this process. We have a -- there's a councilman who is very supportive of our initiative.

We don't feel that there's any sentiment against having an OTB open, and there have been OTBs down there, so it's just a matter of working through the zoning issue, which is too bad, because it looks like it'll set us back timing-wise for a few months.
We are moving forward full steam ahead with the design and the layout. We could have our application before the Commission perhaps at the next meeting if that seems appropriate with the staff, and it would just have to be with the understanding that the zoning issue has to be resolved. But it just seems like things are going to work out. We just have to go through this process.

Darryl has been doing a number of trips throughout the state to look for additional sites and Hampton and Martinsville are areas where we've had referendums and we'd like to have OTBs there. So we're not just focused on Chesapeake. We're looking at other sites as well, so we've got multiple feelers out there to restaurant and bar owners so we'll keep you posted on that. But Chesapeake, fingers crossed, will be the next OTB that we have open.

So that is my report, Mr. Chairman. If there are any questions, I'll take those.

CHAIRMAN VAN CLIEF: Thank you very much, Mr. Hannum. Any questions? I think you answered them all. Thank you very much. Appreciate it.

MR. HANNUM: Thank you.
CHAIRMAN VAN CLIEF: Okay. At this point, we've reached the public comment period. Does anybody --

MR. PETRAMALO: Before we get to that, may I make one announcement? We hope to go forward with our Virginia-bred stakes races in Maryland this year and we expect, of course, to bring that before the Commission. Jeb and Debbie and I are going up to Laurel to meet with the MJC folks March 22nd or March 23rd. I think it's quite likely that they will agree to have two days of racing.

You recall last year in June, we had one day of racing that had three Virginia-bred stakes and two Virginia-bred maiden races, and then in the fall, we had five Virginia-bred stakes and then we had the open Commonwealth Derby and the open Commonwealth Oaks.

We expect that Maryland will be happy to replicate that again this year, and that's what we're going to be talking about, with the notion that if we do reach agreement, we would come back before the Commission at the April meeting to ask for your approval.

The one slight wrinkle is there is some sentiment on my board not to run the Commonwealth Derby and the Commonwealth Oaks, the two graded
stakes, given that we're not going to be racing in
the near future at Morven Park. Some feel that it's
better to spend that money elsewhere rather than in
the graded stakes. But there are opposing views on
that and we haven't yet worked it out on our level,
but it's an issue that's out there.

CHAIRMAN VAN CLIEF: Okay. Then presumably, you
will be prepared with a recommendation on the graded
stakes? Yes or no?

MR. PETRAMALO: In April. Correct.

CHAIRMAN VAN CLIEF: All right. Thank you very
much, Mr. Petramalo. Back to public comments, if
there are any. Please state your name for the
record and keep it to five minutes.

MR. BERMAN: Tad Berman. Last month, the
Commission approved a $1.5 million loan from the
restricted funds for development of Morven Park.
From what I hear today, it sounds like we're not
going to move ahead with Morven Park. I just
wondered what the status of that $1.5 million is and
who has it.

In addition, I hear talk about racing being put
on hold. You know, I've always been about live
racing, and after the referendum was passed in the
late 80s, the guys that framed -- the framers of the
Racing Act put a provision in there that we would have 150 days of live racing and harness and Thoroughbred combined within five years.

I'll be the first to admit that that 150 days was pretty aggressive, and at the time, it needed to be adjusted, but the point being -- and it finally was adjusted in the General Assembly, but the point being when those guys developed the Racing Act or wrote the Racing Act, they wrote it to try to prevent us from being a state that was just consumed with gambling with no live racing.

That's the one thing they wanted to prevent, and from what I'm hearing today, that's what we are, is a state that is all about gambling and putting live racing on a back burner. So that's just something I would like to bring up. I appreciate Ms. Dawson's comments.

Also, I'm talking about you right now, Mr. Miller. Now that we have Woodstock, and Woodstock has been so successful forever, Virginia has tried to get an OTB in Northern Virginia, and I'll be the first one to admit that Woodstock is not exactly what we're looking for, but it's the farthest north that we've been able to get.

So this being an election year, I haven't heard
anything about a referendum possibility that we
might have up in Woodstock. So those are the three
things I wanted to touch on.

MR. PETRAMALO: I can respond to the first two,
Tad. When we sought, the HBPA sought approval to
make a loan of $1.5 million from the purse fund, I
made clear to the Commission at the time that there
was a possibility that Morven Park deal wasn't going
to go through. Well, that occurred. So the
$1.5 million still resides in the HBPA's purse
account. It hasn't gone anywhere. Secondly --

MR. BERMAN: It was supposed to be returned to
the Commission to the purse account. You said that
money would be returned if it wasn't spent on Morven
Park.

MR. PETRAMALO: It's in our purse account. It
never went anyplace.

MR. BERMAN: Okay.

MR. PETRAMALO: Second point. With regard to
live racing, I agree with you. We want live racing
here in Virginia. We are looking at other possible
venues. The Middleburg Training Center is one
venue. The Raymond Guest facility in Powhatan just
off of 95 is another. We haven't given up, but we
do recognize that the notion that building a
traditional racetrack with a grandstand isn't going
to fly. Nobody's got 25 or $30 million to invest in
something like that, but we are continuing to look
for racing venues for flat racing.

CHAIRMAN VAN CLIEF: Commissioner Miller.

COMMISSIONER MILLER: I apologize about my
phone. I didn't hear your point about Woodstock.

MR. BERMAN: Well, now that we've achieved such
success up in Woodstock and we've got you moving in
the neighborhood, I thought it might be -- and this
being an election year, I thought it might be a good
year to try to pass a referendum so that we could
have an offtrack betting parlor up there in
Woodstock full-time, and in the state fair, we could
do it at the fair and they could make even more
money to support the fair.

COMMISSIONER MILLER: Well, I would encourage
anyone who desires to do so to look into that
possibility, but I did tell you that Woodstock and
Shenandoah County are very, very conservative. It's
a very, very conservative area politically, and it
would take a gigantic effort to be successful with a
referendum there. But I'm not saying it couldn't
be.

It depends on who promotes it and how it's
promoted. It could be a possibility. I'd like to see it myself, but it would be a challenge to get a referendum passed in that particular political jurisdiction.

CHAIRMAN VAN CLIEF: Mr. Berman, thank you for your comments today. I'm not sure there's anybody else in the room that hasn't already spoken. Is there anybody else that would like to speak?

MR. ESHELMAN: Can I say something?

CHAIRMAN VAN CLIEF: Mr. Eshelman.

MR. ESHELMAN: I'm Tom Eshelman with the Shenandoah County Fair, and I can address the issues to the commissioners and to you, Tad.

Being one that helped facilitate what happened last year, without the law that was passed allowing 14 days of racing in the state of Virginia, what we have in Woodstock would have never happened. I can speak pretty strongly about that. There is a contingency that is very against pari-mutuel wagering.

The way that it was placed, the way we worked with the local legislature, with the county and town representatives, it all went smoothly. They really didn't have any say about it because the law clearly states that this was a Virginia law.
While I can't speak for the voting population in Shenandoah County, I can concur with Mr. Miller that it would be fiercely sought after. In fact, the innuendo was now that you have allowed this to happen, what's next. So it's definitely an upward battle.

As much as I would like to see it as a businessman of a facility, I would dare say that the public would almost take a resenting stance against it and it would not go over well.

I would definitely encourage Fairfax County, Gainesville, the Manassas area, Prince William County is growing like gangbusters. Those are places that I think would embrace it. Those are customers going to horseracing, and also the same customers going to Charles Town.

Just to concur with Mr. Miller, as much as I would like to see it as a facility manager, I think the general population would definitely resent trying to move forward. Thank you.

CHAIRMAN VAN CLIEF: Thank you. All right. We now have time for commissioners' comments. I'll start to my left with Commissioner Reynolds.

COMMISSIONER REYNOLDS: No comments.

CHAIRMAN VAN CLIEF: Commissioner Steger.
COMMISSIONER STEGER: No.

CHAIRMAN VAN CLIEF: Commissioner Dawson.

VICE CHAIRMAN DAWSON: Yes. I just want to say that this conversation, this discussion that we've had this morning has been very useful to me especially.

Some things I'm encouraged about, some things I'm a little disappointed with, but all in all, you have done your homework and you have worked hard and I wish we could do more on the Commission to help.

I liked hearing what Mr. Petramalo said about we're not giving up on racing venues and that's still ongoing, so I guess it is a longer road than we had all anticipated, but we all are not giving up, either. So thank you for your help.

CHAIRMAN VAN CLIEF: Thank you. Commissioner Miller.

COMMISSIONER MILLER: Nothing further.

CHAIRMAN VAN CLIEF: I'd just like one brief comment, and candidly, I'm very encouraged. Not only is this an industry that doesn't give up, but obviously we've got, I think, lots to be very pleased about on the Standardbred side of the equation and some challenges ahead of us in terms of regenerating live racing for the flat racing
community.

But what I've seen this morning and in listening to the conversation and reports from each of you and listening to your developing strategies for pooling resources, developing revenue and looking for a new model that will work economically in terms of live racing, I think you're asking the right questions.

I'm very encouraged. Anytime you see this kind over cooperative effort within this industry, you have to be encouraged. So thank you all for your cooperation and your hard work and I'm very pleased to relicense the Gold Cup. Good luck with those outstanding events this year. We all look forward to joining you at Great Meadow. Thank you very much.

I don't think we need a closed session for any purpose today, so this is the point at which we usually try to get our hands around the next meeting dates.

Seems obvious to me with the approval of potential approvals in front of us or requests for approvals I should say for a Maryland-based schedule again in 2017, sounds like we are going to get an application in our hands that we can act on, at least contingent with zoning issues being solved for
your Chesapeake OTB and perhaps a firm recommendation on graded stakes purse expenditures. We obviously need an April meeting, so why don't I ask Mr. Lermond if you could take a look and ask the commissioners.

Seems to me -- and Jeb, do you think the first week, second week? Trying to be sensitive to your scheduling needs. When do you think you can get an application into the office on that Chesapeake facility and what makes sense to you from a scheduling standpoint? First half, second half of the month?

MR. HANUM: I think the second half. Later in April.

CHAIRMAN VAN CLIEF: Okay.

MR. HANUM: Maybe the week of the 24th.

CHAIRMAN VAN CLIEF: All right. In that case, Dave, let's poll the commissioners and see if we can pick a date. We go back to our old Wednesday schedule. My week is open. Mr. Reynolds?

COMMISSIONER REYNOLDS: I would prefer the 25th, but I'm supposed to go out of town on the 26th, but if that's the only date, I'll make it happen.

CHAIRMAN VAN CLIEF: Either.

VICE CHAIRMAN DAWSON: Either.
CHAIRMAN VAN CLIEF: Commissioner Miller?

COMMISSIONER MILLER: I can't on Tuesday. The 25th is out.

CHAIRMAN VAN CLIEF: The 25th is out for Commissioner Miller.

COMMISSIONER REYNOLDS: I'll just move my --

CHAIRMAN VAN CLIEF: Not a hardship? Okay. All right. Let's poll everybody on the 26th. It looks like that's a done deal. So if you would confirm with everybody, we'll set it for ten o'clock on the 26th.

Any of the commissioners have any other item of business they'd like to put in front of the meeting at this point? If not, we need a motion to adjourn.

COMMISSIONER REYNOLDS: So moved.

CHAIRMAN VAN CLIEF: Any opposed? We have a second and a motion. Any opposed?

NOTE: There was no response.

CHAIRMAN VAN CLIEF: We are adjourned. Thank you all very much.

NOTE: The meeting adjourned at 11:15 a.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 19th day of March, 2017.

_____________________________
Sandra G. Spinner

SANDRA G. SPINNER
COURT REPORTER