VIRGINIA RACING COMMISSION

November 14, 2017

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

Commencing at 10:00 a.m.

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

COMMISSION STAFF:
David S. Lermond, Jr., Executive Secretary
Rhonda F. Davis, Pari-Mutuel and Licensing Coordinator

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

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## INDEX

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Call to Order</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>Approval of the Minutes from the August 17 Meeting</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>New Business</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>A. Request for Approval of a Satellite Wagering Facility Application Submitted by the Virginia Equine Alliance for the Quality Inn/Dutch Inn Located in Collinsville, Virginia</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>B. Request for Approval of the Quality Inn/Dutch Inn Simulcast Revenue Sharing Agreement</td>
<td>14</td>
</tr>
<tr>
<td>6</td>
<td>C. Update on Strategic Planning Committee</td>
<td>17</td>
</tr>
<tr>
<td>7</td>
<td>D. Consideration of Committee Member Assignments, if necessary</td>
<td>19</td>
</tr>
<tr>
<td>8</td>
<td>E. Report from the Virginia Equine Alliance</td>
<td>20</td>
</tr>
<tr>
<td>9</td>
<td>i. OTB Development</td>
<td>20</td>
</tr>
<tr>
<td>10</td>
<td>ii. Shenandoah Downs</td>
<td>30</td>
</tr>
<tr>
<td>11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Public Comment Period</td>
<td>38</td>
</tr>
<tr>
<td>13</td>
<td>Commissioners' Comments</td>
<td>43</td>
</tr>
<tr>
<td>14</td>
<td>Closed Session</td>
<td>43</td>
</tr>
<tr>
<td>15</td>
<td>Adjournment</td>
<td>52</td>
</tr>
</tbody>
</table>
CHAIRMAN VAN CLIEF: Good morning, everybody. My watch and my telephone say it's ten o'clock, so I would like to call this meeting of the Virginia Racing Commission to order, and I would like to start with welcoming Commissioner Stuart Siegel back to the Commission.

He chaired it when I was a rookie and it's delightful to have him back on the Commission. So Commissioner, thank you for your willingness to serve again.

COMMISSIONER SIEGEL: Happy to be here.

CHAIRMAN VAN CLIEF: Next order of business is to consider approval of minutes. I'd like to suggest one change. That is, in attendance at our last meeting, it shows that myself, Commissioners Miller and Steger were there, and I believe Commissioner Reynolds was also in attendance. So if we could add his name to the roster of those attending, I'd appreciate it. I don't have anything else for the minutes. Does anybody else?

COMMISSIONER REYNOLDS: I move approval.

CHAIRMAN VAN CLIEF: We have a motion for approval.

COMMISSIONER STEGER: Second.

CHAIRMAN VAN CLIEF: Okay. Second. Thank you.
Any opposed? The minutes stand approved as amended.

Under new business, we've got a number of issues to take action on. The most notable is, I believe, to consider approving a satellite wagering application which has been submitted by the Virginia Equine Alliance, so I'd like to get started with that hearing as part of this meeting at the top.

Is that report going to be coming, Debbie, from you?

MS. EASTER: Jeb. And if you need more details, I'll hit you with that.

CHAIRMAN VAN CLIEF: Mr. Hannum is going to issue a report on this. For the commissioners, I believe you will find under Tab Two of the staff report an executive report on the application. So, Mr. Hannum.

MR. HANNUM: Great. Thank you, Mr. Chairman. Thank you. So with all of these reports or applications that come before you, it's a lot of work to get the site selected and have the license application before you.

I just wanted to acknowledge Debbie's work on this site. Darryl Wood, Mary Calabrese, Jason Whittler, Bill Murrill with the Easter office, Frank Petramalo and really everybody is involved with
these things, and as we have different projects
before us, people pitch in and take on things and so
it's a real team effort to come before you with
this, and while I'll speak to it, I just wanted to
point that out.

So as I mentioned, Debbie and others paid a few
visits down to Henry County. This was an area that
we obviously wanted to pursue. Colonial had a site
down there and in 2007 did about $12 million in
handle, so this was obviously an important OTB
location for us.

So the site is at the Quality Inn, referred to
as the Dutch Inn on Route 220. It's a good location
for us in Collinsville, Henry County, so just
outside of Martinsville.

This is an area with a population with obviously
Virginia residents, but also nearby North Carolina,
which provides an opportunity for others to travel
to the site.

It's about 4500 square feet with enough space
for about 300 people. It will follow a similar sort
of layout as our other OTBs and having a couple of
spaces for live tellers, self-service machines and
about 30-plus televisions, so I think it'll be very
well laid out and very accommodating for people that
are new to betting, and also, you know, comfortable for sort of the seasoned handicappers.

One of the issues that is laid out in the staff report on the third page is that we still need to obtain a special use permit, and the date for that is on November 29th, so this would follow a little bit how things happened down at Chesapeake.

As you remember, we had the application before you, but we still needed to receive a permit from the city. So I just point that out to you that November 29th is the permit date, hopefully, for approval.

I mentioned the handle of $12 million in 2007 that Colonial had, so we were conservatively estimating a $5 million handle in 2018, and we hope to be up to eight or nine million within the next couple of years, and that's all laid out in Tab K of the full application.

So if approved, this would be our fourth OTB or SWF, and we have some experience now with our Richmond sites and a good team in place and we appreciate your consideration for this application and can answer any questions you have. So thank you.

CHAIRMAN VAN CLIEF: Thank you. Do the
commissioners have any questions for Mr. Hannum?

I might start with one or two. The executive summary indicates that you'll have three terminals initially in the betting area that can be manned by a live teller or converted to self-serve. Just curious. Are you going to hire tellers initially in that area to service the crowd or are you going to have self-service?

MR. HANNUM: We'll always have at least one live teller, and depending on the race day or the special event, we can increase that and that's what we found has worked well with our other sites. So we always have at least one, and then on weekends or a big day we'd have more.

People are pretty good. We encourage people to use the self-service machines and once people get the hang of it, they're pretty comfortable with it and that helps, obviously, with not having big lines right before big races and we certainly always want the ability to increase it as necessary.

CHAIRMAN VAN CLIEF: With your experience thus far, do you find that you get a fair number of new wagerers that need some schooling and go to the teller for help or are most of the betters that come in already pretty knowledgeable?
MR. HANNUM: That's a good question. I think one of the problems that we have is that people tend to wait until the last couple of minutes to bet, and that can be frustrating for the people that know what they're doing when you have four people in front of them and there's a minute to post.

Some in the Richmond sites, the staff there encourage people to try to bet as early as possible, but I think that, you know, we want the new people to come in. The staff are trained to help them and encourage them.

The breakdown is, I can't speak to that, but just getting people to use the self-service machines, that certainly helps when you're just a few minutes from post, so we try to encourage people to do that.

CHAIRMAN VAN CLIEF: I note that you're going to have the capacity to import ten signals, assuming again these would be the same signals that are imported to the other facilities. Is that true and what product are you bringing in?

MR. HANNUM: Yes. So it would be the same, and then we obviously want to have a good balance with the Thoroughbred and Standardbred signal and that seems to have worked well. It's running about
75 percent 25 percent in terms of how that is breaking down, which is what we sort of anticipated, but as you know, the harness signals tend to pick up in the evening and go to nighttime. So I think that so far, we've had a good mix and people responded well to it.

CHAIRMAN VAN CLIEF: Are you bringing major racing signals in, Churchill Downs?

MR. HANNUM: Yes. We have contracts with all the big tracks and that's all in place. So we have California, New York, Kentucky and every one that one would want to have.

CHAIRMAN VAN CLIEF: Okay. Thank you. My last question is you've got the hearing coming up on your zoning and do you anticipate any issues, again given the Chesapeake experience? Are there any landmines out there that you're afraid of stumbling across?

MR. HANNUM: I hope not. I hope not. So everyone has been welcoming. We've learned a lot from our Chesapeake experience and that anything can come up and these delays are sometimes part of the process of getting a site open. But fingers crossed, things should go well on the 29th.

MS. EASTER: Just unlike some of the other localities as in Chesapeake, Henry County had
updated their wagering laws, so they have zoning laws in place for our facilities because they had problems with internet wagering cafés coming over, so they separated us off. So far, everything I've heard from the zoning folks said we shouldn't be a problem for racing.

CHAIRMAN VAN CLIEF: That was my last question. One more occurs to me. This is just to refresh my memory. The development budget that you have in the application, how does that compare to the previous facilities we opened?

MS. EASTER: We're a little higher on this facility than we are on the other. I think that the idea here -- two things that have made that budget higher.

One is that this was an already existing restaurant. It was a lounge that had basically been -- they leave it open a little bit for their customers a little bit in the evening and it really hasn't been functioning. They weren't looking to get in the restaurant business and saw this as an opportunity.

I think the owners and us are looking to make it something very unique and nice for the Martinsville area in a sports bar that will have some lounge-type
sofas in it and benches with pillows and stuff, so it'll be a little bit nicer type facility.

The majority of it is going to decorations and just making it -- we don't really have to do a lot of moving walls and everything, but decorating it nicely, making it really attractive to people so hopefully they'll want to come.

CHAIRMAN VAN CLIEF: Maybe I should know this, but in terms of the capital that's coming into it, who bears that capital of improving it? Is that the restaurant or both?

MS. EASTER: We share in those costs. In this one, we're taking a lot of the decoration cost. We're taking the majority of the decoration. We're putting in 200,000, they're putting about 50,000. They're putting in 50 to 100 into the kitchen upgrade, and then we'll also have additional expenses from putting in -- which we do in every OTB -- the tote machines, the lines, what we call the switch, which allows us to -- which is a crazy expensive piece of machinery, but it allows us to coordinator all of the TVs.

So how does it compare from the start? It's more expensive, but after we finish the Breakers and Ponies after the upgrades, after we've gone in there
and agreed to stuff, it starts to level out.

CHAIRMAN VAN CLIEF: Thank you. That is all for me.

MS. EASTER: We're getting better at budgeting what we actually put in to things.

CHAIRMAN VAN CLIEF: All right. Good.

Questions from anybody else? In that case, you're looking at your staff report at the end of the recommendations, Page Four. I'd note that staff has recommended approval of the application with the following conditions, and I will read them.

Condition number one, the satellite wagering facility shall be operated in accordance with all representations, plans and specifications as submitted in the application and as described at the Commission meeting on November 14, 2017, and shall not deviate materially from these representations, plans and specifications without prior consent of the Commission.

Number two, the facility shall be operated in accordance with all applicable state and federal statutes and regulations, the regulations of the Commission and all local ordinances.

Number three, VEA shall post a bond or other instrument of financial security in a form
acceptable to the Commission staff in the amount sufficient to cover the outstanding mutuel tickets. VEA may utilize its existing security offered in support of other SWF licenses previously granted by the Commission to meet this requirement.

Number four, VEA shall secure the proper zoning permit from Henry County for this location prior to commencing operations.

I'd suggest that we consider including those conditions in a motion to approve. If there is one, I would ask my fellow commissioners if somebody would like to make a motion.

COMMISSIONER REYNOLDS: So moved.

COMMISSIONER MILLER: Second.

CHAIRMAN VAN CLIEF: A motion for approval incorporating four conditions incorporated in the staff report and a second. Is there any further question? Any other issue that a commissioner would like to bring up before we call a vote on this?

All in favor of approving the VEA application for this OTB, signify by saying aye.

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? The motion carries to approve unanimously. Well done for the VEA on their next OTB.
MR. HANNUM: Thank you.

CHAIRMAN VAN CLIEF: That will conclude the hearing on the matter and we'll go on with our agenda.

Next up is a request to approve the simulcast revenue sharing agreement relative to this OTB, and Mr. Petramalo is going to explain that to us, and it also is under Tab Three in your books. Thank you.

MR. PETRAMALO: Yes. A little background. As you may recall, our state racing statute with regard to simulcast wagering requires that five percent of the handle be paid to the horsemen. Five percent of Thoroughbred handle goes to the HBPA for our purse account, five percent of Standardbred handle goes to the VHHA for their purse account.

That's written in the statute and it's a nice contribution to us, but at the same time, for a new start-up, it can be somewhat burdensome. So what we've done over the years, not only with prior VEA OTBs, but even with Colonial Downs, we've entered into a 50/50 sharing agreement whereby we initially start off sharing with them 50 percent of what I call the net profit. I'm sure the accountant has got some other word for it. Actually, it's EBITDA, but I call it net profit.
Generally speaking, that's less than five percent. As it gets close to five percent, we're in Equibase. If it gets better than five percent, then we're doing better than a 50/50 share. So this agreement basically sets forth that with regard to the new SWF at Dutch Inn.

Let me give you a little history here. The VEA is doing a very good job of efficiently running their operations, because their net, which they're sharing with us which means we get it too, is 4.2 percent of handle.

Now by statute, we're supposed to get five percent, but we're getting 4.2 percent and we're rebating eight-tenths of a percent. That's a much better performance than when we had the deals with Colonial Downs. For whatever reason, Colonial's profit margin was not 4.2 percent; it was considerably lower. So we're doing quite well under this arrangement.

It's not as though we're taking a tremendous hit by agreeing to 50/50 rather than staying with the statutory share. So as I said at the outset, this is the same agreement that we have in place with Breakers and Ponies & Pints. Any questions?

COMMISSIONER STEGER: When Colonial did their
calculations did they factor in all their overhead --

    MR. PETRAMALO: Yeah.

    COMMISSIONER STEGER: -- or was it overhead of the OTBs only?

    MR. PETRAMALO: No, no. It was just a site-by-site. OTB-by-OTB. Now granted, Colonial had initially a different business plan. Remember they had stand-alones. They provided the food and beverage so their overhead was considerable.

    It was only later on they went to the same model that we're using, going into an existing sports bar which cut the expenses somewhat, but even in those places they had never reached a 4.2 percent EBITDA, so the VEA is doing a great job.

    CHAIRMAN VAN CLIEF: Are there any other questions for Mr. Petramalo? If there are none, then we do need a motion to approve the Dutch Inn simulcast revenue-sharing agreement as set forth in your meeting books.

    COMMISSIONER STEGER: So moved.

    CHAIRMAN VAN CLIEF: We have a motion. Do we have a second?

    COMMISSIONER SIEGEL: Second.

    CHAIRMAN VAN CLIEF: Thank you very much. We
have a second. Do you have any further conversation or questions? If not, please signify your approval by saying aye.

    NOTE: The Commission votes aye.

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

    Next up is an update on the Strategic Planning Committee's activities over the last month or so. Most of you in the room will remember that we started off a couple months ago suggesting that the industry might benefit from a formal strategic planning process to line up our priorities in a forward-looking manner and provide us ultimately with a well-packaged written document that would provide us a roadmap for the future and also talking points should we need them, whether it be for legislature, the administration, prospective marketing partners or sponsors. Whatever the need might be, we thought this might be a useful product.

    Commissioner Steger very kindly agreed to chair that committee and process. President Easter very kindly agreed to undertake the committee and make it a VEA function and Mr. Preston Bryant from McGuire Woods Consulting very kindly agreed to take it on as the formal facilitator and consultant. He's here
today with us.

I think it has been a terrific process and I hope everybody feels it has been a very valuable one. At any rate, I would like to ask our chairman, Dr. Steger, if he might give us an update of the activities over the last few weeks.

COMMISSIONER STEGER: Thank you, Mr. Chairman. I also want to thank Preston Bryant at McGuire Woods Consulting. I know they're doing this at a highly discounted rate. We appreciate it.

I think the meetings have gone extremely well. We've had significant participation, very thoughtful discussion, and the bottom line is I think we all have come to the conclusion, as is not surprising, that we've got to work on our revenue sources for the purses and everything else, otherwise the whole business doesn't matter.

I think approving the OTB in Collinsville today is a good step in the right direction. We've also got to look at the issue of the historical betting and getting that done, because there is interest in the purchase of Colonial Downs, which I think is probably going to be contingent on getting that taken care of in the process.

I think the other conclusions would be that --
and I don't know that I have unanimous consent on this, but I think the vast majority of the people feel that we've got to have a live racing product in Virginia to keep the whole business alive, and that we need to follow through whatever the path may be to ensure that that happens, and then we're going to have to look at ensuring that we have a marketing program to support it.

So in general, the process has gone well. I want to express my appreciation to all the members of the committee for their active, candid and helpful participation and thank the chairman for his efforts in this regard, and we're going to bring this to closure here in the next few weeks and we look forward to -- I'm confident there will be a positive outcome. We'll see how it goes.

If we have to work on our legislative strategies, be sure we get the historical racing thing approved. So that will conclude my comments, Mr. Chairman. Thank you.

CHAIRMAN VAN CLIEF: Thank you very much. The next item of business is to consider committee member assignments. We don't really have a lot to do here today, although we have one minor gap in the system.
Commissioner Carol Dawson served as the chairman of our Racing Safety and Medication Committee for a couple of years, and with her departure from the Commission, we need to consider a replacement.

I have asked Commissioner Reynolds, who has served on the committee for some years now, if he would consider stepping up and assuming chairmanship. He has said that he would, so I'd like to make that assignment and we'll make that official today. Thank you, Commissioner Reynolds.

COMMISSIONER REYNOLDS: Thank you, Mr. Chairman.

CHAIRMAN VAN CLIEF: The next report is on the -- we always have a report on the activities of the Virginia Equine Alliance, which would normally include the OTB developments which we heard about today, activities at Shenandoah Downs, and perhaps that would include a report on the beautiful day at Gold Cup and any other activities that the senior management would like to bring before the Commission.

Mr. Hannum, are you going to lead off with that?

MR. HANNUM: Sure. Thank you. So I'll start on the OTB development. I'll start with just a quick update on our two Richmond sites which continue to do well.
October, for example, at Breakers, handle was a little over 800,000 and Ponies & Pints was a little over 660,000, so the two of them continue to do well.

Handle per day at Breakers is almost 31,000 and Ponies & Pints is about 25,000. So we've been pleased with those two sites, and again as I said, we've learned a lot so that's going to help us going forward with our new OTBs.

Just a quick overview of the pending sites. Chesapeake, we hope to have open on Thursday, so that is exciting. That has been a long, drawn out process, but I think it's really going to be a great site.

Thursday, Friday will be sort of a soft opening and then there will be a grand opening on Saturday, which a number of people have already committed to and said they were going to go to down in Chesapeake, so we're looking forward to letting you know how all that goes and we appreciate the Commission staff's help and support on this as we've gone through a lot of issues.

Collinsville we talked about this morning and we appreciate the approval and November 29th we have the permit review.
Vinton is another area that we've been looking at. We had a site selected in Vinton and based on feedback from the mayor and the city, we're looking to find a new site.

There were some zoning issues with the site that we had selected and the city asked us to look at another site which we feel could be better based on its size and its location.

So we had really with Vinton, we had spent a lot of time, a little bit of our resources on some concept drawings but minimal investment. So it's unfortunate we're having to look at another site again.

We have a potential site, it's just a zoning matter, and as we've learned from Chesapeake, those are the types of issues that are going to come up and we have to navigate all of them carefully and respectfully in the areas that we want to operate. So we'll keep you posted on Vinton.

Hampton is another city where we have a site selected. We started the permit application process. We hope to have the application in to the City of Hampton by the beginning of December and that would put us on the Planning Commission agenda in January and that would then get that whole
process started.

Some assuming we're on for January, then it would then go before the city council in February, so a similar sort of process that we just went through with Chesapeake.

So that's kind of a quick overview of the pending sites. I'll pause there if you have any questions. Debbie may want to comment on something I may have missed, but that's where we are with the next couple of sites that we're thinking about.

MS. EASTER: The only comment I'll have is, Commissioner Van Clief, when you asked about Collinsville and the -- this one is more of a political. We are running up in some of these places about the potential political worries about gambling.

The city actually put us in this spot or suggested the spot and we're zoned and legal to go in there, but they got worried about it was sold as a restaurant -- not a restaurant -- SWF at the time it was rezoned and we're worried about the political fallback.

So they want us there, they're excited about our project, but when they got thinking about what the political fallback might be, they thought we
probably shouldn't go in that site. So that's what happened there.

CHAIRMAN VAN CLIEF: Can you articulate in a little more detail the reasons for the pushback? Is it pure, straight anti-gaming? Is it for religious reasons?

MS. EASTER: Could be. From the moment we saw that site, Darryl and Mary and I, it's across from a church. We articulated our worries about that. They were like, no problem. It shouldn't be a problem at all, but I guess they had incentivized a restaurant to come there to buy the old public library and used some city funds to do it and the economic development guys thought that we were a great match with that and so we had gone forward with the project.

Then when they sort of informally talked with some of the city council, they were like, hey, we sold that to the public with public money as a restaurant in a family area and they don't want the political fallback, so that's fine.

I think that they're working on a new development project and if it works out, it'll probably be a better location for us. So it's just working with the city and not getting upside down
with them, and I don't think it benefits any of us to do that.

But we spent a good bit -- I actually was going to be prepared today to bring you an application in December for that site, so that's an unfortunate thing on that, but hopefully maybe by the middle of next year.

When you asked about Collinsville, that's probably the only thing that could hold us up. They are very happy to have us there. They don't see any problem with the special permit. Who knows who shows up at the meeting and what politicians do when the crowd shows up. So that could be the only thing I see could get in our way.

CHAIRMAN VAN CLIEF: Are you finding -- and now going through this for a while and getting some experience under your belt -- are you finding there are talking points, reasons, economic development, job creation, the positives you bring to the marketplace that offset some of that natural pushback that has been around for so long?

MS. EASTER: Unfortunately, one of the things city council told me in Vinton the other night, I think when Colonial came -- and I don't think it was something they were trying to do to pull over
anybody. I just think that there were expectations that those stand-alones would do a lot of business and we all know what our business is doing now.

They said we appreciate you telling us what you think you're going to bring to the economy, because that's about what we saw from Colonial Downs and they had promised us hundreds of thousands of dollars.

I think it's just that given the opportunity in a public spot, some people still voice their opposition to gambling, and even though it's legal, it's just how the politicians want to stand up to that or not.

So far, we've been lucky. Chesapeake, we thought that was going to be a real problem and we were able to overcome it. So we're going into places in Vinton and Collinsville where they do want us. The people that are on the city councils and county, they want us there so that's a nice thing.

CHAIRMAN VAN CLIEF: Thank you.

COMMISSIONER SIEGEL: I have a question. You characterized your existing locations as being good and that's encouraging. I'm just interested in how you measure that. Did you have projections to which you reached? I take it no one -- none of them have
been open long enough to have comp sales, but are there projections? Your overhead is somewhat limited so profitability can come with relative ease, but are you meeting projections and what projections do you have going forward for growth?

MR. HANNUM: So we haven't been open for a year yet in any of the sites, so once we get to that point, and that's getting close, then we can start comparing month-to-month.

But we really looked at what Colonial had done. The two sites that we have open now are in Richmond, but our sites are different; a little bit smaller and the scale is not -- we're not comparing apples to apples, but we were looking at what the market did before, and so we had estimates based on our applications and we're meeting those numbers now for two sites.

So the whole model is so different that we have been able to come in, go into existing businesses with a very limited amount of investment and so that model is working very well and Frank spoke to that earlier.

So I think, fingers crossed, we have a model that doesn't require significant outlay for us to get them open, and then we have a limited expense on
our side. So far, we've been pleased and hopefully these other markets will support them. Once we get into 2018, then we can start looking at how the sites are doing compared to a year ago and we can continue to look to grow them and then maybe Richmond could support another OTB and we maybe could expand some of the ones that we have right now.

COMMISSIONER SIEGEL: I take it you have marketing lined in your budget to help grow those sales?

MR. HANNUM: We do. Yes. So we have a dedicated staff member, Darryl Wood, who does communication and marketing for the OTBs. So that's very important. We work very closely with the site owners, the restaurant bar owners to do things that are going to be consistent with how they want to promote their businesses as well.

COMMISSIONER SIEGEL: I would think early on that would be more important because people need to find out where you are.

MR. HANNUM: Exactly. Yes.

MS. EASTER: I'll chime in, just because I get to see the numbers even a little bit. You're familiar with Finn McCool's and Hurleys and Major
Willies, those types of places that are similar to what we're doing.

That facility is a little bit smaller than the two facilities we have in Richmond. Those were hitting about $3 million in their day. We're already hitting $10 million to $12 million a day in our facilities -- I mean excuse me -- a year in our facilities, and so as Jeb said, we'll know more.

I think that one of the things going forward, and we will be discussing this, they put together their budgets for next year and maybe we have good committees on some of these other things. One of the things that has been mentioned is the Marketing Committee.

In all honesty, we've been flying by the seat of our pants. Some of it has been lucky. We don't have but so much room in some of the facilities. We didn't flood it with marketing because we didn't want to over fill it, but I think we can do a better job of that going forward and I hope that will pay off, but everybody, Darryl and Jason and everybody that has been in the OTBs have done a super job so far and we couldn't be more tickled with what's coming back.

COMMISSIONER SIEGEL: Good.
CHAIRMAN VAN CLIEF: I might make a comment to Dr. Steger's report. He mentioned marketing is an important aspect of the conclusions being drawn by the committee. I think the consensus seemed to be in our last meeting that the industry ought to be engaged in an overall marketing evaluation that will deal with a lot of aspects that will capture exactly what you're taking about here as well.

MS. EASTER: We're getting better as we go along, but we're all on new jobs, too, so luckily we've got a good leader.

CHAIRMAN VAN CLIEF: Any other questions?

MR. HANNUM: Okay. So just moving on to Shenandoah. We had our second harness meet that concluded in October. We have really a wonderful partner with the Shenandoah County Fair. Tom Eshelman called me this morning. He was planning on being here and he said unfortunately he couldn't make it and he was hoping to come in December.

We just have a really good partner. We're continuing to look at how we can just make changes there that are going to be good for the horsemen. We had a significantly different back side set up this year which was very helpful, I think, to the horsemen. It certainly made it a lot easier to move
around on the back side. It was a lot safer. It was esthetically a lot more attractive, so we'll continue to tweak that.

We had an improved betting experience for customers this year. We had new betting counters. We had new layout. We had televisions positioned differently. We had walk-around tellers which was received very well, and so I think that aspect of it went very well.

I think the racing was very good. We're up against the big boys and we sort of are managing to hold our own and that's encouraging. People were very supportive. In between the weekends, we would have anywhere from 50 to 60 horses on the back side training every day, and people stuck with us when Rose Croft reopened. There was some competition with them on I think the last two weekends. Entries really weren't affected in a significant way. So that was all very encouraging.

So I think the horsemen like it. We were very lucky with weather this year. We only had one bad day, and over all, I think it's just turning into a nice meet.

But having said that, you know, we're open minded as to if we want to think about a new season.
The fall is always going to be tough for us based on college football, a lot of other events that are going on out in the Shenandoah valley.

So the VHHA board is kicking around the possibility of maybe a spring meet. I don't want to say we're going to do that. I just mention it to the Commission because it's something that's under consideration, but we're committed to the same schedule for next year, but it's just something that everybody has sort of got in the back of their minds.

The spring meet would lend itself to less competition, but it wouldn't obviously be as favorable with the two-year-old racing because that obviously wouldn't work.

We'll continue to work with the county fair on the set-up and improvements to the site. This year we had a new bathroom facility which was extremely popular. We had an expanded crow's nest as a judges' and stewards' area up in the grandstand which was much improved working space for everybody. So those sort of things we can sort of pick off year by year and so we'll continue to do that.

We're going to meet this winter with the VHHA the VEA and the county fair to go through all of
these things with a real focus on marketing issues, and we just really want to do everything we can possibly do to try to get people in the door.

So in terms of the numbers, Saturdays are a good day. Just for example, the first Saturday we did a little over 12,000 in handle. We probably had about 700 people there and that was sort of consistent for each Saturday. The last Saturday, we did almost 20,000. That was the highest handle we've had since we've been doing the meet. It was $18,320 on the last Saturday, so that was great.

Sundays are a little bit lighter. They're usually around 10,000, a little under 10,000 and then attendance tends to fall off to 300 or 400 people. So that's something we want to look at but we know we've got other things going on for people.

So the total handle was 124,000 in 2016. It was 105,000, so that's an increase of a little over 18 percent, so I think that's great. So we now have some numbers we can compare year-in and year-out.

So that's a quick overview on Shenandoah and I'm happy to take any questions and it's something we can continue to talk about as we go forward.

Commissioner Miller has been enormously supportive of the meet and we really appreciate him
coming out and coming back to talk to staff and just making his presence known to all of us, which is just really helpful and we look forward to a really good meet next year and continuing to try to improve things. So we appreciate everyone's support.

CHAIRMAN VAN CLIEF: Any questions about the Shenandoah meet? Jeb, could you talk a little bit more about you mentioned the mobile tellers, how that worked and how many you had and how that was accepted by the crowd and customers and so forth?

MR. HANNUM: Yes. I say it was popular. I don't know how popular it was among the actual tellers because they were literally going up and down those stairs and physically, it was pretty demanding and people were raising their hands and wanting to grab them before the races went off, but we always had one or two people floating around.

Some of the spectators and customers are a little bit older and getting down those stairs to the betting area and then back up the stairs, it's a lot.

It was bright, sunny, warm days so that takes a lot out of people, so I think that's something we want to continue for next year and we may be even working with the Commission staff.
I just sort of throw this out, but we need to make sure everything is obviously done as Mr. Lermond wants it to be done. But maybe we can have a booth up in the stand. Those are sort of things we want to try to tweak a little bit for people. So there's a lot of interest. We just want to make it as easy as we possibly can for people, but that was a good innovation that was enthusiastically appreciated by everybody.

CHAIRMAN VAN CLIEF: Great.

MR. HANNUM: We also, I should mention we sent our signal from Shenandoah into the OTBs in Richmond, so that was the first time we'd done that and so that was a good experiment for us in terms of the actual quality of the signal to promote Shenandoah and giving people the opportunity to bet on those races.

Handle was not robust. We didn't think it would be, but that's something that we will do again for next year. We've got to get the picture quality as sharp as the other races.

I think there are some things that we can do in terms of that time in between the races. Maybe there's some commentary or ways to show the horses and feature things a little bit more consistently
with what other racetracks are doing.

But clearly for Shenandoah, we want people to know about it and we want to get handle up and if there's ever the ability to send out that signal, we've got to get it right in-house and this is a good way for us to make those adjustments, so we'll be looking to do that again.

CHAIRMAN VAN CLIEF: Thank you. How did the racetrack itself perform, the racing strip? I know it got excellent reviews in the first year. Did that hold up and are you seeing that as draw for quality horses in the future?

MR. HANNUM: Yes. JD Thomas who does the track for us is just great. We're so lucky to have him. I think the track is fabulous. The times are very good. I think that's one of the reasons people have been supportive. It's just a really good track and well maintained and I think it'll just get better and better each year, so we've been very pleased with that.

CHAIRMAN VAN CLIEF: Okay. Thank you.

MR. HANNUM: So I just wanted to -- before we move on from the Equine Alliance, I wanted to -- it's not on the agenda, but just to let Dr. Allison speak about the Gold Cup if there are no more
questions on Shenandoah. I just wanted to add that.

DR. ALLISON: Gold Cup is very disappointed in its betting performance and we are trying everything to improve our performance. We have introduced the walk-around teller and it had a mixed review. Here again, it's going to take education to get top performance, and here's an illustration where we had long lines waiting in the tents.

We would bring the tellers over and the people -- and I watched this several times. The people would say, no, we would rather wait in line. So this is an educational thing.

We have to get our folks introduced and using this, but we intend to increase the number of walk-around tellers. It's more cost efficient, actually, but we still want to continue to emphasize our cell phone, because we think with our young demographic population at the race that this is the way to go. So we're working hard on it.

CHAIRMAN VAN CLIEF: I know you've had an issue with signal strength and band width in the past. How did that work with the phones and your customer base this year?

DR. ALLISON: The signal issue was much improved, but I think for our two races it was the
bad weather in the spring and we have reports substantiating and also photographic evidence, just not the long lines when the weather was so bad.

CHAIRMAN VAN CLIEF: How was your crowd?

DR. ALLISON: The crowd was slightly less than last year and we here again constantly market our races.

I'm going to bring some information to our strategic meeting showing the comprehensive approach we have to marketing and so it could be of interest for the future.

CHAIRMAN VAN CLIEF: Okay. It was a lovely day. Thank you very much.

MR. HANNUM: That's it for me.

CHAIRMAN VAN CLIEF: That's your report?

MR. HANNUM: Yes. Thank you.

CHAIRMAN VAN CLIEF: Thank you very much. Are there any further questions for the VEA management? Okay. If not, that brings us to the public comment period. Is there anybody that would like to --

Mr. Berman.

MR. BERMAN: Good morning.

CHAIRMAN VAN CLIEF: Good morning.

MR. BERMAN: I would like to make a few comments about the Strategic Planning Committee. When you
first announced that in June, you announced that it was a VRC committee and you voted on that, or I guess maybe that was July when you voted on it, and you appointed Commissioner Steger to be the chairman of that committee.

One thing that disturbs me about the committee is it's made up of all the special interest and the industry insiders. And let's be frank. The HBPA and the VEA and VTA are all special interest. I didn't see the fans or the general public or anybody from the outside included in that committee at all. That bothers me.

In the July meeting, I brought up the fact that I might like to come to those meetings, just like I did 15 years ago when Ms. Paulson used to have them, and you said you'd get back to me about that. In the next meeting in August, you told me that that committee, the ownership of that committee as you put it, had been transferred to VEA.

I don't know. Just it kind of seemed to me like you were trying to box me out of that thing. I know nobody is going to say they were, but that's what it seemed like to me.

One of the problems I have is now that it's a VEA committee and the ownership of that committee is
one of the special interests, is it really appropriate to have a sitting commissioner be the chairman of a committee that is operated and owned by one of the special interests?

It would just seem to me that's going to, you know, in some ways, I look at that and it taints that committee because it looks like it's just pushing forward that same agenda that we've been, the special interest groups or the VEA and everybody have been pushing for the last couple of years.

Let me remind this Commission with all respect to Mr. Petramalo and Ms. Easter. The VHBPA has negotiated us into a position where we have zero racing. The VTA, Ms. Easter has already admitted that in the last -- I looked it up in the Jockey Club, and the last 20 years our foal production has gone from over 900 to less than 100 this year, and that's who we have on our Strategic Planning Committee. I think we could have used more people from the outside, but you know, I guess that's a done deal now.

As far as Mr. Bryant is concerned, I remember when Mr. Bryant used to lobby the legislature back in 2000, and I kept wondering why we -- you had said something about needing to get a professional
involved and you talked about having a plan drawn up. I don't understand why we're spending money on Mr. Bryant when we've got Mr. Lermond. He's very capable. He could have done that.

But after today -- and I knew this beforehand. I'm getting the impression that we brought Mr. Bryant along because we're gonna make a move in the legislature for slots, and let's call it what it is. You can call it historical racing, you can call it instant racing, but at the end of the day, it's slots, and you know, that doesn't sit well with me, either, not that I, you know, have a problem with Mr. Bryant.

As far as the OTBs and the slots, I encourage -- I'd like to see the OTBs expand, but the problem is when the VEA opens these OTBs, when we get a prospective track owner that comes in here, the money that's made from them is gonna remain with the VEA, so that takes an incentive away from these track owners to come in here and seriously look at a track.

Now it appears that we're throwing all our eggs in one basket and we're gonna go down to the legislature and try to make a push for slots. I think that's a move for desperation and I don't
I think it's gonna fly.

I think you're gonna receive a lot of not just opposition from the anti-gambling people, but you have people like me who haven't been happy with the way these people have been handling all their money for these last few years and I'm gonna object to it.

I love racing. I want to see racing succeed, but just like when Jacobs was owning the track, I made a promise to myself that I would never allow that man to get slots. I would do everything I could to prevent him from getting slots until he got his house in order.

We got rid of him and now we need to get our own house in order and all of a sudden we're gonna push for slots and I think it's premature and I think we're gonna do more damage than we're gonna do good, because trying to push this proposal to get these guys from out of town to buy the track, making all these promises, that's pie in the sky to me. So it would just appear that, you know, I don't know, it's gonna be a hell of a fight on the horizon if you try to do that.

I just want to quote one thing from Mr. Miller over there, Commissioner Miller. This is something he said about the Strategic Planning Committee, I
think was in July. This is, quote: Let the public know everything we're doing, everywhere we're doing it, and that way no one could ever complain that the committee is doing something that's against the interest of the public.

Well, I'm complaining, because like I say, I see it all as special interest groups. These same people have gotten us in the position we're in today, and this little move to move it from a VRC committee to a VEA committee, I think that's a little -- to me, it's a little fishy.

It just looks like you're trying to box out the public and limit the amount of input from people outside that little group. So with that, I'm going to sit down. Thank you.

CHAIRMAN VAN CLIEF: Any other members of the public that would like to comment? If not, then we have an opportunity for commissioners' comments.

Commissioner Reynolds.

COMMISSIONER REYNOLDS: I don't have a comment, Mr. Chairman.

CHAIRMAN VAN CLIEF: Commissioner Steger.

COMMISSIONER STEGER: No comment.

CHAIRMAN VAN CLIEF: Commissioner Siegel.

COMMISSIONER SIEGEL: Just happy to be here.
CHAIRMAN VAN CLIEF: Mr. Miller.

COMMISSIONER MILLER: Well, I'll make a brief comment about the process. Usually, I guess in all facets of government and business, you have a planning process for whatever. How are we going to make more profit for the shoe industry if you're in the shoe industry. If you have a movie business, you have a planning group that gets together. What kind of films are we going to make? Where are we going to make them? How are we going to distribute them? Who are we going to appeal to, to keep the industry going?

I think it's the same way in the racing and in the Thoroughbred racing, harness racing and pari-mutuel wagering industry. You have to have someone, some group to come together, and you can describe them as special interest, and they are. They have a special interest in preserving the industry from which everyone is trying to make a living and trying to contribute to. So yeah. That's a special interest.

In our political system today, the word special interest takes on a bad connotation and it shouldn't. Everyone should have some kind of special interest. It keeps your juices flowing, it
keeps businesses going.

So the make-up of the group, the strategic planning group, the make-up may be viewed by some as special interest, and as I said, they have special interests, but you can't include -- when you're in a planning process, you can't include the whole spectrum of society in that planning process.

Just like in Congress. Why do they have committees? Because when you're considering legislature, if you throw the preliminary work to all 100 members of the senate in Virginia for instance, or well, not 100; whatever we have, 50 whatever, but in the United States Senate, you can't have all 100 senators serving on the preliminary committee coming up with some suggestions because you'll never get to be able to condense the suggestions that you have to keep the facility operating.

You have to have a core group to come up and you hope that you're putting together a core group with a certain amount of expertise in the field to make suggestions about what should be done to preserve the industry, preserve the business, preserve whatever it is you're trying to preserve.

That being said, after that special interest
group has put together a plan, the important part is
taking that plan then to all the people who are
affected, such as yourself, sir.

Getting it out to the public for the public to
have full and complete explanation of the process.

What recommendations did you come up with, how did
you come up with those recommendations. Why didn't
you recommend this? Why didn't you recommend that?

That debate takes place after the
recommendations are assembled and the public should
have and they will have, I assume, in this process
that once these recommendations are made, we're
going to have a series of meetings where the public
is fully advised of the content of the meeting, why
we're meeting, what we hope to achieve in the
meeting, and the public is going to be invited to
come in and either support, object, whatever, those
recommendations that the special interest, quote,
unquote, group has put together. That's how I see
the process and I think that's about the only way
you do it.

I hope I've -- I don't know whether I've
explained my position or not, but anyway, that's how
I feel. You have to have a group of people expert
in the field and with a vital interest of whatever
it is you're working on at heart, and then they make
their recommendations what they feel would be
appropriate to preserve whatever it is they're
working on, whatever industry it is, whatever plan
it is, and then they'll bring that plan to the
public for the public to have nay or yea, say one
way or the other so you have a full airing of the
issues. That's all I have to say.

CHAIRMAN VAN CLIEF: Thank you, Commissioner. I
would simply add that I agree with the sentiments
voiced by Commissioner Miller, and I would just
briefly note that the -- in this case, the special
interest groups I would classify as the
stakeholders.

We have the harness horsemen, the Thoroughbred
horsemen and the breeders and the race facility
operators all represented and that is the industry.
There's one major constituency not included, and
before Mr. Berman can say it, I'll say it for him.
That is our customers and our wagering public and --

MR. BERMAN: Our citizens.

CHAIRMAN VAN CLIEF: -- they are not to be
overlooked and I couldn't agree more with
Commissioner Miller's suggestion that we not
prejudge the actions the committee might take and
the recommendations that it would bring forth. Let's see the plan, and once we've seen it, then we will welcome input from any person. Thank you very much. Anybody else?

COMMISSIONER STEGER: On our minutes, are our minutes made public record?

CHAIRMAN VAN CLIEF: Well, as they're a VEA committee, they're not public record in the sense they would be if it was VRC, unless the VEA determines it wants to make them so. I think we're suggesting that we're certainly going to come forward with the results of our work and that can be judged at that time.

COMMISSIONER STEGER: Okay.

CHAIRMAN VAN CLIEF: For a change, I'm going to suggest to my fellow commissioners that we do go into closed session today. There have been some deliberations, as I think everybody in the room is aware, between a potential vying group and the current ownership of Colonial Downs, and those deliberations as we understand it have been underway for some time now and include various aspects of the industry.

We think that if they continue to go forward and if they are more of a point successful, it will
bring some questions to bear of a legal nature for this Commission, so we'd like to take the opportunity this morning to go into closed session with our counsel and discuss what those legal issues might be that are going to face us in the future.

Mr. Pitchford, do you have a motion that we can utilize to properly move from where we sit into closed session?

MR. PITCHFORD: Yes, sir, Mr. Chairman.

In accordance with the provisions of Section 2.2-3711 (A)(8) of the Code of Virginia, I move that the Commission go into closed meeting for the purpose of consultation with legal counsel employed or retained by a public body regarding specific legal matters requiring the provision of legal advice by such counsel concerning the possible sale of the Colonial Downs racetrack. The Commissioners will only ask counsel questions and will not engage in any deliberations or other activity.

A member of the Commission will make that motion.

CHAIRMAN VAN CLIEF: I'll make that motion.

COMMISSIONER STEGER: Second.

CHAIRMAN VAN CLIEF: Second from Dr. Steger.

All in favor, signify by saying aye.
NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Anybody opposed? Thank you very much. We will now transition into closed session. I don't think we have any further business when we come back, other than to reconvene the meeting and open session and adjourn, so if you all want to stay around and chat afterwards, we're happy to do that; otherwise, you're free to go. Thank you very much.

NOTE: The Commission goes into closed session; thereafter, the meeting continues as follows:

CHAIRMAN VAN CLIEF: Mr. Pitchford. We now would like to come back into open session. Do you have a motion formalized for that purpose?

MR. PITCHFORD: I do, Mr. Chairman, and as the Commissioners are aware, after the motion is made and seconded there will need to be a roll call vote.

WHEREAS, the Virginia Racing Commission has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by this Commission that such closed meeting was
conducted in conformity with Virginia law; NOW, THEREFORE, BE IT RESOLVED, that the Virginia Racing Commission certifies that, to the best of each member's knowledge, only public business matters lawfully exempted from open meeting requirements under the Virginia Freedom of Information Act and only such business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Commission in the closed meeting.

CHAIRMAN VAN CLIEF: I will make such motion. COMMISSIONER MILLER: Second.

CHAIRMAN VAN CLIEF: Commissioner Miller seconds. All in favor, signify by saying aye. We're going to have roll call.

Commissioner Reynolds.

COMMISSIONER REYNOLDS: Aye.

CHAIRMAN VAN CLIEF: Commissioner Steger.

COMMISSIONER STEGER: Aye.

CHAIRMAN VAN CLIEF: I vote aye. Commissioner Siegel.

COMMISSIONER SIEGEL: Aye.

CHAIRMAN VAN CLIEF: Commissioner Miller.

COMMISSIONER MILLER: Aye.

CHAIRMAN VAN CLIEF: It's unanimous.
Before we adjourn, Dave, would you -- let's look for around -- I don't have my calendar in front of me, but December 15th -- like to go ahead and set a mid December meeting. I don't know if it suits everybody. I don't know what everybody's schedule will look like.

I'm guessing we'll probably have some business we'll need to attend to, so let's get on the calendar for that purpose.

Is there anything any of the other commissioners would like to put before the meeting at this point? In that case, I need a motion to adjourn, please.

COMMISSIONER REYNOLDS: So moved.

COMMISSIONER MILLER: Second.

CHAIRMAN VAN CLIEF: Any opposed? We stand adjourned. Thank you very much.

NOTE: The meeting of the Virginia Racing Commission is adjourned at 12:12 p.m.
CERTIFICATE OF COURT REPORTER

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

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

Given under my hand this 26th day of November, 2017.

______________________________
Sandra G. Spinner
SANDRA G. SPINNER
COURT REPORTER