VIRGINIA RACING COMMISSION

July 31, 2018

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
J. Sargeant Reynolds, Jr.
Stuart Siegel
I. Clinton Miller

COMMISSION STAFF:
David S. Lermond, Jr., Executive Secretary
Kimberly C. Mackey, Office Administrator
Rhonda Davis, Pari-Mutuel Wagering and Licensing Coordinator

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

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THE COURT: Good morning, everybody. I'd like to go ahead and convene the July 31st meeting of the Virginia Racing Commission. I believe we are one commissioner short. We do have a quorum, so we can go ahead and conduct business and I trust that Commissioner Miller will be with us in due course.

I'd like to note having called the meeting to order a couple of things. Number one, again, we do have a quorum and I'd like to make note of the fact that we've got some routine business up front. We will move through that as efficiently as we can do so. It's our anticipation that the bulk of today's session will revolve around input from stakeholders and the public at large. Anyone who wants to speak will be welcome to do that. I will address the brief rules with regards to that speaking opportunity a little bit later.

We'll go ahead and move on to our agenda this morning, which begins with the approval of the June 12th meeting minutes. For my fellow commissioners, that's under Tab 1 in your books. I don't have any changes or modifications to suggest. Does anybody else?

COMMISSIONER SIEGEL: I vote they be approved.

COMMISSIONER REYNOLDS: I second the motion.
CHAIRMAN VAN CLIEF: All right. I agree. That makes it a unanimous approval of the June 12th minutes.

Now under new business we have four items, I believe all of which revolve around our Standardbred stakeholders. The first of which is a request for approval of the 2018 limited license application submitted by the Shenandoah County Agricultural Foundation for Shenandoah Downs. I think that presentation will be handled by Jeb Hannum and perhaps Tom Eshelman as well.

MR. HANNUM: Great. Thank you, Mr. Chairman. I'm pleased that we are looking to our third year in Woodstock for the Shenandoah Downs races. So before you, you have the submission for the license to race this year. The license will be under the Shenandoah County Agricultural Foundation, and I'm speaking to you with my colleague, Tom Eshelman, who is the executive director of the foundation. So as we've done in the past, the Virginia Equine Alliance has worked with the foundation to put on and run the races.

So as I mentioned, this will be the third year out at Shenandoah. We each year are looking to improve the racing experience for spectators and for
the horsemen. One of the things I'll just mention
is the layout of the back side which is particularly
important. Not something that obviously the
customers see, but that's something that we have
been tweaking with and Tom and the Shenandoah County
Fair have been wonderful partners to help us make
improvements to the back side.

This year, our dates will be starting the 15th
and 16th of September and then for the next four
weekends, so five weekends total. We have a little
tweak in the schedule this year. We are going to
race on a Friday for the first time. That will be
Friday, October 12th. We'll have a late post time
of three o'clock, so we want to see how that goes
and if we can help generate some additional interest
with a later post time.

We found that our Saturday crowds are pretty
good; 500 to 700 people. Sunday is a little bit
lighter, so another reason for experimenting with
having things on a Friday.

We'll have over 175 stalls available to horsemen
on the back side. We will have our races streamed
to our OTBs so people will be able to bet on them
just like any other race. We'll have a festival
theme for each weekend this year and so we're just
always looking to try and improve things.

I also wanted to note that Dee Lineweaver is going to be our secretary this year and Dee has worked with us for the past couple years as the assistant and I believe Lee, excuse me, I believe Dee is the only female racing secretary in the harness industry, so we're excited to have her as a part of our team as we look to our third year at Woodstock.

So I'll pause there and defer to my colleague, Tom, if he'd like to say anything and welcome any questions from the commissioners.

MR. ESHELMAN: Not really a lot to say. We're just very happy to host harness racing once again at Shenandoah Downs, which has become known up there. Our third year we're just very excited about the opportunity to be working very closely with the Virginia Equine Alliance and with Virginia Harness Horsemens Association to put on quality racing once again. Thank you for the opportunity.

MR. HANNUM: Thank you, Mr. Chairman.

CHAIRMAN VAN CLIEF: Thank you very much, gentlemen. My fellow commissioners, under Tab 2, you'll see the staff report on the license application in front of us. Are there any questions, either for Mr. Hannum, Mr. Eshelman or
Mr. Lermond on the staff report or the license application generally?

COMMISSIONER SIEGEL: I move we accept it.

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

MR. LERMOND: Mr. Chairman, could I ask?

CHAIRMAN VAN CLIEF: Is there a second?

COMMISSIONER REYNOLDS: I would like to second it with some recommended approval on some following conditions.

CHAIRMAN VAN CLIEF: Would you like to go ahead and enumerate those conditions?

COMMISSIONER REYNOLDS: Yes. I would like to second the recommendation with the following conditions. First, the horseracing with pari-mutuel wagering shall be operated in accordance with all representations, plans and specifications as submitted in the application and as described at the Virginia Racing Commission's July 31st meeting, and licensee shall not deviate materially from these representations, plans and specifications without the prior consent of the Commission.

Second, the horseracing with pari-mutuel wagering shall be operated in accordance with all applicable state and federal statutes and
regulations, the regulations of the Commission and all local ordinances.

CHAIRMAN VAN CLIEF: Thank you. I think it would probably be appropriate for Commissioner Siegel to modify his motion to include those conditions.

COMMISSIONER SIEGEL: Yes. I will do so.

CHAIRMAN VAN CLIEF: Okay. Thank you. Are there any other questions or issues anybody wants to put on the table? In that case, all in favor of approving the license application, signify by saying aye.

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Are there any opposed? Motion carries. License approved unanimously.

We have three more items which include a request for approval of the 2018 Shenandoah Downs racing officials, a request for approval of Standardbred expenditures from the Virginia Breeders Fund, which will constitute partial funding of the Virginia-bred stakes races. Third, request for approval of the Benevolence Fund spending for the horsemen at Shenandoah Downs by the VHHA.

Our executive secretary, Mr. Lermond, will handle the presentation duties on all three of those
items, so Dave, I hand it to you.

MR. LERMOND: Thank you, Mr. Chairman. Behind Tab 3 of your books is a list of racing officials for the 2018 Shenandoah Downs live race meet.

As Jeb alluded to a moment ago, the biggest change here is the new racing secretary, Dee Lineweaver. Not only has Dee been an assistant at Shenandoah, but she also worked many years at Colonial Downs and I saw firsthand how hard she worked and a lot times the assistant racing secretary works harder than the racing secretary. I'm glad to see that they're giving Dee a chance to do this and I think she'll do a good job.

The judges at the top, there was one judge that we had last year, Danny Kazmaier, who took a job as the presiding judge at Chester Downs this year so he will be unavailable. We were lucky to get Micky Peterson, a judge who currently works at Running Aces in Minnesota and also works at Pompano Park.

Jack Remy and James Mitchell were both returning from last year. The only issue with Mr. Peterson is that he will not be available for the first weekend. We're lucky enough to have Rick Bonehemper [ph], who worked for us the first year at Shenandoah and as a full-time judge at Rosecroft. He will handle the
Saturday and Yours Truly will go up to the stand on Sunday.

So I would seek a motion to approve these racing officials, to include the judges as I've just explained.

CHAIRMAN VAN CLIEF: And management recommends approval?

MR. LERMOND: Commission does. Yes, sir.

CHAIRMAN VAN CLIEF: Commission does. Thank you. All right. I'll make that motion to approve.

COMMISSIONER SIEGEL: Second.

CHAIRMAN VAN CLIEF: Thank you. Any questions? Any remarks? All in favor, signify by saying aye.

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? Thank you. Dave, the Standardbred expenditures from the Breeders Fund.

MR. LERMOND: We can turn to Tab 4. You'll see an email from me to Debbie Warnick, basically sharing some good news and the good news was that this year, there would be 125,000 available to put towards the Virginia-bred stake races at Shenandoah.

Last year's contribution was only 80,000, so in essence, that gives the horsemen more the use of the regular purse money and the Breeders Fund picks up
more of the stake races. The increase is mainly due
to the newer OTBs coming online.

I asked Debbie if she would check with their
board to see if they wanted to contribute the full
125,000 towards the stake races and she emailed back
and said that they had agreed that would be the best
use of the money, and I would seek a motion for this
expenditure of 125,000 from the Standardbred portion
of the Breeders Fund to go towards the Virginia-bred
stake races run at Shenandoah Downs.

COMMISSIONER MILLER: So moved.

COMMISSIONER SIEGEL: Second.

CHAIRMAN VAN CLIEF: I have a motion and a
second. Any questions? All in favor, signify by
saying aye.

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? Thank you.

Lastly, a request for approval from the
expenditures from the Benevolence Fund.

MR. LERMOND: Finally, behind Tab 5 is a letter
from Debbie Warnick, the executive director of the
VHHA, requesting that they be able to spend, and I'm
going to ask the motion for up to 1600. The number
that they spent last year was 1584, but I think we
can round that up to 1600 as a maximum.
Debbie, is there anything you wanted to add about this?

MS. WARNICK: No. Nothing.

MR. LERMOND: The expenditures are basically used for meal tickets. Some of these horsemen are not as well off as some Thoroughbred horsemen are, and sometimes these guys actually feed their horse before they feed themselves.

So the meal tickets, and then there's a big party for everybody towards the end of the meet and I think it's good use of the benevolence money and it's not a whole lot of money.

I would recommend the Commission approve the expenditure of $1600 from the benevolence portion of breakage to be used at the Shenandoah Downs meet in accordance with the letter from Debbie Warnick.

COMMISSIONER MILLER: So moved.

CHAIRMAN VAN CLIEF: Motion?

COMMISSIONER REYNOLDS: I second.

CHAIRMAN VAN CLIEF: Any questions? All in favor, signify by saying aye.

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? Thank you.

All right. That takes care of our routine business and I believe handles the agenda for the
VHHA and Shenandoah Downs upcoming.

This brings us to our public comment period. As everybody in the room I think is acutely aware, this Commission issued a set of draft regulations which were proposed to govern the historical horse racing activity in the Commonwealth of Virginia.

That kicked off a comment period which is extremely important to us. We've asked all of the stakeholders and other interested parties to please provide us with their input. I think to date -- and I know that as of last night we were still receiving written submissions. I know I've looked at over 100 pages of material thus far, and as I said, I think it's still coming in.

What we would like to do today, and I assume that most of the comments, if not all, are going to revolve around these issues and the draft regulations.

We would like to invite any and all to stand and speak to the Commission. We will be in a purely receiving mode through today. That means that this doesn't include interrogatories for the Commission or debate, but we do want to hear what everybody is thinking. So please be candid, be direct and don't be bashful.
We would ask that when you do stand to speak, we have a list of speakers, so we will go in that order. By the way, Dave, could I have a list? And we will go -- and if we can find the list we will go in that order.

However, if you didn't make it on to the list when you walked in the room this morning and would like to speak, the floor will remain open for you to rise and identify yourself and do so once we get through the list.

We would also ask you to clearly state your name for the record so that our court reporter can have that. All right. In that case, we will get going and I think we have two legislators who were instrumental in this legislation through the course of the last year-and-a-half, the first of which is Chris Peace.

MR. PITCHFORD: Mr. Chairman.

CHAIRMAN VAN CLIEF: Yes.

MR. PITCHFORD: If I may interject before we get started. In the Commission's agenda, it was noted that public comments would be limited to five minutes for each individual. We'd ask that everyone please observe that time limit so that we can have an opportunity to hear from everyone.
CHAIRMAN VAN CLIEF: Thank you. In fact, if you don't need five minutes, don't take it.

Delegate Peace, thank you for being here with us this morning.

DELEGATE PEACE: Thank you. Mr. Chairman and distinguished commissioners, it's an honor to be with you this morning. My name is Chris Peace and I'm a member of the Virginia General Assembly representing New Kent County, which is the proud home of Colonial Downs. I also proudly serve as the chief co-patron of House Bill 1609 with my colleague, Delegate Michael Webber, who is here today.

This legislation was designed to facilitate the reopening and revitalization of Colonial Downs and to resuscitate the horse industry in Virginia.

I'm also here as a Virginian who is committed to supporting industries that help grow our economy and create the good jobs we need now in moving forward.

Regrettably, Virginia's horse industry has been declining for years, and I say that not withstanding the good stewardship of this Commission or your care and concern for the industry and your steadfast efforts.

In 1997, Virginia Thoroughbreds ran 2340 races
nationwide. Seventeen years later in 2014, they ran 333 races. This amount represents an 85 percent reduction. The decline became even more pronounced upon the shutting of Colonial Downs in 2014, which was devastating to our local community.

When that occurred, we lost our only Thoroughbred flat racing track and more and more horses continued to head out of state to race and train, being followed by Virginians traveling to places like Kentucky and Maryland and West Virginia to watch our horses on out-of-state tracks. As the saying goes, you can follow the money. The investments went with them.

This is all a rather negative outlook. I'm here to talk about the positive. It is a new day and we have great opportunities ahead. For this reason, primarily to save horse racing in Virginia, a bipartisan effort came together this past session of the General Assembly to identify and put in place policy and procedures that would allow Colonial Downs to reopen and succeed.

Common sense policy makers looked at the findings of the Virginia horse racing industry's Strategic Planning Committee's report issued by this Commission very recently.
In that report, it's stated, developing historical horse racing in Virginia is the top priority for generating significant new revenue. If historical horse racing is not developed in Virginia, it is doubtful that Virginia's horse racing industry will ever be competitive with Maryland, Pennsylvania or Delaware.

On the contrary, Virginia's horse racing industry without it will remain an alsoran. I'm a proud Virginian. Virginians should never been an alsoran. That's why Republicans and Democrats worked together, amazing in and of itself, across party lines to pass House Bill 1609, that allows for the introduction of historical horse racing.

The bill passed by a margin of 79 to 21 in the House; 31 to 9 in the Senate. Our governor, Ralph Northam, signed the bill and we celebrated a very joyful signing of that at Colonial Downs June 22nd.

It was the first time in years that hundreds of Virginians were able to gather at that place and to celebrate good news and to see it and it was a beautiful sight. Now all that stands between the return of world class horse racing to Virginia and jobs and tax revenue, economic development and all that comes with it is the promulgation of these
final regulations that are in draft form to govern the industry.

I appreciate how quickly this Commission has moved after the passage of the bill to put forward these draft regulations. I offer some concerns that, as written, they may not allow for horse racing to succeed and fully grow to its potential.

We cannot afford this historic moment to be lost. For the first time in over a decade, we will have all the parties on the same page. Former Delegate Ed Scott is here. He carried the last attempt at legislation to bring to a head this type of opportunity and saw that it wasn't able to materialize and we're here again and we're all on the same page.

We need to take advantage of this opportunity. My fear, and I know it's shared by the Virginia Equine Association and many others in the industry, is that if the regulations as drafted are put in place, the industry will not be able to compete with our neighboring states.

That our hopes from what historical horse racing could do to bring world class races, breeding and training to Virginia will be unrealized and that we will all find ourselves just a few years down the
line wondering why horse racing is still not feasible in Virginia, despite the very clear desire of the General Assembly and the people of the Commonwealth.

The Virginia Equine Association has submitted some specific suggestions for changes to the draft. I sincerely hope the Commission will move to accept the Association's proposed changes.

Historical horse racing must be allowed to grow with the market in order for horse racing to truly return to Virginia. We should all want this to happen to ensure that in years ahead, Virginia welcoming tourists will watch our races, enjoy our facilities, visit our restaurants and businesses, stay at our hotels, not Maryland's or West Virginia's or Kentucky's, is a good thing.

I respectfully ask the Commission to work rigorously with the industry to ensure the promulgation of more realistic regulations that will make the horse racing industry successful in the Commonwealth. Thank you for your service.

CHAIRMAN VAN CLIEF: Thank you very much, Delegate Peace, for your leadership and your energy on this issue. I think it's a high watermark upcoming for this industry. Probably the most
important thing that has happened in decades.

Speaking of leadership, we are fortunate also to have Delegate Michael Webber this morning, who truly carried the water on this bill. Delegate Webber, thank you for being here and thank you for your leadership.

DELEGATE WEBBER: Thank you very much. It's an honor to be here. I couldn't help but notice that five minute rule was placed before the legislature started speaking.

MR. PITCHFORD: And it was a lawyer that announced it.

DELEGATE WEBBER: That was a joke. Very true.

I've got some written things I'm going to go through, and then if I could, I'd like to supplement that with just a quick off thing that I've encountered.

I'm Michael Webber. I represent the 18th House district. I'm from Fauquier County, home of the Gold Cup, and an avid racing fan.

As a member of the General Assembly, I'm proud to sponsor House Bill 1609. I was honored to carry this legislation along with my colleague, Chris Peace, and had numerous colleagues from John Bell to Paul Krizek that helped shepherd this legislation.
I worked diligently in the House of Delegates and Senate to inform our colleagues about the opportunity to revitalize Virginia's struggling horse racing industry.

Many of my constituents are horse lovers, have businesses connected either directly or indirectly to the horse racing industry. I'd like to say that the horses that go to Colonial Downs come from my district.

We shared with our fellow law makers the economic benefits that would come with revitalizing Virginia's horse racing industry. We mentioned the high number of jobs and significant tax revenue that will be generated for the Commonwealth and localities that host off-track betting.

We talked about how Virginia's horse industry can be equally as successful as our craft beer, wine, oyster and tourism industries; I would like to say in conjunction with. We explained how historical racing works and it's intertwined with successful horse racing industries in other states.

Since the beginning of horse racing, there has been wagering on horse racing. Historical horse racing machines bring us into the modern era and they help drive the revenues that create the jobs
and pay the taxes.

We were extremely proud of the strong majority bipartisan votes that came out of both chambers. We were pleased to see the administration recognize the value to the Commonwealth of this effort and the Governor signing the legislation in such a public manner at Colonial Downs.

But if we're going to deliver on that promise, if we're going to deliver on what we promise our constituents, it is critically important that we have regulations that allow the horse racing industry in this program to grow with the marketplace.

Placing an arbitrary cap on the total number of historical racing machines and geographic limitations on which communities can seek the jobs and revenues they need when petitioning for off-track betting locations could provide devastating hurdles to achieve our goals.

We need an open track mindset that allows the industry to get a strong start from the gate, hit its stride and deliver at the finish line.

I strongly encourage this Commission to recognize what the General Assembly wanted to accomplish and to make sure the regulations you
adopt allow for reasonable growth, opportunity for all Virginia communities to benefit, and the success of an industry that is counting on us to deliver on all the hard work we conducted earlier this year.

I thank you for your time and your consideration.

Now if I might, we go to the Gold Cup pretty much twice a year. We have numerous point-to-point races in my district. Numerous. And at every one, those trainers not only train at the point-to-point, so over timber, but they also run flat track horses. They'll go up to Maryland, they'll run over to Charles Town. We want them to come to Colonial.

In fact, at the last Gold Cup, I had a trainer turn to the folks of Revolutionary Racing and thank them for purchasing Colonial Downs because they want to bring horses down to Colonial. That wasn't just one trainer. That was numerous trainers that I was able to speak to that are from my district.

So I highly encourage you to take in mind what you're going to hear today from the folks that are in support of this and I thank you very much for your time.

CHAIRMAN VAN CLIEF: Thank you very much, Delegate Webber, and again, thanks to you and
Delegate Peace for your leadership and for pulling together that bipartisan coalition that I think has put Virginia racing on the threshold of the most positive developments since pari-mutuels were enabled 20 years ago. Thank you.

Speaking of coalitions, that takes us to Mr. Hannum, who is the executive director of the VEA. I'm not going to do this for everybody, but a quick word of introduction.

Most of you in the room know, but some probably do not, how unique our structure here is in Virginia. Under one umbrella, the not-for-profit Virginia Equine Alliance, we have Thoroughbreds, Standardbreds, we have racing operations, breeding operations, trainers and all facets of the industry.

I think along with the efforts of Delegate Peace and Delegate Webber and their colleagues, the unity demonstrated by the VEA has enabled us to get to this point, so I applaud that. Welcome, Mr. Hannum.

MR. HANNUM: Thank you, Mr. Chairman and Commissioners. I am Jeb Hannum, executive director of the Virginia Equine Alliance. The VEA is a nonprofit industry stakeholder organization that is recognized by the Commission and comprised of four member groups, the Thoroughbred horsemen and
breeders, the harness horsemen and the Virginia Gold Cup, and I'm very pleased to be here to speak on their behalf.

The mission of the VEA is to sustain, promote and expand horse breeding and horse racing in the Commonwealth. I submitted to the Commission on July 23rd the VEA's comments on the proposed emergency regulations. I will not go into detail on the points, as you have them before you, but will instead speak to the key issues in the document.

I have spoken before this Commission many times and have been very candid with the challenges facing the Virginia racing industry.

In 2015, the situation in Virginia was indeed bleak. The closure of Colonial Downs the year before left both flat and harness racing without a home, and the closure of the OTB network left the industry reliant on only online wagering funds to keep it going. We were truly on life support at the time.

Nonetheless, due to the extraordinary resilience of Virginia horsemen, the commitment of the Racing Commission and the new responsibilities granted to the VEA, the situation was stabilized. It is exciting that just a few years removed
from the track's closure we are now poised to start
a new era in Virginia racing with the reopening of
Colonial Downs, and most importantly, under a
management team committed to racing and we have a
new revenue source.

The VEA has worked closely with new owners of
the track and I'm confident they will be very good
partners going forward.

Were it not for the historical horse racing
machines, I do not believe Colonial Downs would be
opening again now or in the future. The HHR
machines will provide an infusion of money to bring
the sport back from its low point and create an
opportunity for growth.

Growth is a word that we dared not use in 2015,
but I feel this should be the singular focus of our
discussion today. A quick look at the industry
points to progress, but there is much more that we
can do and strive for.

Starting with the harness industry, the track at
Shenandoah has been well received and the ten day
meet is starting to gain traction as a stop on the
Standardbred circuit.

The Certified Program for Thoroughbreds is off
to a great start with over 700 horses enrolled in
the program. The program adds to the marketability of the horses and enhances their earning potential and puts real money into the hands of farmers up and down the state.

The Virginia Gold Cup's two days of racing are among the best on the steeplechase calendar, and the financial support for the other steeplechase meets is critical to maintain these traditional fixtures. It is important to remember that when Colonial Downs closed, the steeplechase meets provided venues for local horsemen to race.

While flat racing has been without a permanent home for five years, we have maintained a strong program for Virginia-breds. I know my colleague, Stephanie Nixon, will be speaking to flat racing issues in more detail today.

The 3,000 HHR machines as outlined in the regulations will enable the VEA to support its member groups, but at the proposed levels, there will be a missed opportunity to take our industry to the next level.

Maryland, Pennsylvania, New York and West Virginia all have alternative forms of gaming that fund racing and Virginia should not be satisfied simply being in the game. We should seek to lead
and to compete head on with our neighbors.

The arbitrary cap of HHR machines in totality and through the population thresholds eliminates the possibility of expansion and presents a real impediment to sustained growth and the ability to compete regionally.

The VEA firmly believes the Racing Commission should have the discretion to increase the number of HHR machines if supported by market conditions. Additional machines in the future will help grow the industry so we can provide real opportunities for Virginia's horsemen and real investment in the agricultural industry.

We should look to add days at Shenandoah Downs. We should look to enhance the Certified Program and have a similar program for Standardbreds, and we should look to the steeplechase circuit for further growth and enhanced purses, and of course we want top tier flat racing at Colonial Downs.

Commissioners, we don't want the industry to plateau. We want the industry to grow. Thank you for considering the VEA's July 23rd submission and my remarks today.

CHAIRMAN VAN CLIEF: Thank you very much. The next to speak will be Dr. Will Allison, chairman of
DR. ALLISON: Commissioners, I'm Will Allison, representing the Virginia Gold Cup.

We support strongly the opening of Colonial Downs. We also support the great success that they can have there. We have an opportunity to go back and look at the first opening and reflect on what was done correctly and what was done incorrectly.

It just so happened that two of my board members at the Gold Cup served on the Racing Commission when the first Colonial Downs opened, and that was Nick (inaudible) and Ernie Ward. Nick is no longer with us, but Ernie is still on my board.

But several years after the dust settled from the first Colonial Downs, we had a lot of discussions. What if we did this. What if we did that. Well, two things came up from these two men and one was under-funded, second, over-regulation, if they could go back and change. So I'm saying let's try to learn from the past and let's make this a great, successful venture. Thank you.

CHAIRMAN VAN CLIEF: Thank you. Next up is Stephanie Nixon, vice president of VHBPAA.

MS. NIXON: Thank you. Good morning. My name is Stephanie Nixon. I'm vice president of the
Virginia Horsemens Benevolent and Protection Association. I'm proud to say our organization consists of all Thoroughbred owners and trainers licensed to race in Virginia by this Commission. We have represented those owners and trainers since Colonial Downs initially opened in 1997.

The Virginia HBPA's comments on the Commission's proposed regulations for historical racing terminals were submitted in writing on our behalf by Virginia Equine Alliance on July 23rd. We would appreciate your reviewing those comments before issuing your final version of the regulations.

This morning, I would like to emphasize a key point in our written comments. We think the new regulations should give the Commission the discretion in the future to increase the number of historical horse racing terminals, if necessary, to sustain and grow racing in Virginia.

The Commission's proposed regulations do not do so. They limit to 700 the number of terminals permitted at the Colonial Downs track, but there is no provision for increasing that number any time in the future regardless of experience, customer demand or revenue generation.

There are similar restrictions on the number of
terminals permitted at the satellite wagering facilities, again with no provisions for change.

In the next three years, the VHBA's plan is to race for 15 to 25 days at Colonial. That includes bringing back from Maryland the 13 Virginia-bred stake races we've been running at Laurel, as well as our two graded stake races, the Commonwealth Derby and the Commonwealth Oaks.

In the long term, we plan to run 30 days at Colonial with purses of 400,000 a day. That purse level is necessary for Virginia to be competitive in the Mid-Atlantic and to put on a quality meet at Colonial.

Last year's purses in Maryland average over 323,000, which as you know was the source of many horses when we ran our summer meets before Colonial shut down in 2014.

For the next two years, we can probably get along with the limits on the number of terminals in the Commission's proposed regulations, but based on our financial projections, we don't think it's possible to grow to 25 or 30 days of quality racing in Virginia with those limits.

The financial numbers just do not work. Of course, we don't know that for certain. That's why
we suggest amending the proposed regulations to give
the Commission discretion after a two-year trial
period to increase the number of terminals if that's
necessary and desirable. After all, the
Commission's regulatory role under our Racing Act is
to promote, sustain and grow the Commonwealth's
horse industry. Thank you.

CHAIRMAN VAN CLIEF: Thank you. Brooke Royster
is serving, unless there has been an election, as
chairman of the VTA still, I believe.

MR. ROYSTER: Good morning, Commissioners. I'm
Brooke Royster, president of the VTA, Virginia
Thoroughbred Association. As you know in addition
to Virginia racing, it's also important to continue
to fund our incentive programs that have been so
successful.

Recently, in the past year alone, almost 700
young Thoroughbreds have been registered in our
Certified Program, Virginia Certified Program,
filling farms and training centers that have not
been full for a long, long time.

On behalf of the Virginia Thoroughbred
Association, we strongly hope that as in Kentucky,
the Racing Commission will be given the discretion
to allow for growth in the number of historical
horse racing machines, thus allowing for continued growth of the horse racing industry in Virginia. Thank you.

CHAIRMAN VAN CLIEF: Thank you. Mike Pearson is here representing the VHHA.

MR. PEARSON: Thank you, Commissioners. I'm here to read a statement from Dr. Woogen, who is in Europe representing the Commonwealth and the U.S. in an amateur driving competition.

To the members of the Virginia Racing Commission. All forms of racing, Standardbred, steeplechase and Thoroughbred, make significant contributions to the Commonwealth of Virginia, both to its agriculture and to the citizens. The VEA is mandated to sustain, promote and expand those racing interests in Virginia.

As the VEA representative of the Standardbred horse breeding, Virginia Harness Horse Association is a proud member of the VEA and a supporter of this mandate. The VHHA members have been strong contributors to the equine industry in Virginia.

Standardbreds have provided the most live races run in the state for more than 20 years and Virginians have supported wagering on Standardbred simulcasts as 25 percent of total wager money in the
VEA OTBs on Standardbred racing.

We wholeheartedly support our fellow VEA members as outlined in the comments of Executive Director Jeb Hannum. We have made small modifications to the language to ensure that there's no further reduction of a portion of Standardbred signals made available to the public for wagering. We feel that it's important that simulcast of Standardbred racing contain the same proportion of distribution in the future as in the past.

Additionally, we've added language regarding the numbers of tellers at larger satellite facilities to prevent them from having insufficient staffing to meet the needs of wagering patrons.

We would like to point out to the Commission that under the current cap of 3,000 machines with a mandate of 30 live racing days due to the 1 to 100 ratio, it is much better for the Virginia equine industry and the Colonial Downs group that the Commission increases the total member of machines.

The revenue stream to the Commonwealth and the economic viability of the operation can grow in a meaningful way with increased opportunities for all breeds by increasing the 3,000 number.

If increasing the number of machines is not
supported now, we ask the matter is addressed once
the Colonial Downs group completes Stage I of their
implementation.

If more machines are approved whether now or
after completion of that phase, it will present more
opportunities for live racing in the state due to
the 1 to 100 ratio. It is important for us to point
out that Colonial Downs was home to both
Thoroughbred and Standardbred racing for 16 years.

We understand during the initial phase
Thoroughbred racing can be implemented to start
renaissance and regrowth of the entire racing and
agricultural industry in Virginia, but in subsequent
phases, we feel that Standardbred racing should
return to Colonial Downs, as well as to help meet
the Commission's 1 to 100 mandate.

Adding Standardbred dates at Colonial can be a
significant cost savings to the Colonial Downs group
since a track operator incurs far lower costs to
operate a Standardbred meet.

These additional race dates would allow the
Virginia Standardbred industry to reach racing
levels that we previously enjoyed in a large market
and it would improve Standardbred racing and
breeding in the Commonwealth, which would have huge
economic ramifications for Virginia agriculture.

To reiterate, the VEA's mandate is to sustain, promote and expand all elements, all elements of racing and breeding in the state; Standardbred, steeplechase and Thoroughbred.

On behalf of the VHHA and its partners within the VEA, we strongly urge you to consider our support of the proposed regulations. We ask you to be mindful of the industry's needs and thank you for your diligence and thoughtfulness given to these regulations.

We would just like to inform the Commission currently the VEA members have not agreed on a percentage distribution of revenues in the industry. We will continue to work to such an agreement with all parties, and when that agreement is reached, we will notify the Commission. Thank you.

CHAIRMAN VAN CLIEF: Thank you. I'm going to pick up the pace just a little bit, or try to, by calling the next person and then I'll let you know who is on deck. So next up is Jim Arrison and he will be followed by Mathew Smolnik.

MS. EASTER: Excuse me. Debbie Easter is up here. I'm just a taller, bigger, gray-headed version of Vanna White for Jim here.
MR. ARRISON: Also known as my video assistant. Thank you, Commissioners. My name is Jim Arrison. I am a Thoroughbred owner and breeder in Northern Virginia, and thank you for the opportunity to speak.

We have a large crowd here, but there's an even larger crowd of horsemen who couldn't be here because maintaining race horses in general is a labor-intensive occupation and requires a lot of work, and through the miracle of videotape, they will be here virtually through a brief video we have to present to you. Thank you. Horsemen of Virginia.

NOTE: Video played before the Commission and the public.

MR. ARRISON: Thank you, Commissioners.

CHAIRMAN VAN CLIEF: Thank you very much, and Debbie, if you all can make sure we've got a copy of the video to be entered with the record with the other comments.

MS. EASTER: We have a stick we'll give to Dave.

CHAIRMAN VAN CLIEF: Thank you. Mr. Smolnik.

MR. SMOLNIK: Good morning, Commissioners. My name is Mathew Smolnik. I'm the director of economic development for New Kent County. I'm
grateful for this opportunity to get to speak to you
and appreciate the Commission's role in developing
regulations on this matter, which has specific
resonance in our community which is home to Colonial
Downs and where horse racing is truly a fundamental
part of who we are.

New Kent has developed a trusted relationship
with the leadership of Colonial Downs. We believe
in their competence and understanding that the
ultimate success of this venture must benefit all
sides of the table.

There is also an understanding and desire for a
long-term relationship. Our interests are to ensure
that Colonial Downs reopens, and more importantly,
that Colonial Downs stays open in the years ahead
and actually grows.

The revitalization of Colonial Downs is critical
to the economic health of New Kent County,
Virginia's second fastest growing locality. With a
new school, utility improvements and public safety
projects on the drawing board, the revenue string
generated by Colonial Downs will help to make these
public needs a reality.

We agree that a healthy and vibrant horse racing
industry in Virginia will mean economic development
and job creation that extends far beyond the track itself and far beyond the political borders of New Kent County.

The economic development efforts in the Commonwealth are increasingly regionally focused as we work in cooperation with neighboring localities to attract and promote projects that benefit an entire region.

In terms of how economic development works both locally and regionally is generally the market that dictates the total number of businesses that can be supported by a local or regional population.

We ask the Commission to approve regulations that specifically allows a path for growth in historic racing to occur in the Commonwealth, whether this occurs by putting in place regulations that allow historic horse racing to grow with a market in future years and or to remove the population machine nexus as currently drafted.

It seems reasonable for the regulations to convey a path of flexibility, a way forward that perceives growth in a changing environment that none of us can foretell. Thank you.

CHAIRMAN VAN CLIEF: Thank you very much. The next speaker will be Rodney Hathaway and he will be
followed by Larry Reynolds.

MR. HATHAWAY: I am Rodney Hathaway, the New Kent County administrator, and on behalf of the New Kent County Board of Supervisors, I express our appreciation and excitement on the opening of Colonial Downs and the introduction of historical horse racing to Virginia.

We believe that a healthy and vibrant horse racing industry in Virginia will mean economic development and job creation that extends far beyond the track. Virginia residents are regularly traveling to West Virginia, Delaware, Kentucky and Pennsylvania to take advantage of opportunities to enjoy competitive horse racing.

Our residents are crossing the Potomac every day to support the National Harbor complex in Maryland. That's tax dollars in economic opportunities that should stay within the Commonwealth.

Historical horse racing will create thousands of new jobs, tens and millions of local and state tax revenue and millions more in economic development statewide if fully implemented. We are concerned that the initial draft regulations as currently written would not allow for nearly that level of positive economic impact and they do not
allow for historic horse racing at full capacity.

While we greatly appreciate the Virginia Racing Commission's moving so quickly in drafting these regulations, we fear that as currently constructed, the horse racing industry wouldn't get the support we all envision when House Bill 1609 was being debated in the General Assembly.

We think of horse racing as another homegrown industry, much like wine, craft beer and oysters that can be a calling card to the Commonwealth and help benefit our entire economy at large.

The more people that travel to Virginia to watch horse racing at Colonial Downs, the more people that stay in our hotels, eat at our restaurants and visit other areas of the state.

When horse racing thrives again, the companies and industries that are tied to it will strive as well, from contractors working on facilities to feed companies supplying farms and on and on. But for that to happen, we have to support the horse racing industry and not impede it.

Ultimately, it should be the market that determines what historical horse racing looks like in Virginia and what is needed for our horse racing to be truly competitive.
Therefore, New Kent County respectfully asks that the Virginia Racing Commission work with the horse industry to put in regulations that truly allow horse racing to succeed here and so the entire Commonwealth can benefit. Thank you.

CHAIRMAN VAN CLIEF: Mr. Reynolds.

MR. REYNOLDS: I'm Larry Reynolds. I'm representing the New Kent County Chamber of Commerce as vice president this morning and also as owner with my wife of Gracefield Hall Bed and Breakfast in Providence Forge.

In 2014, my wife and I had just started construction on Gracefield Hall Bed and Breakfast when Colonial Downs closed. We had invested our life savings, believing that in a county with no hotels, we could have a successful, self-supporting business. We were counting on Colonial Downs' guests to stay at Gracefield Hall because we are only about four miles from the track.

Since we were already heavily invested, we decided to go ahead and open in 2016, in spite of not having guests from the track staying with us.

Because of the track's closure, we have struggled since opening and have not yet made a profit and do not see one in the near future.
Other businesses in the area have also struggled because of the closing, especially those in close proximity to the track. The track brought a substantial amount of business to the county. No business opens with a business plan that does not include a growth plan in it, and we had one in ours which we haven't yet been able to fulfill. Colonial Downs has one in theirs, but with a cap on historic racing machines, it is doubtful if they will be able to fulfill their growth plan.

We are strongly encouraging the Commission to review its draft plans to find a way to expand the cap on historic racing machines, and hopefully, that Colonial Downs and both Gracefield Hall can thrive and succeed in the business. Thank you.

CHAIRMAN VAN CLIEF: Thank you. The next speaker is Larry Lucas, and as Mr. Lucas makes his way up, I'll offer a brief introduction. For those that have not met him yet, Mr. Lucas is the Chief Executive Officer of Revolutionary Racing, LLC. He and his colleagues are the new owners of Colonial Downs and are poised to inject significant venture capital into horse racing in Virginia.

MR. LUCAS: Thank you, Mr. Chairman and fellow Commissioners. I'm Larry Lucas, one of the owners
of Colonial Downs. We could not be more excited about the opportunity to be part of this effort to bring world class racing back to Virginia.

Horse racing is our passion. We've known for a long time as so many others in Virginia that you're incredibly well positioned to be a major racing destination. The Commonwealth has the infrastructure, it's got the history, it's got the talent, and most importantly, it has the wealth to make this happen to bring truly world class racing back.

All of this was reaffirmed when we began our effort last June and we first met with the VEA and the HBPA because we knew it was critical to start with a strong relationship, an open and transparent relationship in the horse racing industry because we believed at that time that we had to work together as a unit to make this successful if this is ever going to happen.

I'm proud to say since then, we've been in daily contact with Frank, Debbie, Jeb, Dr. Allison, Dr. Woogen, who is not here today, and everybody that has been involved in the Virginia horse racing community on a mutually beneficial game plan to bring back racing to the Commonwealth.
This past legislative session, we all worked tirelessly together to educate the lawmakers and state officials on what tools we needed to really bring back racing in a meaningful way.

As you can see today, we are here again united to share our commitment and to work together for the promulgation of rules that will work for all of us.

Like all relationships, there have been challenges, but it has been our mutual love and passion of the sport that has carried the day. Our shared goal is to increase the overall handle, breeding, ownership and utilizing our extensive national and international relationships to bring this to the Commonwealth.

Members of the Commission, we are beginning to put those relationships to work, but we need your partnership to truly be successful. That's our message to you today, to please give us the tools and we will revitalize racing in the Commonwealth.

We have contacts in Latin America, Europe, Asia, including a close relationship with the Hong Kong Jockey Club, perhaps the world's premier racing facility. These are just a few of the relationships that we want to maximize for the Commonwealth.

Nationally, the racing industry hasn't always
gotten it right. Now, Virginia has the opportunity
to lead the way, thanks to the Governor and the
unbelievable, as one of the delegates mentioned
earlier, bipartisan support for this legislation
that we're all very, very, very, very proud of.

We can demonstrate how horse racing can really
work in the United States. Today is a very, very
unique opportunity. We have a blank sheet of paper.
This is our moment to lead the sport not only in the
Commonwealth, but to set the standard for the
country and it's very exciting to play a very small
part in this.

We're already in discussions with the Stronach
Group in trying to work out a coordinated schedule,
because we believe that's critical for the success
of the flat races. We're speaking with the National
Steeplechase Association regarding a major annual
steeplechase festival at Colonial Downs.

We can capture these and additional
opportunities with regulations to let the sport grow
and that is crucial. Like any industry, horse
racing needs a pathway to future growth. It's our
goal to work with you to determine what that path
looks like. The possibilities are truly endless.

As you can tell, we're very excited about this.
We sincerely hope that you will work with us to bring the best horse racing in the world to the Commonwealth in a place it should call home.

I'd like to thank you in advance for work that you all have already done, for future hard work that is ahead to make this all a reality, and again would like to thank everybody here. This has been quite an adventure, and again, I'm very proud to have played a small role in that. Thank you, Mr. Chairman, and follow members.

CHAIRMAN VAN CLIEF: Thank you very much. Thank you. Next speaker is Brent Stevens, also a key member of the Revolutionary Racing Colonial Downs team.

MR. STEVENS: That'll be tough to follow. It's great to be with you all here today. Good morning, Mr. Chairman, and members of the Commission. My name is Brent Stevens, one of the owners and a member of the Colonial Downs investment group.

As Larry said, we are very excited about the opportunity to be here in Virginia, and more importantly, to be a part of the Commonwealth.

I have to say we really felt like a part of the Commonwealth at the bill signing at the track on June 22nd. What a great experience that was.
What we have experienced in this process is a kind of relationship we want to have, a true partnership that lifts up the horse racing industry in particular and in Virginia in general.

As Larry noted, our team has extensive experience in the horse racing industry and we know Virginia. With pro-growth regulations put in place, we can become a world class horse racing destination. This is why we acquired Colonial Downs earlier this year.

Given the opportunity to not only reopen Colonial Downs but to make it work and grow in the years ahead, we will create hundreds of good jobs all across the state, generate millions in state and local taxes and millions more in general economic activity.

These benefits will not just be contained in the area around the track. Each satellite wagering facility we hope to open will create as many as 200 jobs, each with an average salary of more than $40,000 per year. They will generate approximately $2 million in additional tax revenue to the local hosting community. These are good jobs. This is real tax revenue that can mean raises for teachers, law enforcement enhancements, improvements in
schools and new funding for infrastructure.

All of this is absolutely possible and we know that horse racing will work in Virginia. We wouldn't be here, we wouldn't have made the investment we made if we didn't believe strongly in this outcome.

The General Assembly and the Governor took the first step in passing HB1609 to finally put in place a real means by which to generate the revenue necessary to bring horse racing back.

The regulations you're currently considering are the next and most crucial step. We're not asking for state dollars, we're not asking for any incentive or any subsidies. We're simply asking for regulations to allow an industry to grow with the market.

We do not want to open Colonial Downs for a year or two and find ourselves unable to compete with Maryland, West Virginia, Kentucky or Delaware. We want Virginia to win. Plain and simple.

We all want to reopen Colonial Downs and see it go on to become a true horse racing destination for decades to come. We want to be part of this Commonwealth using local vendors and purchasing local products at all of our facilities. But all of
this potential hinges on this industry being able to
grow in the years ahead.

We sincerely hope you will work to accommodate
our belief and our goal and I want to just thank you
for all of your work and hearing all of us here
today, including local businesses that have been
here to really come out and support us, all the
local leadership. Thank you for the opportunity.

CHAIRMAN VAN CLIEF: Thank you very much. The
next speaker is Jack Jeziorski, immediately followed
by Mayor Brad Grose.

MR. JEZIORSKI: Mr. Chairman, Commissioners,
thank you for hearing me. I work for Monarch
Content Management, which represents the interests
of 15 racetracks across the country from Del Mar in
San Anita in California, across to Tampa Bay Downs
and Gulfstream Park in Florida.

Also among my member tracks is Laurel Park,
where we're hosting four stake races for Virginia
horses this weekend. We've been very pleased to
host those races over the last few years. We're
even more pleased that next year those races will be
back at Colonial Downs.

I have previously submitted some comments to the
regulations I'll offer for Monarch and also for
Amtote International, our sister company, which has been a provider of historical horse racing terminals for the past 15 years.

This is an exciting time for Virginia racing. Monarch watched with dismay when Colonial Downs closed, as it was not only bad for the industry in Virginia, it was bad for the industry as a whole.

We believe that historical horse racing is a solution. We can thank the Virginia Equine Alliance for keeping the lights on the last few years until that solution was found.

As race tracks, we like historical horse racing because it is an extension of betting on live horse racing; it thus belongs to the industry. It is rooted in horse racing itself. It is not slot machines or poker or some unrelated gambling that has simply been given to the industry to operate.

We have seen in other jurisdictions like West Virginia and Pennsylvania that that slot machine gets treated as a, quote, subsidy, and money gets diverted away from critical needs of the horse racing industry to other needs within in the government.

The difference with historical horse racing is the industry owns it. It is ours because it's an
extension of betting on horse racing.

Because it is an extension of betting on horse racing, it needs to be pari-mutuel. Why pari-mutuel? Because pari-mutual provides integrity benefits that derive from the fact that it is betting amongst themselves. The better is betting against one another, rather than betting against the operator of the house. The house has no interest in the outcome of a machine.

The critical nature of this requirement lies in the fact that when an historical horse racing terminal is not pari-mutuel if the betters are not betting against each other, then that historical horse racing terminal is in fact a slot machine and we know that the Virginia legislature did not legalize slot machines.

This Commission needs to be certain that any historical horse racing terminals that are introduced in this state are pari-mutuel or risk those terminals being declared illegal at a later date.

We have submitted a couple of suggestions to beef up the language on pari-mutuel wagering. One related to the statutory definition of pari-mutuel, the other would serve to give the Commission all of
the information it needs in order to ensure that any
historical horse racing terminals are in fact
pari-mutuel; how the system takes wagers, puts them
into betting pools, determines the winners and
calculates the pay off to the winning betters.

These proposed additions will give you the tools
you need to best serve the interests of the racing
industry and protect this new source of revenue.

Our second area of concern as racetracks is the
use of races for wagering within the historical
horse racing terminals. As racetracks, we strongly
believe that any historical horse racing operator
should be required to obtain the authorization of a
host race track if it comes from an out-of-state
race track to use races from that racetrack within
the historical horse racing machines.

Historical horse racing is an extension of
simulcasting. It is a cornerstone of simulcasting
and is enshrined in the Interstate Horse Racing Act
that authorization must be obtained from an
out-of-state racetrack in order to take bets on its
races.

In fact, the first provider of historical horse
racing terminals, Instant Racing, used races from
Colonial Downs in its machines and it obtained
authorization and compensated Colonial Downs for those machines. We have proposed an additional regulation to that effect as well.

Related to that is the belief we have that a historical horse racing machine should show the actual race itself. Using a graphic depiction or a cartoon or some other animation as currently in the proposed regulations blurs the line between a historical horse racing terminal and a slot machine.

A better should be able to watch the race on which he selected selections for and determine for himself or herself whether in fact the selections were correct.

This dovetails with the reality that in order to obtain the video of the races, you need to obtain the authorization of the out-of-state track.

My final point is that historical horse racing terminals do use an entertaining display, whether it's a slot real, a bingo card or some other animation to entertain the customer as part of the wagering experience.

We believe any such display should be what's called fully deterministic. The wagering and selections and the outcome should map to what's on that screen. You should be able to determine here's
what my selections were, here's the bet on that
to the screen and here is the result.

If there is no relation between that
entertaining display and the wagering actually
occurring on the horse racing, you're again blurring
the line between slot machine and a historical horse
racing terminal.

To conclude, this Commission is at a very
important step in this process. The regulations you
adopt should be robust and protect the best interest
in racing. Inherent in that is making sure that
historical horse racing as implemented in Virginia
is done in a legal manner and isolated from attacks
from those who oppose it. Thank you for your time
and attention.

CHAIRMAN VAN CLIEF: Thank you. Mayor Brad
Grose is the next speaker.

MAYOR GROSE: Good morning, Commissioners. I
would like to thank you for the opportunity to allow
the town of Vinton to review the draft regulations
concerning HB 1609 and provide comment for the
Commissioners' consideration.

My name is Brad Grose and I've been fortunate to
be mayor of the town of Vincent since 2004 after I
was first elected to counsel in 2000. More
importantly, I served on our town's planning commission for nine years before being elected, so I think I understand the attitudes of our citizens as well as the economic development needs of our town.

I have with me this morning our town manager, Mr. Barry Thompson, and our assistant town manager, Mr. Richard Peters. The town of Vinton is a community of approximately 8100 residents located within the Roanoke Valley area.

In 2003, the citizens of Vinton voted by referendum to allow off-track betting within the town limits and the town counsel followed suit by including such facilities in our town code in 2004.

I can assure you gentlemen that none of our citizens had any indication that the activities would be limited by our population. The town of Vinton would like to provide comment on the significant importance to southwest Virginia's economy as well as the economic vitality of the town of Vinton and the entire Roanoke region.

By and large, the Roanoke region's population has remained essentially flat for the last decade and projections do not indicate that there will be much change in the near future. With our stagnant population and a relatively flat economy, southwest
Virginia is in need of support from Richmond to encourage economic development.

Through HB 1609, the state legislature and the governor have taken a very important and meaningful step in the right direction to close the economic divide between southwest Virginia and the urban presence of Northern Virginia, Richmond and Hampton Roads; however, the regulations as written fall short of allowing our citizens and our community to realize the full positive impact that the return of horse racing would provide for southwest Virginia, and it will certainly limit the positive impact to our small town and the greater Roanoke region.

Unnecessarily limiting the number of betting terminals to 150 in our jurisdiction based upon the population of our three square mile town will effectively take away what the legislation provided to us.

It will also greatly diminish a prime opportunity that would allow us to expand employment opportunities and generate much needed revenue so that we can continue to provide services to our residents in Vinton and throughout the Roanoke region.

On behalf of the town of Vinton and the greater
Roanoke region, our strong recommendation to the Commission is to remove from the regulations the constraint of limiting the number of terminals based upon boundary population alone and allow the free market to set the appropriate number of terminals for our area.

The citizens of Vinton have voted to approve off-track betting within our community. The state legislators have approved off-track betting within the state and the governor recently signed the bill to offer his consent.

Please consider these various layers of approval as sufficient protection and remove the terminal limits based solely on the jurisdiction's population and allow southwest Virginia and the town of Vinton to play on an equal level with our larger communities east of Charlottesville.

Our plea is that you act in favor of economic growth and not increasing regulations and restrictions. We are not asking for a subsidy nor a handout. We are simply asking that you allow the market to operate in a free manner in southwest Virginia.

Thank you for allowing me to speak on behalf of the town of Vinton and southwest Virginia. Thank
you for your service to this Commonwealth.

CHAIRMAN VAN CLIEF: Thank you, Mayor Grose, and thank you and your community for being stakeholders in Virginia's horse racing industry.

MAYOR GROSE: Thank you, sir. We're honored.

CHAIRMAN VAN CLIEF: Next up is Bridget McIntosh. She will be followed by Dr. Reynolds Cowles.

DR. MCINTOSH: Good morning, Commissioner and Commissioners. I'm delighted to be here. My name is Dr. Bridget McIntosh. I'm here on behalf of the Virginia Horse Industry Board. I also work for Virginia Tech. I serve as the state's equine extension specialist, so I work with all of the counties in the state of Virginia supporting and promoting the horse industry.

Through the Horse Industry Board, we work to promote economic development and promote every aspect of the horse industry. This includes our youth development programs, 4-H, FFA from the ground up and it has been a real honor to be here today to hear about all of the progress we've made in the racing industry and HB 1609, and I want you to be aware that these programs and these revenues are far reaching. They reach every aspect of our horse
industry through grants that we give out through the Horse Industry Board.

It's delightful to be able to say that yeah, I'm a horse person, I'm glad to see horse racing back, but last year alone, we gave out 15 grants by the VHIB and eight of those were directed to 4-H, FFA, Pony Club and youth events, so this money that is generated by such an important segment of our horse industry is being used to build education of our youth, it's being used to support our veterinary training.

I have two students here with me today who are going to vet school and furthering their careers in equine research.

Our VHIB grants also go to support research and marketing in the horse industry, and that has nothing to do, necessarily, with the racing industry itself.

So while I applaud you for your efforts and supporting the racing industry and revenues to support Thoroughbreds and Standardbreds, I wanted to make it known that these revenues are extremely important to our youth development and our horse industry, which affects agriculture and makes a huge impact on our state's economy and a big part of our
Commonwealth and our culture here. So thank you for your time. It's an honor to be here.

CHAIRMAN VAN CLIEF: Thank you. Dr. Cowles.

DR. COWLES: Mr. Chairman and members of the Commission, thank you for the opportunity to make a few remarks. I am a practicing veterinarian in Free Union, Virginia, immediate past president of the American Association of Equine Practitioners and a member of the Blue Ridge Equine Clinic Group in Albemarle County.

I have been a long-time horse breeder, horse owner, currently still paying those training bills.

As you know, many of you know, I was a part of the initial task force that many of us struggled with in the 1990s to put this racing bill forward. We did some things right, but we got some things very wrong.

As Will Allison said so succinctly earlier, we didn't get it right on cash flow. We didn't get it right on the revenue stream. You now have the opportunity to correct that, to get it right.

Mr. Lucas said that this is an opportunity not only to lead in Virginia, but to lead in the nation and I think that's acutely true.

The initial 3,000 machines that you have drafted
in your proposed regulation is a good start, but it needs to be tied to the economic reality going forward. Don't over-regulate yourself to the point that you can't keep up with the economy. We thought in the 90s we had it right; we did not. You have the opportunity to get it right.

As a practicing veterinarian in Virginia, I can attest to the fact that we've got more horses coming into the Commonwealth now by virtue of the Virginia Groom Program, as well as the enthusiasm for racing coming back to Colonial Downs, and I would tell you that we need to continue that flow of economic development.

The incentive programs that are already in place are having a very profound effect. As a previous speaker said, we have a lot of other programs that were originally written into racing bill funds to go to the vet school, to research at Virginia Tech, the Virginia Horse Industry Board.

All of these need to be funded. They were a very large infusion of funds in the 90s and early 2000s, but as they drew back and dried up, they need to be refurbished and you can only do that with economic development.

Don't limit yourself to 3,000. Look it at in
terms of growth. Thank you.

CHAIRMAN VAN CLIEF: Thank you. The next speaker is John Nicholson and he will be followed by Ferris Allen.

MR. NICHOLSON: Thank you. Mr. Chairman and members of the Commission, I'm John Nicholson. I am the CEO of the Virginia Horse Center. I am very appreciative of the remarks that have just been made by Dr. McIntosh and Dr. Cowles in reminding all of us that the entire equestrian industry is benefiting from pari-mutuel wagering by extension of the successful implementation of House Bill 1609.

I think that is important that we are reminded of that because the broader equestrian industry has suffered some of the same stresses in recent times as has the Virginia racing industry, and so we remain hopeful and excited and optimistic as we move forward in the implementation of this legislation because its important for all of these organizations, including the Virginia Horse Center in Lexington, Virginia.

We are a 640 acre facility that hosts all breeds and all disciplines in equestrian competition. We have 19 competition rings including a 4,000 seat coliseum. It's one of the finest equestrian
competition coliseums anywhere. We are generally recognized as one of the premier facilities, certainly in the eastern part of the United States, if not more.

Like many facilities, we face a competitive landscape, Mr. Chairman, that is very challenging at this point. Basically, equestrian competition facilities in the United States at this point in time come in two different categories.

One are the state-supported facilities, for example, the Kentucky Horse Park, which receives millions of dollars every year from their legislative body to foster the operations there.

The other type of competition center that has emerged in recent years are privately owned, generally financed by an individual or individuals of great wealth. Examples of this would be the World Equestrian Center in Springfield, Ohio and the second World Equestrian Center in Orlando or in Ocala, and the Tryon International Equestrian Center in North Carolina that is about to host the World Equestrian Games.

All of these facilities are providing strong competition to our Virginia Horse Center and we, on the other hand, are a private foundation, not in any
way owned by the Commonwealth of Virginia, not owned by any individual or any consortium of individuals.

We're funded and taken care of by the people who participate and people who love the Horse Center and love the Virginia horse industry.

So we benefit from this legislation and from pari-mutuel wagering and we look forward to continuing to benefit.

I will tell you that we raise about 80 percent of our revenue from our competitions, which means about 20 percent of your revenue comes from private donations and from grants from the organizations like the Horse Industry Board that are made possible by pari-mutuel wagering.

So Mr. Chairman and members of the Commission, congratulations on your work, congratulations on the industry's work to make this possible and we look forward to the aggressive implementation of this legislation that will allow the marketplace to work and benefit the entire industry of Virginia. Thank you.

CHAIRMAN VAN CLIEF: Thank you. Mr. Allen.

MR. ALLEN: Good morning, Commissioners. I'm Ferris Allen. I'm a horse trainer, I'm a board member of the Virginia HBPA and also a member of the
VTA, and I just have a few comments and they mostly
go around flexibility.

First, I want to talk to you about a school bus.
Many of you here remember my father, Bert Allen, and
he had a great saying that I feel like I'm a dog
chasing a school bus. Now that I've caught it,
well, what am I gonna do with it?

Well, we chased that school bus in the late 90s
and we got it. We got Colonial Downs, and as many
people here have said, we did some things right and
we did some things wrong and I'll just share a
couple of those things with you.

I remember that we all thought we were going to
have 150 days of racing, and of course as we know
over 17 years of having racing, we never got close
to that because it just was not feasible. It didn't
work. It sounded great at the time but it didn't
work.

I also remember sitting at a desk with a great
guy named Lenny Hale, who had a whole lot to do with
developing racing in Virginia the first time, and he
deserves a lion's share of the credit of how well it
went, especially that first year when it looked like
a sand pit about two months before we opened.

He sat down with me and he laid out the plans
for Colonial Downs and he said, Here's what we're gonna do. He says, we're gonna have a dirt course on the inside and then we're gonna put this beautiful grass course on the outside so it's close to the patrons.

I said, well, Lenny, you know, seven out of ten of your races are gonna be dirt races. Why not put the dirt course close to the people? He said, You know, I never really thought about that it that way but that's right.

Well, as anybody who has spent time at Colonial Downs knows, that was so wrong. Wouldn't it be great if that grass course were on the outside and the dirt course was on the inside.

So now we're at Colonial Two and we've got some regulations that have been promulgated, and the people who promulgated them, I'm sure they have great intentions, but I can't believe they're any better than we were back in the late 90s when we were trying to figure this out and we got so many things wrong.

Now what we have in front of us is we've got a very knowledgeable Racing Commission. We've got some great racing people that have invested money in Colonial Downs and we've got an HBPA and a Virginia
Thoroughbred Association that are heavily invested in everything that's going on.

We can all figure this out. We need the flexibility, and so all of these arbitrary limits that are sitting on us at the current time, they need to be moved away and let the people that are in the middle of all of this and that really know what's going on -- I mean these commissioners right here, many of you are the reason that we're at this point. You stood up to the previous guys and we've been through the pain. Now let's get to the good side of this. Thank you.

CHAIRMAN VAN CLIEF: Thank you. Next up is Michelle Gowdy, followed by Josh Hetzler.

MS. GOWDY: Good morning and thank you for taking the time to listen to all of us today. I'm Michelle Gowdy, representing the Virginia Municipal League.

We have many cities and towns that have already gone through the referendum; Chesapeake, Richmond and Vinton as well. We just want to talk about briefly our concerns about the limitation on the number of machines, as well as the ability of local governments to be able to control what they have in their localities.
One of our main things is to consider the importance of land use and importance of making decisions at the local level and how many machines should be there, and once the citizens have spoken, allowing the locality to determine the number rather than the Racing Commission or another state agency. So that's our concern. Thank you.

CHAIRMAN VAN CLIEF: Thank you. Mr. Hetzler.

MR. HETZLER: Commissioners, my name is Josh Hetzler. I am here on behalf of the Family Foundation. I'll offer a few contrasting remarks from those you have already heard. I want to point out to you a few concerns that we have with this draft proposal of the regulations.

Statewide limits of 3,000 machines we believe is actually too high. This is particularly clear when you consider that Kentucky, whose regulations this Commission actually modeled these after, has only 1,834 machines and all of those are at actual horse tracks.

Virginia should be very cautious about this process, having never had historical horse racing before. It's always possible, of course, to come back and change the regulations; this happens all the time. But to give a blank check to an industry
who has every incentive to make as many of these as possible across the state, I think would be unwise.

The second thing is these satellite facilities shouldn't go anywhere without local involvement and approval. I know there are some components of local approval, but when the localities voted on these referendums to allow off-track betting facilities in their jurisdictions 15-plus years ago in some cases, they did not do so with an understanding that it could later include hundreds of slot-like devices. So it's very important that the language include provisions for local support and local approval.

The next thing is since these facilities with these machines could dramatically impact the surrounding area, the public should have an opportunity. So not just the local governments, but also the public are going to be impacted by these in our community. They should have the opportunity to be able to be involved in our local decisions as to where these go.

As it stands, eight localities representing over one million Virginians could begin to see these machines in their community immediately. Given that those localities and those residents who live there have not been involved in the process, the proposed
local limits are also too high.

We know, for example, already plans to take a 140,000 square foot K-mart building and make it into what might be called a mini casino with 245 machines immediately and up to 700 eventually.

Finally, the draft regulations do not address some critical concerns about the specific locations of these satellite facilities. For starters, the regulations should stipulate that economically disadvantaged communities should not be targeted. The Commission should seriously consider some minimum distance requirements from certain entities from schools, for example.

Quite significantly, the governor has also displayed a strong recognition of many of these concerns that I have listed in his executive directive that we are certainly very appreciative of.

So I urge the Commission to take these concerns into account, as they reflect the concerns of many, many families all across the Commonwealth who cannot be here to express themselves. Thank you.

CHAIRMAN VAN CLIEF: Thank you. Tad Berman is up next, followed by Tom Eshelman. Mr. Berman.

MR. BERMAN: Good afternoon. The first time I
ever spoke during the public comment part of a VR
meeting was in the fall of 1999, and the subject of
my remarks was a lack of live race days.

Racing was new to the Commonwealth back then,
and the one thing that the original framers of the
Racing Act most wanted to prevent was too much
emphasis on satellite wagering and not enough
emphasis on live racing.

To prevent this, they enacted the 150 day
minimum live racing day requirement. This meant
that in its sixth year of operation, Colonial would
have to run a combined 150 days of live Thoroughbred
and harness racing combined.

For the first five years, the Commission would
be allowed to arbitrarily set the number of race
days while Colonial worked towards the mandated 150
day requirement.

As soon as the first meet was over, track
management started to complain that the mandate was
impossible to meet and they needed relief, and in
1999, after just their third year in operation,
track ownership announced they decided to try and
repeal the 150 day minimum live race day requirement
all together.

Individuals like me realized that 150 days was
perhaps too big a number and agreed that it probably did need to be amended, but not eliminated.

Unfortunately with the support of horsemen and the VRC, Colonial eventually succeeded and that law was repealed. This proved to be a critical mistake that took away the only leverage Virginia had to guarantee that we would have an adequate number of live race days.

Instead of race days, it became a contentious issue year after year until culminating in Colonial's closure in 2014 after offering to run less than ten days of live racing.

Now let's fast forward to today. The current proposal suggests tying the number of slot machines to the number of live race days. This is a wise move that will guarantee track ownership will fulfill their promise and commitment to grow live racing, but the VEA is already arguing about 2022 when all ten OTBs are back open and all 3,000 slots are up and running that we will not have sufficient purse money to cover the 30 days required of live racing.

This is hard to understand, considering that for the previous ten years before Colonial shut down, Virginia ran 25 to 45 days a year with only the
purse money generated from the OTBs and internet wagering. Now we have a source of revenue that dwarfs both of those put together and we are told we can't reach the 30 day minimum because we can't afford it. This doesn't make sense.

Let's do some quick math. The VEA estimates a $213 win per day per machine; 213 times 365 days a year times 3,000 equals 233 million in winnings per year.

Subtract roughly 40 million in state and local taxes and that leaves approximately 193 million left over for the track and VEA to divide up between themselves, and this is on top of the money that is deposited into the purse account from the OTBs and ADWs.

All the VEA needs is 10 million to run 30 days at 330,000 a day, exactly what Ms. Easter said she wants. Surely between the OTBs, the account deposit wagering and new slot money, we could afford 30 days easily. So the argument that there is not enough purse money doesn't hold sway.

Live racing provides entertainment for fans and also much needed opportunities for our horsemen. Tieing live race days to the number of slot machines is fair to both parties and will guarantee Virginia
the live racing we are promised and deserve.

If the new ownership of Colonial Downs is going to want consideration in the future to expand their operations, they need to become over achievers. If they don't, then racing will once again fail to deliver its intend benefit and acrimony will prevail. These proposed restrictions are in the best interest of Virginia and should be kept just the way they are without modifications. Thank you.

CHAIRMAN VAN CLIEF: Thank you. Mr. Eshelman, and Mr. Eshelman will be followed by Debbie Easter.

MR. ESHELMAN: Mr. Chairman, members of the Commission, thank you for the opportunity to talk. My name's Tom Eshelman. I'm the general manager of the Shenandoah County Fair, also the executive director with the Shenandoah County Agricultural Foundation.

I thought I would break it down just for a moment on some comments on the impact of racing in Shenandoah County in just two years.

As I was scribbling my notes here, there's been an over $1.2 million investment in our community. Just in direct retrospective, I was the project manager for remodeling the expansion of our track and the enhancement to our facilities to
accommodating racing.

I would like to state that the VEA, along with the VHHA, have done many improvements to our grounds to a total of over $1.2 million, but the great thing about this partnership with them has been the fact that they have helped themselves to what is needed to have successful racing and successful operations, but they've been sensitive to the needs of the fair, and those needs have basically been that the enhancements that they've done have been in conjunction with things that we can utilize throughout the year when racing is not going on, which has been a huge impact to our community.

We brought in new entities, such as the Virginia High School Rodeo Association. We've had fundraisers from local fire departments and things on our grounds that wouldn't have happened before.

The impact economically is over 70 businesses in Shenandoah County have benefited from the services required to operate racing or do the remodel or construction. Over 400 employees of these companies were there and the racing provides over 40 part-time jobs during the five weeks that the VEA is there.

In addition to that, there's food tax revenue, hotel tax revenue, county and tax revenue from these
proceeds. So it's impacting our community in a very, very positive light. We would like those impacts to continue.

We understand through the legislation that has been passed that if we could grow those machines, if those machines were not limited, that if you let the market determine how they can be used and how much they're used for betting, that that additional revenue would allow us to continue improvements to our facility.

The VEA has asked us to provide a five- and ten-year master plan, which we have done. So we encourage you to possibly relook at that and increase the amount to let the market bear what it can bear so these improvements can continue on our grounds, enhance our community and help our county out. Thank you very much.

CHAIRMAN VAN CLIEF: Thank you. Ms. Easter will be followed by Mike Schnurman of Henrico.

MS. EASTER: Good morning, Commissioners, Chairman Van Clief. My name's Debbie Easter and I'm here representing the Virginia Thoroughbred Association and the Virginia Equine Alliance.

First off, I'd like to thank the administration and Commission on your hard work with these draft
regulations. I think that one of the things that we see is there are ideas in those regulations that are very well intentioned to protect us and protect the localities across the state, and I think as you've heard here, the greatest thing about this, as Mr. Allen said, is flexibility. I think you've heard quite a bit from different folks around the state on why we maybe should be flexible.

One thing that I think that I'm going to speak to after sitting and listening to people is there's a common theme between a few of us that have been here for a long time; Dr. Allison, Dr. Cowles, myself, Ferris Allen, which will all tell you how long we've been here. We got a lot of gray hair to prove it.

The one thing that I think that everybody should know is what the importance of the horse industry is here to the state of Virginia. The recent American Horse Council Economic Impact Study said that the horse industry in Virginia is a $1.34 billion direct contribution to the Virginia economy. There's 30,000 direct jobs and about 2500-plus of those are the racing industry.

I think one of the beautiful things about the Alliance is that we're supposed to represent the
whole industry, not necessarily just the racing industry, although obviously that's our focus, but I step back and look at what maybe myself and those of us that have been doing this for a long time thought about 1609.

We need to get all this racing industry healthy, but the beauty of this bill is that we can probably do a pretty good job of helping the rest of the industry in Virginia, which is an incredible part of Virginia agriculture and just the culture of Virginia in general, and I think that's our opportunity that we should think about and not miss here.

I think that you all have the ability to look at -- get us healthy and then maybe if the market says and localities want to, let's have the ability to expand these machines, because we can continue -- as John Nicholson said, places like the Horse Center.

What if we were able to write a $1 million check to the Horse Center every year? They're just as we are, strapped by competition from around other states and they don't have the funding to do that. Those are things that make Virginia strong and make this horse industry strong, which makes us such a
great state.

We talked a little bit about the history of Colonial. I think the theme here is very right. We didn't get it right. Under-funding and over-regulation and lack of flexibility might have been our problem in the old Colonial.

Everybody thinks it's a fight between the management and the horse industry. If there's enough money to fund purses, make the management of the track make a profit, then those fights go away and the whole reason that there was a fight between the horsemen and old Colonial is because there wasn't enough revenue to fund the amount of days that the horsemen needed, as Mr. Berman talks about.

There wasn't that revenue and the track is fighting competition from around them and it's not making any money. We've got to give businesses the ability to make money.

Racing is expensive and it is dynamic and changing all the time. Back in the 90s when we opened, we thought that having a racetrack here was going to be great and it would produce revenue and fund the horse industry.

Well, about that time also, all around us casinos were using racing to get their foot in the
door to do business in all the states around us, so racing in other states had an incredible revenue fund that we never had in Virginia. Those are things that kept us from being competitive and what probably caused the first Colonial to go down.

I think that as all of us look around the country right now, possibly Kentucky Downs might be the poster child for what we'd like to see here in Virginia.

They've put in Instant Racing machines there that not only fund incredible purses for the facility themselves, but they have been able to then share with the rest of the industry and Kentucky to enable the whole racing industry to grow there.

Most of you wouldn't know it, but you know that the center of racing is based in Kentucky, but they were having horrible problems because of gambling around them and the purses were bigger in Pennsylvania and New York. They have a hard time keeping their horse racing population in Kentucky.

What historic horse racing, Instant Racing, in Kentucky has done is allowed them to build enough revenue and they can share with other states around the Commonwealth of Kentucky so they have enough purses now that the horsemen are staying at Ellis...
Park for the summer. They're not all shipping out of Kentucky and the revenue stays in Kentucky for a good portion of the year now as a year-round circuit.

I will address one other subject. We talk about Kentucky having over a little over 1,000 machines. Actually, they've been approved for over 4,000 machines and I imagine you'll see those being built out in the near future.

The dynamics of the industry. The number of the horse population, what it takes to get horses on your track. The horse population in this country has declined, as you all know. Ownership has declined over the years. There's all this competition in the Mid-Atlantic to fight for horses, to fight for the ability of race days.

At one level, I agree with Mr. Berman. We would all like to have as many race days as we could; 150 would be super, but we have to build in reality here and one of the greatest things we've always had with this Commission is flexibility.

We have this great way back into race days, which is let's make sure we have enough money to make it work on purses and then back into the race days from there.
Our goal is to run as many as we can. The Chairman has told me to get off. I will say real quick that localities -- we've been through the process with OTBs. Localities, through their special-use permits, through their zoning laws have the ability for their people, for their governments to decide whether they want SWFs, wagering machines in their locality. We've seen it when we go to reopen OTBs.

So my theme was let's not over-regulate. It's really important to get it right for the whole industry this time, and you all have been very astute at helping us keep this alive and it's very important for all of us that have grown up doing this to get it right this time. Thank you.

CHAIRMAN VAN CLIEF: Thank you. Mr. Schnurman.

MR. SCHNURMAN: Thank you. Commissioners, I'm Mike Schnurman with the County of Henrico. We're one of the localities that passed the referendum in the early to mid 90s. We have reviewed the proposed regulations that you have in front of you. Our concerns deal with the foundational structure of the policy underlying the proposed regs and the concerns are threefold.

First, we believe that they create disparate
results and regulatory burdens not based on market
demand or differentiation of product, but in essence
by creating a race to the Commission.

Henrico, based on our population, the first 245
would have a regulatory hurdle of Commission
approval. Terminals 246 through 700 would require
Commission approval and local approval. This has a
very real consequence, if you will, of having a
larger outside entity, in essence, get to the
Commission first and receive permission for 245
terminals.

A smaller local entity that may already be
operating under the authorization provided by the
referendum may want five, ten, 20, a smaller amount
of terminals but their regulatory hurdle is a
two-process step for coming to you, the Commission,
and then to the local government for no other reason
than they happen to be second to the door.

The second concern deals with the subject matter
authorizations we believe are misplaced. Henrico is
not a single homogeneous community. In fact, a
large part of our success deals with kind of the
character of our community and that a portion of our
county is very urban and city-like. The middle,
kind of top of the horseshoe, if you will, is
1 suburban with the traditional form of neighborhood,
2 and last is very rural with tree and field lines,
3 many of which date back to the Civil War and some to
4 the Revolutionary War.

5 Yet the Commission's authorization is a blanket
authorization over the entire county. Only numbers
6 246 through 700 will receive Board of Supervisor
7 review and approval to determine if its location and
8 the quantity are contextually appropriate.

9 Lastly, we looked at the distribution of the
limits and we struggle to find the basis by which
10 the Commission arrived at those, and they appear on
11 the surface to be somewhat arbitrary.

12 For us, this is -- it was very related to our
13 concern number two, in that 245 terminals in one
14 part of our locality may not be appropriate, yet in
15 another portion, more than 700 may be wholly
16 appropriate and welcome.

17 With those concerns, we would be more
18 comfortable or recommend, I guess, if you will, if
19 the Commission would consider removing the caps and
20 instead create a dual approval process for all the
21 machines, such that the Commission's approval is
22 more focused on creating a healthy racing
23 environment, kind of a macro level, if you will, and
leave to the locality approvals kind of at the micro
level to determine their appropriate location and
quantity, such that they maintain the local
character of each of those communities. Thank you
very much.

CHAIRMAN VAN CLIEF: Thank you. Next is Ron
Stiers, New Kent Board of Supervisors.

MR. STIERS: Thank you, Chairman. Thank you,
fellow commissioners. My name is Ron Stiers, New
Kent County Board of Supervisors, District 4.
Colonial Downs is located in District 4, so I am the
home of Colonial Downs and very proud of it.

I was going to go on, but I know you guys are
getting a little restless and probably want to get
out of here, but a couple things I just want to say
is Revolutionary Racing has spent many months and
spending millions of dollars on Colonial Downs, of
which the people of New Kent County are very
grateful. We appreciate it.

Over the last couple months, I have had a chance
to work with a couple of the owners, Larry and
Prentiss and Stefan here, and these people are great
people. You would love to have them as your
neighbors. If they were your neighbors, your house
would be worth more, too. Believe me.
So my request is that the VRC regulations allow Colonial Downs to be successful and the Virginia horse racing industry to drive in New Kent and Virginia. Thank you.

CHAIRMAN VAN CLIEF: Thank you. Now that concludes the list. If there is anybody in the room that did not have an opportunity, put your hand up, we'll recognize you. I think the first up is the back left corner. Please come up, state your name and limit your comments to five minutes, if you would, please.

MR. STEWART: Hi. I'm Kevin Stewart. I'd like to echo a little bit of what Mr. Jeziorski said, except from the better's side rather than the far side.

It's important that the machines are a game of skill and not chance. In order to do that, we need to have a complete rule base to calculate rate of return. That includes the reg, how the pools are put together. Also, in addition to being able to calculate the rates of return and strategy, I think it's important that players be allowed to apply that strategy at the terminals. Thank you.

CHAIRMAN VAN CLIEF: Thank you. In the center here.
MS. BOUZEK: I'm Jeanna Bouzek. I'm the former Vice President of Operations for the first Colonial Downs, and I didn't sign the sheet because I didn't know if I was going to come up here and say anything. I wanted to listen to what everybody had to say.

I want to say it's unbelievable to hear everybody on the same side. Sorry that it couldn't happen sooner, but you guys have an opportunity like you heard everybody here say to do it right this time.

It's basic economics. They talk about the market and how many people live here, but it's just basic economics. You're businessmen. You're going to put a cap on the revenue while the cost is going to go up every single year, and I'm here to tell you the cost goes up every single year.

Debbie Easter said live racing, that racing itself costs a lot of money, running an OTB costs a lot of money. You have Larry Lucas and Prentiss Alter and their whole team here ready to spend money. Dave Lermond probably gets tired of me calling him telling him about all of this unregulated gaming that's going on in Virginia.

So the gentlemen from the Family Foundation, if
you want to talk about regulating gaming, don't put a cap on what the state and what all these people have done, because in ten years or 15 years, you're going to look back just like we did with account wagering. We didn't even have a contract with the horsemen when account wagering began. Who knew it was going to be so big? And then all of the problems that it caused.

You can get it right this time. I think you need to educate the layperson. I get calls. For whatever reason, they call me. Did you know they're getting slot machines? They're going to get slot machines. They're not slot machines. I heard somebody talk about slot machines.

They think the Pamunkey Indians have bought Colonial Downs. One of the biggest issues that we had was data dissemination and getting what we were trying to do across to everybody.

You've got the opportunity with New Kent County behind you and everybody on the same side. I think Darryl was the only one here -- we were the ones on the other side being shot at.

Nobody's arguing with everybody. So to regulate it about say there's a cap of 3,000, you're going to lose the financial support. They're not going to be
around if they can't make money. I mean come on. That's what people didn't understand. They would say Mr. Jacobs wanted to make money. Well, guess what? He wanted to make money.

Whoever is in Operations, don't make them lay off 300 or 400 people. It has been a hard three or four years. I just hope the industry gets it right this time.

CHAIRMAN VAN CLIEF: Thank you.

MR. WHITE: Good morning. My name is Keith White. I'm the executive director of the National Council on Problem Gambling. I'm a graduate of Hampden Sidney College and I'm an Arlington resident. I've been working in the gambling industry 23 years now.

On behalf of the Virginia and National Council on Problem Gambling, who are neutral on legalized gambling and work indeed with many of the companies in the gaming industry, I'm pleased to write a statement to accompany the detailed response presented to the Commission last night.

Those recommendations include specific provisions on annual responsible gambling plans, employee training, self exclusion, advertising and funding to help treat gambling addiction.
The only way everyone in this room including the Commission and the operators can maximize revenue and create the racing renaissance that you're looking for is at the same time to minimize social costs.

The state legalizes and regulates gambling, especially one that owns and operates a live monopoly, has an economic and ethical obligation to prevent and treat gambling problems among citizens, especially among seniors, veterans and members of racial and minority groups who are most vulnerable to addiction. Their tragic stories are hidden in plain sight and have not been heard today.

We hear from them. We operate the help line for Virginia. We hear from seniors who have lost their houses to gambling debts, veterans who turn to gambling to escape their pain, and thousands of other Virginians whose lives have been devastated by gambling addiction, yet the Commonwealth does not allocate one cent from more than 300 million in annual lottery racing revenues to help those who become addicted to gambling or their families.

What makes the machines that we're talking about today so lucrative is also what leads to problems for a small but constant percent of players who are
constantly chasing jack pots and betting over and over again to win back what they have lost or just to break even today. People with gambling problems account for a disproportionate share of gambling profits. Forty other states recognize their obligation and devote a percentage of their portion of their gambling revenues to prevent and treat gambling addiction; Virginia does not.

For example, in Maryland, gambling in 2008, they established an annual fee for operators of $425 per slot machine earmarked for services to prevent and treat gambling addiction. Therefore, the Virginia and National Councils strongly urge the Virginia Racing Commission to include a similar fee per machine in their regulations.

There would be no costs for the tax payers or the state. In fact, we estimate the fees for programs save Virginia tax payers an average of $2 for every dollar spent by reducing the criminal justice and healthcare costs in gamblers.

An estimated two percent of Virginia residents meet criteria for gambling addiction, and each person with a gambling problem costs the government, business and families between $715 and $1200 per
year due to gambling related addiction, bankruptcy and crime. When gambling expands, the rates of problem gambling begin to rise.

But while Governor Northam's executive order on historic racing specifically directed VRC to, quote, ensure due attention is paid to gambling addiction, education, prevention and treatment and the conduct of historic horse racing, end quote, and the draft regulations do include some responsive gambling provisions, they specifically do not address gambling addiction, education, prevention or treatment.

In fact, to our knowledge, VRC has never addressed gambling addiction, even though by statute you are required to, and I quote again, to ensure that the racing licensee and the recognized majority horsemens group use 30 percent of their breakage for gambling addiction and substance abuse counseling, recreational, educational or other related programs.

Despite our requests, VRC has failed to provide information on the amount of this breakage each year, how much was dispersed and to whom. We've been told at least some of this money is given to track personnel in need. And while this is absolutely a laudable goal, the intent of the law
and the statute of the law is clear, that these funds are dedicated to gambling addiction and substance abuse programs.

The debate over historic racing provides an opportunity to correct Virginia's historic neglect of responsible gambling. If our lawmakers want to increase gambling and offset budget concerns, we must simultaneously work to reduce the social costs of gambling and provide funds to help and treat those with gambling problems. We therefore urge the Virginia Racing Commission to adopt our specific regulations on responsible gambling, including the $425 fee.

As a neutral organization, we look forward to working with the Commission, with members of the racing community and with the gambling industry and the horsemens associations as well, as an expert on problem gambling and responsible programs.

We will also continue to engage with our elected political officials and the community, including faith groups, to ensure that gambling is not expanded until adequate minimum safeguards are put in place.

The bottom line is responsible gambling costs Virginia taxpayers nothing, it reduces shelter
costs, saves state government money, improves families and communities and benefits the racing industry by bolstering public support. There is no down side. We thank you and look forward to working with you.

CHAIRMAN VAN CLIEF: Thank you. Is there anyone else? All right. Well, thank you all very much. That takes us to the part of the meeting where commissioners have an opportunity to comment.

I'll kick it off today with just a brief word about the process thus far and the input we've had regarding our efforts to bring forth a set of HHR regulations which we truly hope will be a platform that will drive growth across all facets of our horse industry in this state.

I want to thank everybody who took the time to be here today and to speak, as well as those who weren't able to be here but have submitted over 100 pages of commentary to us, at least through yesterday evening. I'm sure there is more coming in.

We do plan to wrap up that process. The original intent was to do it at this meeting. We will leave the avenue open through midnight tonight, so if there is anybody that wants to submit
something or something further, please do it through the usual channels. Get it to Dave Lermond in writing and we'd be delighted to have it.

Once that process has been wrapped up, then we're going to do our very best to synthesize the information, points of view, the suggestions and the comments that we have received and we will factor that into another review process of these draft regulations and hopefully this will enable us to come back with something that is constructive.

I really appreciate not only the volume of input we've received from a very obviously interested, engaged and devoted constituency, regardless of where you are on the spectrum of horse racing, but I really appreciate the fact that what we've received I think has been universally thoughtful.

It has been submitted in a constructive spirit and with a very constructive tone, and that is not always the case in the world today. So we really do appreciate that, so we will do our best as a Commission to respond in kind. We will do it as quickly as we can.

We have a bit of a process ahead of us, and I would be hopeful that before very many more weeks go by that we will be back with another set and
hopefully, as all of you have urged, that we will this time for the Commonwealth of Virginia get it right. I'll start to my left.

COMMISSIONER REYNOLDS: Thank you, Mr. Chairman. I want to reiterate what the Chairman said. I thought from all of the aspects and viewpoints today, I thought the comments were very professionally delivered and very constructive. You've given a lot for this Commission to think about as we move forward to complete this process and get racing going again.

So I want to thank everybody for their hard work. I want to thank Revolutionary Racing for coming into Virginia and breathing some life into our industry, and I look forward to working with all of you as we move forward and I'm very heartened to see everybody working together. It has been a long time coming and we look forward to working with you. Thank you.

CHAIRMAN VAN CLIEF: Thank you, Commissioner Reynolds. Vice Chairman Siegel.

COMMISSIONER SIEGEL: I won't repeat all that has been said, but I, too, thank everyone for their participation today. This has been a very thoughtful comment, very meaningful. I personally
learned a lot of new things today. I think the deliberations that we will encounter going forward and dialogue that we'll have will take a good deal of these thoughts to heart, and the whole idea of everyone working together is refreshing and we will get it right this time. Thank you.


COMMISSIONER MILLER: First of all, I want to apologize for being late. It wasn't my fault.

COMMISSIONER SIEGEL: It never is.

COMMISSIONER MILLER: I'm a politician. Nothing is my fault. I want to thank everyone for being here today. I was highly educated by what I heard here today, and the various points of view raised questions in my mind about the things we should explore more thoroughly before we vote on any final regulation here in Virginia.

Very important points were raised by I think all of the speakers and it's going to take some real work for us to educate ourselves to understand what we're voting on.

We're going to go from the -- we're talking about regulation, but the free market economy has to function in order for people to get a return on
their investment, but I'm also concerned about or recognize the concerns of people who are dubious about the proliferation of devices they don't understand, which brings me to this point. I still don't understand the device. You could stand up here and explain these machines to me all day, but I don't understand how they work.

So I want to suggest that at our next Commission meeting, if we could get a machine, I want to see one of those machines sitting right down here. I want someone to explain exactly how that machine works and why it's not a slot machine and how it meets the statutory requirement for pari-mutuel wagering.

Explain how it works and how you segregate the funds that have to come out of there to go to the better. You know what I mean, Dave. I think we can do that.

We can get one of these machine providers or two or three machine providers to come in and show us how these devices work, because when we pass these regulations and we go off on this new wave of gaming in Virginia, I want to be able to look people in the face and say this is different, this is not Charles Town, this is not Las Vegas. These machines are
different and they're tied directly to the horse industry. It's an extension of racing.

For my mind, what it is, you're getting the benefit of wagering on a race that was run one time somewhere and you have the benefit of taking that race and wagering on it again and creating economic benefits from a race that has been paid for, been run somewhere, and you're growing economically on that base of expenditure that was put forth to run that race.

I hope I'm not confusing anyone, but all I'm saying is that I think we can justifiably say that this is a horse race that we're getting a secondary benefit from at the track where it was run. Now we are getting a secondary benefit from that race.

The point was raised by one of these speakers. I want to be sure that it was a horse race and I think it has to be a visual horse race in front of us.

When we deal with racing in Virginia, we want it to be a race. We don't want little cartoons. We don't want Mickey Mouse and Donald Duck running across the screen or whatever else they come up with in this internet age. We want to see they're available. The videos are based on actual races and
these videos are there at these tracks or wherever they keep them in the library, but I want everyone in Virginia to understand that they're betting on a race, just as if that race was being run that day in front of them. Okay. That's it.

CHAIRMAN VAN CLIEF: Thank you very much. Commissioner Miller, I would respond to that saying that same thought or similar thought, not exactly the same, occurred to me with regard to the need for education in this area.

I have had one conversation with Mr. Lermond and I think he's got some thoughts on the type of individuals with the expertise that we would need that can come in, provide us with the technical detail in laymen's terms, I hope, and how these machines work, what they are and what they mean to the public.

So maybe, Dave, if you could give some thought to how we might get that educational component in front of us and whether it's individually commissioner by commissioner or whether it's in working session. Whatever might be the most efficient and appropriate way to do that, let's take a look at how we can get it done.

MR. LERMOND: Yes, sir.
CHAIRMAN VAN CLIEF: Any further comments? All right. We do not need a closed session today, so that takes us to adjournment and I'll make a motion that we adjourn.

COMMISSIONER MILLER: Second.

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

NOTE: The meeting is adjourned at 12:30 p.m.
CERTIFICATE OF COURT REPORTER

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

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

Given under my hand this 4th day of August, 2018.

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SANDRA G. SPINNER
COURT REPORTER