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**VIRGINIA RACING COMMISSION**

March 2, 2016

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  
Carol G. Dawson, Vice Chairman  
I. Clinton Miller  
J. Sargeant Reynolds, Jr.  
Dr. Charles Steger

**COMMISSION STAFF:**

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

**OFFICE OF AGRICULTURE AND FORESTRY**

Sam Towell, Deputy Secretary of Agriculture and Forestry

**ATTORNEY GENERAL'S OFFICE:**

J. Duncan Pitchford, Esquire

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## I N D E X

		Page
1		
2		
3	1. Call to Order	3
4	2. Approval of January 6 <sup>th</sup> meeting minutes	5
5	3. Approval of January 27 <sup>th</sup> meeting minutes	6
6	4. New Business	
7	a. Report from the Virginia Equine Alliance (VEA)	7
8	1. Update from Virginia Harness Horse Association (VHHA)	39
9	2. Update from Virginia Horsemen's Benevolent and Protective Association (VHBPA)	
10	3. Update from Virginia Thoroughbred Association (VTA)	
11	4. Update from Virginia Gold Cup	44
12	b. Approval of the 2016 Twinspires Account Wagering Services Agreement	47
13	c. Approval of Amendments to the 2016 XpressBet Account Wagering Services Agreement	50
14	5. Public Comment Period	52
15	6. Commissioners' Comments	52
16	7. Closed Session	58
17	8. Adjournment	61
18		
19		
20		
21		
22		
23		
24		
25		

1           CHAIRMAN VAN CLIEF: welcome, everybody, and  
2           thank you for taking time to be with us this  
3           morning. It is ten o'clock, so I would like to call  
4           the March 2<sup>nd</sup> meeting of the Virginia Racing  
5           Commission to order. I don't think we're going to  
6           have to take up all of your morning this morning.  
7           The main purpose of our meeting today, in the  
8           absence of a list of action items, is to hear a  
9           report and bring the commissioners up to date on the  
10          activities the first two months of the year of the  
11          VEA.

12           After our meetings in January, it was clear that  
13          we are getting off to what looked to be an excellent  
14          start and a re-launch of the Commonwealth's racing  
15          industry and its associated breeding and agriculture  
16          business, so we are interested to hear how things  
17          are going.

18           I talked to Jeb Hannum this morning, and despite  
19          the way we have our agenda laid out with the VEA and  
20          subheadings, I've invited Jeb to break that up and  
21          have the various members of the VEA deliver those  
22          reports in any format that they feel makes sense.

23           So you can consolidate or not as you wish this  
24          morning, but we are interested in hearing what's  
25          going on, the progress that you're making and any

1 obstacles that you see coming up, and obviously,  
2 we'd like to be in a position to anticipate any  
3 action that this Commission might have the  
4 opportunity or need to take in support of the work  
5 that you're doing this year.

6 We do have one action item, which is the old  
7 business approval of the TwinSpires wagering --  
8 account wagering, I should say, services agreement,  
9 so we are glad to have that in front of us and fully  
10 executed this morning. So we will be taking action  
11 on that.

12 I want to bring one item to your attention, and  
13 then I'll go ahead and do that right now.

14 I received news not so many days ago from him  
15 that unfortunately, our executive secretary, Bernie  
16 Hettel, is going to have to step down. I know that  
17 word is leaking around the industry at this point,  
18 but I'll go ahead and make that official this  
19 morning.

20 Over the last year or so, Bernie has found that  
21 through a series of both personal, family, and as  
22 well as business demands, that he has virtually  
23 found himself pulled in two different directions.  
24 He almost needs to be in both Kentucky where his  
25 family and some business interests are, as well as

1 here in Virginia where his job as our executive  
2 secretary is. He, unfortunately for us, was forced  
3 to make a choice and has submitted his resignation.  
4 I don't have a precise date on that, but I  
5 anticipate some administrative issues that will be  
6 brought to bear, but he will probably make it  
7 effective this month.

8 For all intents and purposes, you might have  
9 noticed he's absent today. He is back in Kentucky,  
10 so I have asked Dave Lermond, who has agreed to  
11 undertake Bernie's duties on an interim basis in his  
12 absence, which Dave is doing today. So we are going  
13 to go into closed session a little later in the  
14 meeting to talk to Mr. Pitchford, and I hope he's  
15 going to be here.

16 Sam Towell for the secretary has reached out to  
17 the Department of Human Resources Management, and  
18 they'll have some advice for us on the process going  
19 forward of recruiting and selecting a replacement.  
20 So those are the things on our plate this morning.

21 Now, we've got some minutes to approve. We  
22 deferred approval of minutes at the last meeting, so  
23 we have both the January 6<sup>th</sup> and the January 27<sup>th</sup>  
24 minutes. And before I ask my fellow commissioners  
25 for any changes or observations on those minutes,

1 I've got a couple of my own.

2 On the January 6<sup>th</sup> minutes on Page One at the  
3 bottom, it makes note of the fact that Commissioner  
4 Reynolds in his role as chairman nominated me as  
5 the new chair and then we nominated Commissioner  
6 Dawson as vice chair, and that those motions were  
7 carried unanimously.

8 I'd like to change in both cases, and I've  
9 consulted with Commissioner Dawson this morning. We  
10 would like it to be changed that the motions carried  
11 with our abstentions. We did not vote for  
12 ourselves. We didn't vote against ourselves, but we  
13 did abstain, despite our better instincts. So if  
14 you could make the changes, we will do that.

15 Then on the January 27<sup>th</sup> minutes, if you go to  
16 Page Two, Paragraph Three from the top, which  
17 begins, "Chairman Van Clief informed", that should  
18 read, "Chairman Van Clief informed the Commission  
19 that a memorandum of understanding between the  
20 parties" -- then we insert the words "had been  
21 executed". That makes that a full sentence and gets  
22 the thought there that we wanted.

23 So those are my only contributions to our last  
24 two sets of minutes. Do any other commissioners  
25 have any comments or requests for modifications?

1           COMMISSIONER STEGER: There's a tiny little  
2 detail on the January 6<sup>th</sup> minutes. The last  
3 sentence says "The motion was seconded by Commission  
4 Steve Miller". It should show "Commissioner Steve  
5 Miller".

6           CHAIRMAN VAN CLIEF: Okay. I missed that.  
7 Okay. Did you get those? And Kimberly, did you get  
8 those for your records? All right. With those  
9 changes then, do I have a motion to approve both the  
10 January 6<sup>th</sup> and January 27<sup>th</sup> minutes?

11           COMMISSIONER DAWSON: I so move.

12           CHAIRMAN VAN CLIEF: Commissioner Dawson.  
13 Second?

14           COMMISSIONER REYNOLDS: I'll second.

15           CHAIRMAN VAN CLIEF: Any opposed? The minutes  
16 are approved. Thank you very much.

17           This takes us to the commissioners, I think.  
18 Under Tab Three in your books, there is a VEA  
19 budget, which I'm sure you'll want to follow along  
20 with the next report. So Jeb, can I call on you to  
21 lead the VEA update?

22           I'd like to make this as casual and interactive  
23 as I can, so Commissioners, it's okay, Jeb, with you  
24 if I could ask the commissioners just to raise their  
25 hand with any questions. We would like to keep this

1 as informative and make it as much of a  
2 give-and-take as the commissioners would like it to  
3 be.

4 MR. HANNUM: Great. Thank you.

5 CHAIRMAN VAN CLIEF: Thank you.

6 MR. HANNUM: Sure. So I'll just provide an  
7 overview, and many of the things we're working on  
8 are obviously intertwined with that of our member  
9 groups, so I'll speak to them and then, you know,  
10 Dr. Allison and Frank and Dr. Woogen will speak to  
11 their specific organizations as well.

12 So starting off with Morven Park. As you know,  
13 the lease was signed with Morven Park a few weeks  
14 ago, which was good news, and we appreciate the  
15 Commission and the Department of Agriculture's  
16 support on that project.

17 Dr. Allison and I went out to Morven Park last  
18 week and we had lunch with the new executive  
19 director, Stephanie Kenyon, who started at the  
20 beginning of the year and her staff, and went  
21 through our immediate needs in terms of what we're  
22 focused on over next few months at Morven.

23 But equally as important, we spoke to the vision  
24 that the VEA has for being at Morven Park, and she  
25 spoke to their enthusiasm and excitement for having



1 racing come back to Leesburg.

2 So it was a very informative meeting for  
3 everybody, and they are very, very excited that  
4 racing is going to be coming back to Morven Park.

5 They have submitted to Louden County the last  
6 stage of their comprehensive horse park plans, so  
7 these are the plans that have been under way for a  
8 number of years which were put on hold when we came  
9 back into the picture and asked them to consider  
10 racing as being part of their horse park plan.

11 And so all of that was put on hold, and so the  
12 final step with Louden County for permitting is now  
13 under way, and racing is part of their overall horse  
14 park plan, which is very important, so we wanted to  
15 be part of that. We didn't want racing to be a  
16 separate submission with Louden and be an outlier.

17 So everybody hopes that Louden will be back to  
18 Morven in the next month, month-and-a-half with the  
19 grading permit approval, and then at that point, the  
20 engineering plans for the racetrack and all the  
21 other components can be finalized, and with any  
22 luck, the excavation work and heavy lifting will  
23 start late spring and summer. So that's all  
24 exciting and we'll keep you posted on that.

25 So I'll move on to Woodstock. Woodstock is our

1 home for harness racing. We're in the midst of  
2 works through the lease with the Shenandoah County  
3 fair for that site. We are working through sort of  
4 the details now, and I am hopeful that in the next  
5 few weeks that lease may be wrapped up.

6 Having said all that, we have, sort of moving  
7 forward with Woodstock under the assumption that  
8 everything is going to be fine, because time is of  
9 the essence and the engineer and the track  
10 consultant have been working on plans for Woodstock  
11 to widen the track and to grade it and to make all  
12 the changes necessary so that proper harness racing  
13 can take place there, and will really make it not  
14 just a great harness track in Virginia, but a great  
15 harness track in the region.

16 So the engineer plans have been finished, I  
17 understand. Again, we have a track consultant  
18 working with them, and now those plans will go to a  
19 contractor for a formal estimate. So that's moving  
20 forward while we're working on the lease. So that's  
21 important because we wanted to keep every path  
22 moving forward as quickly as we can, because we hope  
23 to have racing at Woodstock late fall after all the  
24 improvements have been made to the facility.

25 So those are the two sites. I wanted to just

1 give you an update on that, and Dr. Allison can  
2 obviously speak to Virginia Gold Cup when it is his  
3 turn.

4 I'll move to sort of the second priority for the  
5 Alliance this year, and that's to set up and  
6 establish our OTBs and that the kiosk network that  
7 existed in the state prior to Colonial Downs handing  
8 in their license.

9 This has been an important thing for the  
10 Alliance. The OTBs, as you know, haven't been able  
11 to be opened. We haven't really formally been able  
12 to address this issue since November of last year  
13 when Colonial's pending application was turned down.

14 So as you all know from the statute with their  
15 license or pending license, Colonial had the  
16 monopoly on the OTBs. Once that ceased, then the  
17 ability to open OTBs came over to the Virginia  
18 Equine Alliance. That didn't formally happen until  
19 November. So while we've done a lot of legwork and  
20 research prior to November, we weren't really able  
21 to really get going with it in a formal way until  
22 that point.

23 The number of the companies that we spoke to  
24 about opening OTBs had really been on hold until  
25 November. So now we've sort of moved forward.

1           United Tote is going to be coming back to us  
2 with a formal proposal about OTBs. There's a  
3 company that we've referenced, Fast Track; they're  
4 interested in opening the OTBs. The Maryland Jockey  
5 Club is opening a network in Maryland, as you all  
6 may know from reading the trade press. They have  
7 expressed an interest in looking at the Virginia  
8 market.

9           So we have a number of sort of larger companies  
10 that have experience in this regard looking at  
11 Virginia, and we want to make sure they have time to  
12 do the research and due diligence they need to do to  
13 make a proper presentation. So that is under way  
14 right now.

15           At the same time, you know, there is the  
16 possibility that we could open OTBs on our own and  
17 we've taken steps to look at that. The Alliance  
18 went down to Richmond on February 23<sup>rd</sup>, and we  
19 looked at half a dozen potential sites. So these  
20 would be the small OTBs in an existing bar or  
21 restaurant where we have a dedicated space where we  
22 could set up the OTB.

23           CHAIRMAN VAN CLIEF: Just to be clear on your  
24 terminology, are we using OTB and SWF, satellite  
25 wager facilities, as the same these days?

1 MR. HANNUM: I am. Yes.

2 CHAIRMAN VAN CLIEF: Okay. Thanks.

3 MR. HANNUM: I have that engrained in my head.  
4 So if we could stick to that, that would make it  
5 easier for me.

6 CHAIRMAN VAN CLIEF: Me, too.

7 MR. HANNUM: So yes. So we looked at a  
8 potential number of OTB sites and we focused on  
9 Richmond because that obviously made the most sense  
10 to be the logical place to open the first few, and  
11 we have two restaurants slash bars that are  
12 interested. We're going to be pursuing that.

13 So again, with everything we're doing, we're  
14 trying to keep things moving as quickly as possible.  
15 The larger companies that I referenced, you know,  
16 may be the logical partners to get these OTBs under  
17 way quickly, and with the capital they can bring,  
18 but we also want to have the option to open some  
19 OTBs on our own if we feel that makes good sense and  
20 it is viable for the VEA. So we'll keep you posted  
21 on that.

22 Then in the same regard, the kiosk networks that  
23 existed throughout the state was an important  
24 revenue generator as well, and so we're looking at  
25 the possibility of opening an ADW which would enable

1 us to have the kiosks at establishments throughout  
2 the state, and we've had conversations with  
3 consultants, for lack of a better word, that could  
4 help us do that. We don't have any formal contract  
5 with anybody right now. Some of the people we're  
6 talking to have commitments with their current  
7 employer, so we have to, you know, be sensitive to  
8 that.

9 So the OTBs now that it looks like we have the  
10 sites at Morven and Woodstock pretty well secured,  
11 that's the primary focus of the VEA over the next  
12 two months as to getting those going.

13 In terms of other matters, the Alliance is  
14 working on an enhanced website which we hope to have  
15 rolled out in the next month to 60 days, and that  
16 will be an important way to show the unified  
17 situation that we have now in Virginia with the  
18 Alliance working so closely with our steeplechase  
19 and harness and flat racing partners and the  
20 breeders, and the new website will reflect that.

21 We are looking as well as an organization at  
22 establishing a 501c3 or c4 for the Alliance. So at  
23 the Virginia Equine Alliance Foundation, we'd like  
24 to be able to have an entity, because for licensing  
25 purposes, a license for racing where there has not

1           been a referendum needs to be held by a 501c3 or 4.

2           So as you remember from last year with Oak  
3           Ridge, the Alliance was able to hold the license  
4           because there had been a referendum in Nelson County  
5           previously. If we're looking at Woodstock or with  
6           Morven Park, we need to have a 501c3 or 4 to hold  
7           that license to be the formal entity that comes  
8           before the Commission to hold the license, and then  
9           the VEA would naturally run the races as we've done.

10          So we're looking at the feasibility of that, and  
11          we'll keep the Commission informed and we welcome  
12          your feedback on how we do that.

13          Other matters, the horsemen and the breeders are  
14          going to be holding updates for their membership  
15          this Sunday and then March 13<sup>th</sup>, and all  
16          commissioners, if you haven't been invited, you  
17          certainly will be, and all Commission staff and  
18          anybody here today is welcome to attend.

19          Let me just see if I have anything else.  
20          Another important matter which actually I'll let  
21          Frank touch on it, is we had a meeting with the  
22          Maryland Jockey Club a few weeks ago about the open  
23          stakes and the Virginia-bred races, so I'll let  
24          Frank cover that and we'll come back to that.

25          Debbie Easter is away today also, so we'll be

1 speaking to her perspective on the races in  
2 Maryland. So I'll leave it at that. I'll turn  
3 things over to Frank, and then perhaps we can just  
4 go down the line with the other groups here to  
5 speak.

6 CHAIRMAN VAN CLIEF: Jeb, before you shift to  
7 the next speaker, can I ask you to elaborate a  
8 little bit more on everything you said so far?  
9 You've got your site development at Morven Park,  
10 your Woodstock and your OTB satellite wagering  
11 facility development as your key initiatives this  
12 year.

13 Can you elaborate on your timelines? When would  
14 we expect to be receiving from you licensure  
15 requests? Where are you physically on these  
16 facilities? Is it premature for me to even ask that  
17 question? But if you can enlighten us a little bit,  
18 can you tell us what we should expect in terms of  
19 both physical and administrative development going  
20 forward?

21 MR. HANNUM: Yeah. I mean it's a great question  
22 and I think we'll be better informed to speak to  
23 that at the next Commission meeting. We have, as I  
24 mentioned, we looked at half a dozen sites.

25 Literally the next day, we reached out to the



1 top two of those sites that we liked and asked the  
2 respective ownerships if we could pursue the OTBs.  
3 The initial feedback was, yes, they're excited to  
4 hear about it, so that's encouraging.

5 Again, United Tote, Fast Track, American Jockey  
6 Club, we expect to hear from them this week, next  
7 week, so I think this month will be important for us  
8 for gathering that information. So I don't want to  
9 jump the gun and say we'll have an application at  
10 the next meeting or meeting after that, but I think  
11 at the April meeting, we can certainly give you  
12 timelines, if that's acceptable.

13 CHAIRMAN VAN CLIEF: That's great. Thank you.  
14 Thanks.

15 MR. HANNUM: Thank you.

16 MR. PETRAMALO: Let me pick up on a point that  
17 Jeb mentioned; that is, the meetings that are coming  
18 up. We have scheduled for March 6<sup>th</sup> and March 13<sup>th</sup>  
19 a joint VTA -- meaning the breeders and the VHBPA,  
20 meaning our organization -- general membership  
21 meeting. We have one of these each year.

22 You have in front of you a nice little post card  
23 that Debbie Easter was kind enough to put together.  
24 This is the invitation. The March 6<sup>th</sup> one is up the  
25 road at the Meadow Event center, Secretariat's home,

1 on Sunday at six. Free food and drink. It's always  
2 necessary to get a good crowd.

3 The following Sunday, it's at Buchanan Hall,  
4 which is in Upperville on Route 50, just east of the  
5 village, so you're all invited to attend. I think  
6 if I'm not mistaken, Commissioner Dawson came to the  
7 one last year.

8 COMMISSIONER DAWSON: Will it be in the same  
9 building?

10 MR. PETRAMALO: Yes, yes. Very fancy building,  
11 by the way. Very nice.

12 Let me touch on a couple other things before I  
13 get to our discussions with the Maryland Jockey  
14 Club.

15 I neglected to inform you at the last meeting  
16 that we had an election, a board election. As you  
17 may recall, our bylaws require an election every  
18 three years.

19 We have a 14-member board. Seven seats are set  
20 aside for trainers, seven seats are set aside for  
21 owners. We conducted the election in December,  
22 results in January. As a result, we have  
23 four new board members. Six were reelected -- ten  
24 were reelected board members. The two new trainer  
25 members are Ferris Allen, who you probably know.

1 Ferris is a native Virginian, and for probably eight  
2 or ten years, he was the leading trainer at Colonial  
3 Downs.

4 Also elected is a trainer, Woodberry Payne. His  
5 legal name is Curtis, but everybody calls him  
6 Woodberry. Woodberry has a long history with  
7 Thoroughbred racing here in Virginia. As a matter  
8 of fact, I believe Woodberry was the very first  
9 president of Virginia HBPA when it signed its first  
10 contract with Colonial Downs in 1996. This was  
11 before the track even opened. So Woodberry will be  
12 a welcome addition, as will Ferris, of course.

13 Ferris brings the additional benefit of also  
14 being a member of the Maryland Horsemen's Board of  
15 Directors. Ferris's family farm is here in  
16 Virginia, but he lives in Maryland and mostly trains  
17 there because he's stabled at Laurel and he runs at  
18 Laurel and Pimlico.

19 On the owners' side, we unfortunately had the  
20 loss of one of our long-time board members, Nellie  
21 Cox. Nellie was a fine person and a wonderful horse  
22 woman. She bred some very nice race horses. Her  
23 seat was filled by Dr. Doug Daniels. Dr. Daniels is  
24 a veterinarian who practices in Ashland. He's a  
25 horse owner, has competed at Colonial Downs.

1           Another vacancy was filled by Larry McDade. He  
2 has an interesting background. He's from the  
3 warrenton area, owns a couple horses and has raced  
4 at Colonial Downs, but he's a retired or retiring --  
5 I think he's in the process of retiring -- an  
6 administrative law judge with the Nuclear Regulatory  
7 Commission. I'm sure you're all saying thank God,  
8 another lawyer involved.

9           well, before becoming a judge, Larry had a long,  
10 distinguished career with the U.S. Justice  
11 Department in Washington, D.C. and we're very happy  
12 with our new board. They're all very much  
13 interested in bringing about a new day in Virginia.

14           As I may have mentioned before, we meet on a  
15 regular basis. We meet once a month, and with 14  
16 board members, it's seldom if ever do we have less  
17 than ten or 11 who actually show up and participate,  
18 so I think going forward we'll be in very good  
19 shape.

20           Also, there's something else I wanted to  
21 mention. Our officers were this year -- David Ross  
22 was reelected as our president for the year. David,  
23 I'm sure you probably met him, but he's -- he was  
24 the leading owner at Colonial Downs for probably  
25 five or six years. His day job is as president of

1 Atlantic Reality, which is a commercial real estate  
2 development and management company that is very  
3 prominent in the greater Washington, D.C. area.

4 At any given time, David probably has between 30  
5 and 50 horses in training. The vice president we  
6 elected is Stephanie Nixon, and of course you know  
7 Stephanie. Donna Dennehy was elected as our  
8 treasurer, and I think you've all seen Donna at the  
9 meetings. And our secretary we reelected is Diana  
10 McClure. She, like the other two women, is a  
11 trainer. Her facility is up in Berryville. That's  
12 our new group going forward.

13 That's probably a good segue into talking about  
14 the meeting that we had with the Maryland Jockey  
15 Club that Jeb referred to. Jeb, Debbie, myself and  
16 Ferris Allen, who is the newest board member, met  
17 with Sal Senatra, who is the general manager and  
18 president of Maryland Jockey Club, which of course  
19 runs Pimlico, and Georganne Hale, who is the  
20 long-time racing secretary.

21 what we wanted to do was follow up on what we  
22 did there last year. When I say there, at Laurel.

23 After a long discussion, including looking at  
24 racing schedules throughout the Mid-Atlantic and New  
25 York, we tentatively agreed, subject to your

1 approval, on the following schedule.

2 One, the Pimlico racetrack will have a longer  
3 season than we're used to. Remember, under a  
4 ten-year contract between the Maryland Jockey Club  
5 and Colonial, which expired last year, Maryland shut  
6 down in June and July. Well, as of December 31<sup>st</sup>,  
7 that contract went away, so Maryland now will be  
8 running June and July. The June racing will be  
9 pretty much at Pimlico, and they will run there  
10 through the whole month. So what we talked to and  
11 tentatively agreed to was the following.

12 On June 25<sup>th</sup> at Pimlico, we would have a  
13 Mid-Atlantic day, which would feature three  
14 Virginia-bred stakes races and three Maryland-bred  
15 stakes races, and maybe a maiden race restricted to  
16 Virginia-breds and a maiden race restricted to  
17 Maryland. So we'd have that date.

18 Then on July 2<sup>nd</sup>, the 4th of July weekend,  
19 that's when Laurel reopens up. We have proposed  
20 running what used to be the Virginia Derby, now  
21 called the Commonwealth Derby, grade two stakes, and  
22 the Commonwealth nee Virginia Oaks, which is grade  
23 three.

24 The purses for those two would, at least for the  
25 Derby, would be dropped down to 250,000, would still

1 retain its grade two status, and the Oaks would  
2 remain at 150.

3 we picked that date by looking at the racing in  
4 the Mid-Atlantic in New York that was occurring  
5 roughly at the same time, so we scaled it to the  
6 date and the purse amount to allow for horses that  
7 would normally be running on the grass to come to  
8 Maryland to run in our races.

9 Then the final part of the trifecta was  
10 scheduled for September 24<sup>th</sup>. That would pretty  
11 much mirror what we did last year in September. On  
12 that day, we would have five Virginia-bred stakes  
13 races. Last year, we did quite well. The field  
14 size ranged anywhere from eight to 12 horses per  
15 race, so we would expect to replicate that also.

16 Then as part of that, we had originally thought  
17 about renting the Turf Cup, which is a grade two.  
18 That was what we initially thought about. Then  
19 there was some concern that was voiced to us that  
20 the Racing Commission and the secretaries would not  
21 be particularly in favor of our running the graded  
22 stakes races, the three races I mentioned, in  
23 Maryland. So we kind of regrouped to see what we  
24 could do.

25 So what we would like to do is to bifurcate,

1 take it in two pieces. One, we would like to get  
2 your approval to run on June 25<sup>th</sup> with the three  
3 Virginia-bred stakes, and September 24<sup>th</sup> with the  
4 five Virginia-bred stakes, so that we can use the  
5 purse money that we are accumulating from our share  
6 of online wagering on those races.

7 Now I say that because you probably remember as  
8 of July 1<sup>st</sup>, the money that we receive from online  
9 wagering has to be used for purses in Virginia,  
10 unless you give us permission otherwise, and that's  
11 what we would ask for.

12 The second piece deals with the graded stakes  
13 races. What we would like to -- we're in  
14 discussions now with the Maryland Jockey Club. What  
15 we would like to do is see if we can arrange to have  
16 the Maryland horsemen and the Maryland Jockey Club  
17 contribute half of the purse money. Last year, I  
18 thought we were going to reach that agreement, but  
19 we never did, so we wound up paying all of the purse  
20 money.

21 But our thought is we'd like to at least with  
22 respect to the Derby and the Turf Cup, excuse me,  
23 the Derby and the Oaks, the three-year-old races on  
24 the grades, we, the horsemen, have spent literally  
25 millions of dollars securing that graded stakes



1 status, and it came about in the following way.  
2 Some of you may remember this.

3 But when we first started out with the Virginia  
4 Derby, the purse was 350,000 and it was an ungraded  
5 race. It got bumped up to 500,000, and for a while  
6 Colonial was putting in 100,000. But that's ceased  
7 probably sometime in 2006 or 2007.

8 Going forward, it was 500,000, and then we  
9 bumped it to 750,000, and then we took it all the  
10 way up to one million. This was strictly horsemen's  
11 purse money.

12 In that process, the race got graded as a grade  
13 three, and then it got bumped up to a grade two,  
14 because as you increase the purse money, you get  
15 better horses to come in, and the graded stakes  
16 committee of the Thoroughbred Owners and Breeders  
17 Association which grades races takes that in to  
18 account. So we spent a lot of money to get those  
19 grades, and the same with regard to the Oaks, so we  
20 don't want to lose it.

21 But at the same time, we recognize that the  
22 likelihood that we are going to be able to run the  
23 races in Virginia in the next year or two is not  
24 great. We certainly are not going to be able to do  
25 it this year, because Morven Park will not be ready

1 for racing until 2017. Even if all the grading and  
2 excavation was done late summer early fall, you  
3 still have to grow the grass. So we're looking at  
4 probably 2017 before there's any racing at Morven  
5 Park.

6 So my thought and the recommendation that I made  
7 to our board was, well, if we can get the Maryland  
8 Jockey Club to agree and the Maryland horsemen to  
9 agree to put up 200,000, which would be half of the  
10 \$400,000 in purses, 250,000 for the Derby and  
11 150,000 for the Oaks, that it made sense to try and  
12 keep hold of that asset.

13 At the same time, in order to entice them to go  
14 along with our proposal, we would sell them whatever  
15 rights we had to the Turf Cup, because the Turf Cup  
16 would cost us at least an extra \$250,000, and if we  
17 didn't run it this year, it would lose its graded  
18 status.

19 So my thought was, well, let's sell it to  
20 Maryland and get them to agree to put in half of the  
21 purse money, and I added on to that another year.  
22 That is, if for some reason or other we can't do it  
23 in 2017, they would agree to do it in 2017, put up  
24 half the purse money, and we would still retain the  
25 graded status.

1           what I'm looking to do is to hold on to that  
2           asset for as long as possible for as little money as  
3           possible, so when and if we do have some facility  
4           here we can race, we can present those graded  
5           stakes.

6           One other thing that I would add by way of  
7           footnote. Colonial Downs as a venue is certainly  
8           not out of the picture. Their president, Stan  
9           Guidroz, is in constant touch with our president,  
10          David Ross, about various proposals to either lease  
11          or buy the track.

12          Colonial has made quite clear to us that they  
13          have no interest in racing at the venue. They have  
14          other interests that they're pursuing, but they do  
15          not have any interest in racing, so we're continuing  
16          to have discussions there.

17          I would be less than candid if I said I thought  
18          something was going to happen imminently; it's not.  
19          But it's a very nice venue and it's part of the  
20          picture and one of the things that we keep in mind  
21          when we say we want to hang on to the asset, the  
22          assets represented by the two graded stakes. So  
23          that's kind of where we are in the Maryland Jockey  
24          Club discussions.

25          I will say that dealing with the Maryland Jockey

1 Club is a pleasure. The new leadership over there  
2 is very reasonable, very accommodating, and most  
3 importantly, they see the necessity for creating  
4 some kind of coordination in the Mid-Atlantic,  
5 certainly between Maryland and Virginia; if not  
6 Maryland, Virginia and Delaware.

7 Jeb, have I missed anything in our discussions  
8 with them?

9 MR. HANNUM: No.

10 MR. PETRAMALO: That's pretty much where we are  
11 with the Jockey Club. So what would be very  
12 helpful, is if you could approve our plan with  
13 regard to the Virginia-bred stakes, because we want  
14 to get this on the calendar as soon as possible,  
15 because now, owners and trainers are pulling out the  
16 condition books and the stakes schedules for the  
17 upcoming year planning their racing programs.

18 So what I would hope that you would do is  
19 approve our plan to run at Pimlico as part of  
20 Mid-Atlantic day at the end of June, and our plan to  
21 run the Virginia-bred stakes at Laurel on  
22 September 24<sup>th</sup>. If we had that, that would be a  
23 great step forward.

24 We can probably delay a little bit to see where  
25 we go with the Maryland Jockey Club back and forth

1 in terms of who is going to pick up the purse money  
2 for what we would propose to you.

3 CHAIRMAN VAN CLIEF: Frank, what's your  
4 schedule? Sounds like you need an approval ASAP.  
5 what's your deadline for Commission approval on the  
6 two days that you need the Virginia-bred races?

7 MR. PETRAMALO: I would hope we could do it at  
8 this meeting. The next meeting would be in April,  
9 and that's getting pretty close to the June racing.  
10 I think we can slide a little bit on the graded  
11 stakes situation because the situation is fluid.  
12 We're not to a definite agreement, but I think where  
13 we are with the Maryland Jockey Club on the two  
14 Virginia-bred stakes races.

15 Now also I would add that as a part of that, you  
16 remember what the funding formula was. Each of  
17 these Virginia-bred stakes was run for \$60,000. We,  
18 the horsemen, put up 50,000 and 10,000 for each race  
19 came from the Breeders Fund. So we would --

20 CHAIRMAN VAN CLIEF: You're planning to  
21 replicate that?

22 MR. PETRAMALO: Yes. That's correct.

23 CHAIRMAN VAN CLIEF: Why don't we stop right  
24 here and deal with this, if we can? Counselor, is  
25 there any reason why we can't undertake that today?

1 MR. PITCHFORD: I don't see why not.

2 CHAIRMAN VAN CLIEF: Okay. Great. All right.  
3 Let's focus on just what you need today, Frank. I  
4 apologize. Can I ask you to spin through again the  
5 two days and exactly what races and the allocation  
6 of funds? And one question up front that I would  
7 have is do you have the necessary approvals from  
8 VTA? Is everybody on board with this this morning  
9 in terms of allocation of dollars?

10 MR. PETRAMALO: I believe so. I'm a little  
11 reluctant to say anything without Debbie being here,  
12 but Debbie has been a part of this whole process.

13 MR. HANNUM: I spoke to Debbie last night in  
14 advance of the meeting, and she did specifically ask  
15 if the Commission would consider this and approve it  
16 today, so I think we can take that that she's got  
17 appropriate clearance from her board.

18 CHAIRMAN VAN CLIEF: Okay. Will you take us  
19 through exactly what you need, and keeping in mind  
20 these are restricted Virginia-bred dollars which  
21 need to be distributed in some format somewhere this  
22 year for the benefit of the Virginia breeders and  
23 the program.

24 MR. PETRAMALO: That's correct.

25 CHAIRMAN VAN CLIEF: So in essence, what I think

1 we're looking at this morning is doing what I  
2 thought was pretty much of a slam dunk last year and  
3 up front, I assume it is this year, so if you would  
4 take us through it.

5 MR. PETRAMALO: Yes, Mr. Chairman. The first  
6 date that we had agreed to with the Maryland Jockey  
7 Club was June 25<sup>th</sup> at Pimlico, and we would have  
8 three Virginia-bred stakes at \$60,000. And again,  
9 when I say Virginia-bred, that means the races are  
10 restricted to horses bred in Virginia.

11 we would also add in what we call an overnight  
12 race; a maiden race, specifically a maiden race  
13 because we always have a lot of maidens, but it  
14 would be just for Virginia-breds.

15 so we would hopefully have a total of four  
16 Virginia-bred races that day, and the Maryland folks  
17 would similarly put up three Maryland-bred stakes,  
18 and maybe a Maryland-bred overnight. But again,  
19 this is unusual because this is at Pimlico.  
20 Normally on June 25<sup>th</sup>, Pimlico is shut down, so that  
21 would be at Pimlico.

22 The second piece is on September 24<sup>th</sup>, and that  
23 would be the same five Virginia-bred stakes that we  
24 ran last year. In shorthand terms, there was a  
25 sprint for the boys, a sprint for the girls, a route

1 race for the boys, a route race for the girls, and  
2 then a sprint for two-year-olds. And again, those  
3 were \$60,000 races with 50,000 coming from the  
4 horsemen and 10,000 from the breeders funds.

5 Now as part of that, we had also talked about  
6 the graded stakes Turf Cup, but I'm not asking that  
7 you give any approval or consideration to that part.  
8 We're just looking for approval for Virginia-bred  
9 races that we would have on the days in June and  
10 September that I just mentioned.

11 CHAIRMAN VAN CLIEF: So we're looking at eight  
12 Virginia-bred stakes with a total of \$480,000 in  
13 purses; the aggregate coming from a combination of  
14 the HBPA funds plus the VTA, plus you have an  
15 overnight, presumably, a Virginia-bred maiden?

16 MR. PETRAMALO: Yes.

17 CHAIRMAN VAN CLIEF: Is that 60,000 as well?

18 MR. PETRAMALO: No. No. No.

19 CHAIRMAN VAN CLIEF: That sounds like a nice  
20 maiden race.

21 MR. PETRAMALO: My guess is we'd probably card  
22 the maiden at 25 or 30,000. Something like that.

23 CHAIRMAN VAN CLIEF: So we're looking at roughly  
24 a half a million dollars in allocations --

25 MR. PETRAMALO: Correct.



1           CHAIRMAN VAN CLIEF: -- coming from a  
2 combination of funds?

3           MR. PETRAMALO: Yeah. Now let me also, just as  
4 long as we're talking about money, let me give you a  
5 fuller picture of the money. During the calendar  
6 year of 2016, we'll probably accumulate on a net  
7 basis about \$2.5 million from online wagering.  
8 Those are the source market fees paid by TVG,  
9 XpressBet and TwinSpires, and that's net of rebates,  
10 so we're looking roughly at \$2.5 million.

11           what we're proposing to spend is probably close  
12 to \$1.1 million, and here's how. The races that we  
13 just talked about are roughly half a million  
14 dollars, plus we are committed by contract to put up  
15 \$400,000 for the Gold Cup races in the spring and  
16 fall; so that gets you to 900,000. Then possibly or  
17 hypothetically, we have another 200,000 if we go  
18 forward with this graded stakes under the terms that  
19 I've talked about. So out of 2.5 million, we'd be  
20 spending 1.1 million in purses for Thoroughbred  
21 racing during 2016.

22           Now that leaves us with a balance, which we're  
23 happy to have, because there are a number of other  
24 things that we may want to do during the year to  
25 expand revenue, which of course we'd need your

1 permission to do that.

2 But for example, Jeb mentioned opening up our  
3 own OTB sites or SWF sites in existing bars or  
4 restaurants. Ball-parking it, that would probably  
5 cost about 150,000 a location to build out. Where  
6 are we going to get that 150,000? That may --  
7 something like that may happen. But that's kind of  
8 a long, round-about way of answering your question,  
9 but I wanted you to have a fuller picture of the  
10 economics involved.

11 CHAIRMAN VAN CLIEF: Great. Thank you. My  
12 fellow commissioners, any questions? Need any  
13 further explanation for request for approval? I'll  
14 just play it back really quickly.

15 Two days -- Frank is asking for approval this  
16 morning of two days of racing in Maryland, to  
17 include a Mid-Atlantic day, which will include three  
18 Virginia-bred stakes at 60,000 each for a total of  
19 180,000, plus one overnight, presumably, a maiden  
20 race, which will also be Virginia-bred and a 20 to  
21 \$25,000 value. And then following that on  
22 September 24<sup>th</sup> at Laurel, five Virginia-bred stakes  
23 at 60,000 each for a total of 300,000 on that day.

24 Again, I see this as without venue of our own at  
25 home here, the same thing we did last year, which

1 would be a means of providing purse money to our  
2 Virginia-breds, and when we don't have a homegrown  
3 version of doing that.

4 So I don't have any questions about it. Anybody  
5 else?

6 COMMISSIONER DAWSON: Yes.

7 CHAIRMAN VAN CLIEF: Madam vice chair.

8 COMMISSIONER DAWSON: Frank, the only question  
9 that I have is did the organization learn something  
10 from last year? Are there any problems that you  
11 encountered that you will have to deal with again or  
12 any problems that you couldn't resolve?

13 MR. PETRAMALO: No. Not that I can think of,  
14 Commissioner Dawson. All I -- my impression from  
15 the day was that it was a wonderful day. We had a  
16 lot of Virginia people show up. The Maryland Jockey  
17 Club set aside a whole section of the restaurant for  
18 us.

19 The races went off fine, and as I said, we had  
20 -- the smallest field we had was in the punchlines,  
21 the sprint for boys, nine starters, and in the  
22 two-year-old race, we had 12 starters. In the mile  
23 and a 16<sup>th</sup> for the girls, we had 12 starters and the  
24 wagering handle was considerably more than it ever  
25 was at Colonial. I don't recall offhand the

1 Colonial number. The number for the five races at  
2 Laurel was \$1.3 million, which is a good handle for  
3 five races.

4 So we were quite happy with it and our hope was  
5 to replicate it this coming September.

6 COMMISSIONER DAWSON: You were talking about  
7 getting the shared contribution from the Maryland  
8 Jockey Club. Is that --

9 MR. PETRAMALO: That's for the graded stakes.  
10 That's still under discussion. Yes.

11 COMMISSIONER DAWSON: All right. I have no  
12 further questions.

13 CHAIRMAN VAN CLIEF: Is there any participation  
14 that you get in the financial experience of the day,  
15 other than providing an outlet for Virginia-breds?

16 MR. PETRAMALO: We get the horsemen's share.  
17 It's a little complicated, because remember when  
18 we're talking about handle, we're talking about  
19 handle live on the track, as well as simulcast  
20 wagering throughout the country.

21 So when I said that the handle was \$1.2 million  
22 for five races, that's the total handle. On track,  
23 it probably was 10 percent of that. Ninety percent  
24 came through simulcasting. I mention that because  
25 the horsemen's share that comes from live wagering

1 differs substantially from the horsemen's share from  
2 simulcast. But if you blend them all together, the  
3 horsemen's share is about two and three-quarters  
4 percent. So if you talk about \$1 million, the  
5 horsemen get 27,500.

6 CHAIRMAN VAN CLIEF: That sharing does include  
7 both on- and off-site?

8 MR. PETRAMALO: Yes. Total handle. Last year,  
9 for example, of all of our races including the  
10 graded stakes, we received a little more than  
11 \$59,000, is our horsemen's share. The Maryland  
12 horsemen didn't get any of that. That came to us.

13 CHAIRMAN VAN CLIEF: Any questions?

14 COMMISSIONER STEGER: Seems like a reasonable  
15 plan.

16 CHAIRMAN VAN CLIEF: In that case, I think we're  
17 at the point where I would look for a motion from  
18 the Commission.

19 COMMISSIONER DAWSON: Mr. Chairman, I move we  
20 adopt.

21 CHAIRMAN VAN CLIEF: I just want to say there  
22 was a hand up. We do have a time for public comment  
23 at the end. This is essentially a conversation  
24 between the VEA, HBPA and Commission. Sorry.

25 COMMISSIONER DAWSON: Yes. I'd like to move

1 that we adopt the plan that has been outlined by Mr.  
2 Petramalo and approve the arrangement with the  
3 Maryland Jockey Club for the running of the stakes  
4 races and Virginia-bred stakes races.

5 CHAIRMAN VAN CLIEF: So we do have a motion to  
6 approve the 2016 Virginia-bred stakes as set forth  
7 by Mr. Petramalo to be run on June 25<sup>th</sup> and  
8 September 24<sup>th</sup>. Do we have a second?

9 COMMISSIONER REYNOLDS: Second.

10 CHAIRMAN VAN CLIEF: Commissioner Reynolds  
11 seconds. Any further questions, comment,  
12 conversation? In that case, I'll call a motion.  
13 All in favor of approval as requested by Mr.  
14 Petramalo, signify by saying aye.

15 NOTE: The Commission votes aye.

16 CHAIRMAN VAN CLIEF: Any opposed? Motion  
17 passes. You have your approval, sir.

18 MR. PETRAMALO: Thank you. At this point, I'll  
19 turn it back to Jeb.

20 CHAIRMAN VAN CLIEF: Okay. Thank you.

21 MR. HANNUM: So we'll just sort of go down the  
22 line, if we can, so that would bring us to Dr.  
23 Woogen.

24 CHAIRMAN VAN CLIEF: Your report.

25 DR. WOOGEN: The Virginia Harness Horsemen's

1 Association, our engineering drawings are complete.  
2 The redevelopment of the racetrack is in the hands  
3 of the contractor, who in the next week or so should  
4 provide us with a final bid. If it falls into  
5 range, which we think it will, we'll move forward  
6 with the project. Permits have been submitted and  
7 we're awaiting approval for moving the dirt.

8 we hope and pray and believe strongly that we'll  
9 be ready to race in the fall. It will start with  
10 the normal Shenandoah County fair the last week of  
11 August. That will be three days of harness racing,  
12 which will be fair racing, not pari-mutuel racing.  
13 will not require Commission presence, will go on as  
14 it has for almost 100 years.

15 The next week starting Saturday September 10<sup>th</sup>,  
16 we'll kick off we hope a ten-day meet which will be  
17 Saturdays and Sundays for five consecutive weeks.  
18 That would allow horsemen six weeks of opportunity  
19 to come into the state, to come back to the state,  
20 in most cases, Virginia horsemen racing  
21 out-of-state, provide them with enough racing  
22 opportunities to make it feasible to draw enough  
23 horses to put on a really nice meet.

24 Our stakes, we anticipate preserving them at the  
25 current value, as it has for the last several years

1 at \$40,000. We have eight divisions we run based on  
2 age and based on trotting or pacing, so we have  
3 two-year-old trots and paces for both colts and  
4 fillies, and the same for three-year-olds. So  
5 there's a total of eight divisions, each division  
6 \$40,000.

7 So we recognize that not only do we want to  
8 preserve the stakes to encourage breeding in the  
9 state, but we want to showcase the sport in a way  
10 that will provide enough racing opportunities for  
11 overnight races, which will allow interest and over  
12 time generate festival activity over those weekends  
13 in the fall.

14 There's a wine festival that will be run on one  
15 of those weekends called the Wine and Trotter  
16 Festival. This will be, I believe, the third year,  
17 and it is becoming larger and larger.

18 I think if we can have a festival of some sort  
19 on as many of those weekends as possible, I think it  
20 will attract large crowds and large interest in the  
21 sport of harness racing. So I think this is the  
22 start of redevelopment of harness racing in the  
23 state. We're not asking for any dollars to go  
24 out-of-state. We're asking for your approval for  
25 those race dates and also to approve the stakes as



1 stated.

2 CHAIRMAN VAN CLIEF: Thank you very much. Are  
3 you looking for approvals this morning or not?

4 MR. HANNUM: well, no, not --

5 CHAIRMAN VAN CLIEF: At this point, we need a  
6 little more --

7 MR. HANNUM: -- not formally. We would need to  
8 work with Dave and his office and hand in a formal  
9 submission, which we'll be looking to do in the next  
10 few months.

11 So we need to get the lease signed. We need to  
12 get the permits approved, and then I think we can  
13 get the race dates, hopefully get it before you very  
14 quickly, but at least you know now what we're  
15 thinking about and that's the plan from the harness  
16 people.

17 CHAIRMAN VAN CLIEF: I have one sort of  
18 unrelated question. If you succeed, and I assume  
19 that you're going to, do you have a mechanism or is  
20 somebody there going to be tracking the economic  
21 activity? Because I think you can expect, I hope  
22 you can expect to see an up-tick in Woodstock and  
23 the surrounding area as you develop a more robust  
24 racing schedule, and as you said, develop sort of a  
25 festival atmosphere or series of festivals, you're

1 hopefully going to have some commensurate economic  
2 activity, and I think it will be great for the  
3 entire case that racing in the Commonwealth is going  
4 to be making over the next few years to track that.  
5 Do you have something in place that will be doing  
6 that for you?

7 DR. WOOGEN: I'm not an expert in tracking that  
8 activity. I know we can work with the Department of  
9 Agriculture and Commerce. Whatever it would take,  
10 we'll look in to it. Certainly, that's important,  
11 and I think if we can do it, we'd like to do that.

12 CHAIRMAN VAN CLIEF: All right. That would be  
13 nice information to have.

14 Commissioner Miller.

15 COMMISSIONER MILLER: I see Tom Eshelman is  
16 here. He sort of tracks economic input from the  
17 fair annually. Do you work with -- Could I just?

18 CHAIRMAN VAN CLIEF: Absolutely.

19 COMMISSIONER MILLER: Do you work with the  
20 Chamber of Commerce there on those things or how do  
21 you do that?

22 MR. ESHELMAN: We've already reached out to  
23 Shenandoah Valley Tourism. Ms. Jennifer Etch [ph]  
24 is the director there. They're going to be involved  
25 in tracking hotel increases in capacity as far as

1 stays, as well as the local restaurants.

2 we are working very closely with the Chamber of  
3 Commerce. In fact, they are going to partner in two  
4 of the festivals we are going to conduct during  
5 racing.

6 we're also involved, obviously, with the town  
7 and county; blessings from both the Board of  
8 Supervisors and the council of Woodstock. So all of  
9 those folks are going to be participating to see how  
10 it affects the community and surrounding area.

11 COMMISSIONER MILLER: Okay. Let me suggest you  
12 might want to draw in the Virginia Farm Bureau for  
13 the agricultural interests in that area regarding  
14 the agricultural activity for the hay and oats.

15 MR. ESHELMAN: They're a huge player already  
16 during the Shenandoah County fair itself, and  
17 they're definitely going to be approached about  
18 participating.

19 COMMISSIONER MILLER: I just wanted to point out  
20 that Tom has that sort of thing sort of in place  
21 already to do this tracking, but if you would work  
22 with the Department of Agriculture, the Agricultural  
23 Secretariat here in Virginia for any additional  
24 suggestions they may have to track this economic  
25 output for the community, it might be helpful.

1           CHAIRMAN VAN CLIEF: I think it will be  
2 interesting and hopefully important information for  
3 all of us as we build the case. It should be good  
4 news. Anything further?

5           DR. WOOGEN: I think that's it. Thank you.

6           CHAIRMAN VAN CLIEF: Jeb?

7           MR. HANNUM: Great. Thank you. Dr. Allison?

8           DR. ALLISON: Yes. Things are going very well  
9 for your spring Gold Cup races. Our sales are up  
10 five percent, so that's a good indicator, and we  
11 have a good, solid purse structure of over \$400,000,  
12 and we have to thank our horsemen group for their  
13 strong support.

14           We have an eight-race card that will be five  
15 jump races and three flat races. We may well have a  
16 split on one of the flat races. The maiden flat is  
17 a very popular race, and if we get more than 12  
18 horses, then we start considering splitting the  
19 race.

20           As you know, all of our races are Virginia-breds  
21 preferred, and in this sense, we have increased our  
22 purse structure. This becomes more important to our  
23 Virginia horsemen. So we look forward to having all  
24 of you be with us on race day. Thank you.

25           CHAIRMAN VAN CLIEF: Thank you. We look forward

1 to joining you as well, and if memory serves, your  
2 crowd was the largest sports event in the  
3 Commonwealth of Virginia last year, so it looks like  
4 it just got five percent larger.

5 DR. ALLISON: Yes. We expect the same.

6 CHAIRMAN VAN CLIEF: I look forward to it. I  
7 look forward to turning those 70,000 folks to  
8 inveterate racing fans.

9 MR. HANNUM: Correct. Dr. Allison, he always  
10 gets the best report. So I just was looking at my  
11 notes. A couple of other things I'll just mention  
12 for the record.

13 The Virginia Equine Alliance is planning to  
14 select -- reach out to Mitchell Wiggins, which is a  
15 Richmond-based CPA firm, to conduct the 2015 audit  
16 for the organization per the language in the statute  
17 which directs the Commission to require that, so we  
18 will work with the Commission and staff on that and  
19 other sort of miscellaneous items.

20 TwinSpires did make their January payment to the  
21 VEA, I believe, to the breeders and the horsemen as  
22 well, so that's good. So that gets us on track for  
23 2016, and thanks to counsel, we're looking to see  
24 those past due funds paid tomorrow. So with any  
25 luck, by the end of the week, we should be caught up

1 with TwinSpires, which is great. So I just wanted  
2 to mention that.

3 CHAIRMAN VAN CLIEF: That's good news. Thank  
4 you. All right.

5 MR. HANNUM: So that's it, Mr. Chairman. So  
6 thank you for the opportunity. I think this has  
7 been very helpful to do this in this sort of  
8 informal way that we have, and you tasked us with a  
9 number of items to come back to you on. We  
10 appreciate your support of those Virginia-bred  
11 races. I know Debbie and the VTA will be very  
12 pleased to get that out and timing is very good.

13 That can be announced at the upcoming membership  
14 meetings over the next two weeks. That's a helpful  
15 sign that things are moving forward again.

16 Again, just to reiterate that Maryland horsemen  
17 have been very supportive, and we, you know, we  
18 appreciate the coordination amongst the respective  
19 commissions and racing groups.

20 CHAIRMAN VAN CLIEF: Great. Well, thank all of  
21 you for an excellent report this morning. It sounds  
22 like things are moving in a good, positive  
23 direction, and thanks for all the hard work. I know  
24 you're juggling a lot of issues all the time, and we  
25 appreciate what you're doing. Thank you.

1           We do have, I think I said at the top we had one  
2           action. We actually have two action items. We have  
3           to consider approval of the TwinSpires agreement,  
4           and also amendments to the current XpressBet  
5           agreement.

6           Mr. Lermond is acting as executive secretary  
7           this morning, and I think, Dave, can you bring us up  
8           to speed on both of those in that order, please?

9           MR. LERMOND: Thank you, Mr. Chairman. Behind  
10          Tab Four in your books is the account wagering  
11          service agreement between Churchill Downs Technology  
12          Initiatives Company, better known as TwinSpires.com,  
13          the Virginia Equine Alliance and the two recognized  
14          majority horsemens groups, the VHBPA and the VHHA.

15          The agreement is a product of the very  
16          successful mediation that took place back in January  
17          and a resulting settlement agreement between these  
18          parties.

19          This wagering agreement basically does two  
20          things. One, it allows the VEA and the horsemen to  
21          rebate back a portion of the source market fees that  
22          the code requires that the ADW companies pay to  
23          these two groups.

24          That percentage is 3.75 of the nine percent  
25          source market fee that these groups are to receive,

1 and in consideration or on the other hand, the  
2 Churchill Downs parent company of TwinSpires has  
3 agreed to give the VEA very favorable host fees if  
4 the VEA should go ahead with plans for OTBs or SWFs,  
5 how we want to say it, in Virginia. It's a  
6 three-year deal with an effective date of  
7 January 1<sup>st</sup>. It has been reviewed by staff and we  
8 would recommend your approval.

9 CHAIRMAN VAN CLIEF: Okay. Thank you very much.  
10 We'll take that issue individually. Are there any  
11 questions for Mr. Lermond?

12 COMMISSIONER STEGER: I have one. How does that  
13 make us in terms of competition with other states in  
14 terms of the --

15 MR. LERMOND: It definitely brings us back more  
16 in line. As you may be aware, Virginia is probably  
17 one of the higher states as far as the source market  
18 fee requirements. This gets us back more in line,  
19 and it also gets us back to years ago where the  
20 account wagering companies actually would have an  
21 agreement with the track and horsemen and each  
22 agreement was a little bit different, but in many of  
23 those cases, the number was close to what the net of  
24 the nine percent less than 3.75 was.

25 CHAIRMAN VAN CLIEF: Okay.



1           MR. LERMOND: Still a little high, but it's much  
2 better.

3           CHAIRMAN VAN CLIEF: Any other questions?  
4 Before asking for a motion, I just note that I think  
5 that this is great news. I'm glad to get this  
6 finalized this morning. A lot of work and good  
7 faith negotiating went in to it on the part of the  
8 VEA, the HBPA, our staff, the OAG, the secretary.  
9 Thank you all.

10           I think this sets the table financially along  
11 with the flexibility that Frank and HBPA have shown  
12 with their funds to really start ticking off all of  
13 these issues that Jeb and the members here of the  
14 VEA this morning have briefed us on. So great news;  
15 it allows us to go forward.

16           So with that, I would ask for a motion to  
17 approve the TwinSpires agreement as set forth in  
18 your manuals and as briefed by Mr. Lermond.

19           COMMISSIONER MILLER: So moved.

20           CHAIRMAN VAN CLIEF: Commissioner Miller. Do we  
21 have a second?

22           COMMISSIONER DAWSON: I'll second that.

23           CHAIRMAN VAN CLIEF: Commissioner Dawson  
24 seconds. Any further discussion? All in favor, say  
25 aye.

1                   NOTE: The Commission votes aye.

2                   CHAIRMAN VAN CLIEF: Any opposed? Passes as  
3 approved.

4                   Dave, do you want to brief us then on the  
5 XpressBet agreement, please?

6                   MR. LERMOND: Yes, sir. A very similar  
7 agreement was reached with XpressBet and was  
8 approved by the Commission back at the January 6<sup>th</sup>  
9 meeting. Part of this agreement contained what's  
10 called a most favored nation's clause, and simply  
11 put, it's an assurance to XpressBet that if the VEA  
12 were to give somebody a better deal than the deal  
13 they're giving XpressBet, that they would offer that  
14 same deal to them. Not exactly lawyerly terms, but  
15 that's the gist of it.

16                   As a result, once the deal was finalized with  
17 TwinSpires, Mr. Petramalo contacted Mr. Chabrier  
18 from XpressBet, and you'll see the email you have  
19 behind Tab Five in your books.

20                   Basically, Frank let Mr. Chabrier know that they  
21 would be getting the same 3.75 percent rebate that  
22 TwinSpires will be getting, and also that the rebate  
23 amounts will be paid on a quarterly basis rather  
24 than every month.

25                   Mr. Chabrier is a pretty easy-going guy, and he

1 knows Frank and those guys are good for the money,  
2 so he was fine with quarterly payments rather than  
3 monthly. That's just a minor change. The major  
4 change is the initial increased percentage of the  
5 rebate to 3.75.

6 I think that's it, and staff would recommend  
7 approval to the amendment of this agreement.

8 CHAIRMAN VAN CLIEF: Okay. Thank you. Any  
9 questions for Mr. Lermond? In that case, we do need  
10 a motion in accordance with the insert in our books,  
11 which is a letter from Mr. Petramalo dated  
12 February 25<sup>th</sup>. The motion would be to amend the  
13 XpressBet agreement in accordance with this letter.  
14 May I have such a motion?

15 COMMISSIONER DAWSON: I so move.

16 CHAIRMAN VAN CLIEF: Vice chairman Dawson makes  
17 the motion. We need a second.

18 COMMISSIONER REYNOLDS: I second.

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

22 NOTE: The Commission votes aye.

23 CHAIRMAN VAN CLIEF: Are there any opposed?  
24 Motion passes. Thank you.

25 At this point, I'd like to open the floor for --

1 and we're going to go in to closed session at the  
2 very end so we don't have to hold you all up. We  
3 are going to be doing so for the sole purpose of  
4 discussing the transition of our executive secretary  
5 position. I'm not certain that we'll have much to  
6 report or discuss when we come back out. You're  
7 welcome to say or go if you like, but we won't hold  
8 you if you've got other business to attend to.

9 So we'll open the floor for public comment, as  
10 always. Please state your name for the record and  
11 confine your comment to no more than five minutes.  
12 Is there anybody that would like to be heard this  
13 morning?

14 NOTE: There was no response.

15 CHAIRMAN VAN CLIEF: All right. Thank you.

16 And now we come to Commissioners' comments. If  
17 there are any, we'll start to my far left with  
18 Commissioner Reynolds.

19 COMMISSIONER REYNOLDS: I was very encouraged to  
20 hear this update today, and sounds like you guys  
21 have worked very hard and are on the right track, so  
22 we want to be here to support you when we can, and  
23 I'm just very encouraged. Congratulations and keep  
24 up the hard work. Thank you.

25 COMMISSIONER STEGER: I'll just say that I'm

1 delighted to hear about the progress on the  
2 renovations of the tracks and look forward to seeing  
3 the industry grow and be more robust each year.

4 CHAIRMAN VAN CLIEF: Thank you. Commissioner  
5 Dawson.

6 COMMISSIONER DAWSON: I just want to take this  
7 opportunity to ask a question that I forgot to ask  
8 before. It has to do with the VEA/VHBPA sponsorship  
9 of that one day of flat racing at Great Meadow this  
10 past year. I don't recall that being mentioned in  
11 your report.

12 MR. HANNUM: Yes. So based on a number of  
13 circumstances, the race day that we had last year  
14 was an expensive day to put on, and you're speaking  
15 to the one day of flat racing that we did at Great  
16 Meadow. We were very pleased with that day.  
17 Everything went very well. It was an expensive day  
18 to put on, based on the amount that we had to pay in  
19 rent for the facility.

20 So based on all the things that we have going on  
21 right now, based on budget constraints and wanting  
22 to focus on getting Woodstock and Morven Park up to  
23 speed, we felt that those funds that we would need  
24 to spend on that race day would be probably better  
25 suited investing in the new facilities going

1 forward.

2 Great Meadow is there. If things were to change  
3 or there were some sort of very significant  
4 reduction in the rent that they would charge us, I  
5 think we could revisit it, but at this point in  
6 time, there are no plans to have that day, but it  
7 certainly could be revisited.

8 COMMISSIONER DAWSON: It was a wonderful day.

9 MR. HANNUM: It was a very nice day. The  
10 weather cooperated and all the races were very good  
11 and it was a nice opportunity.

12 So you know, we'll see. I think at this point  
13 in time, it is unlikely we'd have that day again.

14 COMMISSIONER DAWSON: Thank you. I understand  
15 you have to make priorities --

16 MR. HANNUM: Yes.

17 COMMISSIONER DAWSON: -- with the funds you have  
18 at hand. So thank you again for that good report.

19 MR. HANNUM: Thank you.

20 CHAIRMAN VAN CLIEF: Commissioner Miller.

21 COMMISSIONER MILLER: I just want to commend  
22 everyone for their presentations, and I also want to  
23 encourage Mr. Petramalo to follow up in terms of  
24 getting the track at New Kent reinvolved in racing  
25 in Virginia, hopefully. I know it may be a long

1 shot, but whatever you can do in that regard would  
2 be -- I think would be helpful.

3 I also want to say this maybe prematurely  
4 because we don't have the official resignation date  
5 from our executive secretary.

6 I just want to say I've been involved in state  
7 government since 1972 in one way or the other,  
8 either as a legislator, a judge or commissioner here  
9 or whatever. It has been a long time.

10 I want to say that Bernie Hettel was one of the  
11 finest people I've ever worked with in government.  
12 Very conscientious, very knowledgeable in his field  
13 and easy to work with, and I'm going to really miss  
14 him.

15 CHAIRMAN VAN CLIEF: Thank you. Two quick  
16 comments, and I'd like to second Commissioner  
17 Miller's comment with regards to Bernie.

18 I've known Bernie since he was steward at  
19 Churchill Downs the year we ran the first Breeders  
20 Cup there, which was 1988, and I reminded him when I  
21 came on the Virginia Commission that the first thing  
22 he ever said to me -- we were requesting permission  
23 to run 14 horses on their turf course, which they  
24 normally confine to 12, and Bernie looked up -- we  
25 were upstairs in the stewards' box one afternoon and

1 he said, "I guess you're going to want to run mules  
2 next, aren't you?"

3 Bernie has always had the utmost integrity as a  
4 racing official. He has been absolutely fantastic  
5 to work with, an experienced, hard working  
6 individual and full of integrity. I'm going to miss  
7 him as well, and I know I speak for the entire  
8 Commission.

9 Lastly, we don't usually do this, but I'm going  
10 to call on the VEA to give us a little guidance in  
11 setting our next meeting.

12 Jeb, the normal Wednesday routine would put us  
13 next month, and assuming that we're going to want to  
14 talk again next on either the 13<sup>th</sup>, 20<sup>th</sup> or 27<sup>th</sup>,  
15 I'm kind of guessing that we might be more  
16 productive to wait a little longer and let things  
17 percolate; is that correct? What do you all think  
18 would be a good date to run by my fellow  
19 commissioners to see what we could set it for?

20 MR. HANNUM: I would agree. If we could push it  
21 back, we were thinking we'd go into April, early  
22 April.

23 CHAIRMAN VAN CLIEF: Of next month, right.  
24 Yeah. Sort of the middle day would be the 20<sup>th</sup>. I  
25 know you're not going to be ready on the 13<sup>th</sup>. At



1           least I'm assuming that. And I think the 27<sup>th</sup> would  
2           be a likely date. I'd go early as I could.

3           MR. HANNUM: What about the 27<sup>th</sup>?

4           CHAIRMAN VAN CLIEF: What I'll do is ask Dave to  
5           circulate the Commission, unless everybody can give  
6           me a nod right now.

7           COMMISSIONER MILLER: The 27<sup>th</sup> is fine with me.

8           CHAIRMAN VAN CLIEF: All right. Let's go ahead  
9           and set ten o'clock a.m. on the 27<sup>th</sup> of April as our  
10          next meeting.

11          MR. HANNUM: Great. Thank you.

12          CHAIRMAN VAN CLIEF: We will let you know where  
13          it will be. Presumably this room, but I'm not sure.  
14          We may be back in the Patrick Henry building by  
15          then.

16          MR. PETRAMALO: You may want to consider --  
17          because the Virginia Gold Cup is the first Saturday  
18          in May, you may want to consider giving the acting  
19          executive secretary the authority to approve the  
20          officials for the Gold Cup. Would that work out,  
21          Dr. Allison?

22          DR. ALLISON: Yes.

23          CHAIRMAN VAN CLIEF: That's a great point. Does  
24          anybody have a problem with that?

25          COMMISSIONER REYNOLDS: Not at all.

1           COMMISSIONER DAWSON: Sounds good.

2           CHAIRMAN VAN CLIEF: Okay. I think we should  
3 probably have a formal motion, so I'll make it, and  
4 I'll move that we grant the acting executive  
5 secretary the authority to approve the Gold Cup  
6 officials at the appropriate time when requested by  
7 Dr. Allison.

8           COMMISSIONER REYNOLDS: I second.

9           DR. ALLISON: We have been in constant touch  
10 with Bernie about the officials, so in a sense, they  
11 are almost complete.

12          CHAIRMAN VAN CLIEF: I'm sure you're almost  
13 there anyway. All right. Excellent. We do have a  
14 motion and a proper second. Are there any opposed?  
15 Motion carries. So Dave, if you would do that.

16          MR. LERMOND: Yes, sir.

17          CHAIRMAN VAN CLIEF: Thank you, Frank. All  
18 right. That's it. In that case, I think we're  
19 done. Commissioners, is there anything else?

20          COMMISSIONER MILLER: You have to read.

21          MR. PITCHFORD: I have to read the benediction.

22          CHAIRMAN VAN CLIEF: Counselor, we do need a  
23 little help, as usual. If you would serve up the  
24 proper motion to get us going to executive session.

25          MR. PITCHFORD: Thank you, Mr. Chairman.

1           In accordance with the provisions of  
2           §2.2-3711(a)(1) of the code of Virginia, I move the  
3           Commission go into closed meeting for the purpose of  
4           consultation with legal counsel and briefings by  
5           staff members or consultants, including the  
6           assistant Secretary of Agriculture, pertaining to  
7           assignment, appointment, promotion, performance,  
8           demotion, salaries, disciplining or resignation of  
9           specific public officers, appointees or employees of  
10          the Commission. The commissioners will only ask  
11          counsel questions and will not engage in  
12          deliberations or other activity.

13           CHAIRMAN VAN CLIEF: I so move. May I have a  
14          second?

15           COMMISSIONER REYNOLDS: Second.

16           CHAIRMAN VAN CLIEF: All in favor?

17           NOTE: The Commission votes aye.

18           CHAIRMAN VAN CLIEF: Any opposed? Thank you  
19          very much. Motion passes.

20           We do have this little room right back over my  
21          left shoulder today. Don't close the door. We'll  
22          be locked in.

23           NOTE: There is a recess from 11:26 a.m.  
24          until 11:55 a.m.; thereafter, the hearing continues  
25          as follows:

1           CHAIRMAN VAN CLIEF: Mr. Pitchford, can you help  
2 us with the proper resolution again?

3           MR. PITCHFORD: Thank you, Mr. Chairman.

4           whereas the Virginia Racing Commission has  
5 convened a closed meeting on this date pursuant to  
6 an affirmative recorded vote in accordance with  
7 provisions of the Virginia Freedom of Information  
8 Act, and whereas §2.2-3712 of the code of Virginia  
9 requires a certification by this Commission that  
10 such closed meeting was conducted in conformity with  
11 Virginia law; now, therefore, be it resolved that  
12 the Virginia Racing Commission certifies that to the  
13 best of each member's knowledge, only public  
14 business matters lawfully exempted from open meeting  
15 requirements under the Virginia Freedom of  
16 Information Act, and only such public business  
17 matters as were identified in the motion convening  
18 the closed meeting were heard, discussed or  
19 considered by the Commission in the closed meeting.

20           CHAIRMAN VAN CLIEF: Do I have such a motion?

21           COMMISSIONER REYNOLDS: So moved.

22           CHAIRMAN VAN CLIEF: Commissioner Reynolds  
23 moves. Second?

24           COMMISSIONER MILLER: Second.

25           CHAIRMAN VAN CLIEF: Thank you, sir. All in

1 favor, signify by saying aye.

2 NOTE: The Commission votes aye.

3 CHAIRMAN VAN CLIEF: Are there any opposed?  
4 Thank you very much. Motion passes. Is there  
5 anything else, Commissioners, while we are in  
6 session?

7 COMMISSIONER DAWSON: So as far as we know, the  
8 next date is set for the 27<sup>th</sup>?

9 CHAIRMAN VAN CLIEF: The next meeting has been  
10 set for the 27<sup>th</sup> of April, and if there's nothing  
11 further, do we have a motion to adjourn?

12 COMMISSIONER REYNOLDS: So moved.

13 CHAIRMAN VAN CLIEF: Any opposed? We are  
14 adjourned. Thank you very much.

15

16 NOTE: The hearing is adjourned at 11:57  
17 a.m.

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1 CERTIFICATE OF COURT REPORTER  
2

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

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

10 Given under my hand this 10<sup>th</sup> day of March, 2016.  
11  
12

13 \_\_\_\_\_  
14 SANDRA G. SPINNER  
15 COURT REPORTER  
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