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VIRGINIA RACING COMMISSION

December 5, 2016

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

Commencing at 10:00 a.m.

COMMISSION MEMBERS:

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

COMMISSION STAFF:

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

ATTORNEY GENERAL'S OFFICE:

J. Duncan Pitchford, Esquire

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1 CHAIRMAN VAN CLIEF: Good morning, everybody.
2 My watch says it's ten o'clock and my cell phone
3 agrees, so we will call this meeting of the Virginia
4 Racing Commission to order, please.

5 I'd like to start with one brief introduction.
6 I'm very pleased to have for the first time at one
7 of our meetings, our secretary, Basil Gooden. Thank
8 you very much, sir, for being here and joining us
9 and for your support.

10 Along with him is our deputy secretary, Sam
11 Towell. Sam, it's nice to have you back, too. I've
12 stressed over the years the importance of a great
13 working relationship with our secretary, and we
14 intend to keep it that way. So thank you both.

15 All right. We call to order the minutes of the
16 September 27th meeting that were distributed to the
17 commissioners. Before I go any further, I do want
18 to note one thing. I just got notice that
19 Commissioner Clint Miller is going to be a late
20 scratch. He's not going to be in attendance today.
21 We do have a quorum, but we do not have our full
22 complement. Please make note of that.

23 Back to the minutes. The September 27 minutes
24 were distributed to each of the commissioners. Does
25 anybody have any comments, questions or

1 modifications to make? If not, I'd like to
2 entertain a motion to approve.

3 COMMISSIONER REYNOLDS: So moved.

4 COMMISSIONER STEGER: Second.

5 CHAIRMAN VAN CLIEF: Any opposed? The minutes
6 of the September 27th meeting are approved.

7 we've got a bit of new business. We have a
8 number of action items. I'll move through those as
9 rapidly as I can, but I do want to make sure that we
10 take time for any questions and cover all these
11 subjects thoroughly.

12 First up is the subject of the New York Racing
13 Association's NYRA Bets, which is a license
14 applicant for operation of an ADW beginning
15 January 1st. Before I call on Mr. Matthew Feig, who
16 is here to represent NYRA Bets, let me ask our
17 executive secretary if he has any comments.

18 We do have a staff report, and Dave, could I
19 just ask you to summarize that real quickly before I
20 call on Mr. Feig to make his presentation?

21 MR. LERMOND: Sure, Mr. Chairman. We received
22 the application from Newco Ventures North America,
23 LLC, doing business as NYRA Bets back in November.
24 Staff, being me, had ample chance to review all of
25 its contents. I've done the proper background

1 checks on the officers and directors.

2 I don't want to steal Mr. Feig's thunder because
3 I'm sure he is going to want to talk about some of
4 this stuff that's in the staff report, but as far as
5 the staff goes, the review, everything is in order
6 and we do recommend approval, pending any questions
7 or comments that the commissioners would have.

8 CHAIRMAN VAN CLIEF: Thank you, Mr. Lermond.
9 We'll circle back to any further questions if the
10 commissioners have them.

11 Mr. Matthew Feig is here. I'd like to welcome
12 him from the New York Racing Association, and I'll
13 ask Mr. Pitchford do we need to swear him in for
14 this today?

15 MR. PITCHFORD: I believe it would be advisable,
16 sir.

17 CHAIRMAN VAN CLIEF: Okay. Mr. Feig, we'll
18 swear you and in and I'll ask you to go ahead and
19 take the floor and make your recitation.

20 NOTE: Matthew Feig is sworn under oath.

21 CHAIRMAN VAN CLIEF: Mr. Feig, I will turn the
22 microphone over to you and we'll entertain any
23 questions after your presentation.

24 MR. FEIG: wonderful. I'll keep it brief for
25 everybody, because I know you've got a long meeting

1 scheduled. So good morning, Commissioners, Chairman
2 and esteemed members of the Virginia racing
3 community. My name is Matthew Feig. I serve as
4 senior director for the New York Racing Association
5 on behalf of the ADW division.

6 I've been in this position for 20 months now.
7 Previous to that, I was sales and operations manager
8 for Ebet Technologies and acquisition Sportech
9 Racing and Digital. We were the largest A to B
10 provider of ADW services in North America, of which
11 one of those clients was EZ Horseplay of Colonial
12 Downs, so I am familiar with the Virginia
13 marketplace and enjoy it very much so.

14 With respect to NYRA Bets and our application to
15 go national and the process that we've gone through,
16 back in April, we actually received our
17 multi-jurisdictional hub license through Oregon.
18 We re-branded our ADW from NYRA Awards to NYRA Bets
19 around Belmont stakes time, and we went official
20 with our national launch after a significant beta
21 testing period of our wagering technologies, our
22 interface, our mobile and desktop versions at the
23 start of the Saratoga meet.

24 That coincided with the launch of a TV show,
25 hopefully you all saw, which was Saratoga Live.

1 We received 80 hours of television air time on
2 Fox Sports 2, which is the most significant live
3 television broadcast, I think ever outside of
4 anything that TVG or any of the other ones have
5 done.

6 So what we wanted to do with this was reach out
7 to the existing fan base, obviously, to promote not
8 only NYRA racing, and we'll talk about other racing
9 in general.

10 It was very important for us to appeal to,
11 obviously, the existing customer, but to the
12 mainstream sports fans through normal sports
13 television and digital media.

14 We were broadcast total over 200 hours of live
15 racing coverage to up to 65 million homes. The
16 distribution on, obviously, Fox Sports 2, Altitude
17 Sports, as well as MSG, which is in the northeast;
18 one of the largest cable distribution networks for
19 sports.

20 The programs are designed to educate, entertain
21 and inform, and it's important to note that this
22 programming -- we received a special distinction
23 award from the TRA this year for our broadcast and
24 our contribution to the sport.

25 I think it's important to note for everybody

1 that one of the major questions I usually get is,
2 what is NYRA Bets going to bring as far as diversity
3 like TVG, XpressBet, TwinSpires and the like.

4 I think what differentiates us is our commitment
5 to the TV. NYRA is a not-for-profit. We are here
6 for the betterment of the sport and we look forward
7 to working with not only the colleagues here in
8 Virginia, but racing commissions and horsemen across
9 the country. With that, I'd like to turn it over
10 for any questions.

11 CHAIRMAN VAN CLIEF: Any commissioners have
12 questions for Mr. Feig? I've got one. Would you
13 mind spending just a little more time outlining the
14 corporate structure?

15 Looking through your application this week, I
16 thought it was interesting. I gather that the
17 entity, the operating entity is a wholly-owned
18 subsidiary of the New York Racing Association. You
19 have a CEO with an address in Los Angeles and a
20 minority partner in Dublin, Ireland.

21 Sir, could you talk a little bit about the key
22 players in your organization and how it's
23 structured?

24 MR. FEIG: Absolutely. So the structure is you
25 see Newco Ventures, which is a wholly-owned

1 subsidiary of the New York Racing Association, and
2 that company is subject to the board of directors
3 and the franchise oversight board of the New York
4 Racing Association. It acts just as a normal
5 division within NYRA itself.

6 The entity you speak of, which is Newco Ventures
7 North America, LLC, which is applying for the
8 license and holds the multi-jurisdictional hub
9 license in Oregon, is a joint venture between the
10 wholly-owned sub, which is 91 percent owned by New
11 York Racing Association, and nine percent of which
12 is owned by GBE Technologies. GBE Technologies is a
13 Dublin-based firm that provides our wagering
14 technology to us. So they are partners with us.

15 At far as management is concerned, management is
16 strictly New York Racing Association and Newco
17 Ventures. We are the ones that operate it. And as
18 far as ownership structure, we do maintain a call
19 option on that nine percent which we can call any
20 time.

21 The way we are structured though, since they are
22 providing all of the technology to us and working
23 with us on that, they would be part of this venture.
24 They are a leading firm of wagering interface; not
25 only just North America, but worldwide as well.

1 As far as the key players, Tony Delgado is
2 president and does have a Los Angeles address, but
3 that's just his home. He does spend most of his
4 time at Aqueduct, Belmont and Saratoga with us.

5 As far as the three managing members of Newco
6 Ventures, you'll see the CEO of the New York Racing
7 Association, Chris Kay, general counsel and senior
8 vice president, Joe Lambert, as well as vice
9 president and chief revenue officer, which is Dave
10 O'Rourke.

11 CHAIRMAN VAN CLIEF: Thank you very much. Any
12 other questions or comments? Commissioner Dawson.

13 COMMISSIONER DAWSON: I do have one question.
14 You mentioned in the application that you have
15 licenses in I believe Oregon, California, Illinois
16 and New York. Are there any other states where
17 you're licensed?

18 MR. FEIG: Absolutely. So depending on each
19 racing jurisdiction, there's either a license or
20 racing jurisdiction approval. Other racing
21 jurisdictions where we hold licenses, which would
22 be -- I'll go through the whole list. Arkansas,
23 California, Colorado, Illinois, Montana, Oregon with
24 the multi-jurisdictional hub, Washington State and
25 Wyoming. Maryland and Massachusetts have also --

1 their racing commissions have also approved Newco
2 Ventures North America.

3 COMMISSIONER DAWSON: Thank you for that.

4 CHAIRMAN VAN CLIEF: If there are no other
5 questions, I will ask Mr. Lermond again if he has
6 any other points he would like to make from his due
7 diligence.

8 MR. LERMOND: No. I would just please ask that
9 whoever makes their motion, to include the four
10 recommendations or conditions that are outlined in
11 Page Three of the staff report. We don't need to
12 read through them all, but as long as you mention it
13 in the motion, that should suffice.

14 CHAIRMAN VAN CLIEF: Mr. Pitchford, any
15 questions from counsel?

16 MR. PITCHFORD: No, sir.

17 CHAIRMAN VAN CLIEF: All right. In that case, I
18 would like to entertain a motion, if it's the
19 pleasure of the Commission, to approve the NYRA Bets
20 license application at this time.

21 COMMISSIONER DAWSON: Mr. Chairman, I move the
22 approval of the application for the NYRA Bets ADW.

23 MR. LERMOND: To include.

24 CHAIRMAN VAN CLIEF: Dave, would you walk
25 through those points for the staff report?

1 MR. LERMOND: Sure. Number one basically says
2 that they will not deviate from any plans or any
3 information that they have submitted in their
4 application or also anything that's been stated
5 today during this hearing.

6 Number two is that they will follow all federal,
7 state and local ordinances in relation to the
8 account wagering activity that takes place in
9 Virginia.

10 Condition number three is that they will provide
11 staff a daily handle report, which breaks down the
12 handle on each track that has been wagered on by
13 Virginia residents, and also a monthly report which
14 shows monthly totals for harness versus Thoroughbred
15 commission, take, runner pay, things like that.

16 Number four is that staff would have the
17 authority to examine any staff records or anything
18 it deems necessary in its due course of regulation
19 licensing.

20 CHAIRMAN VAN CLIEF: Do any of the commissioners
21 want to take a moment to take a look at those
22 conditions again? They are under Tab Two in your
23 book. That's Page Three.

24 And so, Commissioner Dawson, your motion then,
25 presumably, would include verbiage that would

1 include these recommendations as conditions of the
2 motion; is that correct?

3 COMMISSIONER DAWSON: Absolutely.

4 CHAIRMAN VAN CLIEF: Is there a second?

5 COMMISSIONER STEGER: Second.

6 CHAIRMAN VAN CLIEF: Commissioner Steger,
7 second. Any further discussion? All in favor of
8 approving the license application, please signify by
9 saying aye.

10 NOTE: The Commission votes aye.

11 CHAIRMAN VAN CLIEF: Any opposed? Motion
12 carries unanimously. Thank you very much. Welcome
13 to the Commonwealth of Virginia.

14 MR. FEIG: Thank you very much. We look forward
15 to working with everybody.

16 CHAIRMAN VAN CLIEF: We look forward to doing
17 business with you.

18 We'll stay on topic here with advanced deposit
19 wagering. Our existing licensees, that being
20 TwinSpires, TVG and XpressBet, have all signaled
21 their intention to renew their licensure, and we do
22 need to take care of that today so that they can
23 continue to operate January 1st.

24 Again, Mr. Lermond, is there anything that you
25 need to add at this point?

1 Let me ask you. Can you verify if they have met
2 all the requirements they needed to meet during the
3 course of 2016 and does staff recommend licensure
4 again in 2017?

5 MR. LERMOND: Yes, sir. I would add that all
6 three submitted their applications on or before the
7 due date of December 1st, with the accompanying
8 renewal fee. I did have a chance to review each one
9 of them. These account wagering providers have been
10 licensed now going on ten years in the Commonwealth.
11 We've had a good relationship with them.

12 I think it's important to note that if it wasn't
13 for the account wagering the last couple years, the
14 source market fees that they provide, racing in
15 Virginia may have fallen on harder times, and so I
16 think we owe them a little bit of gratitude for
17 contributing to racing, really, and I would
18 recommend approval of all three and I think you do
19 that in one motion, if you choose.

20 CHAIRMAN VAN CLIEF: Okay. Thank you very much.
21 I think that's a good point. It was abundantly
22 clear last year that rationalizing the ADW market in
23 Virginia was absolutely critical to the future
24 success of rebuilding our horse racing industry, and
25 we have been lucky to have what appear to be very

1 good partners in doing that.

2 So we do need a motion at this point to approve,
3 and we can, as Dave points out, we can wrap all
4 three together; TwinSpires, TVG and XpressBet. We
5 do need a motion to approve relicensing for the
6 calendar year 2017.

7 COMMISSIONER REYNOLDS: Mr. Chairman, I move
8 that we approve the 2017 ADW license renewals for
9 TwinSpires, TVG and XpressBet.

10 CHAIRMAN VAN CLIEF: Thank you. Is there a
11 second?

12 COMMISSIONER DAWSON: Second.

13 CHAIRMAN VAN CLIEF: Thank you, Commissioner
14 Dawson. Is there any discussion? If none, please
15 signify your approval of the motion and the
16 approval --

17 COMMISSIONER DAWSON: Mr. Chairman.

18 CHAIRMAN VAN CLIEF: Yes, Ms. Dawson.

19 COMMISSIONER DAWSON: I do have a question for
20 Dave.

21 CHAIRMAN VAN CLIEF: All right.

22 COMMISSIONER DAWSON: I assume there were no
23 significant differences in the current application
24 compared to previous ones?

25 MR. LERMOND: That is correct.

1 COMMISSIONER DAWSON: Thank you.

2 MR. LERMOND: You're welcome.

3 CHAIRMAN VAN CLIEF: Thank you. All in favor of
4 approval of the renewal of their licenses, please
5 signify by saying aye.

6 NOTE: The Commission votes aye.

7 CHAIRMAN VAN CLIEF: Any opposed? Thank you
8 very much. The motion carries unanimously.

9 Next up, we go back to NYRA Bets, and we need to
10 consider approval of the wagering services
11 agreement. You'll probably recognize this as much
12 the same as the agreement between our other ADW
13 service providers and the VEA deals with Commission
14 scales.

15 Again, Mr. Lermond, any additional comments you
16 want to make about this, and if not, I'm going to
17 call on Mr. Petramalo to make a presentation.

18 MR. LERMOND: I'll defer to Mr. Petramalo.

19 CHAIRMAN VAN CLIEF: Okay. Thank you.

20 MR. PETRAMALO: Thank you, Mr. Chairman. As you
21 noted, the wagering services contract is virtually
22 identical to the contracts we have with TwinSpires
23 and Xpressbet.

24 Simply put, by state statute, NYRA Bets, whom
25 you just licensed, is required to contribute four

1 percent to the Virginia Equine Alliance and five
2 percent to the horsemen's groups; my group, the
3 Thoroughbred horsemen, and Dr. Woogen's group, the
4 Standardbred.

5 In return for NYRA Bets giving a very favorable
6 rate on the content which their parent controls,
7 namely the signal from Saratoga, Belmont and
8 Aqueduct, they sell those signals to the VEA, which
9 runs currently the Breakers OTB, and in the future,
10 we hope next month will be running a second one in
11 Richmond. In return for NYRA's giving us a very
12 reasonable rate for those signals, we in turn rebate
13 a portion of the nine percent back to NYRA.

14 As I said, that's the identical agreement that
15 we have with Xpressbet that provides us content from
16 among other places, Santa Anita, Gulf Stream,
17 Pimlico, Laurel and TwinSpires, which sells us
18 content from Churchill Downs, Arlington Park and the
19 fairgrounds. So in all significant respects, the
20 contracts don't differ.

21 The contract with NYRA runs through next year.
22 So it's the rest of this year and then it expires
23 December 31st of 2017.

24 unless you have any questions?

25 CHAIRMAN VAN CLIEF: Are there any questions for

1 Mr. Petramalo? In that case, we need a motion to
2 approve the wagering services agreement as set
3 forth, and if you need a reference, is it under Tab
4 Three in your books.

5 COMMISSIONER STEGER: I move approval.

6 CHAIRMAN VAN CLIEF: Commissioner Steger moves
7 approval. Can we have a second?

8 COMMISSIONER DAWSON: I second.

9 CHAIRMAN VAN CLIEF: Thank you. Is there any
10 other discussion? All those in favor, please
11 signify by saying aye.

12 NOTE: The Commission votes aye.

13 CHAIRMAN VAN CLIEF: Any opposed? Thank you
14 very much. Motion carries.

15 Mr. Petramalo, would you take us on to the next
16 item, which is to consider approval of the
17 25 percent owners' program?

18 MR. PETRAMALO: Yes. As you know, this
19 Commission earlier in the year approved a 25 percent
20 owners' bonus. What that means is any Virginia-bred
21 running in the Mid-Atlantic, namely Pennsylvania,
22 West Virginia, Maryland, New York, New Jersey and
23 Delaware, any Virginia-bred running in races in
24 those jurisdictions wins a race, is paid a
25 25 percent bonus on top of the regular purse money,

1 subject to a cap of \$10,000.

2 we started that program on July 1st and the
3 Commission approved a six-month program. It will
4 end the 31st of this month.

5 The program has turned out to be very, very
6 popular with owners, trainers and others in the
7 industry in the Mid-Atlantic. We're getting a lot
8 of publicity, and to use the colloquial, a lot of
9 buzz because of this program.

10 So far from July through November, we obviously
11 don't have this month yet, the total winnings under
12 the bonus program are \$318,000. You may recall when
13 we set up the program, we budgeted half a million
14 dollars. It looks as though we're going to come in
15 under budget.

16 My estimate is that when all is said and done,
17 by the end of December, it'll probably be between
18 400 and 450,000 so, below the 500,000.

19 Let me give you some numbers, because I'm a
20 numbers geek. The \$318,000 was awarded to 89
21 winning horses. We had 89 Virginia-breds win. Some
22 of them are duplicates, but 89. Of the 89, about a
23 third were owned by Virginians. Thirty of the 89
24 were actually owned by Virginians.

25 Going forward, what we're proposing for this

1 year is that we continue the same program for the
2 entire year, and we have budgeted, and when I say
3 we, Virginia HBPA -- we've budgeted a million
4 dollars from our purse money for that program, and
5 that's what we're seeking approval of to continue
6 this very successful and very popular program.

7 Any questions?

8 CHAIRMAN VAN CLIEF: Does the request for
9 approval include -- do you need a budget number
10 included with this again today?

11 MR. PETRAMALO: Yes.

12 CHAIRMAN VAN CLIEF: That is what you're
13 asking --

14 MR. PETRAMALO: It would be helpful. What we're
15 asking, technically, as a lawyer now, what I'm
16 suggesting is for approval from the Commission to
17 use up to one million dollars of our Virginia
18 restricted purse account for purposes of paying
19 bonus money under this program.

20 CHAIRMAN VAN CLIEF: Okay. Just one question
21 about the program. Has the feedback -- I know it
22 has been positive and it has been a very
23 well-received program, and I know you're getting
24 high marks for its innovative nature out in the
25 marketplace.

1 Do you think it is providing incentive for
2 Virginia-breds going through either auction sales or
3 private sales, is it adding a little cache to the
4 product we're producing?

5 MR. PETRAMALO: I would defer to someone much
6 more knowledgeable than myself, Ms. Easter.

7 CHAIRMAN VAN CLIEF: Ms. Easter.

8 MS. EASTER: Thank you. I think it's the most
9 positive program we've done for Thoroughbreds in a
10 while. I continually get calls from horse sales,
11 which I've never received before, asking to explain
12 the program, and the industry leaders when I'm at
13 horse sales or industry events. They're like this
14 is the neatest thing that people are doing.

15 I don't know if the rest of you realize, but
16 mostly when there are awards like this given,
17 owners' awards, you have to race within your own
18 state. So this is neat, this whole crossing state
19 lines, and it's creating value for Virginia-breds
20 and that hopefully is going to be positive, you
21 know.

22 whether we create people building farms, I don't
23 know, but I think we'll create some kind of
24 investment in Virginia-breds, whether it's
25 partnerships or people looking for Virginia-breds at

1 horse sales. So I think it's very positive and I
2 hope you all will agree to continue the program.

3 CHAIRMAN VAN CLIEF: Thank you. Mr. Petramalo,
4 anything else?

5 MR. PETRAMALO: No, sir.

6 CHAIRMAN VAN CLIEF: Okay. Thank you very much.
7 Then the question on the table is whether you wish
8 to approve the 25 percent owners' bonus program
9 again for 2017, and in this case, to authorize up to
10 a million dollars to support it.

11 COMMISSIONER REYNOLDS: I'll make that motion.

12 CHAIRMAN VAN CLIEF: Thank you very much. Is
13 there a second?

14 COMMISSIONER DAWSON: I second it.
15 Mr. Chairman, I think it's a very valuable program,
16 especially for our state-based breeders, and I think
17 it will help Virginia racing continue to progress,
18 so I second it.

19 CHAIRMAN VAN CLIEF: Okay. Thank you very much.
20 Any further discussion? If not, all in favor,
21 please signify by saying aye.

22 NOTE: The Commission votes aye.

23 CHAIRMAN VAN CLIEF: Any opposed? Motion
24 carries unanimously. Again, well done on an
25 innovative program.

1 Next, we need to address the year-end breeder
2 and stallion award totals for the current year.
3 I believe Ms. Easter is going to address that issue.
4 Debbie.

5 MS. EASTER: I would. I believe that the
6 recommendation from the VTA Breeders' Fund committee
7 has been approved by the Commission's committee that
8 we award \$420,000 in breeder and stallion awards of
9 400 to the breeders for wins in 2016 and 20,000 to
10 stallion owners whose offspring of their stallions
11 won in 2016.

12 Unfortunately, that's less than what we awarded
13 the last two years. We've been right about 525.
14 That's just a fact of what we have right now, and
15 hopefully, we'll get those numbers back up once we
16 get our OTBs going, but that's what we have in the
17 Breeders' Fund.

18 CHAIRMAN VAN CLIEF: Okay. Are there any
19 questions for Ms. Easter about that? If not, we
20 need a motion to approve year-end breeder awards in
21 the amount of \$400,000 and year-end stallion awards
22 in the amount of \$20,000 for the current calendar
23 year.

24 COMMISSIONER STEGER: So moved.

25 CHAIRMAN VAN CLIEF: We have a motion. We need

1 a second.

2 COMMISSIONER REYNOLDS: I'll second.

3 CHAIRMAN VAN CLIEF: Thank you. Any discussion?
4 All in favor, please signify by saying aye.

5 NOTE: The Commission votes aye.

6 CHAIRMAN VAN CLIEF: Any opposed? Thank you
7 very much. Those awards are approved.

8 Next up is a technical definition that we need
9 to address, and this will involve amendments to the
10 definition of Virginia-bred Standardbred horses.
11 Dr. Scott Woogen is here to address that. Doctor,
12 welcome.

13 DR. WOOGEN: Thank you. You know, our program I
14 wouldn't say is floundering, but is having a
15 difficult time, as evidenced by the fact that this
16 year, the two-year-old filly pace race, there wasn't
17 one horse that made it. There were one or two races
18 with two horses; another one with three.

19 Bottom line is we don't have enough horses being
20 bred in the state of Virginia to sustain the program
21 in a manner that we'd like to sustain it with full
22 fields and generate more interest.

23 With this in mind, we've taken a step to open up
24 the breeding to Virginia owners that want to
25 purchase mares and breed horses. As a wholly

1 virginia-owned mare, it would be eligible to the
2 program.

3 what it doesn't do is require that a Virginian
4 keep their mares in the state of Virginia during the
5 foaling season, and that's because of the economic
6 reality that if the foal is kept in an adjoining
7 state or an adjoining state such as Pennsylvania,
8 Maryland, that horse would also be eligible for
9 stakes races in that state, making it more
10 economically viable for the Virginians to own and
11 breed horses.

12 with one race a year and in a limited purse,
13 it's just not viable for people to breed, and that's
14 been evidenced by the progressive decline in the
15 number of foals eligible to the program.

16 so this would expand it to allow Virginians to
17 go out, own, purchase mares and breed them, and
18 their resulting offspring if they were owned
19 100 percent by a Virginian at the time of
20 conception, that foal would be eligible for the
21 program.

22 CHAIRMAN VAN CLIEF: Are there any questions for
23 Dr. Woogen on his definition? As I see it,
24 obviously, this is a significant liberalization, if
25 you will, of the definition of a Virginia-bred in

1 order to throw a wider net.

2 I'll start with one question. Do you see this,
3 Dr. Woogen, as a temporary measure, and if you were
4 to realize some growth in the population of
5 Standardbreds, would you consider going back to the
6 somewhat more restrictive nature of the original?

7 DR. WOOGEN: Sure. If we continue to grow the
8 industry through the off-track betting parlors and
9 internet betting sites and we had adequate funds to
10 be competitive, we'd certainly like to have those
11 foals remain in the state and mares to remain in the
12 state and really encourage the growth of the
13 breeding industry, the native breeding industry with
14 more breeding facilities.

15 Unfortunately in the last 20 years, we've lost
16 the major breeders in the state and the program has
17 really gotten down to bare bones.

18 CHAIRMAN VAN CLIEF: Thank you. Any other
19 questions for Dr. Woogen?

20 COMMISSIONER DAWSON: I have one.

21 CHAIRMAN VAN CLIEF: Commissioner Dawson.

22 COMMISSIONER DAWSON: Dr. Woogen, I presume that
23 the definition has been approved by your
24 organization?

25 DR. WOOGEN: Yes. Unanimously.

1 COMMISSIONER DAWSON: Thank you.

2 COMMISSIONER REYNOLDS: Would this definition
3 need to be approved by the Virginia legislature or
4 is this just within our jurisdiction?

5 MR. LERMOND: It will not. It will be just an
6 amendment to our regulations.

7 COMMISSIONER REYNOLDS: Okay.

8 MR. LERMOND: It is also exempt from normal APA
9 process, which means that we can be effective much
10 quicker than a normal regulatory action. I think
11 the VHHA would like this to be effective January 1,
12 which I think makes good sense if you're going to
13 start something right on the 1st of the year.

14 DR. WOOGEN: I will add that the existing foals
15 either bred by a Virginian, bred through a Virginian
16 stallion or out-of-state residents keeping the foals
17 in the state, keeping the mare and the foal in the
18 state, that continues.

19 So we want to also encourage out-of-state
20 participation by bringing brood mares in to the
21 state, foaling in the state and keeping those
22 resultant foals in the state.

23 After our last meet, we had a lot of interest
24 from the trainers and drivers who came in from
25 out-of-state in sending their mares to Virginia to

1 participate in the program. So we certainly are not
2 limiting; we're expanding.

3 CHAIRMAN VAN CLIEF: Thank you. Any other
4 questions? In that case, I think the question on
5 the table is do we approve a liberalization of the
6 relevant definition of Virginia-bred Standardbreds
7 to include foals of mares solely owned by a Virginia
8 resident at the time of conception and foals and
9 mares purchased solely by Virginia residents at
10 public auction; is that correct?

11 DR. WOOGEN: Yes.

12 CHAIRMAN VAN CLIEF: If there are no further
13 questions, then I do need a motion to approve as set
14 forth.

15 COMMISSIONER DAWSON: I so move.

16 CHAIRMAN VAN CLIEF: Thank you. Second?

17 COMMISSIONER REYNOLDS: I'll second.

18 CHAIRMAN VAN CLIEF: Thank you. Any further
19 discussion? All in favor, please signify by saying
20 aye.

21 NOTE: The Commission votes aye.

22 CHAIRMAN VAN CLIEF: Any opposed? Thank you,
23 Dr. Woogen. Motion carries.

24 DR. WOOGEN: Thank you.

25 CHAIRMAN VAN CLIEF: I'd like to go back and

1 reopen that, and I think we want to specify that is
2 effective January 1st; is that correct?

3 DR. WOOGEN: Yes.

4 CHAIRMAN VAN CLIEF: Okay. Does that suit
5 everybody? Thank you very much.

6 Okay. Ms. Easter, are you going to handle the
7 VTA breeders' fund budget?

8 MS. EASTER: Sure.

9 CHAIRMAN VAN CLIEF: Okay. We need to approve
10 the 2017 VTA breeders' fund budget. Will you take
11 us through that?

12 MS. EASTER: I will. I don't think you'll see
13 significant changes from --

14 CHAIRMAN VAN CLIEF: By the way, excuse me,
15 Debbie.

16 MS. EASTER: Yes.

17 CHAIRMAN VAN CLIEF: For the commissioners, it's
18 under Tab 7 in your books.

19 MS. EASTER: As I was going to say, there really
20 aren't significant changes from last year. We use
21 the -- in case you don't know, every year, the
22 Commission awards the VTA \$190,000 to manage and
23 promote the fund, of which 77,000 is paid to the VTA
24 for administration, which left about 120,000 is used
25 for promotion of the fund in the industry.

1 It's a moving target. We have to give this
2 budget to you before we've kind of made all of our
3 plans together, and we all work very closely
4 together, so a lot of what this is, is besides
5 promoting the fund advertising, it's just events to
6 keep people engaged.

7 As I've told you in the past year or two, I
8 think at this point, that's as much as we can do, is
9 try and keep people involved in programs and
10 involved in our association.

11 So if you have any questions, I'm glad to answer
12 them; otherwise, doing the same things.

13 CHAIRMAN VAN CLIEF: Are there any questions on
14 that budget?

15 COMMISSIONER DAWSON: I have a couple.

16 CHAIRMAN VAN CLIEF: Commissioner Dawson.

17 COMMISSIONER DAWSON: Ms. Easter, looking under
18 the category Advising and Promotion, I see that the
19 2016 budget was 10,500 for both promotion of race
20 events and advertising for ADW companies. That's
21 not projected in 2017?

22 MS. EASTER: Well, as I said, it's all a matter
23 of timing, and so when we did this budget last year,
24 I don't know if you all remember, but we had that
25 day of flat racing at the Gold Cup, so we had put

1 some money in there last year in case we had that
2 day again.

3 we did not have that day because decisions had
4 been made that that's an expensive day of racing and
5 we wanted to put it towards revenue production in
6 the future. So that's why I didn't put it there.

7 Advertising for ADW companies in 2016, we're
8 actually using marketing money out of the Alliance
9 to do that. We stuck it there in case we wanted to
10 do that here, and so I think you'll see that come
11 out of the Equine Alliance.

12 COMMISSIONER DAWSON: So you don't know what the
13 Gold Cup will be doing?

14 MS. EASTER: Well, this was not for the Gold
15 Cup. This was for VEA's flat day of racing that we
16 had, remember in September not this past year but in
17 2015. Because we have so many things going, we're
18 trying to build revenue sources and potentially
19 Morven Park, we decided to save those expensive race
20 days to save that money and help us fund our future
21 race site, hopefully.

22 COMMISSIONER DAWSON: That makes sense.

23 MS. EASTER: So that's why that wasn't used. I
24 don't think we're going to plan a day like that
25 again in 2017, so that's why I didn't add it.

1 COMMISSIONER DAWSON: One other question on the
2 budget.

3 MS. EASTER: Please.

4 COMMISSIONER DAWSON: I see that you also
5 dropped from your contributions the Lift Me Up
6 therapeutic riding program.

7 MS. EASTER: No other reason than we did a joint
8 thing with them one time. They haven't asked and so
9 we don't -- and our budget gets tight at the end of
10 the year anyway, so we just don't have a lot of
11 money.

12 If I had a lot of money at the end of the VTA
13 year to fund all these folks and give money to
14 charity, we'd love to, so it's -- usually, those
15 come if we're doing some kind of joint event
16 together and we can raise them a little money at the
17 same time.

18 COMMISSIONER DAWSON: So there are no plans for
19 that?

20 MS. EASTER: No, ma'am.

21 COMMISSIONER STEGER: That's a good program.

22 COMMISSIONER DAWSON: Yes, it is. That's a good
23 program.

24 MS. EASTER: Not opposed to it. Just haven't
25 talked about it.

1 CHAIRMAN VAN CLIEF: Any other questions on the
2 numbers in front of you? Debbie, let me ask you.

3 MS. EASTER: Yes.

4 CHAIRMAN VAN CLIEF: In terms of the motion
5 here, you're asking for an approval of what we've
6 got in front of us. Do you need us to build some
7 flexibility in here for you in some way? You've got
8 some question marks, it looks like.

9 MS. EASTER: Well, that would be up to
10 Mr. Pitchford, but you all have always been
11 flexible. As you know, take for example Frank's
12 organization funds the owners' bonus program, but
13 we've been promoting it.

14 Obviously, it helps our breeders and we have the
15 promotion money to do it, so I think it's all how we
16 can use the money. So sure, I would love the
17 flexibility. Whether you all have to put that in a
18 motion, I'm not an expert on that.

19 CHAIRMAN VAN CLIEF: I want to understand what
20 we're about to approve.

21 MS. EASTER: Right.

22 CHAIRMAN VAN CLIEF: Why don't we approve what
23 we've got here for the time being. If you've got
24 significant changes to make to this, let us know and
25 bring it back at a future meeting.

1 MS. EASTER: Sure.

2 MR. LERMOND: Mr. Chairman.

3 CHAIRMAN VAN CLIEF: Yes.

4 MR. LERMOND: To be clear, what you're approving
5 is an expenditure of \$190,000 out of the Virginia
6 Breeders' Fund to the VTA for the administration of
7 the fund based on the budget that you see before
8 you.

9 CHAIRMAN VAN CLIEF: Okay. That's a good
10 clarification. All right. Thank you, Mr. Lermond.
11 with that in mind then, do I have a motion to
12 approve?

13 CHAIRMAN REYNOLDS: So moved.

14 CHAIRMAN VAN CLIEF: Thank you. Second?

15 COMMISSIONER DAWSON: I'll second it.

16 CHAIRMAN VAN CLIEF: Thank you very much.
17 Further discussion? All in favor, say aye.

18 NOTE: The Commission votes aye.

19 CHAIRMAN VAN CLIEF: Any opposed? Thank you
20 very much. Thank you, Debbie.

21 MS. EASTER: Thank you.

22 CHAIRMAN VAN CLIEF: Dr. Woogen, I think we need
23 the same exercise for a VHHA budget for 2017.

24 MR. LERMOND: Do you need it?

25 DR. WOOGEN: Yes. Thank you so much. So we're

1 requesting a total of \$50,000 to continue to
2 administer our program, and that would include the
3 items you see.

4 The major item is the salary of our executive
5 director, and I believe in the past, we've had up to
6 \$85,000. Realizing that funds are tight, this is a
7 limited budget that we think we can live with.

8 CHAIRMAN VAN CLIEF: Thank you. Commissioners,
9 if you want to reference, it's under Tab 8 in your
10 books and it's a very straight forward budget. Are
11 there any questions?

12 All right. In that case, we need a motion to
13 approve the VHHA budget as set forth. I'll make
14 that motion. Second?

15 COMMISSIONER STEGER: Second.

16 CHAIRMAN VAN CLIEF: Thank you. All in favor,
17 please signify by saying aye.

18 NOTE: The Commission votes aye.

19 CHAIRMAN VAN CLIEF: Any opposed? Thank you
20 very much. Thank you, Dr. Woogen. Motion carries.

21 At this point, we move to our action items, and
22 I believe Mr. Hannum, executive director of the
23 Virginia Equine Alliance, is going to give us a
24 report. I can tell you that there is a lot going on
25 there. Commissioner Miller and I had the privilege

1 of attending a VEA meeting in Middleburg recently
2 and they've got a lot on their plate. Jeb.

3 MR. HANNUM: Great. Thank you, Mr. Chairman.
4 Thank you, Commissioners.

5 I'll start with the OTB report. Before I get
6 into the details, I just want to acknowledge Mary
7 Calabrese, who is back here. Mary has helped get
8 the first OTB up and running and simultaneously is
9 making plans for the second one, so Mary has been an
10 instrumental part of our team.

11 Rhonda Davis, who is back there as well, Rhonda
12 worked with us at Shenandoah and is also working
13 with us to get the OTBs going.

14 So just wanted to mention two people that have
15 been instrumental in getting everything under way.
16 So thank you to both of them.

17 Breakers is our one OTB that's operational right
18 now. It opened on November 2nd right before the
19 Breeders' Cup and the Breeders' Cup weekend went
20 very well. The Saturday of the Breeders' Cup,
21 handle was little over \$72,000, which was actually
22 the highest day we've had all month for November.
23 So that was great and everyone worked really hard to
24 get it up and running before Breeders' Cup.

25 I think everybody has been very pleased. Handle

1 has been a little bit over \$35,000 per day average,
2 so we've had two days that were above 70,000 and
3 we've had some 60 and \$50,000 days. We only had one
4 day, I believe it was Thanksgiving or the Friday
5 after which was light. But overall, you know,
6 things have just been very positive. That's with
7 very little marketing and promotion on purpose.

8 It's not a very big site, so we didn't want to
9 get a lot of people coming in and being frustrated
10 they couldn't find a seat, so we wanted to just do
11 it quietly word of mouth for the first one, and then
12 when we get the second one up and running, we'll be
13 able to handle much bigger crowds. So it has really
14 just been through word of mouth.

15 So far so good. Everything has been going very
16 well. Our staff has been working, you know, seven
17 days a week. We have been hiring new tellers and
18 getting people on board, and so all systems go.

19 Just to give you a little idea about the
20 numbers, and this is just for one month, so this is
21 29 days of activity. So the Thoroughbred handle was
22 752,000 plus. The harness handle was 314,000. So
23 the Thoroughbred handle was a little over
24 70 percent; harness handle not quite 30 percent, and
25 so that's kind of a nice split.

1 Historically, I think when the OTBs were all up
2 and running, it was more about 80/20. So a 70/30
3 split is good because it benefits Dr. Woogen's group
4 by generating additional moneys for his group.

5 Just an idea on what we've generated so far.
6 Just as we all know, the importance of these OTBs is
7 to generate monies for all of our different
8 entities. The breeders will have received a little
9 over \$10,000 just on those 29 days; Henrico County,
10 four-and-a-half thousand. The HBPA, the
11 Thoroughbred horsemen, a little over 37,000. Dr.
12 Woogen's group, the harness horsemen, almost 16,000,
13 and then the state including the Racing Commission
14 has received over 20,000.

15 So you know, it just gives you an idea how the
16 money is kind of spread out, and that's again just
17 on 29 days, not even one month.

18 So it'll be interesting to see what happens when
19 the second OTB comes on board, and that's just down
20 the road. In Shockoe Bottom, Ponies and Pints, and
21 we've got January 9th penciled in for the opening
22 there.

23 The reason for that is that we didn't want to do
24 it around Thanksgiving, Christmas. Just that's not
25 a good time to open a restaurant. We're actually

1 going to have a tour of the site after the meeting
2 today, and the hope is that everything would be
3 finished by Christmas.

4 The owner of the facility may have an event or
5 two, just private functions sort of after Christmas
6 and new years, and then we get going sort of that
7 first week in January. That would position us
8 nicely to sort of capture some of the early Kentucky
9 Derby preps and the big Pegasus race. So you know,
10 that's the plan there.

11 Again, with the marketing which Darryl Wood
12 spoke about last week, we'll then really start to
13 get ramped up and you'll start to see more things in
14 the Richmond market.

15 Ponies and Pints holds 300 people, you know,
16 very comfortably. We'll have a private room. Not a
17 private room, but we'll have a special designated
18 room for the more sort of serious better, and then
19 rest of the facility people will be able to bet in a
20 more sort of casual way, sort of floating around.

21 That will just give us the ability to handle
22 bigger crowds, and I think people will find they're
23 a Breakers person or a Ponies and Pints person, and
24 hopefully everyone will be comfortable with those
25 two options. So that is sort of the Richmond

1 situation.

2 After we get Ponies and Pints up and running,
3 then we'll really start to look outside of Richmond;
4 Hampton and Chesapeake are the two markets there.

5 We have a site in Chesapeake where the bar owner
6 is actually coming up to look at Breakers on Friday,
7 which is encouraging, so we have a spot down there
8 that may work and they're doing some renovations and
9 the bar owner is going to come up and have a tour of
10 Breakers, so that's good. So that's our focus now.

11 Darryl has been down a couple times and done
12 some tours. He looked it over. Fifteen bars in the
13 Chesapeake area and we have a short list, and so
14 that will be our focus after we get Ponies and Pints
15 open, to move outside of the Richmond market. So
16 that's sort of the plan on the OTBs. So I'll pause
17 there if you have any questions on any of that.

18 COMMISSIONER STEGER: I have a question,
19 Mr. Chairman. Jeb, after you get up and running and
20 have perhaps three months worth of data, it would be
21 interesting in knowing what your break-even
22 operating cost on these is.

23 MR. HANNUM: That's a very good question. We
24 are going to be interested in that as well. We're
25 scratching our heads. The numbers look very

1 positive, but we don't know.

2 we have a lot -- our costs are high. Our
3 staffing has been more -- we thought we could maybe
4 get away with one or two tellers with some overlap,
5 but Breakers, the teller space is very small, and if
6 there's a problem with the machine and the teller
7 has to leave that space and go fix a machine, it
8 creates a situation where we really have to have two
9 people all the time.

10 So we're learning things as we go, and so, Dr.
11 Steger, hopefully in February or early --

12 COMMISSIONER STEGER: Enough time when you have
13 something stable.

14 MR. HANNUM: Yes. We will certainly be very
15 interested in going through that. So we will
16 report. Any other questions on the OTBs?

17 Okay. I'll let Dr. Woogen speak to Shenandoah
18 Downs.

19 DR. WOOGEN: Thank you. As mentioned in terms
20 of the question Dr. Steger asked about the cost of
21 running the OTBs, we have to consider that when
22 Colonial Downs ran them, they have the bricks and
23 mortar costs of the building, as well as food
24 service and things that we don't incur, so I think
25 we're going to be very pleased.

1 with those expenses, I spoke to Iain Woolnough,
2 who was general manager of Colonial Downs for a
3 number of years before coming to work for us, and he
4 said they generate a profit of six percent even with
5 those extra expenses. So I would anticipate our
6 numbers are going to look quite good.

7 In terms of Shenandoah Downs, we'd like to
8 consider another ten-day meet, five weekends. We
9 are actually thinking that the fair will run as
10 usual over the Labor Day weekend, and we've been
11 asked to skip a week. Everything gets set, then we
12 would run five consecutive weekends.

13 That would allow us to capture a fairly nice
14 festival that is held every year in Woodstock in the
15 middle of October, which we missed this year by a
16 week. So I think we're just adjusting our schedule
17 one weekend to the fall with the hopes of being able
18 to participate with their October festival.

19 We're asking -- we're going to ask for ten days
20 of racing again. I think looking at these
21 preliminary numbers for off-track betting parlors,
22 moving forward after 2017, I can anticipate that
23 we'll be asking for additional race days, which is
24 really encouraging for us.

25 But for now, we have very good participation by

1 trainers, drivers, owners. We've had a lot of
2 interest and phone calls from people that didn't
3 come this year who want to come next year. So I'm
4 anticipating a full field this year for the five
5 weekends of racing, and basically the same purse
6 structure as we had last meet.

7 MS. EASTER: I'll put in one comment. When we
8 were up in a meeting, just for your interest, with
9 Maryland Jockey Club, I think we generated about
10 \$10,000 in handle a day at the Standardbred meet,
11 and they are only doing about 15 or 16 at Rosecroft.

12 So considering that we're new, we might not have
13 the marketing right like we should have, I think it
14 was -- plus all the horses that were there, I think
15 it was a pretty positive ten days of racing. So
16 hopefully we'll improve upon that, but they were
17 impressed by those numbers for our first time.

18 CHAIRMAN VAN CLIEF: Question. I think
19 throughout the meet, we heard good things about your
20 racing strip. Is that playing a part in attracting
21 more horses in the future?

22 DR. WOOGEN: Absolutely. I think there was no
23 complaints. Everyone was amazed. For a new racing
24 strip which really didn't have time to settle, the
25 racing was excellent. The conditions were superb.

1 we can only anticipate going forward as that track
2 matures, it's going to get better.

3 So people in the past were afraid to come to
4 Woodstock because of the track conditions; I'm going
5 to hurt my horse. I think with the bank turns and
6 racing surface, it's one of the safest tracks in the
7 country. And I think again, based on that, we'll
8 see more and more interest from the horse community.
9 I really anticipate full fields this coming year.

10 MR. LERMOND: Mr. Chairman.

11 CHAIRMAN VAN CLIEF: Yes, sir.

12 MR. LERMOND: I just wanted to mention that the
13 other day, I got some mail. Not an email but an
14 actual mail from one of the judges that worked in
15 Shenandoah. He's very well known in the harness
16 racing industry. At the end, he says all the
17 horsemen I ran into that raced Shenandoah just raved
18 about the great experience they had there. Very
19 unusual for horsemen. Just wanted to share that.

20 CHAIRMAN VAN CLIEF: Great. Nice note.

21 DR. WOOGEN: They really appreciated the fact
22 that we're growing the industry again in an era that
23 has been very difficult. You're very, very
24 supportive. We really appreciate all of your
25 efforts in making that happen.

1 I'll say in terms of handle and interest in the
2 stands, we had fairly good attendance. Two things
3 that we can do next year that I hope we can do.

4 Number one is some signage on the interstate.
5 We're right on 81. There's really no signage at the
6 facility saying there's racing here and now and
7 giving people passing by any inclination or
8 information on when the racing was, when to show up.
9 So we definitely want to do that.

10 The other thing that would really improve our
11 visibility in the entire industry is to be able to
12 simulcast the races out to OTBs, other tracks around
13 the country and our own OTBs as we develop a
14 network, and we're going to look in to that and
15 hopefully be able to do that as well.

16 CHAIRMAN VAN CLIEF: Okay.

17 MR. HANNUM: Just to acknowledge, Tom Eshelman
18 is here behind me. Tom's the general manager at the
19 Shenandoah county fair and they were wonderful
20 partners and we look forward to working with them
21 and improving the races going forward.

22 If there are no other questions on Shenandoah
23 Downs, I'll just move to Morven Park. We have been
24 talking about Morven Park for a long time now. This
25 has been a difficult project. Just to sort of

1 reiterate a point I've made a few times and also for
2 the secretary who is here today.

3 One of the complexities or I guess the main
4 complexity with Morven Park is that Morven Park is
5 putting a state-of-the-art equestrian center on
6 their grounds with the plans for two rings in the
7 infield of the racetrack, so you have an awful lot
8 of activity in a relatively small amount of space.
9 That means that it has just been very complicated to
10 get the track laid out in a way that would be safe
11 for us and enabling Morven Park to have the
12 facilities and the places they want to have their
13 facilities for having their future three-day events.

14 So the layout that we have now, which took
15 months and months of work, all parties are happy
16 with it and comfortable with it and it works, and
17 now we're into the phase of figuring out how we're
18 going to pay for it, and because the costs have
19 gotten a lot -- it has become much more expensive
20 than we thought it was going to be.

21 Before I get into the cost, the other key
22 component of Morven is water. So we knew from the
23 very beginning that we had to have enough water to
24 maintain the turf course, and Morven Park needed a
25 lot of water for their rings and all the things they

1 were doing.

2 So we knew from the very beginning it was going
3 to be pressure on the water systems. Having said
4 that, there are a lot of good wells at Morven and
5 there was always the feeling there would be enough
6 water.

7 We had an analysis done of the current active
8 well, the main well there at the race track, to
9 determine what we needed for the turf course just
10 for our purposes, and that well will work. If we
11 were the only ones using it, there would be enough
12 water for turf the course. The problem is there's
13 not enough water for it to then serve Morven's
14 equestrian needs as well.

15 So there's a second well that was sealed and
16 inactive and Morven is currently looking at what the
17 output of that well will be. So we're in a water
18 analysis situation right now which should be
19 finished in the next couple of weeks, and then we'll
20 know if there's enough water for us and there will
21 be enough water for them and will then be able to
22 move forward. So that's really the critical point
23 where we are right now.

24 Just sort of jumping around, simultaneously as
25 we were doing all of our work, the permitting

1 process was moving forward with Louden and that is
2 wrapping up.

3 There are a few permits that they need before
4 work can start, and I don't have the specific names
5 of all of them, but some of the permits have been
6 approved and some of them are pending any day now.
7 So that whole process is wrapping up, so that's
8 encouraging.

9 what we really need to know on our side is, is
10 there enough water for us to maintain the turf
11 course in the way we need to do it, and we'll know
12 that in a few weeks.

13 On the cost side, Morven came back to us with a
14 very detailed analysis of what our portion of the
15 excavation work will be, because again, we have a
16 number of things going on; all of their work and all
17 of our work.

18 They did an analysis saying that our piece is
19 going to be X and their piece is going to be X and
20 with an explanation for all of that. So their
21 analysis came out to be 1.6 million for the
22 excavation work just for the track portion alone.

23 So that doesn't include the irrigation system,
24 the new storage stand, the inner rail, the outer
25 fencing, the conduit network for the wires for the

1 video and all that sort of stuff.

2 You know, we're looking at a three million plus
3 project when it's all said and done, so that's
4 significantly more than we had anticipated, and so
5 that's really -- after the water, that's obviously
6 the next big thing that we have to decide upon.

7 we've reached out to some people in the racing
8 community to see if there's an interest to raise
9 some money privately for this. We hadn't planned on
10 that, but I think that's something we need to look
11 at now.

12 The HBPA is the organization that would be in a
13 sense lending the VEA the money for this project.
14 So as the costs have gone up and as we're kind of
15 coming to the end of the permit process and we
16 really hopefully soon will have all the information
17 we need, the HBPA will have to make a determination
18 if this is the right site for them and if this is
19 the path they want to go down based on the cost.

20 So that's kind of where we are with Morven. So
21 I think in summary, we're going to know more in a
22 few weeks on the water. The permitting process I
23 think will be finished in the next few weeks. We'll
24 have some feedback from some private donors, but
25 ultimately, you know, we have to make the

1 determination as the VEA as an entity, but also the
2 Thoroughbred horsemen have to give guidance if this
3 is the right way they feel funds should be spent for
4 their industry.

5 So I can leave it at that and Frank can speak to
6 that and we can open it up for questions.

7 CHAIRMAN VAN CLIEF: It sounds as if you have
8 sort of two threshold issues. You've navigated some
9 successfully already, but we have a water issue for
10 which there's not a complete answer at this point,
11 and you have a financing issue for which there's not
12 an answer, and either two could be a stopper.

13 If either were to present an immovable obstacle,
14 are you at a position where you could talk about
15 contingency plans, and are there thoughts being
16 given at this juncture or is it premature or is it
17 premature for me to ask what you might be thinking
18 about in terms of a establishment of a fundraising
19 venue perhaps elsewhere?

20 MR. HANNUM: Yes. So when we had our board
21 meeting a few weeks ago, we went through a few
22 alternative sites, and I won't mention them by name
23 just because the owners of those sites haven't been
24 approached in a formal way and don't want to have it
25 on the public record.

1 But there are some sites that we toured which I
2 would think are very good options, and so we do have
3 some options if Morven Park were not to go forward.
4 So that's good.

5 Then as an entity, the VEA and our member
6 groups, we have to think about the best allocation
7 of resources based on the limited funds that we
8 have. If we perhaps want to take a year to just
9 simply focus on the OTBs which will be generating
10 revenue for us, which in the long-term will
11 strengthen our ability to do a larger capital
12 project down the road.

13 These are the important questions we discussed
14 in our board meeting that are coming to a decision
15 point pretty quickly.

16 So I welcome Dr. Woogen as a board member and
17 Debbie and Frank. Those are all important things.
18 If others want to chime in out there and add their
19 thoughts, we encourage you to.

20 DR. WOOGEN: I think it has been stated quite
21 well where the issues are, and I think we'll have a
22 lot more information on the issues in a few weeks'
23 time; have a more detailed discussion.

24 MS. EASTER: I think that those of you that
25 attended our meeting, I think realize the emphasis

1 we're putting on revenue growth in the next few
2 years and this is an important project.

3 Like Jeb said, we kind of got hit upside the
4 head, but we can't slow down from opening OTBs and
5 maybe working, doing something with our ADW plans
6 and it's just a lot of wheels turning and we don't
7 have all the answers right here today, but those are
8 things we're working on. As you know, you were in
9 those meetings and were helping us to kind of figure
10 those things out.

11 MR. PETRAMALO: As you may remember when we
12 started out with the VEA, both horsemen's groups
13 committed to loaning \$1.5 million to the VEA.
14 Scott's group has already loaned the 300,000 that
15 was their share for the assistance in renovating
16 Shenandoah. We still remain committed, the HBPA, to
17 loaning 1.2 million. We haven't done it so far
18 because it hasn't been asked for. We're in it to
19 that extent.

20 If the question is whether our board wants to go
21 further to loan additional sums to build out the
22 course, what was a surprise to me when I saw the
23 number going from roughly one and a half to more
24 than three million dollars was the near million
25 dollar cost for grass. I said to myself, my God,

1 that's a lot of grass seed. But apparently, putting
2 in turf is much more complicated than that.

3 Personally, I remain committed to the site. I
4 think it's a wonderful site and the design that we
5 ultimately came up with in conjunction with Morven
6 Park and a host of engineers is wonderful. So I'm
7 hoping that in the end the dollars and cents don't
8 prove to be an obstacle.

9 CHAIRMAN VAN CLIEF: Thank you for the
10 explanation and background on that. We hope that
11 you can get over these hurdles and make it work,
12 because it obviously is an ideal location.

13 COMMISSIONER STEGER: May I ask this? It's a
14 detailed question, but I'm curious. I know for golf
15 course development, it would be fatal. Do you have
16 to pay for water once the track might be
17 established?

18 MR. HANNUM: My understanding, we would not.

19 COMMISSIONER STEGER: That would be in the
20 contract?

21 MR. HANNUM: Yes. In the lease.

22 COMMISSIONER STEGER: Some golf courses have
23 found that to be an extraordinary expense.

24 MR. HANNUM: So thank you, Mr. Chairman. So
25 that concludes my report and I can take any

1 questions.

2 CHAIRMAN VAN CLIEF: Any further questions?

3 MS. EASTER: I think just to add to what Jeb
4 said for those of you all that weren't at our
5 meeting because of the public meeting rules, we are
6 happy to sit down with the other three of you at any
7 time and go through these things in more detail.

8 I don't think it will take all day like we did
9 before, but kind of hit the highlights of what we're
10 trying to do and what the costs are and what the
11 problems that we're dealing with are.

12 CHAIRMAN VAN CLIEF: I had the privilege of
13 sitting in on that most recent meeting, as well as
14 some others over the last year or so. I think it's
15 worth an observation from my personal perspective
16 that the VEA has done a very good job of wrestling
17 with trying to organize a great deal of a large
18 number of pressing priorities, and I think if you
19 look at the over-arching redevelopment, if you will,
20 rebuilding of our industry, they're taking it a step
21 at a time and thus far have made the right steps.

22 Last year the question was what is our priority.
23 The answer was rationalization and redevelopment of
24 our ADW market. That's where the money is. That
25 money flow has allowed them to move forward with the

1 priorities this year.

2 But if you broke it down into two areas of
3 endeavor, revenue development and racetrack
4 development, I think you still have to go with your
5 revenue development, as Debbie points out, and I
6 think the VEA has done a good job recognizing that
7 while still devoting resources and manpower and
8 moving ahead with as good a clip as they can with
9 development of racing days. Thanks again, Jeb.

10 MR. HANNUM: Thank you.

11 CHAIRMAN VAN CLIEF: At this point then, we'll
12 move on. We do have an opportunity, as usual, for
13 public comments. If anybody would like to make a
14 comment, they're more than welcome to make an
15 observation at this point. If you choose to do so,
16 please state your name for record. Anybody?

17 Okay. Now we have an opportunity for
18 commissioners to offer comments. I'll start with
19 our vice chairman to my right.

20 COMMISSIONER DAWSON: Thank you, Mr. Chairman.
21 I guess because we're talking about the track
22 development issues, it occurs to me that we need to
23 thank the VEA and also the VHHA for what they've
24 done in Shenandoah Downs. That may not have
25 presented the same kind of problems that Morven Park

1 has presented, but we are coming up close now to
2 2017 and we've all been hoping that we would have
3 our track so that we could have some racing in 2017.

4 You say that it's going to take several more
5 weeks before you know what the choices are going to
6 be, basically. Do you think that there's going to
7 be time, assuming that you're going to make a
8 decision to move forward, or to move to a different
9 venue that we will actually have Thoroughbred racing
10 in Virginia in 2017?

11 MR. HANNUM: Well, we'll have the Virginia Gold
12 Cup meets and they've expanded their race days to
13 include flat races as a part of those programs, so I
14 think that has worked very well. That's obviously
15 limited, but those have been very, very successful
16 race days. So we're fortunate to have that.

17 If Morven Park were to move forward, we wouldn't
18 be able to have racing there in 2017, and I think if
19 we went to an alternative site, that would be pretty
20 difficult, I would think. But you know, that's just
21 kind of where we are right now, so we would be
22 focused on the harness industry and supporting the
23 Gold Cup as we've done.

24 MS. EASTER: 2018 would be -- whether we go with
25 Morven park or an alternative site selection, I

1 think 2018 would be the first time you would see
2 Thoroughbred racing Virginia, other than what's
3 happening at the Gold Cup. Things change so who
4 knows what other kinds of things might come along,
5 but we're trying to get there.

6 MR. PETRAMALO: The problem is the grass seed
7 that I'm complaining about. Really. I mean if the
8 excavation were at best done and completed by June
9 or July, there wouldn't be enough time for the grass
10 to grow and really put in a root system that would
11 allow racing. That's why Debbie is saying 2018 is
12 more likely.

13 COMMISSIONER DAWSON: Jeb, you are certainly
14 correct in saying it was very complicated, but we
15 still will hope that we'll see some progress,
16 especially if we seek some private financing. I
17 think that would be a real bonus.

18 MR. HANNUM: well, thank you.

19 CHAIRMAN VAN CLIEF: Thank you, Commissioner
20 Dawson. Commissioner Steger.

21 COMMISSIONER STEGER: I will say I'm encouraged
22 by all the progress and want to congratulate all of
23 you on what you have been able to do. I've
24 exchanged a couple of notes with our chairman of
25 putting together a little summary of what the

1 Commission in collaboration with the horsemen's
2 industry has been able to accomplish over the last
3 year.

4 I think it might be prudent to visit some of our
5 colleagues in the state government to see if they
6 have some thoughts about how we might put together
7 some kind of joint deal, even with the local
8 governments there, to help make this thing a
9 reality.

10 I think it's a great site. The Washington metro
11 area is projected to add another million people in
12 the next ten, 15 years, and I think the faster we
13 move forward with it, the better off we're going to
14 be, but we have to have a way to secure the
15 financing.

16 But I think we might be able to talk with some
17 of the communities that could forego the amusement
18 tax. There are all kinds of ways of approaching
19 this thing to get the construction under way.

20 Frank is right about the grass. Without a root
21 structure, you'd have a serious problem.

22 MR. HANNUM: Thank you for that comment, and
23 there are an awful lot of positives for being at
24 Morven, and so we want to explore every single
25 option. So thank you.

1 CHAIRMAN VAN CLIEF: Thank you. Mr. Reynolds.

2 COMMISSIONER REYNOLDS: My comments have been
3 covered already by others. Thank you.

4 CHAIRMAN VAN CLIEF: Okay. Thank you very much.
5 I'll wrap up then just with a couple observations of
6 my own. This will obviously be our last meeting of
7 the year, and I also think that the VEA and all of
8 its component parts deserve a lot of credit.

9 If you think about what has happened in the last
10 18 months, we've gone from petty much dead in the
11 water in terms of our racing industry here, to
12 although they may look from outside like small
13 steps, we're really making major progress.

14 Dr. Woogen's comments earlier about the quality
15 of that racing strip at Shenandoah Downs. Seems
16 like every racing strip we build in this state is
17 one of the best. It's nice to continue that
18 tradition.

19 Great to see ten days of successful racing with
20 the prospect of projected growth, so congratulations
21 to the harness racing industry and Standardbred
22 community for what you all have achieved, and also
23 to the Shenandoah county fair for what has been a
24 job well done.

25 we hope we can be that successful. Understand

1 the frustration with a very complicated project at
2 Morven Park, but again, I think it's really quite
3 amazing what has been achieved.

4 You have a healthy ADW industry which is
5 currently funding operations. You are recreating an
6 OTB system that didn't exist last year. We're going
7 to have gone from a single racetrack environment in
8 Virginia to a multiple racetrack environment here
9 very quickly, and I think there's a lot to be
10 excited about. It's quite a success story, and I
11 think we're all delighted to be a part of it.

12 So well done. We look forward to 2017 with more
13 progress and look very much forward to working with
14 this industry.

15 I'd like to thank my fellow commissioners for
16 all of their hard work. This takes a lot of thought
17 and a lot of time between meetings and everybody
18 does it on a volunteer basis. I thank you all very
19 much for your work and your input. Since no good
20 deed goes unpunished, we'll be looking for more in
21 2017. Thank you all very much.

22 I don't think, although we have it on the
23 agenda, that we need a closed session today. I
24 think, Mr. Lermond, that we'll probably need a
25 meeting. Maybe we should go ahead and schedule a

1 January meeting with the thought that we're going to
2 have some additional decision points in terms of the
3 VEA's projects that we discussed today, and don't we
4 need to reelect or elect officers?

5 So let's go ahead, and if we could, we could try
6 to pull this one out of the hat right now, otherwise
7 I'll ask you to canvas the group. If we could try
8 to put together a meeting before the end of the
9 second week of January, I think that would be ideal.
10 Perhaps the first week would be too early, so
11 somewhere around Thursday the 5th?

12 MR. LERMOND: Debbie, is that going to give you
13 enough time to put together a budget for 2017? The
14 limited licenses can wait a couple months. The code
15 requires that anything that the VEA spends out of
16 the money that it receives from the ADW to be
17 approved by the Commission.

18 The Commission approved the expenditures up
19 through December 31st of 2016, so starting
20 January 1, there really hasn't been an approval for
21 any spending.

22 CHAIRMAN VAN CLIEF: I spoke too quickly. I
23 have a conflict the second week, but would the third
24 week, the week of Monday the 16th be more
25 comfortable for everybody?

1 MS. EASTER: I think so. We'd like to have a
2 little better numbers on the OTBs so we can make a
3 little longer-term projections for you and see what
4 that might look like, too, and especially since
5 we're potentially considering borrowing more money
6 and all that, so you can kind of see how that
7 spreads over a longer period of time.

8 CHAIRMAN VAN CLIEF: Why don't we try for
9 Thursday the 19th of January? Does that sound good?
10 Does that work on your calendars?

11 All right. Dave, I'll throw it to you and we
12 won't set a date at this point, but let's look
13 somewhere in that timeframe and see if we can get
14 the Commission in place. Try the week of the 16th
15 of January and see what works for everybody.

16 Great. Is there anything that any commissioner
17 would like to bring up as other business at this
18 point? In that case, I need a motion to adjourn.

19 COMMISSIONER REYNOLDS: So moved.

20 CHAIRMAN VAN CLIEF: Second?

21 COMMISSIONER DAWSON: I second.

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

24 NOTE: The hearing is adjourned at 11:22
25 a.m.

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 31st day of December, 2016.
11

12
13 _____
14 SANDRA G. SPINNER
15 COURT REPORTER
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