

1 VIRGINIA RACING COMMISSION

2 June 6, 2017

3 JAMES MONROE BUILDING  
4 CONFERENCE ROOM B  
5 101 NORTH 14TH STREET  
6 RICHMOND, VA 23219

7 Commencing at 10:00 a.m.

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COMMISSION MEMBERS:  
D.G. Van Clief, Jr., Chairman  
Carol G. Dawson, Vice Chairman  
Charles Steger, PhD  
I. Clinton Miller

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

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

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## I N D E X

	Page
1	
2	
3	1. Call to Order 3
4	2. Approval of the March 7th meeting minutes 3
5	3. New Business
6	A. Approval of a Satellite Wagering Facility License Application Submitted by the Virginia Equine Alliance for Buckets Bar and Grill in Chesapeake 3
7	B. Approval of Buckets Bar and Grill Simulcast Revenue-sharing Agreement 12
8	C. Approval of Amendments to the Satellite Wagering Facility License Applications Previously Submitted by the Virginia Equine Alliance for Breakers and Ponies & Pints to Address Outdoor Events 14
9	D. Request by the VHHA for Expenditures from the Benevolence Fund for Improvements to Shenandoah Downs, Beneficial to Harness Horsemen 18
10	E. Request from VHBPA for Races to be Contested in Maryland and West Virginia 23
11	F. Discussion of the Development of a Strategic Plan for the Virginia Racing Industry and the Formation of Ad Hoc Committees to Look at Growing Handle in Virginia and the Strategic Planning Process 46
12	G. Report from the Virginia Equine Alliance 34
13	i. Powhatan Site for Possible Thoroughbred Racing
14	ii. Update on TVG Negotiations 40
15	iii. OTB Development 42
16	4. Public Comment Period 54
17	5. Commissioners' Comments 54
18	6. Closed Session (If necessary) 57
19	7. Adjournment 58
20	
21	
22	
23	
24	
25	

1           CHAIRMAN VAN CLIEF: Good morning, Ladies and  
2           Gentlemen. I've got ten o'clock on the dot and  
3           would like to call to order this morning's session  
4           of the Virginia Racing Commission.

5           We've got a number of action items and we'll get  
6           started with those right way. I will note that  
7           Commissioner Reynolds is not going to be able to be  
8           with us. He unfortunately had a conflict today, so  
9           we have four out of five commissioners present, and  
10          we do have a quorum.

11          First order of business is to consider approval  
12          of the minutes which were distributed to each of you  
13          in advance of the meeting. Are there any  
14          suggestions for modification or changes that you'd  
15          like to make? If not, we need a motion to approve  
16          the minutes from the previous meeting.

17          VICE CHAIRMAN DAWSON: I so move.

18          COMMISSIONER STEGER: Second.

19          CHAIRMAN VAN CLIEF: Thank you very much. We  
20          have a motion and a second. Any opposed? The  
21          minutes of the March 7th meeting stand approved.

22          Now, new business. We've got several items to  
23          deal with, the first of which as the VEA continues  
24          to build out its satellite wagering facilities is to  
25          consider approval of a license which was submitted

1 by the VEA for a new facility in Chesapeake.

2 Mr. Hannum, are you going to brief on that today?

3 MR. HANNUM: Sure. So this is a site down in  
4 Chesapeake. This would be our third OTB. Buckets  
5 Bar and Grill is a bar and restaurant that's  
6 operating right now. The bar owner, Mr. Manning,  
7 has leased the space next to his existing restaurant  
8 and has outfitted it for our OTB, and pending  
9 approval the construction would be completed.

10 This is a very nice facility. It's the first  
11 one that we've had the opportunity to really design  
12 specifically for our own purposes, and we feel that  
13 it would really be our flagship site once it's  
14 operational.

15 It will be a sort of similar layout in look and  
16 feel of the other sites in terms of the number of  
17 televisions and betting facilities, but it would be  
18 about 3,000 square feet of dedicated space for the  
19 OTB, again attached to the existing restaurant.

20 So Mr. Manning has been a very enthusiastic  
21 partner for us to-date. We had hoped to have the  
22 facility open earlier. Unfortunately, we discovered  
23 that we needed to get a conditional-use permit down  
24 in Chesapeake, and so that set us back a few months.

25 The permit application has been applied for.

1 It's in process and the planning commission and the  
2 city council will be meeting in July to formally, we  
3 hope, approve the permit. So obviously, any  
4 approval here today would be conditional upon the  
5 final approval of the permit down in Chesapeake.

6 I believe Mr. Lermond prepared a staff report  
7 for you all. I'm happy to speak to any additional  
8 points that are raised in that report or in the  
9 license application, but we appreciate your  
10 consideration, Mr. Chairman, and we're excited to  
11 get this facility up and running as quickly as we  
12 can.

13 CHAIRMAN VAN CLIEF: Great. Thank you very  
14 much. The staff report which Mr. Lermond  
15 distributed in advance of the meeting -- and for  
16 those of you at the table, in your meeting books  
17 under Tab Two, if you want to refer to that again or  
18 have any questions about that, that's where you'll  
19 find it.

20 Jeb, I've got one question while everybody is  
21 taking a look. The Commission scale that's included  
22 in this, you have one Commission scale for year one,  
23 and then it goes to a flat fee for the subsequent  
24 year, should it be renewed. Am I reading that  
25 correctly?

1 MR. HANNUM: Yes. You're talking about the  
2 .75 percent?

3 CHAIRMAN VAN CLIEF: Yes. I was curious as to  
4 the rationale as to how you arrived at that.

5 MR. HANNUM: The initial, I believe it's through  
6 2017, is the same rate that we have right now with  
7 one of our other sites, and then after that, we go  
8 to .75 percent for the remainder of our lease. So  
9 this was just a matter of negotiation with  
10 Mr. Manning in terms of coming to a point that he  
11 was comfortable with based on his investment and how  
12 he wanted to proceed.

13 So we want to have as similar as possible terms  
14 with all of our partners, but the unique nature of  
15 these OTBs is that these are joint ventures with  
16 different owners at each site, and we have to, I  
17 think going forward, will have contracts that may  
18 vary a little bit depending on the owner.

19 CHAIRMAN VAN CLIEF: Okay. Thank you. Also on  
20 your business projections on Page Four at the top,  
21 Page Four of the executive summary, are those  
22 revenue projections based on previous facilities in  
23 that area?

24 MR. HANNUM: So yes. With Chesapeake as well as  
25 what we did with Richmond, we looked at what the

1 Colonial OTBs did, taking into account that those  
2 OTB customers hadn't had a place to bet for at least  
3 a year and that there would be some that would  
4 perhaps move away, we've based those numbers in a  
5 conservative fashion.

6 But yes, we use Colonial's OTB figures as a  
7 guide. So that's where we've come to these numbers,  
8 so we certainly haven't pulled them out of the sky,  
9 but they are based on Colonial's experience and  
10 we've been conservative.

11 Also, the Richmond sites have shown people were  
12 very keen to come back, and those two sites have  
13 done very well, so we're cautiously optimistic  
14 that'll be the case in Chesapeake as well.

15 CHAIRMAN VAN CLIEF: Okay. Thank you. Any  
16 other questions for Mr. Hannum from the Commission?

17 COMMISSIONER MILLER: I have a question just  
18 about your exhibits, since you're making a  
19 considerable investment in this facility. I noticed  
20 your lease exhibits don't identify the landlord.

21 MR. HANNUM: Right. So the agent is authorized  
22 to sign on behalf of the landlord, and so that --  
23 Charles Grant is the agent for Council Reality &  
24 Management, who manages the building and I've been  
25 informed that they're authorized to sign on behalf

1 of the landlord and I just clarified that again this  
2 morning.

3 COMMISSIONER MILLER: Well, I always look at the  
4 worst side of these things in case a legal dispute  
5 would arise in the future. I'm just concerned that  
6 there's no identification, no signing of the  
7 landlord. Is there something in here, a document  
8 that gives power of attorney or gives the agency  
9 authorization to someone else to act for the  
10 landlord?

11 MR. HANNUM: I don't believe we have a power of  
12 attorney in here, but that's certainly something I  
13 can provide to the Commission office.

14 COMMISSIONER MILLER: I just suggest you want to  
15 put down this landlord because you're investing a  
16 lot of money there. There's no identification of a  
17 landlord in either exhibit. There's no signature of  
18 the landlord on either exhibit, and this is a  
19 significant license that you're going to operate  
20 with the leaseholder.

21 You know, in case anything came up in the  
22 future, we want to be sure that the landlord is  
23 agreeable to this licensed use of his leased  
24 premises. I suggest you may want to pin that down.

25 MR. HANNUM: Certainly. Obviously, the landlord



1 is fully aware and on board, but I will provide  
2 whatever.

3 COMMISSIONER MILLER: I'm thinking that's all  
4 well and good, but I'm thinking of when you go to  
5 court and the judge says where is the landlord's  
6 indication of obligation. So I just wanted to  
7 suggest that you might want to take care of that.

8 MR. HANNUM: Yes. Thank you.

9 CHAIRMAN VAN CLIEF: Any other questions? This  
10 staff report concludes with a recommendation of  
11 approval of the application and includes three  
12 conditions. I wondered, Commissioner Miller, if we  
13 might in crafting a resolution add a fourth, and per  
14 your suggestion, include a condition the approval is  
15 contingent on proper identification and signature by  
16 the landlord or that landlord's authorized  
17 representative.

18 COMMISSIONER MILLER: Or whatever the landlord  
19 needs to do to indicate agreement with the licensed  
20 use of his leased premises.

21 CHAIRMAN VAN CLIEF: And get necessary  
22 approvals. In that case, what we'll need then is --

23 MR. PITCHFORD: Mr. Chairman, just for  
24 clarification.

25 CHAIRMAN VAN CLIEF: Yes, sir.

1           MR. PITCHFORD: The staff report included four  
2 conditions. There's a fourth condition on the top  
3 of the next page.

4           CHAIRMAN VAN CLIEF: Okay. Thank you. If I  
5 turned the page, I'd see it. Okay. We'll make it  
6 five conditions then. So we need to consider a  
7 resolution to approve the application from the VEA  
8 with the following conditions, and I'll go ahead and  
9 read them.

10           Number one, satellite wagering facility shall be  
11 operated in accordance with all representations,  
12 plans and specifications as submitted in the  
13 application and as described at the Commission  
14 meeting on June 6, 2017, and shall not deviate  
15 materially from these representations, plans and  
16 specifications without prior consent of the  
17 Commission.

18           Condition number two, the facility shall be  
19 operated in accordance with all applicable state and  
20 federal statutes and regulations, the regulations of  
21 the Commission and all local ordinances.

22           Number three, the VEA shall post a bond or other  
23 instrument of financial security in a form  
24 acceptable to Commission staff in the amount  
25 sufficient to cover outstanding mutuel tickets.

1 VEA may authorize its existing offer in support of  
2 Breakers and Ponies & Pints satellite wagering  
3 facilities licenses previously granted by the  
4 Commission to meet this requirement.

5 Number four. VEA shall secure the proper zoning  
6 permit from the City of Chesapeake for this location  
7 prior to commencing operation.

8 we're going to add a fifth, and Mr. Pitchford,  
9 maybe you will help me with the wording of this. We  
10 will make it conditional on receipt of appropriate  
11 legal permission from a landlord or that  
12 individual's authorized representatives. Fair  
13 enough?

14 MR. PITCHFORD: Yes, sir.

15 CHAIRMAN VAN CLIEF: So that would be the motion  
16 that I would like to put on the table. I'll make  
17 that motion that we approve it, and in accordance  
18 with the conditions I've just read. Is there a  
19 second?

20 COMMISSIONER STEGER: Second.

21 CHAIRMAN VAN CLIEF: Thank you. Commissioner  
22 Steger seconds. Is there any further discussion or  
23 any questions? All those in favor of approval,  
24 signify by saying aye.

25 NOTE: The Commission votes aye.

1           CHAIRMAN VAN CLIEF: Any opposed? Motion  
2 carries unanimously. Thank you, Mr. Hannum.

3           MR. HANNUM: Thank you.

4           CHAIRMAN VAN CLIEF: Next up is the approval of  
5 a revenue-sharing agreement for Buckets Bar and  
6 Grill, and Mr. Petramalo, I believe, is going to  
7 take us through that. I think you will find this to  
8 be either very similar or identical to previous  
9 approvals, but if you wouldn't mind refreshing our  
10 memory.

11           MR. PETRAMALO: Yes, Mr. Chairman. It's  
12 identical with the agreements we had covering  
13 Breakers and Ponies & Pints. Basically, it's an  
14 agreement between the VEA on the one hand, the  
15 operator of Buckets and the two horsemen's  
16 organizations; my organization, the VHBPA, and the  
17 Harness Horse Association.

18           Basically, what all parties are agreeing is to  
19 share 50/50 the net revenue of the OTB, and that's  
20 necessary because the statute requires that VEA pay  
21 the horsemen's organizations five percent of the  
22 handle.

23           Five percent is a hefty number, and at least to  
24 start with, that would financially burden the VEA.  
25 So what we agreed to do is share the revenue 50/50,

1 and if our 50 percent share is less than five  
2 percent, which they've already paid us, we rebate  
3 the difference.

4 If in the future it starts developing some  
5 significant handle, we just then come up to the five  
6 percent level and even go above. We get the  
7 difference between what they've paid us by statute  
8 and our 50 percent.

9 So hopefully in the future, they would be  
10 rebating to us. That, basically, is the arrangement  
11 we've had in the past with Colonial Downs and some  
12 of their start-ups.

13 CHAIRMAN VAN CLIEF: Thank you. Any questions  
14 for Mr. Petramalo? A copy of the agreement -- it's  
15 a two-page agreement -- is under Tab Three in your  
16 books.

17 If there are no questions, then we do need a  
18 motion to approve.

19 COMMISSIONER STEGER: I make a motion.

20 CHAIRMAN VAN CLIEF: We have a motion to  
21 approve. Second, please.

22 VICE CHAIRMAN DAWSON: Second.

23 CHAIRMAN VAN CLIEF: Thank you. Is there any  
24 further discussion? All in favor of approval,  
25 please signify by saying aye.

1                   NOTE: The Commission votes aye.

2                   CHAIRMAN VAN CLIEF: Any opposed? Motion  
3 carries unanimously. The agreement is approved.

4                   Next up will be a report and request for  
5 approval of amendments to our existing satellite  
6 wagering facility license applications. Mr.  
7 Lermond, I think, will take us through the drill on  
8 this one.

9                   MR. LERMOND: Thank you, Mr. Chairman. This  
10 came about a few months ago when the VEA was talking  
11 about having some outdoor parties in conjunction  
12 with the Kentucky Derby at Breakers and at Ponies &  
13 Pints.

14                   It basically involved at Ponies, they have a  
15 parking lot that's next to it, so they wanted to  
16 utilize that space to make more room for patrons  
17 so everyone wasn't jammed inside. There's also an  
18 outdoor patio with Breakers that they wanted to put  
19 a better machine out there.

20                   As a result, I spoke to Mr. Pitchford and asked  
21 him if he thought this was a material deviation from  
22 what had been submitted in those two applications,  
23 and I guess we weren't sure exactly if it was  
24 totally material or not, but to be on the safe side,  
25 his suggestion was that the VEA -- we come up with a

1 way for the VEA to give the Commission notice of  
2 these events and details on security and betting  
3 machines, but not to burden the Commission with  
4 having to approve each one every time.

5 So what we came up with is some language that is  
6 behind Tab Four of your books, and this same  
7 language appeared in the application for Buckets  
8 that was just approved, and I'll read it.

9 It says: From time to time, special events at  
10 Breakers will be held that may involve outdoor  
11 seating for patrons and additional tote machines in  
12 the outdoor space to service those patrons.

13 In such cases, prior notice shall be provided to  
14 the executive secretary for a particular event that  
15 outlines the event, the security measures acceptable  
16 to the Commission that will be employed to ensure  
17 the integrity of the event.

18 So by adding this language to amend the  
19 applications for Buckets and Ponies, this language,  
20 everything now is the same with all three. I think  
21 it satisfies Mr. Pitchford's concerns about notice  
22 to the Commission, and although it's more of a  
23 housekeeping item, I think it's important that the  
24 Commission approve -- we do this in one motion, but  
25 they approve this language to be amended to the

1 existing application of Breakers and Ponies & Pints.

2 CHAIRMAN VAN CLIEF: And the wording that Mr.  
3 Lermond just referred to appears under Tab Four in  
4 your books as part of the disclosure of safety and  
5 security plans for both facilities. You will see it  
6 begins at the bottom of the first page.

7 MR. LERMOND: I will add that outdoor events  
8 they had at Ponies and at Breakers for the Kentucky  
9 Derby were both very successful, and I think it's  
10 important that they have this flexibility from time  
11 to time to have these outdoor events and  
12 expose racing to new people on the big days when  
13 most people seem to come out and show interest.

14 VICE CHAIRMAN DAWSON: Mr. Chairman.

15 CHAIRMAN VAN CLIEF: Yes, ma'am.

16 VICE CHAIRMAN DAWSON: I'd like to ask Mr.  
17 Lermond what kind of extra security measures might  
18 be required for an outdoor event such as that?

19 MR. LERMOND: When the betting machines and the  
20 money are outside of the facility, we would have  
21 off-duty police officers there, and also I think in  
22 addition, there were actually also additional  
23 security guards, especially at Ponies & Pints  
24 because we're talking about a big area there. It  
25 was the whole parking lot. Breakers is just more of



1 a patio that's enclosed, so they did have an  
2 off-duty police officer at Breakers as well.

3 VICE CHAIRMAN DAWSON: So that has been  
4 utilized?

5 MR. LERMOND: Yes. And any time we would have  
6 notice of this, I would have our security  
7 enforcement, Joe Roney, review the plan, and in some  
8 cases, we may go out at least the first time and  
9 inspect it and see how it all works out.

10 VICE CHAIRMAN DAWSON: Sounds reasonable.

11 CHAIRMAN VAN CLIEF: Are those security  
12 personnel uniformed or in plain clothes?

13 MR. LERMOND: I believe they were uniformed and  
14 I think that's a better deterrent.

15 CHAIRMAN VAN CLIEF: Right. That's what I was  
16 thinking. Okay. Any questions for Mr. Lermond? If  
17 not, we need a motion to approve the amendments as  
18 set forth.

19 VICE CHAIRMAN DAWSON: I so move.

20 CHAIRMAN VAN CLIEF: Thank you. Second, please.

21 COMMISSIONER STEGER: I second it.

22 CHAIRMAN VAN CLIEF: Any further discussion?  
23 All in favor of approval of the amendments, please  
24 signify by saying aye.

25 NOTE: The Commission votes aye.

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

3           MR. LERMOND: Thank you.

4           CHAIRMAN VAN CLIEF: I want to make one  
5 administrative note here. Jeb, I'm going to change  
6 the order of our agenda slightly, and when we get  
7 down to item F, which is the development of a  
8 strategic planning process, we're going to flip  
9 that, if you don't mind, with your report and ask  
10 you to do the VEA update first, then we'll go to  
11 planning and discussion.

12          MR. HANNUM: Sure.

13          CHAIRMAN VAN CLIEF: Mr. Lermond, I think Item D  
14 is yours as well. That will be a request coming --  
15 you're going to sub for the VHHA today, I think?

16          MR. LERMOND: I'll pinch hit for Mr. Woolnough,  
17 who is in Florida.

18          CHAIRMAN VAN CLIEF: Okay. I believe they want  
19 approval on expenditures for their Benevolence Fund.

20          MR. LERMOND: Correct. We haven't discussed the  
21 Benevolence Fund lately because that money comes  
22 from the wagering at the racetrack and OTBs and  
23 there hasn't been much of that lately. Luckily for  
24 the VHHA, they had 40,000 left in their account.

25                 Under Tab Five in your books, you'll see first

1 an email from Iain Woolnough asking that they would  
2 like to use 20,000 of the 42,000 that is in the  
3 account now to support the building of a bathroom  
4 with shower facilities at the Woodstock track.

5 Just to give a brief -- the way it will work  
6 financially is that the VHHA would put up twenty,  
7 the VEA would also put up 20,000, and the remainder  
8 of 80,000 would be put up by the Shenandoah County  
9 Fair.

10 Mr. Eshelman is here in the audience and he  
11 could probably give a better description of this  
12 facility, if you would like.

13 MR. ESHELMAN: It's a 1200 square foot facility  
14 being added on to the show barn, and that show barn  
15 was basically where the Racing Commission offices  
16 were, the VEA offices and basically the center point  
17 for all the racing. It's kind of the hub.

18 Our project that has been ongoing for some time  
19 is to add bathrooms to the facility, and right now  
20 you would have to walk about 200 feet to utilize the  
21 restroom facilities.

22 With that, it was suggested that maybe we could  
23 add showers to it for the horsemen after the racing  
24 and everything. There would also be a community  
25 benefit to it from the standpoint that the 4Hers are

1 there for nine days during the fair. The FFA attend  
2 these as well.

3 So basically, we took the square footage and  
4 divided out what the shower portion of that would  
5 be, and it was approximately \$40,000. Just a little  
6 bit more than that.

7 The VEA felt very strongly, or the VHHA felt  
8 very strongly that it would be great to have that  
9 facility there currently for five weekends of racing  
10 which we hope to expand later on down the road, to  
11 as we all know six or seven weekends of racing.

12 So the shower facilities would be added to the  
13 bathrooms. The square footage was determined out  
14 and it came in to the point where that 400 square  
15 feet of the bathroom facility with the additional  
16 shower would weigh out around \$43,000.

17 We have been doing fundraising through the local  
18 community and have already raised close to 70,000 in  
19 addition to the forty that would be presented from  
20 the VEA and the VHHA. So we're getting to the tail  
21 end.

22 Construction has already started on the  
23 facility, and our hopes are that this will go  
24 through. Obviously, it would be a huge funding  
25 resource for us and actually add a huge benefit to

1 the horsemen.

2 CHAIRMAN VAN CLIEF: Thank you.

3 MR. LERMOND: I would add to what Tom said in  
4 not only would it help the drivers that come back  
5 with dirt and mud all over their face after the  
6 races, but there are some horsemen that do stay  
7 there for the five weeks. Some of them are in very  
8 small campers, to where I think they would really  
9 welcome the fact to be able to go into a real-size  
10 bathroom and take a shower and those things.

11 I know there was one woman that put up a little  
12 curtain on the side of her horse trailer and used a  
13 hose to take a shower. I think she'd be pretty  
14 happy if this would work.

15 CHAIRMAN VAN CLIEF: This might be one of the  
16 least controversial issues I've seen come up. Does  
17 anyone have any questions?

18 VICE CHAIRMAN DAWSON: Has the VEA been involved  
19 in the planning of this from the beginning?

20 MR. ESHELMAN: They were not in the very  
21 beginning. It was instituted by the Shenandoah  
22 County Fair, and then we went out searching for  
23 resources and we had the bathroom plans already  
24 done, and then it was asked what would it take to  
25 add shower facilities to these bathroom facilities,

1 and they will be ADA compliant and everything like  
2 that, so that's when they got involved.

3 we had already started our fundraising efforts  
4 prior to that; however, they did have significant  
5 comment. We did rearrange -- they asked for lockers  
6 -- an area in there that the drivers and quite  
7 frankly the people that do stay there during the  
8 week where they could put their things privately  
9 locked and secured and we accommodated that based on  
10 the fact --

11 VICE CHAIRMAN DAWSON: My question is the VEA  
12 has approved the expenditure of that?

13 MR. ESHELMAN: Oh, yes.

14 VICE CHAIRMAN DAWSON: Yes.

15 CHAIRMAN VAN CLIEF: So we're being asked to  
16 approve a \$20,000 expenditure from 42,000 in funds?

17 MR. LERMOND: The Benevolence Fund. Yes.

18 CHAIRMAN VAN CLIEF: Any other questions? Do we  
19 have a motion to approve?

20 COMMISSIONER STEGER: So moved.

21 COMMISSIONER MILLER: Second.

22 CHAIRMAN VAN CLIEF: Second. Thank you. All in  
23 favor, signify by saying aye.

24 NOTE: The Commission votes aye.

25 CHAIRMAN VAN CLIEF: Any opposed? Okay. The

1 expenditure is approved.

2 That takes us to a consideration this morning of  
3 funding purses for races to be contested in both  
4 Maryland and West Virginia, and Mr. Petramalo is  
5 going to give us a report on that, please, at this  
6 time.

7 MR. PETRAMALO: As you may recall, last year, we  
8 had two days of racing at Pimlico in Laurel for  
9 Virginia-breds; they were stakes races. This year,  
10 we're hoping to replicate that, although all the  
11 races this year would be at Laurel. Plus, we're  
12 adding another day. We're creating four new stakes  
13 races. So if you take a look at the schedule in  
14 front of you, you'll see we have an end of June,  
15 June 24 date --

16 CHAIRMAN VAN CLIEF: Excuse me. That's Tab 6 in  
17 your books. Sorry.

18 MR. PETRAMALO: -- at Laurel. Those are the  
19 same races we ran last year. We added a middle  
20 date, August 5th. Those are the four new stakes  
21 that we added. And then on September 30th, those  
22 are the same five that we ran last year.

23 Our horsemen's committee, or excuse me, our race  
24 committee of the HBPA put together a schedule so  
25 that it made a progression which would allow horses

1 the opportunity to compete in all three days.

2 Then as something new, we came up with what we  
3 referred to as the sprinkle program. The three days  
4 that I've discussed are pretty much geared toward  
5 higher-level horses. They're stakes races.

6 we put together a ten-race sprinkle schedule,  
7 sprinkle meaning we're going to have six races at  
8 Laurel at various times, four races at Charles Town,  
9 but these are for the lower-level, Virginia-bred  
10 horses, the ones who would not quite be competitive  
11 to run in the stakes races.

12 After the dates, they start on July 6th and go  
13 through November 23rd, you can pretty much see that  
14 for example, the first one July 6th at Charles Town,  
15 fillies and mares, is a \$5,000 claim.

16 That \$5,000 claim is not the type of horse to be  
17 running in the stakes race, so we wanted to spread  
18 the opportunity around and we allocated a budget of  
19 250,000 to spread across the ten races.

20 Again, until we come up with a venue in Virginia  
21 for racing Thoroughbreds on the flat, we want to  
22 keep in the public eye and give our Virginia owners  
23 and trainers and other owners and trainers of  
24 Virginia-breds the opportunity to race.

25 CHAIRMAN VAN CLIEF: Okay. Thank you. Just to



1 be clear, I want to point out that there is a  
2 difference between the race schedule in your books  
3 this morning and one that you would have received or  
4 may have received prior to the meeting.

5 The previous one included the Commonwealth Oaks  
6 and the Commonwealth Derby, both of which of course  
7 are open stakes, and those have been deleted from  
8 the request for approval this morning, pending  
9 further consideration, as I understand.

10 MR. PETRAMALO: That's correct.

11 CHAIRMAN VAN CLIEF: I just wanted to make sure  
12 you're clear on that and everybody knows what we're  
13 approving this morning or considering for approval.

14 Any questions on the schedule or questions about  
15 the races for Mr. Petramalo?

16 If not, then we do need a motion to approve the  
17 stakes as set forth, and the purses, which if my  
18 addition is right, total \$1,270,000 as set forth  
19 this morning.

20 MR. PETRAMALO: Let me quickly add a little  
21 caveat; 130,000 of that would come from the  
22 Breeders' Fund.

23 MR. LERMOND: Eight.

24 MR. PETRAMALO: No. We've got four, eight,  
25 we've got 13 stakes races.

1           MR. LERMOND: The motion that was made, I think  
2 it was last month's meeting or maybe the one before  
3 was for \$10,000 to be added to eight Virginia-bred  
4 stake races. I don't think the new ones had been  
5 considered at that point.

6           MR. PETRAMALO: Okay.

7           MR. LERMOND: But following what the chairman  
8 said, the 1,270,000 would be reduced by that 80,000.  
9 So the maximum would be 1,190,000, and that's  
10 assuming these races all fill.

11          MR. PETRAMALO: Yeah.

12          MR. LERMOND: I think there's a plan where if  
13 you don't get six or more runners, they're not going  
14 to card those races.

15          MR. PETRAMALO: I guess we'll come back at the  
16 next meeting with a proposal to seek a contribution  
17 of an additional 40,000 from the Breeders' Fund,  
18 because what we've always done in the past is have a  
19 \$10,000 contribution. At one time it was 50/50  
20 between the horsemen and Breeders' Fund, but we're  
21 long past that.

22          what I would like to do is come back and ask the  
23 Breeders' Fund to put in 10,000 for each of the  
24 four new races in August; the Hansel and Bill  
25 Backer, Meadow Stable and Camptown stakes.

1 MR. LERMOND: I think Tyson Gilpin is also --

2 MR. PETRAMALO: Tyson Gilpin is in the June  
3 stakes.

4 MS. EASTER: That's a new stake.

5 MR. PETRAMALO: It was run last year, but  
6 probably under a different name. There were four  
7 stakes run in June, I think.

8 MS. EASTER: I don't know that. I would look it  
9 up, to tell you the truth. I don't think it was  
10 there. I think we ran -- didn't we run colts and  
11 fillies in the five-and-a-half against each other?

12 MR. PETRAMALO: You know, you may be right,  
13 Debbie. I think maybe we only ran three.

14 MS. EASTER: I think that's correct.

15 MR. PETRAMALO: I think we only ran three in  
16 June at Pimlico. I think that's right. I stand  
17 corrected.

18 MS. EASTER: I think we ran five total races;  
19 two maiden and three stakes.

20 MR. PETRAMALO: That's the first time I've been  
21 wrong since my bet on the Preakness.

22 MR. LERMOND: You weren't the only one.

23 CHAIRMAN VAN CLIEF: Okay. Then let's be clear  
24 on what we're approving. Dave, if you'll walk us  
25 through it again. The race schedule is as it's set

1           forth in your books and as Mr. Petramalo just  
2           described. That is, the funding is going to include  
3           1,190,000 from the horsemen's purse fund, correct?

4           MR. LERMOND: Yes.

5           CHAIRMAN VAN CLIEF: We already have -- so  
6           there's an \$80,000 differential to make up, of which  
7           40,000 is already included with approval from the --

8           MR. LERMOND: Eighty thousand has been approved.

9           CHAIRMAN VAN CLIEF: By the --

10          MR. LERMOND: From the Breeders' Fund.

11          CHAIRMAN VAN CLIEF: -- Breeders' Fund  
12          committee.

13          MR. LERMOND: Yes, and it was based on the eight  
14          races that were run last year.

15          MR. PETRAMALO: Correct.

16          MR. LERMOND: When that motion was made a couple  
17          months ago, the thought of adding these five new  
18          races had not been considered, but if there's enough  
19          money in the Breeders' Fund, we could certainly come  
20          back next meeting and request an additional 50,000.

21          But to be safe, I would think the Commission  
22          should approve up to 1,190,000 for the races that  
23          are --

24          CHAIRMAN VAN CLIEF: From a timing standpoint,  
25          what's a deadline for having final approval on what

1 you're going to be advertising?

2 MR. PETRAMALO: I think we'd like to get final  
3 approval now. The money issue we can resolve later  
4 on.

5 MS. EASTER: We would just reimburse the HBPA.  
6 They're putting up all the funds. We'd just  
7 reimburse them.

8 CHAIRMAN VAN CLIEF: Do we have to wait to come  
9 back? Can we approve the 1,270,000 today --

10 MR. PETRAMALO: Yes.

11 CHAIRMAN VAN CLIEF: -- which would include  
12 1,190,000 from the horsemen's funds and approve in  
13 advance as long as the VTA and the Virginia-bred  
14 fund committee agree then go ahead?

15 MR. PETRAMALO: I think that's the best way to  
16 do it. That's the way we did it last year, because  
17 we paid and then got a check from the Breeders'  
18 Fund.

19 MR. LERMOND: Correct.

20 CHAIRMAN VAN CLIEF: All right. In that case,  
21 we need a motion to approve the stakes schedule and  
22 the stakes and everyday racing as set forward in the  
23 handout, which will be funded with \$1,190,000 from  
24 the horsemen's purse funds and an additional 80,000  
25 from the Virginia-bred funds, and one of the

1 contingencies in this motion, whatever necessary  
2 approvals from the virginia-bred fund will be  
3 received by the HBPA on receipt of that approval  
4 from the virginia-bred fund; is that clear?

5 COMMISSIONER MILLER: Mr. Chairman, do I  
6 understand the Commonwealth Cup race -- is that what  
7 it's called?

8 CHAIRMAN VAN CLIEF: Yes. There's a  
9 Commonwealth Oaks for fillies and Commonwealth Derby  
10 for foals.

11 COMMISSIONER MILLER: Commonwealth Derby.  
12 You're not asking to run those races this year?

13 MR. PETRAMALO: Not at this point. We are in  
14 discussions with the Maryland Jockey Club and the  
15 Maryland horsemen about the funding of those. Our  
16 agreement last year with the Maryland Jockey Club  
17 was a two-year program; 2016 and 2017.

18 They would run the Oaks and the Derby. We would  
19 put up a portion of the purse money. They would run  
20 the Turf Cup and put up all of the money.

21 They would do the same thing in 2017, and the  
22 consideration for their putting up half of the money  
23 for our two days of stakes that we were, quote,  
24 selling them our interest in the Turf Cup, because  
25 they wanted to re-brand it in the future and

1 reinstitute a historic race called the D.C.  
2 International.

3 That was the deal. But as with all deals with  
4 racetracks and horsemen, things got a little  
5 complicated and we are meeting tomorrow morning at  
6 Laurel to try and straighten it out. So until we  
7 get that straightened out, I thought it would be  
8 best to go forward with the non-controversial  
9 schedule.

10 COMMISSIONER MILLER: All right. Thank you.

11 CHAIRMAN VAN CLIEF: While we're on it, I think  
12 in a sense this works out well, because to me, for  
13 what it's worth, to me, the Virginia-bred races are  
14 not at all controversial. I think whether we move  
15 forward or not with open stakes is sort of a  
16 different conversation and it's probably a good  
17 thing to have a few more days to think about it and  
18 talk about it.

19 MR. PETRAMALO: I agree.

20 CHAIRMAN VAN CLIEF: Thank you very much then.  
21 Okay. In that case, is everybody clear on what the  
22 motion is or shall I try again?

23 COMMISSIONER STEGER: May I raise one question?

24 CHAIRMAN VAN CLIEF: Yes.

25 COMMISSIONER STEGER: Can we put in the motion

1 that unless we have six entrants, horses, in the  
2 race that a \$10,000 race is not forthcoming?

3 MS. EASTER: Isn't that already in the law that  
4 there has to be six horses to run a race?

5 MR. LERMOND: That is actually currently in the  
6 regulations, and before that applied to races run at  
7 colonial, but I don't see why it wouldn't apply to  
8 these races as well, and I believe that's the  
9 understanding you have with the race secretaries at  
10 Maryland and Charles Town.

11 MR. PETRAMALO: Yes.

12 CHAIRMAN VAN CLIEF: Then I'll run through it  
13 one more time. We are approving the race schedule  
14 as set forth this morning. The funding will include  
15 \$1,190,000 to come from the horsemen's purse funds  
16 and an additional \$80,000 to come from the  
17 Virginia-bred fund, which approval will be received  
18 in advance of allocating the dollars. Is that  
19 clear?

20 VICE CHAIRMAN DAWSON: That last part, could you  
21 repeat that?

22 CHAIRMAN VAN CLIEF: Yes. That the approval  
23 will be received from the Virginia-bred fund for the  
24 \$80,000. That's not yet been received this morning,  
25 so we're approving allocation of those dollars



1 contingent on approval by the Virginia-bred fund  
2 committee.

3 MR. LERMOND: Mr. Chairman?

4 CHAIRMAN VAN CLIEF: Yes.

5 MR. LERMOND: Technically, the 80,000 was  
6 approved at the previous meeting. They're going to  
7 seek an additional 50,000 which would cover 10,000  
8 for each of the five --

9 CHAIRMAN VAN CLIEF: Thanks for the  
10 clarification. All right. Let's try it again. All  
11 right. We're going to allocate 1.27 million plus  
12 fifty, right?

13 MR. LERMOND: It's 1,190,000, assuming the  
14 Breeders' Fund contributes 50,000. So technically,  
15 it would be 1,140,000 would come from the purse  
16 account, and an additional 50,000 would come from  
17 the Breeders' Fund, in addition to the eighty that  
18 has already been approved.

19 CHAIRMAN VAN CLIEF: Okay. So the one  
20 contingency in the motion is that an additional  
21 50,000 be approved from the Virginia Breeders' Fund.  
22 Correct?

23 MR. PETRAMALO: Correct.

24 CHAIRMAN VAN CLIEF: All right. Thank you very  
25 much. I make a motion.

1 VICE CHAIRMAN DAWSON: I second.

2 CHAIRMAN VAN CLIEF: Thank you. Any further  
3 discussion? Thank you very much. All in favor of  
4 the approval of the schedule set forth, please  
5 signify by saying aye.

6 NOTE: The Commission votes aye.

7 CHAIRMAN VAN CLIEF: Any opposed? The motion  
8 carries unanimously.

9 Mr. Hannum, can I ask you for your report at  
10 this point?

11 MR. HANNUM: Sure. Thank you, Mr. Chairman. So  
12 a number of items to touch on, so please interrupt  
13 with questions as I go throughout my report.

14 Just wanted to start out to say that once again,  
15 thanks to Dr. Allison and his committee. We had  
16 another great Virginia Gold Cup. Apparently, the  
17 person that was responsible for weather has been  
18 fired so that won't happen again, but I think it was  
19 a nice day for the horses and the die-hard fans and  
20 it was just a great day for steeplechase racing as  
21 it always is at the Gold Cup, and we were very  
22 fortunate that the Gold Cup committee had been able  
23 to invite the governor to attend, and he was there  
24 and by all accounts had a great day. So thank you  
25 to Dr. Allison and his committee. So I'll pause

1           there.

2           Dr. Allison, if you want to say anything more  
3           about your races, but I just wanted to acknowledge  
4           that.

5           DR. ALLISON: No. No. I didn't.

6           MR. HANNUM: Okay. So moving on to the item  
7           Letter I, the Powhatan site, I would like to do this  
8           as a joint update with Frank. The Powhatan estate,  
9           as you all may remember, is Raymond Guest's former  
10          property. His son, Achille, owns the property now.  
11          His son has maintained it as a horse property over  
12          the years.

13          This was a site that we actually looked at as a  
14          potential site for Thoroughbred racing, I think kind  
15          of right at the very beginning of our considerations  
16          back -- and it may have been in the fall of 2014 or  
17          it was the spring of 2015, but some time ago.

18          So we've come back to Powhatan to look at that  
19          as a potential site. It offers a lot of positives.  
20          First of all, Mr. Guest is very enthusiastic about  
21          trying to use the property for racing and to honor  
22          his father's heritage and legacy and just a very  
23          willing partner, which is important for us.

24          It's a relatively flat property. There are  
25          barns there already. There's a training track there

1 already. Very importantly, there's plenty of water,  
2 which we know is critical for any racing surface.

3 So the HBPA had a site visit on May 16th. Frank  
4 and Stephanie were there and other members of the  
5 HBPA and the VTA, and that was the first opportunity  
6 that other members of the HBPA outside of our VEA  
7 core group had seen the site and I think everybody  
8 was pretty excited about it.

9 Frank and Stephanie went back and had a  
10 subsequent meeting with Achille Guest on June 2nd to  
11 discuss some of the logistics for the site.

12 But what we've really tried to do with Powhatan  
13 is the opposite of what we did with Morven. So  
14 we're conducting a survey right now, which is  
15 ongoing. Once the survey and topo work is done,  
16 then we can sketch out and design different course  
17 and track options. Because the land is so big, it  
18 lends itself to a number of different designs.

19 Then we can do an analysis of what it will cost  
20 to build those different concepts, and then we can  
21 take a step back and once we have that information  
22 whether the track is going to cost \$100,000 or \$10  
23 million, we can determine if that's appropriate and  
24 if we have the money, et cetera.

25 So we're just doing it a little bit differently

1 than we did with Morven, and that's something that  
2 we want to have the Commission's input, and we just  
3 welcome your thoughts as we get to that point.

4 So I think in the next month or so we'll have a  
5 better understanding of what some of the different  
6 layouts will look like and what they'll cost, most  
7 importantly, and then we can consider whether that's  
8 appropriate for Virginia. And we want the HBPA to  
9 really be vested and want those members to really  
10 help us think about what the best site would look  
11 like for Virginia going forward.

12 Then if the feeling is we move forward, then we  
13 can have a more detailed conversation with Mr. Guest  
14 about the terms of the lease. So we're just trying  
15 to approach it slowly and carefully, and again,  
16 Mr. Guest has been very accommodating to that  
17 process.

18 So I'll just sort of pause right there. So  
19 Powhatan is the focus right now for the VEA and the  
20 HBPA, and I'll pause and let Frank and Stephanie  
21 contribute to anything I may have missed out.

22 MR. PETRAMALO: Well, I certainly agree with  
23 Jeb. It's a beautiful site. In toto, it's 1,000  
24 acres with a manor house up on the hill. It's  
25 beautiful and it's flat, and unlike Morven Park, we

1 wouldn't be tearing down hills and moving them to  
2 make a flat track.

3 But the thing that struck me most in my last two  
4 visits, last one with Stephanie, is it's not in the  
5 middle of nowhere. When I first went there two  
6 years ago, probably because of the directions given  
7 me, it seemed it took me forever and I went through  
8 these little towns, et cetera. It's easy to get to.

9 Now, it's right off of 95 and Exit 130 where  
10 Route 3 comes in. It's about 15 minutes east going  
11 toward the river, both the Rappahannock and Potomac.  
12 It's easy to get to also from 301 coming south or  
13 coming from the north in Maryland. That really  
14 impressed me.

15 Plus, it's a beautiful area. Just another ten  
16 minutes away is Fairview Beach on the Potomac and  
17 Colonial Beach on the Potomac, so it's really a nice  
18 area and I think it would be well-suited, assuming  
19 that we come up with a reasonable plan for putting  
20 in a track. Could be well-suited for weekend  
21 racing. Very nice location.

22 MR. HANNUM: So that's kind of where we are. So  
23 I think sort of just to summarize again, within the  
24 next month, I hope we'll have a better sense of what  
25 it will cost, most importantly, and then we can take

1 a step back and consider the appropriate ways to go  
2 forward. So Mr. Chairman, Commissioners, if there  
3 are any questions on Powhatan?

4 VICE CHAIRMAN DAWSON: I have one question, Jeb.  
5 Given your experience with Morven Park and you are  
6 using a little different approach this time with  
7 this survey where you're considering costs and  
8 options and so forth, is there any thought being  
9 given to the question will the public come?

10 MR. HANNUM: Yes, and that's an excellent  
11 question, and I think that gets into perhaps a  
12 discussion that the Chairman may want to have as we  
13 think about strategically how we move forward.

14 I think a lot of it, to be blunt, sort of gets  
15 in to the cost of the track. I think if we could  
16 build a track for \$100,000 and it was going to be a  
17 beautiful track and was a great place to have turf  
18 racing and a good venue, then the participant level  
19 would maybe be less important.

20 If we're going to be spending \$1 million or \$2  
21 million, then we have to balance that allocation  
22 with what we want on the other side. Clearly,  
23 having a place to race, providing opportunities for  
24 horsemen is critical, but then we have to consider,  
25 okay, well, it's not really worth it if nobody shows

1 up, so what does success look like from a  
2 participant side of view. So that's where I think  
3 the Commission needs to help us think about what are  
4 our goals here.

5 Clearly, we want to have racing opportunities  
6 for Virginia horsemen, but we want to do so, so we  
7 are getting people to come and participate and enjoy  
8 racing, just as they do at the Gold Cup and become  
9 fans and owners and contribute to the sport. So we  
10 have to sort of weigh all that out.

11 I think we will be in a little bit better place  
12 to have that conversation once we really understand  
13 what the track can look like and what it will cost.  
14 So that's a great question.

15 CHAIRMAN VAN CLIEF: As Jeb points out, that's  
16 actually why I flipped the agenda.

17 VICE CHAIRMAN DAWSON: Okay.

18 CHAIRMAN VAN CLIEF: This segues into a  
19 discussion of planning and sort of a formalized  
20 approach to developing a plan.

21 VICE CHAIRMAN DAWSON: All right. Thank you,  
22 Jeb.

23 MR. HANNUM: Thank you.

24 So I'll move on from Powhatan. The next item is  
25 the update on TVG negotiations. So as you all know,



1 TVG is one of our licensed ADW operators. They  
2 currently are the only ones not to have a formal  
3 rebate with the VEA and the horse men on the fee that  
4 we pay or that they pay in to the state.

5 TVG expressed a strong desire to have a rebate  
6 based on the fact that they provide their television  
7 to Virginians, which they feel benefits everybody  
8 and is an opportunity to showcase racing throughout  
9 the state.

10 So we see TVG as a good partner. We don't want  
11 to lose an ADW company in the state, so we felt that  
12 if there was to be a rebate for TVG because they  
13 aren't providing content in the same way that  
14 Twinspace is through the Churchill Downs racing and  
15 their racetracks and Xpressbet through the Stronach  
16 Group, we felt there needed to be some sort of  
17 partnership whereby TVG and the VEA were working to  
18 enhance racing opportunities and betting  
19 opportunities in the state.

20 So we're currently in negotiations with TVG to  
21 look at how we can have additional sites,  
22 principally in Northern Virginia where we can have  
23 branded space in bars and restaurants for people to  
24 watch racing and to bet, whether through a kiosk  
25 network or through a tablet, computer-based. We're

1 looking at that and hopefully we'll have some sort  
2 of partnership formalized for consideration at the  
3 next Commission meeting.

4 But where we are right now is that we agreed to  
5 a two percent rebate with TVG, conditional upon the  
6 Commission's approval just as you approved the  
7 rebates with NYRA, TwinSpires and Xpressbet. So  
8 right now, we have a two percent agreed pending  
9 Commission approval, and we would therefore need to  
10 bring that agreement to you formally and we hope to  
11 do that at the next meeting.

12 But in the meantime, we're working on different  
13 types of concepts where we can get racing into  
14 different sites outside of the OTBs.

15 So that's where we are with TVG and they've been  
16 a good partner so far and we're hopeful that we can  
17 do something that's going to be beneficial for  
18 everybody.

19 If there are no further questions on TVG, I'll  
20 just speak to the OTBs. As I mentioned when we were  
21 talking about Buckets at the beginning of the  
22 meeting, two Richmond sites are continuing to do  
23 well and exceed our projections. I don't have the  
24 May numbers, but through April, total handle at  
25 Breakers was a little over \$3.8 million and total

1 handle at Ponies & Pints was a little over \$2.5  
2 million. The average daily handle at Breakers  
3 year-to-date is about 32,500 and at Ponies & Pints,  
4 it's around \$24,000 per day. So they're doing very  
5 well.

6 The split for Thoroughbred and harness, the  
7 percentage of all the handle has been -- 73 percent  
8 has been for the Thoroughbred side and almost 27  
9 percent has been on the harness side. So we  
10 monitored that carefully to make sure we have the  
11 right balance of signals in the OTBs. Both breeds  
12 are represented properly.

13 So we are looking to get our Buckets up and  
14 running as soon as we can and we'll keep you all  
15 informed of that.

16 Outside of Chesapeake, we're looking at Hampton  
17 and Martinsville as the next two areas to go in to.  
18 We have two potential sites in Hampton that we are  
19 having discussions with the owners about and then  
20 two in Martinsville as well.

21 So as I've said many times here at the  
22 Commission, that these conversations take a little  
23 bit of time with the potential sites and that each  
24 time we're going into working with a new  
25 owner, new ownership group. Each bar or restaurant

1 has its own dynamics and their own pros and cons and  
2 we're selling our business as much as they're  
3 selling their sites. We don't want to go into a  
4 place that's struggling, and if they end up going  
5 gangbusters, they probably don't want us there to  
6 disrupt things.

7 So we're looking for places that will be open  
8 minded and looking for a little bit of a bump in  
9 business. So if it takes a little bit of time to  
10 find these places and work with owners and then  
11 bring them up to Richmond to see the sites, it's a  
12 bit of a process.

13 We are fortunate to have a couple of potential  
14 sites that we will hopefully narrow down shortly.  
15 The whole staff works very hard on this. Darryl  
16 Woods is our scout and he's out there on the front  
17 lines looking at these potential sites.

18 Debbie Easter has been enormously helpful and is  
19 going to be helping us going forward in an enhanced  
20 way, which we really appreciate. As Shenandoah is  
21 looming and my time will be a little more focused on  
22 the races, Debbie will be really helping us get  
23 these sites identified and under way. So we're  
24 working on it.

25 The permitting process is a nuance we hadn't

1 quite encountered with Buckets, which has set us  
2 back and we may have to do permits as well for some  
3 of these other locations, which delays things a  
4 little bit. But we're moving forward as quickly as  
5 we can and hope to get these sites going and  
6 identified as quickly as possible.

7 CHAIRMAN VAN CLIEF: Jeb, a couple of questions.  
8 Given the importance of the OTB development to the  
9 sustenance and growth of the industry, and as it has  
10 been pointed out, the OTB dollars are more valuable  
11 net dollars than other kinds, specifically than the  
12 ADW.

13 Could you speak to the two existing Richmond  
14 facilities? How do your financial experience and  
15 revenue stack up to projections and previous  
16 experience in Richmond, and is it too early to see  
17 how you're trending? Are you experiencing steady  
18 growth or have you been around long enough to know  
19 that?

20 MR. HANNUM: well, I think the growth has been  
21 good. Ponies & Pints has been picking up. I don't  
22 have the Kentucky Derby numbers, but I can just say  
23 that the Kentucky Derby weekend was a great a  
24 weekend. I think we did over 300,000 in handle  
25 combined for the two sites over the whole weekend,

1 which is just phenomenal.

2 Ponies & Pints, the owners made a big effort to  
3 have a Kentucky Derby party and people were dressed  
4 up and it was a much younger crowd than would  
5 normally be in an OTB, which is just the kind of  
6 thing we want to see.

7 Preakness weekend was very strong and we expect  
8 Belmont weekend to follow. So Ponies & Pints has  
9 picked up nicely. I don't have the numbers right in  
10 front of me right now, Mr. Chairman, but as I said,  
11 we're very pleased with how both sites are doing,  
12 and Ponies & Pints, which we weren't sure about  
13 initially, has just stabilized and is doing 20,000  
14 to 25,000 per day on average, which is just great,  
15 so we've been very pleased.

16 CHAIRMAN VAN CLIEF: Thank you. Any other  
17 questions about the OTB operations or proposed OTB  
18 operations? Mr. Hannum, thank you very much.

19 MR. HANNUM: Thank you.

20 CHAIRMAN VAN CLIEF: Anything else this morning?

21 MR. HANNUM: Thank you.

22 CHAIRMAN VAN CLIEF: All right. That takes us  
23 to what was Item F under Two on the agenda. I  
24 wanted to take a few minutes with my fellow  
25 commissioners to discuss this strategic planning

1 process a little bit.

2 As Jeb referred to a few minutes ago in his  
3 report, a lot of what is going on I think in many  
4 ways begs for some formalized planning, and so I've  
5 had an opportunity over the last month or two to  
6 speak at least briefly with some of the stakeholders  
7 and some of my fellow commissioners, and I'd like to  
8 suggest that we move forward with a planning  
9 process.

10 I think we could benefit not only by having a  
11 plan and a process that would include the  
12 stakeholders, but this is sort of a reversion to the  
13 old Blue Ribbon panel that we had before the war  
14 broke out.

15 So what I would like to suggest, I would like to  
16 ask the VEA to engage with us in a formalized  
17 planning process and to look at the fundamentals and  
18 how we're going to continue to rebuild this industry  
19 as we go forward.

20 I think we could beneficially utilize the  
21 services of a professional with one or more retreats  
22 putting the shareholders or stakeholders, as you  
23 will, in the room.

24 To me, and this is not necessarily going to be  
25 my call, but I think we need to examine what the

1 best model is going to be going forward; what are  
2 our best practices and what is our best approach for  
3 building a sustainable industry.

4 I think the VEA has done a fantastic job in  
5 recent months and I think they've got their  
6 priorities right with the build-out of the OTBs as  
7 quickly as they can do it, with the stabilization  
8 and rationalization of the ADW market and building  
9 of a partnership being the most recent chapter in  
10 that.

11 what we haven't got the fix on, with the  
12 exception of the Standardbred industry, who  
13 certainly has their act together with a first-class  
14 race course and good facilities and a great location  
15 in woodstock, I think that leaves the question open  
16 now what is the best approach to our flat racing  
17 product.

18 Although it sounds as if the decision-making is  
19 almost about to outrun the planning process  
20 listening to the report on Powhatan, I still think  
21 we'd benefit by sitting down and talking about  
22 questions such as what should our live racing  
23 product in Virginia look like. what reason do we  
24 want to create additional live racing. For  
25 instance, what will the deliverables be. Are we



1 looking for a spot simply to provide an opportunity  
2 to Virginia-breds to run at home, or are we looking  
3 for a way to build a strong brand and a visible  
4 brand with a political and a social and a  
5 professional audience in this state. Are we looking  
6 for a way to connect our sport and wagering product  
7 with a broader audience. I think the answer is  
8 probably yes to all of those questions, but I don't  
9 want to prejudge anything.

10 So what should our live racing product look like  
11 going forward? I think we can answer what is it we  
12 can do for the industry and what's the purpose of  
13 that in live racing, then we can pretty quickly nail  
14 down questions such as where should it be located,  
15 how many days a year should we run, what should the  
16 schedule or the calendar look like.

17 So to me, that's a phase one question. I  
18 consider myself extremely fortunate this morning  
19 because Commissioner Steger has very kindly  
20 volunteered, despite an already heavy schedule both  
21 with this Commission and elsewhere, to chair a  
22 commission and VEA planning committee.

23 I will at least initially serve with him on that  
24 and Debbie and Jeb, we'd ask that we could sit down  
25 with you all and designate those who will be serving

1 from the various stakeholder groups, which I think  
2 will probably include a number of you in this room,  
3 and as I mentioned a minute ago, if you remember the  
4 old Blue Ribbon Committee, my preconception is it  
5 will look a lot like that, but I will put those  
6 decisions into Dr. Steger's hands this morning.

7 I think we can move on once we get past that  
8 threshold question to other issues about building  
9 out and sustaining an industry, but to me, that's  
10 the first one. But again, I think our initial  
11 committee group will sit down and determine what the  
12 agenda is.

13 I would also this morning like to appoint  
14 another ad hoc committee, and I want to stress this.  
15 I don't see these as standing committees, but ad hoc  
16 committees. When this job is behind us, we can  
17 consider what we might also put on the agenda, if  
18 anything, for these committees.

19 I think we can benefit from a committee and I  
20 see this as working hand-in-hand with our planning  
21 committee, and that is a committee to specifically  
22 look at how to grow handle, and I look at that as  
23 both on and off track.

24 As we build out our live racing product, there  
25 will be more emphasis on track, but I see it as

1 being all encompassing -- essentially, I see this as  
2 a marketing function, but I put the emphasis on  
3 growing handle initially. How do we do it? How do  
4 we connect with a broader public? Essentially, I'd  
5 like to see it consider everything from technology  
6 to how we plug in with a broader sector of the  
7 public. What's the best way to grow handle in the  
8 state.

9 Just to prove that if you don't show up at a  
10 meeting something might happen to you, Sarge  
11 Reynolds will be the chairman of this committee.  
12 Commissioner Reynolds has actually agreed to do this  
13 in advance. I had some conversation with him and he  
14 enthusiastically volunteered to chair that  
15 committee.

16 So since he's not here, I will defer appointing  
17 any further individuals, but again, I'd see this as  
18 being a combination of commissioners and senior  
19 management or board members of our stakeholder  
20 organizations.

21 So let me just stop right there and ask if there  
22 are any questions about this from my fellow  
23 commissioners or any of the stakeholders.

24 VICE CHAIRMAN DAWSON: I think it's a great  
25 idea. Do you have today any action by the

1 Commission that is necessary?

2 CHAIRMAN VAN CLIEF: We do. What I'd like to do  
3 is I think I have the authority to approve as  
4 Chairman to appoint or approve ad hoc committees,  
5 but I'll ask my fellow commissioners to approve it  
6 with me.

7 what I would like to do today is appoint two ad  
8 hoc committees, the first of which will be, for lack  
9 of a better name, a strategic planning committee,  
10 and they will be chaired by Commissioner Steger. I  
11 will serve on that initially to help get it going  
12 and then we'll see if maybe somebody else might  
13 serve better.

14 I would also like to -- and then we will  
15 immediately sit down with senior reps of the VEA  
16 management team and ask if they can poll their  
17 constituent memberships and we will get names to add  
18 to the committee. That will be for starters.

19 Secondly, and I put this in same motion, I  
20 would like to appoint an ad hoc committee to look at  
21 how to grow handle from all sources in the state of  
22 Virginia, and I would appoint Commissioner Reynolds  
23 as chairman of that and will defer additional  
24 appointees until he gets back in town and we can sit  
25 down and move forward with that.

1 MR. LERMOND: Want to add another commissioner  
2 to that?

3 CHAIRMAN VAN CLIEF: I haven't yet and I haven't  
4 had a chance to talk with the other commissioners.  
5 So we will appoint the chairman today, and I think  
6 we can go ahead and appoint additional commissioners  
7 or members of the stakeholders as we go along.

8 Any questions about that? I'll make the motion.  
9 Could I have a second?

10 VICE CHAIRMAN DAWSON: Second.

11 CHAIRMAN VAN CLIEF: Any further discussion?

12 COMMISSIONER STEGER: I just wanted to mention  
13 when I talked with the Chairman about this, the  
14 first step is going to be to outline in some detail  
15 the process which we will share with all the  
16 stakeholders and be sure we know how we are going to  
17 go about this. I think that will facilitate with  
18 moving with new speed once we get under way.

19 But there's a lot of data we don't have and  
20 other factors that we need to think about that will  
21 be important to be put together before we really  
22 begin the process, so we will start that  
23 immediately.

24 CHAIRMAN VAN CLIEF: Hopefully one of the  
25 benefits of this whole process is that as we exit

1 the process, then we will have a strong consensus  
2 among the industry as to what our live race product  
3 should be and what it should do and where it should  
4 be located and when it should occur, and perhaps  
5 other questions along with that.

6 Are there any other questions, any other  
7 commentary?

8 VICE CHAIRMAN DAWSON: I think that's probably a  
9 good start and we can take it from there.

10 CHAIRMAN VAN CLIEF: Okay. In that case, we  
11 have a second? Do we have a second?

12 VICE CHAIRMAN DAWSON: I did.

13 CHAIRMAN VAN CLIEF: You did. Okay. Thank you.  
14 Commissioner Dawson seconds. All in favor, please  
15 signify by saying aye.

16 NOTE: The Commission votes aye.

17 CHAIRMAN VAN CLIEF: Any opposed? Okay. Thank  
18 you very much. That takes us to the public comment  
19 period. Is there any member of the audience that  
20 has anything else they'd like to add or address?  
21 No? Okay. Thank you very much. Any further  
22 comments from our commissioners today?

23 COMMISSIONER STEGER: Only I think the  
24 Commission should cover your parking ticket if you  
25 got one, because the time ran out ten minutes ago.

1           CHAIRMAN VAN CLIEF: I did become eligible for a  
2 parking ticket ten minutes ago. My only legal  
3 infraction, I should point out, recently.

4           I'd add one comment, too, and I would like to  
5 second what Jeb Hannum said. May 6th in Great  
6 Meadow and surrounding environs was cold and very  
7 wet. Nonetheless, I want to thank Dr. Allison for  
8 very warm hospitality as always, and as I understand  
9 it, the crowd, which I would not have expected to  
10 hit the 70,000 mark of the previous couple years was  
11 just shy of 60,000 on a very, very wet day.

12           So I think you're to be congratulated and all of  
13 your team for that. I'm not sure if that still  
14 makes it, but I'll bet it does still make it the  
15 largest sports event in Virginia by crowd count,  
16 even on a rainy day.

17           DR. ALLISON: The governor agrees anyway.

18           CHAIRMAN VAN CLIEF: So thank you very much and  
19 congratulations on a good day, despite the  
20 conditions.

21           DR. ALLISON: I did want to mention the First  
22 Lady is quite a horseman.

23           CHAIRMAN VAN CLIEF: Really?

24           DR. ALLISON: She knew the questions to ask and  
25 wanted to go see the stabling area, and it was a

1 great occasion to show her 100 horses, great  
2 Thoroughbreds.

3 CHAIRMAN VAN CLIEF: Outstanding. In a  
4 regulated industry, it's always good to have a good  
5 relationship with the administration.

6 I point out that one observation, too, is that  
7 if we're successful in putting together a viable  
8 plan, I think this plan is going to not only help  
9 guide decision making by those of us in this room  
10 this morning, but it's something we can take to the  
11 governor or our legislature, so it'll work in a  
12 political arena as well and it's important that way,  
13 too. Thanks for a great day.

14 Yes, Commissioner Dawson?

15 VICE CHAIRMAN DAWSON: You just said what I had  
16 on my mind. I do want to thank you. It was a great  
17 day and everybody who worked there and helped did a  
18 great job and it was very well run and it was most  
19 enjoyable, so thank you.

20 DR. ALLISON: Thank you.

21 CHAIRMAN VAN CLIEF: Commissioner Miller.

22 COMMISSIONER MILLER: No comments. I just want  
23 to find out when we're going to have our next  
24 meeting.

25 CHAIRMAN VAN CLIEF: Okay. Speaking of meeting,



1 I did want to make mention of this and ask our  
2 executive secretary, Mr. Lermond. Commissioner  
3 Miller and I are on the budget committee. I think  
4 we're due for a budget committee meeting. We are  
5 going to sit down and take a look at the  
6 Commission's budget and see if we might not have the  
7 wherewithal at some point in the future to be of  
8 assistance in some of these efforts, so Dave will  
9 put together a schedule and I think try to meet  
10 within the next month to six weeks.

11 MR. LERMOND: Correct.

12 CHAIRMAN VAN CLIEF: We will be doing that. We  
13 do not need a closed session today. The next  
14 meeting date we're going to try to set, and I'll ask  
15 my fellow commissioners if they can be available on  
16 Thursday the 6th of July.

17 The reason we're going to go in early July, try  
18 to go that week, is that the VEA and the VTA are  
19 going to need a consideration of approval on a new  
20 incentive bonus plan, which will hopefully drive  
21 business to Virginia by bonusing horses that are  
22 resident here for whatever reason and whether they  
23 are being trained or boarded or bred, and that  
24 they're going to want to get that incentive plan  
25 approved by the Commission in time for the July 10th

1 yearling sales of the Kentucky Derby. So hopefully  
2 we can meet for that at the very least.

3 It sounds as if we'll be addressing a completed  
4 TVG model, and hopefully, we'll be talking about the  
5 planning process.

6 So I'll ask if July 6th meets with everybody's  
7 approval. If so, Dave, if you'll let us know where  
8 we're going to meet next time as soon as possible,  
9 we'll go with a ten o'clock start time in the  
10 morning on the 6th of July, which is a Thursday.

11 MR. LERMOND: We'll be back in our normal spot.

12 CHAIRMAN VAN CLIEF: Okay.

13 MR. LERMOND: Kim has already secured that.

14 CHAIRMAN VAN CLIEF: Any other business that any  
15 commissioner would like to bring before the meeting  
16 this morning? If not, we need a motion to adjourn.

17 VICE CHAIRMAN DAWSON: I so move.

18 CHAIRMAN VAN CLIEF: Thank you. I will second  
19 that. Any opposed? Thank you all very much for  
20 your attention this morning. We are adjourned.

21

22 NOTE: The hearing is adjourned at  
23 11:17 a.m.

24

25

## CERTIFICATE OF COURT REPORTER

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

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

Given under my hand this 11th day of June, 2017.

*Sandra G. Spinner*

SANDRA G. SPINNER

COURT REPORTER