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VIRGINIA RACING COMMISSION

July 31, 2018

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

Commencing at 10:00 a.m.

COMMISSION MEMBERS:

D.G. Van Clief, Jr., Chairman

J. Sargeant Reynolds, Jr.

Stuart Siegel

I. Clinton Miller

COMMISSION STAFF:

David S. Lermond, Jr., Executive Secretary

Kimberly C. Mackey, Office Administrator

Rhonda Davis, Pari-Mutuel Wagering and Licensing
Coordinator

ATTORNEY GENERAL'S OFFICE:

J. Duncan Pitchford, Esquire

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

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

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

24 COMMISSIONER SIEGEL: I vote they be approved.

25 COMMISSIONER REYNOLDS: I second the motion.

1 CHAIRMAN VAN CLIEF: All right. I agree. That
2 makes it a unanimous approval of the June 12th
3 minutes.

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

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

23 So as I mentioned, this will be the third year
24 out at Shenandoah. We each year are looking to
25 improve the racing experience for spectators and for

1 the horsemen. One of the things I'll just mention
2 is the layout of the back side which is particularly
3 important. Not something that obviously the
4 customers see, but that's something that we have
5 been tweaking with and Tom and the Shenandoah County
6 Fair have been wonderful partners to help us make
7 improvements to the back side.

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

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

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

1 always looking to try and improve things.

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

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

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

20 MR. HANNUM: Thank you, Mr. Chairman.

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

1 Mr. Lermond on the staff report or the license
2 application generally?

3 COMMISSIONER SIEGEL: I move we accept it.

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

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

7 CHAIRMAN VAN CLIEF: Is there a second?

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

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

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

23 Second, the horseracing with pari-mutuel
24 wagering shall be operated in accordance with all
25 applicable state and federal statutes and

1 regulations, the regulations of the Commission and
2 all local ordinances.

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

7 COMMISSIONER SIEGEL: Yes. I will do so.

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

13 NOTE: The Commission votes aye.

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

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

24 Our executive secretary, Mr. Lermond, will
25 handle the presentation duties on all three of those

1 items, so Dave, I hand it to you.

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

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

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

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

1 Saturday and Yours Truly will go up to the stand on
2 Sunday.

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

6 CHAIRMAN VAN CLIEF: And management recommends
7 approval?

8 MR. LERMOND: Commission does. Yes, sir.

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

11 COMMISSIONER SIEGEL: Second.

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

14 NOTE: The Commission votes aye.

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

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

23 Last year's contribution was only 80,000, so in
24 essence, that gives the horsemen more the use of the
25 regular purse money and the Breeders Fund picks up

1 more of the stake races. The increase is mainly due
2 to the newer OTBs coming online.

3 I asked Debbie if she would check with their
4 board to see if they wanted to contribute the full
5 125,000 towards the stake races and she emailed back
6 and said that they had agreed that would be the best
7 use of the money, and I would seek a motion for this
8 expenditure of 125,000 from the Standardbred portion
9 of the Breeders Fund to go towards the Virginia-bred
10 stake races run at Shenandoah Downs.

11 COMMISSIONER MILLER: So moved.

12 COMMISSIONER SIEGEL: Second.

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

16 NOTE: The Commission votes aye.

17 CHAIRMAN VAN CLIEF: Any opposed? Thank you.

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

20 MR. LERMOND: Finally, behind Tab 5 is a letter
21 from Debbie Warnick, the executive director of the
22 VHHA, requesting that they be able to spend, and I'm
23 going to ask the motion for up to 1600. The number
24 that they spent last year was 1584, but I think we
25 can round that up to 1600 as a maximum.

1 Debbie, is there anything you wanted to add
2 about this?

3 MS. WARNICK: No. Nothing.

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

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

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

17 COMMISSIONER MILLER: So moved.

18 CHAIRMAN VAN CLIEF: Motion?

19 COMMISSIONER REYNOLDS: I second.

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

22 NOTE: The Commission votes aye.

23 CHAIRMAN VAN CLIEF: Any opposed? Thank you.

24 All right. That takes care of our routine
25 business and I believe handles the agenda for the

1 VHHA and Shenandoah Downs upcoming.

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

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

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

19 we would like to invite any and all to stand and
20 speak to the Commission. We will be in a purely
21 receiving mode through today. That means that this
22 doesn't include interrogatories for the Commission
23 or debate, but we do want to hear what everybody is
24 thinking. So please be candid, be direct and don't
25 be bashful.

1 we would ask that when you do stand to speak, we
2 have a list of speakers, so we will go in that
3 order. By the way, Dave, could I have a list? And
4 we will go -- and if we can find the list we will go
5 in that order.

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

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

18 MR. PITCHFORD: Mr. Chairman.

19 CHAIRMAN VAN CLIEF: Yes.

20 MR. PITCHFORD: If I may interject before we get
21 started. In the Commission's agenda, it was noted
22 that public comments would be limited to five
23 minutes for each individual. we'd ask that everyone
24 please observe that time limit so that we can have
25 an opportunity to hear from everyone.

1 CHAIRMAN VAN CLIEF: Thank you. In fact, if you
2 don't need five minutes, don't take it.

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

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

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

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

20 Regrettably, Virginia's horse industry has been
21 declining for years, and I say that notwithstanding
22 the good stewardship of this Commission or your care
23 and concern for the industry and your steadfast
24 efforts.

25 In 1997, Virginia Thoroughbreds ran 2340 races

1 nationwide. Seventeen years later in 2014, they ran
2 333 races. This amount represents an 85 percent
3 reduction. The decline became even more pronounced
4 upon the shutting of Colonial Downs in 2014, which
5 was devastating to our local community.

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

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

22 Common sense policy makers looked at the
23 findings of the Virginia horse racing industry's
24 Strategic Planning Committee's report issued by this
25 Commission very recently.

1 In that report, it's stated, developing
2 historical horse racing in Virginia is the top
3 priority for generating significant new revenue.
4 If historical horse racing is not developed in
5 Virginia, it is doubtful that Virginia's horse
6 racing industry will ever be competitive with
7 Maryland, Pennsylvania or Delaware.

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

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

19 It was the first time in years that hundreds of
20 Virginians were able to gather at that place and to
21 celebrate good news and to see it and it was a
22 beautiful sight. Now all that stands between the
23 return of world class horse racing to Virginia and
24 jobs and tax revenue, economic development and all
25 that comes with it is the promulgation of these

1 final regulations that are in draft form to govern
2 the industry.

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

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

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

22 That our hopes from what historical horse racing
23 could do to bring world class races, breeding and
24 training to Virginia will be unrealized and that we
25 will all find ourselves just a few years down the

1 line wondering why horse racing is still not
2 feasible in Virginia, despite the very clear desire
3 of the General Assembly and the people of the
4 Commonwealth.

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

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

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

22 CHAIRMAN VAN CLIEF: Thank you very much,
23 Delegate Peace, for your leadership and your energy
24 on this issue. I think it's a high watermark
25 upcoming for this industry. Probably the most

1 important thing that has happened in decades.

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

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

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

13 DELEGATE WEBBER: That was a joke. Very true.
14 I've got some written things I'm going to go
15 through, and then if I could, I'd like to supplement
16 that with just a quick off thing that I've
17 encountered.

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

21 As a member of the General Assembly, I'm proud
22 to sponsor House Bill 1609. I was honored to carry
23 this legislation along with my colleague, Chris
24 Peace, and had numerous colleagues from John Bell to
25 Paul Krizek that helped shepherd this legislation.

1 I worked diligently in the House of Delegates
2 and Senate to inform our colleagues about the
3 opportunity to revitalize Virginia's struggling
4 horse racing industry.

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

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

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

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

1 and pay the taxes.

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

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

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

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

23 I strongly encourage this Commission to
24 recognize what the General Assembly wanted to
25 accomplish and to make sure the regulations you

1 adopt allow for reasonable growth, opportunity for
2 all Virginia communities to benefit, and the success
3 of an industry that is counting on us to deliver on
4 all the hard work we conducted earlier this year.

5 I thank you for your time and your
6 consideration.

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

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

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

24 CHAIRMAN VAN CLIEF: Thank you very much,
25 Delegate Webber, and again, thanks to you and

1 Delegate Peace for your leadership and for pulling
2 together that bipartisan coalition that I think has
3 put Virginia racing on the threshold of the most
4 positive developments since pari-mutuels were
5 enabled 20 years ago. Thank you.

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

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

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

20 MR. HANNUM: Thank you, Mr. Chairman and
21 Commissioners. I am Jeb Hannum, executive director
22 of the Virginia Equine Alliance. The VEA is a
23 nonprofit industry stakeholder organization that is
24 recognized by the Commission and comprised of four
25 member groups, the Thoroughbred horsemen and

1 breeders, the harness horsemen and the Virginia Gold
2 Cup, and I'm very pleased to be here to speak on
3 their behalf.

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

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

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

21 Nonetheless, due to the extraordinary
22 resilience of Virginia horsemen, the commitment of
23 the Racing Commission and the new responsibilities
24 granted to the VEA, the situation was stabilized.

25 It is exciting that just a few years removed

1 from the track's closure we are now poised to start
2 a new era in Virginia racing with the reopening of
3 Colonial Downs, and most importantly, under a
4 management team committed to racing and we have a
5 new revenue source.

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

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

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

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

24 The Certified Program for Thoroughbreds is off
25 to a great start with over 700 horses enrolled in

1 the program. The program adds to the marketability
2 of the horses and enhances their earning potential
3 and puts real money into the hands of farmers up and
4 down the state.

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

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

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

22 Maryland, Pennsylvania, New York and West
23 Virginia all have alternative forms of gaming that
24 fund racing and Virginia should not be satisfied
25 simply being in the game. We should seek to lead

1 and to compete head on with our neighbors.

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

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

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

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

24 CHAIRMAN VAN CLIEF: Thank you very much. The
25 next to speak will be Dr. will Allison, chairman of

1 the Gold Cup.

2 DR. ALLISON: Commissioners, I'm Will Allison,
3 representing the Virginia Gold Cup.

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

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

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

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

24 MS. NIXON: Thank you. Good morning. My name
25 is Stephanie Nixon. I'm vice president of the

1 Virginia Horsemen's Benevolent and Protection
2 Association. I'm proud to say our organization
3 consists of all Thoroughbred owners and trainers
4 licensed to race in Virginia by this Commission. We
5 have represented those owners and trainers since
6 Colonial Downs initially opened in 1997.

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

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

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

25 There are similar restrictions on the number of

1 terminals permitted at the satellite wagering
2 facilities, again with no provisions for change.

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

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

14 Last year's purses in Maryland average over
15 323,000, which as you know was the source of many
16 horses when we ran our summer meets before Colonial
17 shut down in 2014.

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

24 The financial numbers just do not work. Of
25 course, we don't know that for certain. That's why

1 we suggest amending the proposed regulations to give
2 the Commission discretion after a two-year trial
3 period to increase the number of terminals if that's
4 necessary and desirable. After all, the
5 Commission's regulatory role under our Racing Act is
6 to promote, sustain and grow the Commonwealth's
7 horse industry. Thank you.

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

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

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

22 On behalf of the Virginia Thoroughbred
23 Association, we strongly hope that as in Kentucky,
24 the Racing Commission will be given the discretion
25 to allow for growth in the number of historical

1 horse racing machines, thus allowing for continued
2 growth of the horse racing industry in Virginia.
3 Thank you.

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

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

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

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

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

1 VEA OTBS on Standardbred racing.

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

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

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

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

25 If increasing the number of machines is not

1 supported now, we ask the matter is addressed once
2 the Colonial Downs group completes Stage I of their
3 implementation.

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

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

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

21 These additional race dates would allow the
22 Virginia Standardbred industry to reach racing
23 levels that we previously enjoyed in a large market
24 and it would improve Standardbred racing and
25 breeding in the Commonwealth, which would have huge

1 economic ramifications for Virginia agriculture.

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

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

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

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

23 MS. EASTER: Excuse me. Debbie Easter is up
24 here. I'm just a taller, bigger, gray-headed
25 version of Vanna White for Jim here.

1 MR. ARRISON: Also known as my video assistant.
2 Thank you, Commissioners. My name is Jim Arrison.
3 I am a Thoroughbred owner and breeder in Northern
4 Virginia, and thank you for the opportunity to
5 speak.

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

14 NOTE: Video played before the Commission
15 and the public.

16 MR. ARRISON: Thank you, Commissioners.

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

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

22 CHAIRMAN VAN CLIEF: Thank you. Mr. Smolnik.

23 MR. SMOLNIK: Good morning, Commissioners. My
24 name is Mathew Smolnik. I'm the director of
25 economic development for New Kent County. I'm

1 grateful for this opportunity to get to speak to you
2 and appreciate the Commission's role in developing
3 regulations on this matter, which has specific
4 resonance in our community which is home to Colonial
5 Downs and where horse racing is truly a fundamental
6 part of who we are.

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

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

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

24 We agree that a healthy and vibrant horse racing
25 industry in Virginia will mean economic development

1 and job creation that extends far beyond the track
2 itself and far beyond the political borders of
3 New Kent County.

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

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

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

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

24 CHAIRMAN VAN CLIEF: Thank you very much. The
25 next speaker will be Rodney Hathaway and he will be

1 followed by Larry Reynolds.

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

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

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

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

1 allow for historic horse racing at full capacity.

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

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

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

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

22 ultimately, it should be the market that
23 determines what historical horse racing looks like
24 in Virginia and what is needed for our horse racing
25 to be truly competitive.

1 Therefore, New Kent County respectfully asks
2 that the Virginia Racing Commission work with the
3 horse industry to put in regulations that truly
4 allow horse racing to succeed here and so the entire
5 Commonwealth can benefit. Thank you.

6 CHAIRMAN VAN CLIEF: Mr. Reynolds.

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

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

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

23 Because of the track's closure, we have
24 struggled since opening and have not yet made a
25 profit and do not see one in the near future.

1 Other businesses in the area have also struggled
2 because of the closing, especially those in close
3 proximity to the track. The track brought a
4 substantial amount of business to the county. No
5 business opens with a business plan that does not
6 include a growth plan in it, and we had one in ours
7 which we haven't yet been able to fulfill. Colonial
8 Downs has one in theirs, but with a cap on historic
9 racing machines, it is doubtful if they will be able
10 to fulfill their growth plan.

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

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

24 MR. LUCAS: Thank you, Mr. Chairman and fellow
25 Commissioners. I'm Larry Lucas, one of the owners

1 of Colonial Downs. We could not be more excited
2 about the opportunity to be part of this effort to
3 bring world class racing back to Virginia.

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

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

20 I'm proud to say since then, we've been in daily
21 contact with Frank, Debbie, Jeb, Dr. Allison, Dr.
22 Woogen, who is not here today, and everybody that
23 has been involved in the Virginia horse racing
24 community on a mutually beneficial game plan to
25 bring back racing to the Commonwealth.

1 This past legislative session, we all worked
2 tirelessly together to educate the lawmakers and
3 state officials on what tools we needed to really
4 bring back racing in a meaningful way.

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

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

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

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

25 Nationally, the racing industry hasn't always

1 gotten it right. Now, Virginia has the opportunity
2 to lead the way, thanks to the Governor and the
3 unbelievable, as one of the delegates mentioned
4 earlier, bipartisan support for this legislation
5 that we're all very, very, very, very proud of.

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

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

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

25 As you can tell, we're very excited about this.

1 we sincerely hope that you will work with us to
2 bring the best horse racing in the world to the
3 Commonwealth in a place it should call home.

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

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

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

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

23 I have to say we really felt like a part of the
24 Commonwealth at the bill signing at the track on
25 June 22nd. What a great experience that was.

1 what we have experienced in this process is a
2 kind of relationship we want to have, a true
3 partnership that lifts up the horse racing industry
4 in particular and in Virginia in general.

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

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

17 These benefits will not just be contained in the
18 area around the track. Each satellite wagering
19 facility we hope to open will create as many as 200
20 jobs, each with an average salary of more than
21 \$40,000 per year. They will generate approximately
22 \$2 million in additional tax revenue to the local
23 hosting community. These are good jobs. This is
24 real tax revenue that can mean raises for teachers,
25 law enforcement enhancements, improvements in

1 schools and new funding for infrastructure.

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

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

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

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

21 We all want to reopen Colonial Downs and see it
22 go on to become a true horse racing destination for
23 decades to come. We want to be part of this
24 Commonwealth using local vendors and purchasing
25 local products at all of our facilities. But all of

1 this potential hinges on this industry being able to
2 grow in the years ahead.

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

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

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

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

24 I have previously submitted some comments to the
25 regulations I'll offer for Monarch and also for

1 Amtote International, our sister company, which has
2 been a provider of historical horse racing terminals
3 for the past 15 years.

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

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

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

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

24 The difference with historical horse racing is
25 the industry owns it. It is ours because it's an

1 extension of betting on horse racing.

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

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

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

22 We have submitted a couple of suggestions to
23 beef up the language on pari-mutuel wagering. One
24 related to the statutory definition of pari-mutuel,
25 the other would serve to give the Commission all of

1 the information it needs in order to ensure that any
2 historical horse racing terminals are in fact
3 pari-mutuel; how the system takes wagers, puts them
4 into betting pools, determines the winners and
5 calculates the pay off to the winning betters.

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

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

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

23 In fact, the first provider of historical horse
24 racing terminals, Instant Racing, used races from
25 Colonial Downs in its machines and it obtained

1 authorization and compensated Colonial Downs for
2 those machines. We have proposed an additional
3 regulation to that effect as well.

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

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

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

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

22 we believe any such display should be what's
23 called fully deterministic. The wagering and
24 selections and the outcome should map to what's on
25 that screen. You should be able to determine here's

1 what my selections were, here's the bet on that
2 screen and here is the result.

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

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

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

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

23 My name is Brad Grose and I've been fortunate to
24 be mayor of the town of Vincent since 2004 after I
25 was first elected to counsel in 2000. More

1 importantly, I served on our town's planning
2 commission for nine years before being elected, so I
3 think I understand the attitudes of our citizens as
4 well as the economic development needs of our town.

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

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

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

21 By and large, the Roanoke region's population
22 has remained essentially flat for the last decade
23 and projections do not indicate that there will be
24 much change in the near future. With our stagnant
25 population and a relatively flat economy, southwest

1 Virginia is in need of support from Richmond to
2 encourage economic development.

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

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

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

25 On behalf of the town of Vinton and the greater

1 Roanoke region, our strong recommendation to the
2 Commission is to remove from the regulations the
3 constraint of limiting the number of terminals based
4 upon boundary population alone and allow the free
5 market to set the appropriate number of terminals
6 for our area.

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

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

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

24 Thank you for allowing me to speak on behalf of
25 the town of Vinton and southwest Virginia. Thank

1 you for your service to this Commonwealth.

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

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

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

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

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

1 industry through grants that we give out through the
2 Horse Industry Board.

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

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

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

19 So while I applaud you for your efforts and
20 supporting the racing industry and revenues to
21 support Thoroughbreds and Standardbreds, I wanted to
22 make it known that these revenues are extremely
23 important to our youth development and our horse
24 industry, which affects agriculture and makes a huge
25 impact on our state's economy and a big part of our

1 Commonwealth and our culture here. So thank you for
2 your time. It's an honor to be here.

3 CHAIRMAN VAN CLIEF: Thank you. Dr. Cowles.

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

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

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

18 As will Allison said so succinctly earlier, we
19 didn't get it right on cash flow. We didn't get it
20 right on the revenue stream. You now have the
21 opportunity to correct that, to get it right.
22 Mr. Lucas said that this is an opportunity not only
23 to lead in Virginia, but to lead in the nation and I
24 think that's acutely true.

25 The initial 3,000 machines that you have drafted

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

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

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

20 All of these need to be funded. They were a
21 very large infusion of funds in the 90s and early
22 2000s, but as they drew back and dried up, they need
23 to be refurbished and you can only do that with
24 economic development.

25 Don't limit yourself to 3,000. Look it at in

1 terms of growth. Thank you.

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

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

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

22 We are a 640 acre facility that hosts all breeds
23 and all disciplines in equestrian competition. We
24 have 19 competition rings including a 4,000
25 seat coliseum. It's one of the finest equestrian

1 competition coliseums anywhere. We are generally
2 recognized as one of the premier facilities,
3 certainly in the eastern part of the United States,
4 if not more.

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

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

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

23 All of these facilities are providing strong
24 competition to our Virginia Horse Center and we, on
25 the other hand, are a private foundation, not in any

1 way owned by the Commonwealth of Virginia, not owned
2 by any individual or any consortium of individuals.

3 we're funded and taken care of by the people who
4 participate and people who love the Horse Center and
5 love the Virginia horse industry.

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

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

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

22 CHAIRMAN VAN CLIEF: Thank you. Mr. Allen.

23 MR. ALLEN: Good morning, Commissioners. I'm
24 Ferris Allen. I'm a horse trainer, I'm a board
25 member of the Virginia HBPA and also a member of the

1 VTA, and I just have a few comments and they mostly
2 go around flexibility.

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

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

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

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

25 He sat down with me and he laid out the plans

1 for Colonial Downs and he said, Here's what we're
2 gonna do. He says, we're gonna have a dirt course
3 on the inside and then we're gonna put this
4 beautiful grass course on the outside so it's close
5 to the patrons.

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

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

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

22 Now what we have in front of us is we've got a
23 very knowledgeable Racing Commission. We've got
24 some great racing people that have invested money in
25 Colonial Downs and we've got an HBPA and a Virginia

1 Thoroughbred Association that are heavily invested
2 in everything that's going on.

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

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

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

19 we have many cities and towns that have already
20 gone through the referendum; Chesapeake, Richmond
21 and Vinton as well. We just want to talk about
22 briefly our concerns about the limitation on the
23 number of machines, as well as the ability of local
24 governments to be able to control what they have in
25 their localities.

1 One of our main things is to consider the
2 importance of land use and importance of making
3 decisions at the local level and how many machines
4 should be there, and once the citizens have spoken,
5 allowing the locality to determine the number rather
6 than the Racing Commission or another state agency.
7 So that's our concern. Thank you.

8 CHAIRMAN VAN CLIEF: Thank you. Mr. Hetzler.

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

15 Statewide limits of 3,000 machines we believe is
16 actually too high. This is particularly clear when
17 you consider that Kentucky, whose regulations this
18 Commission actually modeled these after, has only
19 1,834 machines and all of those are at actual horse
20 tracks.

21 Virginia should be very cautious about this
22 process, having never had historical horse racing
23 before. It's always possible, of course, to come
24 back and change the regulations; this happens all
25 the time. But to give a blank check to an industry

1 who has every incentive to make as many of these as
2 possible across the state, I think would be unwise.

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

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

21 As it stands, eight localities representing over
22 one million Virginians could begin to see these
23 machines in their community immediately. Given that
24 those localities and those residents who live there
25 have not been involved in the process, the proposed

1 local limits are also too high.

2 we know, for example, already plans to take a
3 140,000 square foot K-mart building and make it into
4 what might be called a mini casino with 245 machines
5 immediately and up to 700 eventually.

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

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

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

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

25 MR. BERMAN: Good afternoon. The first time I

1 ever spoke during the public comment part of a VRC
2 meeting was in the fall of 1999, and the subject of
3 my remarks was a lack of live race days.

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

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

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

18 As soon as the first meet was over, track
19 management started to complain that the mandate was
20 impossible to meet and they needed relief, and in
21 1999, after just their third year in operation,
22 track ownership announced they decided to try and
23 repeal the 150 day minimum live race day requirement
24 all together.

25 Individuals like me realized that 150 days was

1 perhaps too big a number and agreed that it probably
2 did need to be amended, but not eliminated.

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

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

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

23 This is hard to understand, considering that for
24 the previous ten years before Colonial shut down,
25 Virginia ran 25 to 45 days a year with only the

1 purse money generated from the OTBs and internet
2 wagering. Now we have a source of revenue that
3 dwarfs both of those put together and we are told we
4 can't reach the 30 day minimum because we can't
5 afford it. This doesn't make sense.

6 Let's do some quick math. The VEA estimates a
7 \$213 win per day per machine; 213 times 365 days a
8 year times 3,000 equals 233 million in winnings per
9 year.

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

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

22 Live racing provides entertainment for fans and
23 also much needed opportunities for our horsemen.
24 Tieing live race days to the number of slot machines
25 is fair to both parties and will guarantee Virginia

1 the live racing we are promised and deserve.

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

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

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

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

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

1 accommodating racing.

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

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

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

24 In addition to that, there's food tax revenue,
25 hotel tax revenue, county and tax revenue from these

1 proceeds. So it's impacting our community in a
2 very, very positive light. We would like those
3 impacts to continue.

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

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

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

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

24 First off, I'd like to thank the administration
25 and Commission on your hard work with these draft

1 regulations. I think that one of the things that we
2 see is there are ideas in those regulations that are
3 very well intentioned to protect us and protect the
4 localities across the state, and I think as you've
5 heard here, the greatest thing about this, as Mr.
6 Allen said, is flexibility. I think you've heard
7 quite a bit from different folks around the state on
8 why we maybe should be flexible.

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

16 The one thing that I think that everybody should
17 know is what the importance of the horse industry is
18 here to the state of Virginia. The recent American
19 Horse Council Economic Impact Study said that the
20 horse industry in Virginia is a \$1.34 billion direct
21 contribution to the Virginia economy. There's
22 30,000 direct jobs and about 2500-plus of those are
23 the racing industry.

24 I think one of the beautiful things about the
25 Alliance is that we're supposed to represent the

1 whole industry, not necessarily just the racing
2 industry, although obviously that's our focus, but I
3 step back and look at what maybe myself and those of
4 us that have been doing this for a long time thought
5 about 1609.

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

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

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

1 great state.

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

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

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

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

24 well, about that time also, all around us
25 casinos were using racing to get their foot in the

1 door to do business in all the states around us, so
2 racing in other states had an incredible revenue
3 fund that we never had in Virginia. Those are
4 things that kept us from being competitive and what
5 probably caused the first colonial to go down.

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

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

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

21 What historic horse racing, Instant Racing, in
22 Kentucky has done is allowed them to build enough
23 revenue and they can share with other states around
24 the Commonwealth of Kentucky so they have enough
25 purses now that the horsemen are staying at Ellis

1 Park for the summer. They're not all shipping out
2 of Kentucky and the revenue stays in Kentucky for a
3 good portion of the year now as a year-round
4 circuit.

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

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

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

22 We have this great way back into race days,
23 which is let's make sure we have enough money to
24 make it work on purses and then back into the race
25 days from there.

1 Our goal is to run as many as we can. The
2 Chairman has told me to get off. I will say real
3 quick that localities -- we've been through the
4 process with OTBs. Localities, through their
5 special-use permits, through their zoning laws have
6 the ability for their people, for their governments
7 to decide whether they want SWFs, wagering machines
8 in their locality. We've seen it when we go to
9 reopen OTBs.

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

16 CHAIRMAN VAN CLIEF: Thank you. Mr. Schnurman.

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

25 First, we believe that they create disparate

1 results and regulatory burdens not based on market
2 demand or differentiation of product, but in essence
3 by creating a race to the Commission.

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

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

19 The second concern deals with the subject matter
20 authorizations we believe are misplaced. Henrico is
21 not a single homogeneous community. In fact, a
22 large part of our success deals with kind of the
23 character of our community and that a portion of our
24 county is very urban and city-like. The middle,
25 kind of top of the horseshoe, if you will, is

1 suburban with the traditional form of neighborhood,
2 and last is very rural with tree and field lines,
3 many of which date back to the Civil War and some to
4 the Revolutionary War.

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

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

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

19 With those concerns, we would be more
20 comfortable or recommend, I guess, if you will, if
21 the Commission would consider removing the caps and
22 instead create a dual approval process for all the
23 machines, such that the Commission's approval is
24 more focused on creating a healthy racing
25 environment, kind of a macro level, if you will, and

1 leave to the locality approvals kind of at the micro
2 level to determine their appropriate location and
3 quantity, such that they maintain the local
4 character of each of those communities. Thank you
5 very much.

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

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

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

20 Over the last couple months, I have had a chance
21 to work with a couple of the owners, Larry and
22 Prentiss and Stefan here, and these people are great
23 people. You would love to have them as your
24 neighbors. If they were your neighbors, your house
25 would be worth more, too. Believe me.

1 So my request is that the VRC regulations allow
2 Colonial Downs to be successful and the Virginia
3 horse racing industry to drive in New Kent and
4 Virginia. Thank you.

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

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

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

24 CHAIRMAN VAN CLIEF: Thank you. In the center
25 here.

1 MS. BOUZEK: I'm Jeanna Bouzek. I'm the former
2 Vice President of Operations for the first Colonial
3 Downs, and I didn't sign the sheet because I didn't
4 know if I was going to come up here and say
5 anything. I wanted to listen to what everybody had
6 to say.

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

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

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

25 So the gentlemen from the Family Foundation, if

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

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

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

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

23 Nobody's arguing with everybody. So to regulate
24 it about say there's a cap of 3,000, you're going to
25 lose the financial support. They're not going to be

1 around if they can't make money. I mean come on.
2 That's what people didn't understand. They would
3 say Mr. Jacobs wanted to make money. Well, guess
4 what? He wanted to make money.

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

9 CHAIRMAN VAN CLIEF: Thank you.

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

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

22 Those recommendations include specific
23 provisions on annual responsible gambling plans,
24 employee training, self exclusion, advertising and
25 funding to help treat gambling addiction.

1 The only way everyone in this room including the
2 Commission and the operators can maximize revenue
3 and create the racing renaissance that you're
4 looking for is at the same time to minimize social
5 costs.

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

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

23 What makes the machines that we're talking about
24 today so lucrative is also what leads to problems
25 for a small but constant percent of players who are

1 constantly chasing jack pots and betting over and
2 over again to win back what they have lost or just
3 to break even today.

4 People with gambling problems account for a
5 disproportionate share of gambling profits. Forty
6 other states recognize their obligation and devote a
7 percentage of their portion of their gambling
8 revenues to prevent and treat gambling addiction;
9 Virginia does not.

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

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

22 An estimated two percent of Virginia residents
23 meet criteria for gambling addiction, and each
24 person with a gambling problem costs the government,
25 business and families between \$715 and \$1200 per

1 year due to gambling related addiction, bankruptcy
2 and crime. When gambling expands, the rates of
3 problem gambling begin to rise.

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

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

20 Despite our requests, VRC has failed to provide
21 information on the amount of this breakage each
22 year, how much was dispersed and to whom. We've
23 been told at least some of this money is given to
24 track personnel in need. And while this is
25 absolutely a laudable goal, the intent of the law

1 and the statute of the law is clear, that these
2 funds are dedicated to gambling addiction and
3 substance abuse programs.

4 The debate over historic racing provides an
5 opportunity to correct Virginia's historic neglect
6 of responsible gambling. If our lawmakers want to
7 increase gambling and offset budget concerns, we
8 must simultaneously work to reduce the social costs
9 of gambling and provide funds to help and treat
10 those with gambling problems. We therefore urge the
11 Virginia Racing Commission to adopt our specific
12 regulations on responsible gambling, including the
13 \$425 fee.

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

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

24 The bottom line is responsible gambling costs
25 Virginia taxpayers nothing, it reduces shelter

1 costs, saves state government money, improves
2 families and communities and benefits the racing
3 industry by bolstering public support. There is no
4 down side. We thank you and look forward to working
5 with you.

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

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

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

22 We do plan to wrap up that process. The
23 original intent was to do it at this meeting. We
24 will leave the avenue open through midnight tonight,
25 so if there is anybody that wants to submit

1 something or something further, please do it through
2 the usual channels. Get it to Dave Lermond in
3 writing and we'd be delighted to have it.

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

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

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

23 We have a bit of a process ahead of us, and I
24 would be hopeful that before very many more weeks go
25 by that we will be back with another set and

1 hopefully, as all of you have urged, that we will
2 this time for the Commonwealth of Virginia get it
3 right. I'll start to my left.

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

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

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

22 COMMISSIONER SIEGEL: I won't repeat all that
23 has been said, but I, too, thank everyone for their
24 participation today. This has been a very
25 thoughtful comment, very meaningful. I personally

1 learned a lot of new things today. I think the
2 deliberations that we will encounter going forward
3 and dialogue that we'll have will take a good deal
4 of these thoughts to heart, and the whole idea of
5 everyone working together is refreshing and we will
6 get it right this time. Thank you.

7 CHAIRMAN VAN CLIEF: Thank you. Commissioner
8 Miller. Good morning.

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

11 COMMISSIONER SIEGEL: It never is.

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

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

23 We're going to go from the -- we're talking
24 about regulation, but the free market economy has to
25 function in order for people to get a return on

1 their investment, but I'm also concerned about or
2 recognize the concerns of people who are dubious
3 about the proliferation of devices they don't
4 understand, which brings me to this point. I still
5 don't understand the device. You could stand up
6 here and explain these machines to me all day, but I
7 don't understand how they work.

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

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

19 We can get one of these machine providers or two
20 or three machine providers to come in and show us
21 how these devices work, because when we pass these
22 regulations and we go off on this new wave of gaming
23 in Virginia, I want to be able to look people in the
24 face and say this is different, this is not Charles
25 Town, this is not Las Vegas. These machines are

1 different and they're tied directly to the horse
2 industry. It's an extension of racing.

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

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

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

20 When we deal with racing in Virginia, we want it
21 to be a race. We don't want little cartoons. We
22 don't want Mickey Mouse and Donald Duck running
23 across the screen or whatever else they come up with
24 in this internet age. We want to see they're
25 available. The videos are based on actual races and

1 these videos are there at these tracks or wherever
2 they keep them in the library, but I want everyone
3 in Virginia to understand that they're betting on a
4 race, just as if that race was being run that day in
5 front of them. Okay. That's it.

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

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

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

25 MR. LERMOND: Yes, sir.

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

5 COMMISSIONER MILLER: Second.

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

8

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10 NOTE: The meeting is adjourned at 12:30
11 p.m.

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1 CERTIFICATE OF COURT REPORTER
2

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

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

10 Given under my hand this 4th day of August, 2018.
11
12

13 _____
14 SANDRA G. SPINNER
15 COURT REPORTER
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