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CHAIRMAN VAN CLIEF: I started to say good morning as well. Jeb reminded me that it is afternoon, not our usual ten o'clock. So good afternoon, everybody. I'd like to call this meeting of the Virginia Racing Commission to order.

We've got a couple of must-do items on top and then I'm going to -- and we've got a lot of action items today, most of which I hope will be routine in terms of relicensing and budgetary approvals and funding approvals.

Before that, I'd like to move because we're lucky enough to have Mr. Preston Bryant from McGuire Woods Consulting here with us today, who was our leader and our facilitator through this strategic planning process, and since we've got that discussion down on the docket a bit and he's on a tight timeline, I'm going to move that up after we take care of the first few items here today.

Let's get started. We are actually a little out of synch in terms of our officer elections, which customarily take place each year on this Commission with Commissioner Dawson having served a partial term and Commissioner Siegel having been thereafter reappointed, we've been sort of on hold.

MR. PITCHFORD: Mr. Chairman?
CHAIRMAN VAN CLIEF: Yes.
MR. PITCHFORD: I'm sorry to interrupt.
CHAIRMAN VAN CLIEF: Counselor.
MR. PITCHFORD: Before we get in to any action items, we might want to note the presence of a quorum.

CHAIRMAN VAN CLIEF: I thank you. Mr. Pitchford has reminded me that we are a couple of commissioners short today, and with both Commissioner Steger and Commissioner Miller unfortunately out ill, they sound like they're going to recover. I talked to both of them as recently as yesterday, but I should make note that with three of us here, we do have a quorum for the conduct of business. Thank you.

So now we do need to start with the customary annual election of a chairman and a vice chairman. So I will open the floor for nominations in the hopes that there might be someone else who wants to serve as chairman.

COMMISSIONER REYNOLDS: Mr. Chairman, I canvassed the rest of the commissioners and I have no takers for you, but in all seriousness, I think I'm speaking on behalf -- I feel like most of the commissioners would agree that with all that's going
on with the pending sale of Colonial Downs and being in the middle of our very important strategic planning study, all that has been going on in the Commission, and I know you've served us well for two years, you were looking forward to maybe stepping down to my side of the table, but I think with all that has been going on and the terrific job and the leadership that you've shown over your entire tenure on the Commission, but certainly as Chairman, that I think it would be appropriate to nominate you to continue as chairman for the 2018 year.

So with that, I'd like to place your name, D.G. Van Clief, for nomination as chairman.

COMMISSIONER SIEGEL: I will second that.

CHAIRMAN VAN CLIEF: All those in favor?

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Thank you. The motion carries. I'm happy to serve again and actually very gratified by the confidence of my colleagues on the Commission and I will do my very best to justify that confidence.

Now, we do need and have been without for a couple of months a vice chairman, and I would like to take the bull by the horns as well on that one. I have talked to my fellow commissioners, all of
them on this issue. It seems to me that the Commission has been well served by fairly frequent rotation in officers, and also it seems obvious to me that we have an extraordinarily well-qualified Commission; four out of five of us having already served as chairman.

So I thought it made some sense to try to move, if they were willing, commissioners in seniority by virtue of appointment date, order into positions of formal leadership.

I talked to my fellow commissioners; they agreed. I talked to Commissioner Charles Steger and he's agreed to stand for election as vice chairman. He would be by order of seniority the next logical individual in that role.

I would see him as a succession plan for my position and he's indicated a willingness to undertake both vice chairmanship, and at the appropriate time, at least to consider being nominated and standing for election as chairman.

On top of that, I think most importantly, Dr. Steger has demonstrated he's got all of the qualifications to chair pretty much anything he wants to chair. He's been a terrific addition to this Commission, so I'd like to place his name in to
nomination as vice chairman.

COMMISSIONER SIEGEL: I second that as well.

CHAIRMAN VAN CLIEF: Thank you very much. Very
good. A second as well. Any further discussion?
Any questions?

COMMISSIONER REYNOLDS: A great choice.

CHAIRMAN VAN CLIEF: In that case, all in favor
of electing as vice chairman of this Commission Dr.
Charles Steger, say aye.

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Thank you very much.
Carries unanimously.

And now before we go to the strategic planning
report, let's go to Tab One and we need to approve
the minutes from the November 14 Commission meeting.

COMMISSIONER SIEGEL: I move they be approved.

COMMISSIONER REYNOLDS: I second it.

CHAIRMAN VAN CLIEF: I agree. Those minutes are
approved.

Okay. As Dr. Steger, who chaired the Commission
reported at our meeting last month, and then in the
process of concluding the Commission's work, I was
very pleased to take part in that process and most
gratified that it is to me proof positive that we
have an extremely functional and unified industry
under the VEA banner.

All the leadership in the industry was present. All were firmly attentive and creative throughout the process, and I think we have come up with a very good and it appears to be also very common sense plan to provide a roadmap for this industry in its decision-making and in the actions it takes as it looks to grow over the next five years.

We were very fortunate that Commissioner Steger was able to secure the services of McGuire Woods in the persona of Preston Bryant, who was the former Secretary of Natural Resources, I think under the Kaine administration. He has served as a legislator for the Lynchburg district and he is currently serving with McGuire Woods Consulting.

He did a fantastic job of keeping the peace, keeping us focused and doing a very, very level-handed and expert job of guiding a most constructive process.

So I would like to call on Mr. Bryant to give us a briefing from his perspective on our plan, and what we are going to do today is listen to Mr. Bryant. Mr. Hannum will follow him with a briefing from VEA's standpoint, and today is the day and the plan has been submitted in writing to my
fellow commissioners and today's the day that the VEA actually submits the strategic planning draft to this Commission.

I think we have the option that -- I assume that everybody has had a chance to read it and to ask questions if they had any. If that's the case, we will probably move ahead to acceptance and approve a plan today as it stands. If that's not the case, we can defer, but I'm hopeful we move ahead.

Preston, can we call on you to give us an update and explanation of where we've been, what we've done and what we've got?

MR. BRYANT: Thank you, Mr. Chairman and --

CHAIRMAN VAN CLIEF: Thank you.

MR. BRYANT: -- members of the Commission. I'm Preston Bryant with McGuire Woods Consulting and it's my pleasure to work with and for the Virginia Equine Alliance, alongside the stakeholder committee to facilitate this plan. While I am a mediator, this was not a mediation. This was very much a all-for-one and one-for-all facilitation. It was an excellent exercise.

The VEA and the stakeholder group worked over five meetings and four months to come up with a plan that's before you and it hits on five main areas and
there are five main recommendations. I will speak
to those five areas in sort of highlighted fashion,
then there are details and nuances under each I'll
elude to, but I certainly reserve and recommend that
Ms. Easter, Mr. Hannum and others speak to the
details and nuances and those kind of issues, as
they are much better equipped.

The first main area was that the industry
maintain a strong alliance. It was quickly agreed
that since the advent of the Virginia Equine
Alliance that it has done wonders in bring-
diverse stakeholders together within the industry.

Again, they, by my observation, are working
together in an all-for-one and one-for-all fashion,
all with the best interests of the industry at large
at heart.

So the first and quite easy recommendation was
that the VEA continue to be the recognized voice for
the industry. The VEA does not act whimsically or
in a vacuum. They are very strategic with their
stakeholder constituencies. So I recommend they
continue to be the recognized voice of the industry
as a whole, and that the Virginia Racing Commission
continue recognizing in turn the VEA as the
industry's recognized voice.
The second main recommendation is that the industry develop and maintain a recognizable live racing product that is a brand. It's very important that this industry be seen especially regionally but nationally as well, is very viable in all aspects in flat track, in harness racing and jump racing as a strong, united industry.

More specifically however, it was determined that the industry has never really done a formal, in-depth concerted market analysis, marketing study on the branding issue. So it was recognized that if we are to beef up the industry and how it is seen locally, regionally and nationally, that that might be a wise recommendation to take.

It was also readily stated and agreed under this category that, you know, frankly, the industry is not as competitive as it should be here in Virginia, especially relative to Maryland, West Virginia, Pennsylvania and Delaware. While we enjoy the partnership while Colonial Downs is down, while we enjoy the partnership with other states, especially Maryland, we really do need to be much more competitive.

That gets into the third area, which is growing industry revenue. This is where the Strategic
Planning Committee spent the bulk of their time. Everyone recognizes the bottom line is the bottom line. It is what so much else depends on.

A few things were noted. One, the legally allowable up to ten satellite wagering facilities, we are not there. We were there at one time. Now, I think we are in the process of having a fourth. So a concerted effort needs to be made to reach the maximum ten satellite facilities. Document success, document demand and potentially revisit that law with the General Assembly, but first things first. Let's reach the ten first.

Second under growing industry revenue is that historical horse wagering is a must. It is the single alternative revenue source initiative that can be most transformative in the early growing industry revenue category.

Also advance deposit wagering, especially in key markets, the most populated markets in Virginia is also a very much agreed-upon initiative.

I can't underscore enough the first two; that is, maxing out the ten satellite wagering facilities and then pursuing working with others in legislature in pursuing the historical horse wagering.

The fourth category is developing regionally and
nationally recognized racing venues. Everyone agrees that Colonial Downs, while having some challenges, is quite a nice facility. It is renowned for its turf track and that to the extent possible under current market circumstances, we recommend that we continue supporting Colonial Downs, doing everything that we can as an industry and encouraging you as a Commission to work with the potential new owners to get Colonial Downs open.

However, it also was noted that there's a tick tock to this in that time could be wasting. So the Commission, the Strategic Planning Committee agree that if it becomes readily apparent that Colonial Downs is not going to open by 2019, giving them two years, then the VHBPRA should take the lead resuming due diligence for alternative sites for both funding, design and construction. It was agreed that we revisit and consider previously discussed sites and also be open to new sites that may become possible. So that's for flat track racing.

It was agreed that supporting harness racing is a priority as well. We acknowledge the good work that the harness racing folks have done securing Shenandoah County fairgrounds as their new
twenty-year home. It was agreed that there are facility improvements that need to be made, so we recommend that you continue supporting harness racing at Shenandoah.

Then it was noted that the four sanctioned steeplechase races are in the top tier of such jump races in the country and they draw tens of thousands of fans at each event collectively; probably 100,000 fans over the course of the season, and that represents enormous opportunities to continue advancing.

You've got a captive audience. That represents enormous opportunities to continue advancing the interest of the horse racing industry, marketing and alternative revenue sources and you just can't have that many people in the palm of your hand and not take maximum advantage of the opportunities there. So the four sanctioned steeplechase races are a source of pride and we need to better take advantage of that.

Last, I'll finish with this. The first and final recommendation was continuing doing what you're doing in terms of supporting industry incentives. The Virginia-bred Owners Bonus Program, the Certified Program, the Breeders' Fund. It was
noted that much of the success that we recognize in these programs, one of which is new, is largely anecdotal. We all agree that it's successful and off to a good start, but we probably need to document and better track the success so we see exactly where the successes are and define them, speak to them authoritatively and also recognize where they can be improved, as the VEA and their industry partners perhaps think of other such programs to fully develop them and bring to you the best business case possible for your consideration if there are to be other incentive programs for your consideration.

So with that, I will step back and turn it over to my clients, Ms. Easter and Mr. Hannum, to speak to the plan and any nuances or details that are under what I have highlighted.

CHAIRMAN VAN CLIEF: Thank you very much again for a job well done.

MR. HANNUM: So thank you, Preston. That summary was excellent and there's not a whole lot more to add. I'll just say that I felt the meetings were really good for the group. I thought it was just very beneficial to have a neutral person leading us through some really good discussion.
It was very timely. I thought we just had a lot of robust discussion about issues that we hadn't really been able to dive in to as group, so I just thought it worked out very well and Preston did a very good job, so thank you very much.

I think all the points that Preston talked through were exactly what were laid out in the report. I'll just mention we did spend time on recommendation number one to maintain a strong industry alliance.

We did spend time talking about the role of the VEA being a very unique industry; perhaps the only group in the country where all of the horsemen and breeders and two different breeds and steeplechase are under the formal umbrella of a group.

You have loose alliances in other states, but in Virginia, it's very unique that we have a formal arrangement and I think that served the industry well in the last couple of years in a time of crisis to stabilize and help grow the industry, so that's very unique and we certainly want to maintain that and continue to support the VEA.

The discussion around additional revenue for the industry I thought was very important, particularly looking at other sources of revenue outside of the
SWFs and ADWs, so that was a very important discussion.

In terms of the sites, one of the things that I feel is important for this report is the date that Preston mentioned, 2019. So we've had a lot of discussion and the HBPA has talked internally about what do we do about Colonial, and I think for there to be a marker out on the horizon whereby we are all working towards hopefully reopening the site, but if not, perhaps looking to move on, I think is important, so that 2019 date I think is an important result of this work.

At Shenandoah, clearly, the harness industry would to like see as many days as possible and there's just a limited amount of racing that can be done with temporary stables. We were lucky this year. I think we had one day of rain, but if we were to have bad weather or a number of days of rain in a row, it would be very difficult for the horsemen.

It works now for a limited meet, but if we really were to try to get up to the maximum number under one license or perhaps maybe doing some racing in the spring or the fall, we really need to look at some more permanent stabling. So that's something
we all look towards as we move forward.

An important discussion took place around the steeplechase meets. There are the four sanctioned steeplechase meets that we want to support along with the Gold Cup, and I think that was really important because you talk about the brand of Virginia racing, and while the Thoroughbred brand is meeting to find its identity, the harness brand is hopefully growing.

The steeplechase brand of Virginia I'd say is quite robust and there's a lot of really good steeplechase racing, very popular with a lot of people coming out to support the racing, so we had a good discussion about supporting the meets that aren't offering pari-mutuel wagering.

Also, we talked about what the Racing Commission could do to potentially enable some of those non-pari-mutuel meets add pari-mutuel wagering which would entail a discussion about the types of regulatory aspects that they would need to install.

So I think that was just really important, because ultimately, I think it's helpful to have the pari-mutuel wagering because it potentially provides revenue for those meets, but also it gets the betters and it gets the spectators more engaged, so
that's important.

So those are just a couple of other things I just wanted to add. But overall, a really productive series of meetings and I hope documented the Commission and races and something we can use with the legislature and administration going in to next year to show what our goals are going forward, but also show that we are a unified industry. So thank you and thank you again to Preston.

CHAIRMAN VAN CLIEF: Thank you. I note that there are a number of constituents represented here with the HBPA, the VTA and Gold Cup. I don't want to confine this to just Jeb's remarks and Preston's remarks. Does anybody have a remark or response to how you feel about this?

I think maybe what I'm fishing for a little bit is a sense that every constituency feels that it has been well served by this process and stands to be well served by the implementation of this plan. So my question to all of you is are you all comfortable with where we stand with the plan or conversely are there issues that make you less comfortable?

MS. EASTER: I'll start. I think it's a great start and a great template for going forward.

Things change as you all have sat on this Commission
as often as we change when we come here, but I think it's a great starting point. It gives us the one, two, three, four let's go forward and it's easy to add to if we need to at this point, but I think -- I don't want to speak for everybody else, but I think it works pretty well for all of us and we may -- adding to it is easy.

DR. ALLISON: I have had the chance to talk to all the chairmen of the jump races since this has been out in the public and they are overly excited to be at the table, and so this to me brought all of us to the table, so that accomplished for the jump riders a good thing. Thank you.

CHAIRMAN VAN CLIEF: As Jeb said, we've got a uniquely structured industry. Perhaps nowhere else is there an industry that functions as a unit under a not-for-profit umbrella. That gives us great legitimacy.

Nowhere else, perhaps, is there a racing industry that embraces and includes steeplechasing like we do. It's a very strong and important part of our brand, so we're delighted that the response is positive and that the group feels part of the team, if you will.

MS. NIXON: I think it's a great thing. It's
very well thought out and well planned and actually
gives hope for flat racing in Virginia, so I am
very, very excited about it and look forward to
moving forward with it.

CHAIRMAN VAN CLIEF: Great. Thank you. Debbie,
is there a VHHA rep here today?

MS. EASTER: There you go. You didn't get to
participate -- somebody else participated in our
plan. I think in general you can speak to the fact
that -- I don't want to put words in your mouth, but
that the greatest thing is that you all had in mind
where you wanted to go and we were able to act
quickly to get you there and that this plan
definitely keeps the ball rolling and there's every
intention to improve, upgrade capital improvements
there at the fairgrounds and hopefully expand race
days for the harness guys.

MS. WARNICK: I'd definitely -- we'd like to see
that.

MS. EASTER: I hope that all makes it all great.

CHAIRMAN VAN CLIEF: Well, thanks for your
response.

MR. BRYANT: Mr. Chairman, the only other thing
I'll say is this is perhaps a five-year plan. I
don't think we made that clear. In Appendix A is a
recommended implementation of the timeline. It's one thing to have a plan and another thing to go full tilt, but there are suggested expectations as to its implementation, so that is part of it as well.

The last thing I will say is back in June, Commissioner Miller had asked that we turn over all the meeting materials, agendas and minutes, and those have all been submitted to Mr. Lermond, so the Commission has all of those.

CHAIRMAN VAN CLIEF: Great. Thank you very much. I think that's an important point, the implementation timeline. Hopefully, that will work and it will be unlike some other plans. It won't go on the shelf where it gathers dust. I think it has some very exciting elements. I'd like to see us do the marketing analysis as soon as we have the dollars to do it. I think we'll learn a lot more.

Let me ask my colleagues if they have any questions or observations, and please don't hold back. I think this is in many ways the first either of you have seen it, so I want to make sure you're fully informed and comfortable before we take the next step.

COMMISSIONER REYNOLDS: I've got a question.
CHAIRMAN VAN CLIEF: Yes, sir.

COMMISSIONER REYNOLDS: I have read this in detail. I think it's a good plan, a good start, so to speak. We can always amend it. Back on recommendation number one, you make a statement. In so doing, the VEA and all industry stakeholders must always bear in mind the concurrent interests of Virginia's horse racing fan base. Talking about studies; what do the fans want.

I remember six or seven years ago when the horsemen and the track were squabbling back and forth, I asked the question, who is your customer? Nobody -- they couldn't or wouldn't answer the question and I said, Your customer is the guy that goes up to the window and makes that $2 bet.

We're talking here about raising revenues and all that revenue comes from the fans and the fan base, so when you make a statement learning about the concurrent interests of the Virginia horse racing fan base, what kind of discussions did you all have in talking about the fans themselves and what you all are going to do to attract fans, whether it's hopefully one day historical racing or more ADWs or coming to the satellite wagering facilities?
I, for one, would think the fan, most fans, my being a fan, you know, I want quality, live racing in a convenient location. That's the first thing I would want as a fan. So what kind of conversations did you all have in talking about your fans, those folks that actually are going to be the ones that produce the revenue so that we can race and sustain the native industry and bring horse racing back where it should be in Virginia?

MR. BRYANT: Yes, sir. I'll take the first stab and turn it over to others. While admittedly this was an industry stakeholder group, it was designed to be an industry stakeholder group. With that said, it was not made self-interested by one certain stakeholder and every one of the five substantive meetings and every recommendation and in every sub-element of the recommendation there was a discussion about how this would play with the fan base, would it hurt the fan base, how they would react. We discussed in every meeting no matter the topic how the industry is changing technologically as well; how to make the user experience, the fan experience better, more attractive, more exciting. Commissioner Steger often talked about the family, how the traditional horse race
constituencies -- and there's also a growing family event -- how we could attract more families, especially to the jump races, but also to a very attractive and exciting flat track and harness track event.

So the fan experience was always very much a part of every meeting. A lot of it will be technologically based. The industry is changing, marketing is changing. How people participate and watch and wager is changing.

Under one of the recommendations, I forget which, I guess growing revenue, we talked about how the stand-alone wagering facilities are gravitating to restaurants and sporting bars and such and how we need to be nimble and flexible and reach out to those markets. How we may need to reach out to the Virginia Hospitality Restaurant Association and create partnerships and reach out to expand the fan base among their patrons and constituents. So it was a robust discussion about the interest of the fan. It's their money that we need.

COMMISSIONER REYNOLDS: Thank you very much. The last question is regarding the ADWs and talking about trying to expand them up in Northern Virginia. Maybe I should know the answer to this, but I know
with the satellite wagering facilities we need to pass a local referendum. Do you need to do that with ADWs and kiosks in Northern Virginia or places that have not passed a referendum yet?

MR. HANNUM: No. We could have an ADW betting site sort of like they did with EZHorseplay. You could go into a restaurant or bar or gas station or something like that and there could be a machine, but it's very clear that it needs to have -- it would be very different from an OTB. You wouldn't have a live teller there paying out or accepting cash, so it would be a different model.

But that has proven to be successful with EZHorseplay and it certainly is our goal to try to have some of those betting centers, for lack of a better word, in the northern part of the state. So that was a topic that we discussed.

COMMISSIONER REYNOLDS: Thank you. That's all for me.

CHAIRMAN VAN CLIEF: Thank you very much.

Commissioner Siegel.

COMMISSIONER SIEGEL: I'm good.

CHAIRMAN VAN CLIEF: All right. If there are no other questions or items to discuss with regards to that plan, I think we can go ahead and I'd like to
ask for a motion to accept the plan as submitted and approve it.

COMMISSIONER REYNOLDS: So moved.

COMMISSIONER SIEGEL: I do second.

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

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? Thank you very much. Thank you all very much. It is exciting to accept that plan and I hope it will be a good roadmap for all of us. It will certainly inform our decision making. Preston, thank you very much for joining us today.

MR. BRYANT: Thank you, sir.

CHAIRMAN VAN CLIEF: I think in previous meetings when we discussed this plan, we talked about once it was submitted and approved making it available to those who might be interested. So Dave, could I ask you to take a look at how we might next promulgate this plan to members of the industry, to racing fans and to others, who I'm suggesting that we consider and delivering it to media outlets who are interested in the business.

MR. LERMOND: Sure. I think one step would be our website as well as the VEA's website.
CHAIRMAN VAN CLIEF: All right. Great. Are you both comfortable with that?

COMMISSIONER REYNOLDS: Yes. I was just going to suggest that.

COMMISSIONER SIEGEL: Let's look at it.

CHAIRMAN VAN CLIEF: All right then. Let's go ahead and make it available to the public forthwith. Thank you.

MS. EASTER: I think maybe could I add, Mr. Chairman, maybe -- and Dave, I don't know if you would be the receptacle or the VEA should. I think all of us don't expect that we're experts, you know, and to come up with everything.

If there are ideas out there, we've love for people to email in ideas and let everybody take a peak at that because there might be some very good ideas that we've missed that we could add to the plan and we could bring in and share the addition as we go. It could be an open, working document.

CHAIRMAN VAN CLIEF: We could use the VEA's address?

MS. EASTER: Sure. We could use the VEA, and Jeb's email is certainly there on the website. I think we could encourage them on both websites that if anybody had any comments, please feel free to
email in or contact us.

CHAIRMAN VAN CLIEF: That's a good suggestion. We may learn something interesting as well. Thank you all very much.

That takes us back to the normal order, and so our next agenda item is Number Five, and that is to consider renewal of our four service providers in the ADW arena. Mr. Lermond, are you going to give us a quick update on that?

MR. LERMOND: Thank you, Mr. Chairman. Staff received renewal ADW applications from our four current ADW license providers; TwinSpires, TVG, XpressBet and NYRAbets. All four applications were received before the December 1st deadline. They all included the required information as stipulated in the regulations. Most importantly, they all included a $1,000 check.

Staff has had no issues at all with any of these licensees over the years. Even though NYRAbets has been one full year, the others have been with us for five, six, seven years. They've been good licensees.

I see no reason why we shouldn't approve the renewal of their application, and Mr. Pitchford says it's okay if in the interest of time if one of you
would like to make a motion to approve all four at one time we can do that and Staff would recommend that you do so.

CHAIRMAN VAN CLIEF: Thank you very much. Any questions for Mr. Lermond? Would anybody like to make the motion he suggests?

COMMISSIONER SIEGEL: I will.

COMMISSIONER REYNOLDS: Mr. Chairman, I make the motion that we approve the 2018 ADW license renewals for TwinSpires, TVG, XpressBet and NYRAbets.

CHAIRMAN VAN CLIEF: Thank you very much. We have a motion and a second. Any further discussion? If not, all in favor signify by saying aye.

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? The motion passes unanimously and the licenses for 2018 are hereby approved.

Next up is the request for approval of the VTA Breeders Fund budget for 2018, and I believe Debbie Easter will handle the chores there.

MS. EASTER: Sure. Thank you very much. Just a brief history of where we are on this budget and where we are today compared to about four years ago when Mr. Siegel was chairman and Easter Associates took over the management of the VTA.
It was also a time when things were starting to come apart here in Virginia. The Breeders Fund, for those of you who don't know, is funded by one percent of the wagering handle here in Virginia, but it was decreasing rapidly, and upon his good business insight realized that what happens is that the VTA has been awarded $190,000 to administer and promote the fund since basically the beginning of time or at least as far as I remember back.

But that was actually quite a large percentage of the fund then, because I think the fund had drifted down to where its height might have been about 1.4 million. It drifted down to somewhere between 600,000 and 800,000.

Last year was probably our low at 600,000, so Ian expressed the desire to the administration. At that point, the VTA was probably taking about $105,000 in administrative costs, which also included not only the money that we were awarded but registration money also.

So we cut it at the Chairman's suggestion to about $77,000. So what the rest of everybody probably doesn't know is that the VTA, like other organizations, is a member organization. We have to raise most of our money. So at the same time the
Breeders Fund was taking hits, so was the VTA.

So what that explains is I've presented you a budget, but the number one Breeders Fund income, the carryover from the prior years at twenty-two five, that explains why that happens. Not only was the Breeders Fund in a little trouble, but the VTA was lacking in funds. So we spent as much as we could, but we still owed the Breeders Fund some money.

Luckily, this whole initiative with the VTA and getting OTBs back together and getting members back in, the budget of the VTA is a little better this year, so we were actually able to make up the promotion money and pay that back sooner than we thought were going to be able to, so that's the difference in the projection from 2017 to 2018.

Number two, the advertising to promotion that I have explained to you all, one of the things that we have been running out of the Breeders Fund budget for promotion is some of our events such as our big event we have at the Gold Cup.

I was -- at the time told you all I'm not sure most everybody thinks of that as promotion of the fund. Our industry was fractured enough and we were losing members and breeders quickly. We had to do stuff to bring everybody together.
So for 2018, I think financially the fund itself is in better shape, the VTA is in better shape because everything is going positively. I actually think that the expenses we tried to put over here are more about promoting the fund and bringing horses here to Virginia.

So that brings me to number three. We're going on our fifth year now and we have not charged any more for administrative costs, but with the new Certified Program with the new Owners Bonus Program, we are spending a lot of time on administrative events, and so I was hoping that we could move another $10,000 from promotion to administrative over to the VTA.

It doesn't mean that we're not necessarily just taking that for administrative. We may still spend it on promotion through the VTA budget, but we are spending a lot of time administrating these programs, which I'll report to you in a little while are working very well.

But those are the three big changes that I wanted to point out to you in our budget for 2018. we'd like to spend -- basically, I asked for the 190,000 again, and instead of 77 being targeted towards administration, that we would target 87
towards that and the rest of it would be spent on promotion and trying to move this industry forward.

CHAIRMAN VAN CLIEF: So Debbie, that won't change any of the other line items; it simply is how you're going to spend within that one line item?

MS. EASTER: That is -- we are requesting the same amount we always had, just changing a few line items, just making note for you all how those have changed.

CHAIRMAN VAN CLIEF: Thank you. Any questions? In that case, we need a motion to approve the fund budget for 2018 as submitted by Ms. Easter.

COMMISSIONER SIEGEL: I will move it.

COMMISSIONER REYNOLDS: I will second it.

CHAIRMAN VAN CLIEF: Any opposed? Thank you. That passes unanimously.

We also have to consider approval of the VHHA Breeders Fund budget for next year. Who will give that report? Mr. Lermond, will you take care of it then?

MR. LERMOND: Mr. Chairman, Commissioners. Behind Tab Three in your books is the budget submitted by the Virginia Harness Horse Association, submitted by its executive secretary, Iain Woolnough.
This budget is very familiar to me because it has been the same the last ten years, I think. Much simpler, more straightforward than what Debbie just explained, partially because there aren't as many horses to keep track of.

The biggest item is the salary, which is the salary for Mr. Woolnough, and based on Iain's experience and leadership in the industry, I think that we're probably getting a bargain there for that. This rest of it is just a little bit of audit and travel and postage and liability insurance.

As I said, it's the same budget that you approved the last ten years. Staff does not have any problem with any of the line items and I recommend that we approve this for 2018.

CHAIRMAN VAN CLIEF: This is a minor point of clarification. The aggregates are the same, I know. Are the line items all the same?

MR. LERMOND: I believe they are. Yes, sir.

CHAIRMAN VAN CLIEF: I'll move we approve.

COMMISSIONER SIEGEL: Second.

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

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: That passes as well. Next
in line is a request for the approval of the VEA's  

budget for 2018. Mr. Hannum, are you going to give  

us that? That should be under Tab Four.  

MR. HANNUM: Great. Okay. Thank you. This  

will be, I believe, the fourth budget. I think we  

did a half calendar year in 2015, then we did a full  

budget in '16 and then '17, so this will be our  

fourth, I believe, that we've submitted to the  

Commission.  

We sort of treated these budgets a little bit as  
a framework for what we anticipate for the coming  

year, and with each year things are becoming a  

little bit more solidified and normal and patterns  

are developing, and so I'll talk through the budget.  

I'm looking at the document that at the top says  

Draft Budget for the Year Ending December 31st,  

2018, and we hope that we could come back to the  

Commission if there are some changes or some things  
come up and we can reconsider aspects of it if  
necessary.  

This is kind of where we are and what we are  
looking at for next year. Please interrupt me if  
you want me to speak to a specific point in more  
detail. I won't go through every single one of  
these lines, but I'll start at the top with Line
One, which is the main source of revenue for the VEA, which is the ADW money. Lines Two and Three point to the rebates that we provide the four licensed ADW companies, and then Line Three is the statutory distributions.

So Line Four is the net proceeds from ADW which is a little over $1.8 million. Line Five is the OTB revenue. That's based on the expectation that we have three OTBs operational for the full year in 2018, and then we would have three operational for part of the year. Then maybe we would have two more up and running, but it's looking at six OTBs, but not necessarily with all six operating for the full year. That may change. We may run into a problem or we may be able to accelerate that, but that's what that is based on.

So the three OTBs we can be pretty certain we can make a pretty good estimate on what that will be. On the other three, it'll be only open for part of the year. That's more of an estimate. So net revenue for the VEA brings you to a little over 13 million.

Then Lines Eight through Eleven get into race day expenses for Shenandoah and then support for the Virginia Gold Cup.
Lines 12 and 13 is some money that we have allocated for maintenance for Shenandoah. We're due to meet with the representatives from the fair in January or February and look at what sort of items we can invest in for improvements for next year.

As you remember in 2017, we expanded the crow's nest in the grandstand, which made a really big difference in terms of our ability to have cameras up there and the judges and other officials. We built the bathroom facility, but there's a lot of things that we can do at the fair to improve facilities.

Line 14 is the OTB expenses. So as you can see, it's a pretty significant amount based on the revenue and that's on moneys going to the horsemen, the breeders, taxes, host fees, Roberts Communications, salaries; a whole host of items to run and operate the OTBs.

Lines 15 through 29 speak to the running of the office, the salaries, our responsibilities with our health plan, consultants, IT software, et cetera, and Line 30 is marketing money.

Lines 31 through 34 just speak to other initiatives we support in the statute in the Racing Act. We are required to support retirement programs
and we've done that each year and will carry on. We
had made -- Line 33 we had made a contribution to
the Virginia Point To Point Association and we want
to continue that.

Line 34 is support for the Virginia steeplechase
meets outside of the Gold Cup, and so that really
comes out of one of the recommendations from the
report that we talked about earlier today. So the
moneys there in Line 34 would go to provide purse
money for the Middleburg spring and fall races,
Foxfield and Montpelier and we feel that's very
important. So that gets us through the different
line items.

Up at the very top of the page on the far right,
we talk about the cash flow. You can see we have a
little over $1 million allocated for OTB build-out,
a preserve of cash.

And then we have two items here; debt reduction.
when we built the track out at Shenandoah, the VHHA
lent us $300,000. We paid back 150 of it this year
and we're scheduled to pay back the balance next
year. And then the HBPA lent the VEA at its
inception $250,000 to enable us to get up and
running before we had revenue, and we would be
looking to pay back some of that debt. So that
would leave us a little over a half million dollars
to work with.

So a lot of this, the ADW money was pretty much
set in stone. The fluid part of this budget is on
the OTB revenue side, but I think we've designed a
budget that is flexible enough that if there are
some changes with the OTBs that we can adjust
accordingly.

So I'll pause there, Mr. Chairman, and answer
any questions.

CHAIRMAN VAN CLIEF: Thank you. Any questions
at this point?

COMMISSIONER REYNOLDS: Yes. I have maybe one
or two. Going back to Line Five, you talked about
you're budgeted this year for $7.1 million. You're
projected to be through December 4.586.

Obviously, maybe not all of the OTBs were up as
soon as you thought they would be, but next you're
projecting 11.45, which is a pretty large jump, I
guess with the assumption that these other OTBs are
going to come online.

Have you all done a sensitivity analysis to see
what that number really needs to be so that you keep
your head above water budget-wise next year?

MR. HANNUM: Well, yes. I spoke at a number of
Commission meetings this year about the OTBs in terms of I think I spoke to the time that it takes to identify a site and get a partner on board, and some of those OTBs that we hoped to have up and running this year didn't pan out.

But now we have four licenses. We will hopefully have Collinsville open within the next ninety days. We are moving forward with Hampton and we now have a couple of sites identified. So I think we worked through a little bit of the time scenario and we can get some of these things going.

We're pretty optimistic that we'll have five OTBs up and running by certainly the first half of next year, and that would put us in a position to meet these commitments that we've laid out.

COMMISSIONER REYNOLDS: Okay. Thank you. That's all.

COMMISSIONER SIEGEL: So the existing OTBs are tracking positively and you expect gains from them going forward next year?

MR. HANNUM: Yes. So now we're moving into the second full year. Now we can start to make comparisons on a month-by-month basis. So that will give us the ability to look a little bit, really take a hard look at the numbers and see how we are
tracking compared to the pegasus weekend compared to
last year and Kentucky Derby and those sort of
things.

So 2018 will be the first year that we've been
able to do that, but we've been pleased with how the
OTBs are doing. Breakers averages about 30,000 a
day, Ponies & Pints is almost 25,000 a day and
Buckets, the new one in Chesapeake, is at a little
over 27,000 a day. So they're all doing well and
now we can really start to compare and look at what
we need to do to continue that.

MS. EASTER: I also think we've hired -- I'm not
sure if it was right before you came on the
Commission, but we've hired a manager to actually
manage all of the OTBs.

Quite frankly, we've been shooting from the hip
and just getting things done as fast as we can, but
I think now we'll have some time to sit down.

We'll get marketing for all the OTBs. What we
can do to help improve the business and some of
those things will be helped by having Jason on
board. We've got a lot of us that have been wearing
a lot of different hats just trying to get something
done. So hopefully we're getting better at our job
and that should improve the OTBs.
CHAIRMAN VAN CLEEF: Mr. Lermond.

MR. LERMOND: I would echo Jeb's statements about the performance of the OTBs. I think myself and Staff has been very impressed with how they've performed so far, and Commissioner Steger, I want you to know probably starting in January, the staff will put together monthly reports that will compare same-store sales compared to prior years so that the commissioners and everyone else can track that progress.

I did have one question for Mr. Hannum on the Virginia steeplechase support. I'm assuming that the purses we are going for will be for Virginia-restricted horses?

MR. HANNUM: No. So that's not the intention. So they would be contributions to the purse funds at the respective meets. In some cases, they would fund all of the race or part of a race, but that's the intention.

MS. EASTER: We know we had a five-year plan, but we know what sponsorship -- how hard it has been to get sponsorship in the last years. The VEA is part of the industry, so we thought if we could just help them with one sponsorship on one race meet, that would be a big help to them.
DR. ALLISON: In the conditions, it's always Virginia horses preferred.

MR. LERMOND: Yes. And to be clear, it's not Breeders Fund money, so they don't have to be restricted races, and I understand what you're trying to do with that money.

MR. HANNUM: Yes.

MR. LERMOND: Thank you.

MR. HANNUM: Thank you.

CHAIRMAN VAN CLIEF: On that point as well and thinking about Dr. Allison's earlier comments about being seated at the table for additional steeplechase meets. Do you think this expenditure will also open the door, if you will, to a little more communication, a better working relationship and bring this group in to the fold so that when we do start talking about overarching marketing concepts or a nexus between steeplechase crowds and developing a wagering audience, whatever it may be, is this going to create a better working relationship in your mind between the constituencies?

DR. ALLISON: Definitely.

MS. EASTER: Can't hurt.

DR. ALLISON: Definitely all of the above.
CHAIRMAN VAN CLIEF: All right. Thank you. Any questions for Mr. Hannum or the management team on the 2018 VEA budget? If not, could I have a motion to approve as submitted, please?

COMMISSIONER SIEGEL: So moved.

COMMISSIONER REYNOLDS: I will second.

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

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: None opposed. The budget is approved as submitted and if you do see something coming down the road that looks like a major adjustment, please give us a heads up during the year.

MR. HANNUM: Great. Thank you, Commissioners.

CHAIRMAN VAN CLIEF: Thank you very much.

Okay. Last in this category of approvals, we have a request to approve the Thoroughbred breeder and Stallion award totals for 2017. Mr. Lermond, are you going to give us a quick update on that?

MR. LERMOND: I'll start this one out, and Debbie, if you want to jump in at any point, please do.

For the last couple of years, the amount of breeder and Stallion awards, instead of at the
beginning of the year trying to determine what the amount will be, we wait until closer to the end of the year because we're not sure how much we're going to spend for owners bonus awards at Great Meadow and different things.

But if you look under Tab 5 of your books, to the right-hand side you'll see an estimated statement of contributions and payments for the Thoroughbred portion.

As you can see, the carry over to '17 was 466,000, so that's the money that we had last year to spend on the breeder and Stallion awards, and because that had been less than prior years, normally the Stallion award total is 500,000 and the Stallions were 25.

Because we only had the 466 to work with, we decided, the Breeders Fund subcommittee decided to reduce that, each of those by 20 percent. So in essence, we only gave 400,000 to the breeders and 20,000 to the Stallions.

Because of the OTBs operating in 2018, there was, if you look at the bottom there, the estimated ending balance this year is 560,000, so that extra 100,000 really came from the OTBs being up and running.
So as a result, not only can we go back to the $500,000 level for the breeders awards, but Ms. Easter and I had talked and her Breeders Fund committee with the approval of the VTA's Board of Directors recommended that we up the 500,000 by five percent to make it to 525,000 for the breeders awards and to leave the Stallion awards as they are at 25,000, because quite frankly, there's really not that many Stallions and I think that 25,000 is still a pretty adequate number as awards are stacked.

So based on those recommendations and Staff's estimate that there will be enough money to do so, I would seek a motion for 525,000 for the breeder awards and 25,000 for the Stallion awards from the Thoroughbred portion of the Virginia Breeders Fund.

COMMISSIONER REYNOLDS: So moved.
COMMISSIONER SIEGEL: Second.
CHAIRMAN VAN CLIEF: Questions or discussion? All in favor, signify by saying aye.

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Thank you very much.

MR. LERMOND: You're welcome.

CHAIRMAN VAN CLIEF: Okay. We've already accomplished the report on strategic planning and approved it. So that takes us back, Mr. Hannum, to
you again for an update on activities of the VEA.

MR. HANNUM: Great. Thank you. So on OTB development, just as a reminder, we have our two Richmond sites, Breakers and Ponies & Pints. We have our new OTB up and running down in Chesapeake, which is Buckets.

We have a license for the Collinsville site. We are moving forward with getting that built out and hope to have that up and running within the first quarter of 2018. We have a site identified for Hampton and we are in the process of putting together an application to go before the city for the permit that we'll need for Hampton, so that's our immediate activity.

Then we'll be looking to find a new site in Vinton where we thought we had a site, but then the city asked us to reconsider. So that's our immediate focus right now for the OTB development process.

I spoke to the numbers a little bit, but just as a reminder, Ponies & Pints is doing about 25,000 a day; Breakers a little over 30, and Buckets, our new site, is doing about 27,000 a day. So we've been pleased with that. That's where we are with the OTBs. Any questions on that?
COMMISSIONER SIEGEL: I think it was referred to earlier, but the marketing of these going forward, existing and new, how much is allocated to do that beyond what's in the budget? A number of items we covered under that line item in the budget. I see Darryl is here. Is he doing that for you?

MR. HANNUM: Yes. So Darryl is our Director of Communications and Marketing, and so I'm just looking at a breakdown on the OTB budgets and we have about $40,000 for each site for next year for each of the different sites, and they're all unique in their own way in terms of what's going to be appropriate in terms of the market.

We can lay out a more detailed presentation next time if you'd like on the marketing, but we have about $40,000 for each site allocated to next year.

COMMISSIONER SIEGEL: It's essentially still a start-up in some ways --

MR. HANNUM: Yes.

COMMISSIONER SIEGEL: -- and certainly new ones are. I just think it's important, particularly if you're having some early success, to grow it in terms of the revenue much faster because incremental dollars are more profitable.

So my own personal opinion is that you put more
in, if possible, if it makes sense to get more recognition from the area of customers as well.

I don't know what kind of media you use. Newspapers get very expensive. I don't know whether you do radio or social media or how you're allocating that $40,000, but I think it's a lot of potential in that and just spend it wisely.

MR. HANUM: Great. Thank you.

MS. EASTER: I spent yesterday at Buckets with Mary and Jason and one of the things we talked about is right after the first of the year, we need to put together a marketing committee and sit down and spend a day on figuring out how to do it.

I think social media is a lot of what is going to go on, but I think we really need to come, as Jeb said, with a plan, but it's already in the works. As I said, we've been shooting from the hip. Now it's time to get a little more organized.

COMMISSIONER SIEGEL: Social media is sort of a unique thing to most of us who didn't grow up with social media. It takes sort of a unique skill to do that right. I'm sure Darryl has the capability, but hopefully, you have some young folks who really understand it and can help.

MS. EASTER: We're working on that.
MS. NIXON: You're old, Darryl.

COMMISSIONER SIEGEL: Don't take it personally, Darryl.

MS. EASTER: I do think I agree with you, Commissioner, that that's important. As you can see from Dave's report on the Breeders Fund, it's nothing but positive and we haven't done as much as we could yet.

COMMISSIONER SIEGEL: Great.

MR. HANNUM: Thank you.

CHAIRMAN VAN CLIEF: If we could take Jeb up on his offer and at some point when you're comfortable with it, I assume earlier in the year once you have your committee constituted and you have a plan in hand, I think we'd love to --

MR. HANNUM: Hear a little bit more about that.

CHAIRMAN VAN CLIEF: -- hear about it.

Absolutely.

MR. HANNUM: Great.

MR. LERMOND: Mr. Chairman.

CHAIRMAN VAN CLIEF: Yes.

MR. LERMOND: Jeb, I just had one question. You alluded to the progress in Hampton. Given the agenda today, we've covered some things that we normally would have done in the January meeting, so
I don't want to put you on the spot, but if you anticipate having an application for the Hampton site by the middle of January that's fine, but if you don't, perhaps maybe the Commission could forego the January meeting and do one early in February, but I defer to you on that.

MR. HANNUM: Okay. I don't think it matters a whole lot if it's a couple weeks one way or the other. If there's a meeting early in February we could shoot for that.

MR. LERMOND: Would the extra couple of weeks help you out as far as having a little bit more time to get everything together for the application?

MR. HANNUM: Certainly.

MS. EASTER: I think at this point because of the process it has to go through, through the city, I don't think whether January or February it doesn't matter to us at this point because it will still be going through that city process through March.

MR. HANNUM: Yes. Why don't we just plan on February and there's no point in having a meeting in January just for that. So we can just plan on February on our side.

MR. LERMOND: If Mr. Chairman is okay with that we can consider it.
CHAIRMAN VAN CLIEF: Unless we have something else that comes up that demands action, I think that will suit everybody.

MR. HANNUM: Thank you. So that's the OTB development. The next item is the Virginia Certified Program. Debbie, do you want to talk about that?

MS. EASTER: Sure. I'd love to speak just a little bit to all of the programs because I don't think I did a very good job when I was doing my budget.

Some of the most positive things we've done this year and the Alliance has done is these new incentive programs. We started over a year ago with a bonus program for Virginia-bred horses that gave the owners of Virginia-bred horses a 25 percent bonus on their win anywhere in the Mid-Atlantic.

While I can't speak to how exact numbers on that -- that has been -- from our members that breed horses here, at the horse sales, that has certainly been something that has created value for their houses.

Can I tell you that it has created any more breeders in the state? No. I don't think so. The hardest thing that we have with breeders -- creating
new breeders in this state is competing with the
states all around us that have casino wagering that
have much larger breeder funds.

You heard Dave talk about the total of our
Breeders Fund; it's still under $1 million. We're
competing with states that at the least have $4
million in their Breeders Fund and go all the way up
to $27 million, so that's something that we're going
to have to work on.

The greatest thing that came out of one of our
VEA meetings was the new Certified Program,
structured very similar to Delaware's program,
except for horses in order to be certified, come to
Virginia for a residence of a six-month time period.

That has been what looks to be from numbers --
I've got a few farmers here that are going to talk
to you, but this is doing just great things bringing
horses in to Virginia.

We started it in July. We've got about 334
applications for horses that have -- some of them
were here in the state, but I'd say the majority of
those are horses that have come from out-of-state.

I think that Stephanie and Woodberry are going
to talk to you about what it has done for their
farms, but it's creating new membership in the VTA.
To get the better prices they have to be members, so it's just putting a smile on everybody's face, which is a great thing. But I'm going to let two of many that are benefiting from this program, I'll let them talk to you and tell you about a few people that I have talked to. But go ahead, please.

MS. NIXON: Not only has it brought new business in, my current clients are staying longer in order to be eligible for the program. I got a call yesterday from a new client who I've been trying to get their business for years and years and years.

So he's sending me three weanlings down to be eligible for the program. So it's an extremely positive thing. I'm turning people away. I have become selective on who I take in. So it has been wonderful.

MS. EASTER: Have you hired new employees?

MS. NIXON: Oh, new employees, I've got to build a new running shed. There's just a lot of things now that I've got to think about. It kind of surprised me it caught on that quickly. So I really wasn't prepared for it, to be honest with you.

MS. EASTER: Woodberry, why don't you, if you don't mind talking about you, and since you read Karen Dennehy or Godsey's thing and I left my phone
sitting in the car, if you wouldn't mind summarizing what she said also. This is Woodberry Payne.

MR. PAYNE: Good afternoon. I'm Beale Payne. Some of you know me as Woodberry Payne. I run a training and breaking operation outside of Orange, Virginia on James Madison's Montpelier.

Currently, I have 75 horses in training. I have expanded my operation on the property. I have hired -- I think I pick up this new person today -- seven more employees. I have increased the wage base of my existing employees. This program has helped me be able to raise my day rate as well, which is trickling out throughout the industry.

I have turned down in excess of 25 horses within the last few weeks and I've referred those horses to other operations in Virginia.

There's not a horse sale that I go to that people aren't picking my brain about this program, from Saratoga to Kentucky through the Maryland stables. I actually sent horses to people from this last Maryland sale here in December.

I think it's beyond people's expectations. The economic impact is going to be tremendous because Karen Dennehy or Godsey, rather, noted that she is making capital improvements to her farm. She's
hired five more --

MS. EASTER: Five or six I think she said.

MR. PAYNE: -- five or six as well. It has increased her business. What am I leaving out?

MS. EASTER: I think the same. She reports that she's full. I will throw out a few names, just because they're older folks that you probably heard of over the years. Spencer Young. Woodberry put Spencer Young back in business. You tell them.

MR. PAYNE: Well, I don't take weanlings, but I feel like I'm the frontman, to a certain regard, for the program because people know me throughout the industry and I've been able to fill several farms with weanlings.

I've gotten Spencer Young, who is a life-long horseman back into the industry and he's ready for up to 20. He's hired people and rebuilding his farm once again.

MS. EASTER: Where I call -- Susan Kuhney, full; Diana McClure, full; Jeanne Wolfe, full; Pat Mooch, staying alive because of the program and he's got a lot more stalls. But you know, it just is amazing to call around and hear what's going on.

I know that maybe 334 horses doesn't necessarily seem like a lot, but when you consider we only breed
about a little over 100 every year now, it's a huge deal.

Everybody I call, hiring people. Karen says she's building sheds, building round pens. It's going to allow the infrastructure to be able to stay in Virginia and for us to thrive.

I hope we're going to be 375-ish, 350, 375 is what I guess we think. We had put out 400, but I don't think any of us knew how quickly and how positive this was going to be for our members and the people doing business here.

So it's something while we may not be able to compete on a breeders incentive program at this point, this is something we may be able to even improve upon and bring more horses here.

And to tell you the truth, it's probably good that I expect next year to be better, but it allows us and our farms to kind of gear up a little bit instead of just being run over, but in most every circumstance, it's nothing but positive.

MR. PAYNE: Part of the groundwork was laid by having the Owners Bonus Program for Virginia-breds. That put the idea out there. I have two trainers that, yeah, I had this Virginia-bred and all of a sudden this check showed up in the mail. So they
see that with the Virginia Certified Program as well and we're making inroads in all states throughout the Mid-Atlantic.

MS. EASTER: It's really something cool.

CHAIRMAN VAN CLIEF: That's impressive.

MS. EASTER: It is.

CHAIRMAN VAN CLIEF: A good, creative program with better than expected results. It sounds like you're driving business and you can see the ripple effect.

MS. EASTER: The other positive about this, besides the numbers of applications we have, but actually because these farms have to be certified, we know where they are. We know where the horses are.

So coming down the pipe, I think we'll actually have some pretty good numbers other than, you know, that he hired six people and we did this. I think we'll be able to easily put some numbers together that'll be pretty helpful. I think we're probably a couple years off from that, but it's pretty cool.

CHAIRMAN VAN CLIEF: Excellent. Any questions about the program?

COMMISSIONER REYNOLDS: Congrats.

COMMISSIONER SIEGEL: That's great news.
MS. EASTER: That's very neat.

CHAIRMAN VAN CLIEF: Debbie, would you remind us how much is going in to that now and what is the total funding at this point?

MS. EASTER: So it's a phase in the funding process. The HBPA was nice enough to agree to fund this, but what happens is it's $100 per horse to register. We are turning -- when you talk about marketing, that's about $30,000 or $34,000 worth of advertising. I'll tell you we've spent 50 or 60,000 just trying to get this out there.

As far as the funding goes, we started it with a 2016 foal crop because we didn't want to come and just have everything get -- so next year -- I don't have the numbers in front of me, but I believe at the average two-year-old win rate and the numbers that we have in here, I think the spend on it is something in about the $100,000 range.

It ramps all the way up as those horses get older and once we're fully -- the horses are fully graded all the way through their five-year-old year, I think we're projected to spend about $2.5 million on that. Hopefully, we did the numbers correctly.

In this scenario, if we did them wrong and we get more horses, it's a good thing. It's a win-win
for Virginia. It's keeping farms going and keeping green space and it's important for agriculture.

CHAIRMAN VAN CLIEF: Hearing about maxing out at capacity on your farms and adding employees is really impressive.

MS. EASTER: I bet you there's ten farms that are maxed out that I've called that are full. That hasn't happened around here in a long time.

CHAIRMAN VAN CLIEF: That's good news.

MS. EASTER: It is good news.

CHAIRMAN VAN CLIEF: Thank you. Great report.

Okay. That takes us to the public comments. Is there anybody who would like to say anything today? All right. If not, Commissioner comments.

COMMISSIONER REYNOLDS: It's great to hear that news.

COMMISSIONER SIEGEL: I'm encouraged by the last report as well. I think mandate of the legislation that brought us all here talks about the native industry in the Commonwealth and we've had some down years with the racetrack closing and whatnot; hasn't been a lot of good news.

This is certainly something we should get the word out there, make sure that our legislature's aware of what's going on.
Additional jobs and revenues on these farms
trickles all the way down to the feed folks. I
think it's good to get that kind of information out.

MS. EASTER: Sure. I agree. It's just pretty	nice for something you just started less than six
months ago.

CHAIRMAN VAN CLIEF: My only comment today is
just one more time to congratulate the industry on
development of the plan that you submitted today. I
think that is a major milestone and I hope it will
be as useful as we all think it will be. Well done
on that. Thank you for your efforts.

At this point, I would like to ask counsel if we
can go into closed session. We've got some issues
to discuss with regards to the ongoing deliberation
surrounding the potential sale of Colonial Downs,
and we need to get updated and talk about some of
the issues that may present themselves in that
context.

Mr. Pitchford, can we head in that direction,
please.

MR. PITCHFORD: Thank you, Mr. Chairman.
Someone would need to make the following motion.
In accordance with the provisions of Section
2.2-3711 (A) (8) of the Code of Virginia, I move the
Commission go into closed meeting for the purpose of consultation with legal counsel employed or retained by a public body regarding specific legal matters requiring the provision of legal service by such counsel concerning the possible sale of the Colonial Downs racetrack. Commissioners will only ask counsel questions and will not engage in deliberations or any other activity.

COMMISSIONER REYNOLDS: So moved.

CHAIRMAN VAN CLIEF: Second?

COMMISSIONER SIEGEL: I second.

CHAIRMAN VAN CLIEF: All in favor?

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? All right. That will be it. We'll just come back and adjourn. If any of you want to stay, that's great; otherwise, that will take care of our agenda for today. We will meet next door, I presume. Thank you all very much. Thank you for your reports today.

NOTE: The Commission went into closed session from 2:23 p.m. until 3:11 p.m.; thereafter, the meeting reconvened as follows:

CHAIRMAN VAN CLIEF: All right, sir. If you will lead us through the relevant motion, please.

MR. PITCHFORD: Thank you, Mr. Chairman. We
need a member of the Commission to move as follows.
I move the adoption of the following resolution:

WHEREAS, the Virginia Racing Commission has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of
Information Act; and WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by this Commission that such closed meeting was conducted in conformity with Virginia law; NOW,
THEREFORE, BE IT RESOLVED, that the Virginia Racing Commission certifies that, to the best of each member's knowledge, only public business matters lawfully exempted from open meeting requirements under the Virginia Freedom of Information Act and only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Commission in the closed meeting.

COMMISSIONER SIEGEL: I'll say yes.

CHAIRMAN VAN CLIEF: I'll second.

COMMISSIONER REYNOLDS: I'll third.

MR. PITCHFORD: Mr. Chairman, as you're aware, for purposes of the law, we need a roll call vote.

CHAIRMAN VAN CLIEF: Thank you for the reminder.
Commissioner Reynolds.

COMMISSIONER REYNOLDS: Aye.

CHAIRMAN VAN CLIEF: Commissioner Siegel.

COMMISSIONER SIEGEL: Aye.

CHAIRMAN VAN CLIEF: And I vote aye. The motion passes unanimously. Thank you very much. I also need a motion to adjourn, please.

COMMISSIONER SIEGEL: So moved.

COMMISSIONER REYNOLDS: Second.

THE COURT: Second. Any opposed? We stand adjourned and thank you very much.

NOTE: The meeting of the Virginia Racing Commission is adjourned at 3:13 p.m.
CERTIFICATE OF COURT REPORTER

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

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

Given under my hand this 5th day of January, 2018.

Sandra G. Spinner
SANDRA G. SPINNER
COURT REPORTER