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VIRGINIA RACING COMMISSION

December 14, 2017

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

Commencing at 1:00 p.m.

COMMISSION MEMBERS:
D.G. Van Clief, Jr., Chairman
J. Sargeant Reynolds, Jr.
Stuart C. Siegel

COMMISSION STAFF:
David S. Lermond, Jr., Executive Secretary
Rhonda F. Davis, Pari-Mutuel and Licensing Coordinator

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

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

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

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

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

25 MR. PITCHFORD: Mr. Chairman?

1 CHAIRMAN VAN CLIEF: Yes.

2 MR. PITCHFORD: I'm sorry to interrupt.

3 CHAIRMAN VAN CLIEF: Counselor.

4 MR. PITCHFORD: Before we get in to any action
5 items, we might want to note the presence of a
6 quorum.

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

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

21 COMMISSIONER REYNOLDS: Mr. Chairman, I
22 canvassed the rest of the commissioners and I have
23 no takers for you, but in all seriousness, I think
24 I'm speaking on behalf -- I feel like most of the
25 commissioners would agree that with all that's going

1 on with the pending sale of Colonial Downs and being
2 in the middle of our very important strategic
3 planning study, all that has been going on in the
4 Commission, and I know you've served us well for two
5 years, you were looking forward to maybe stepping
6 down to my side of the table, but I think with all
7 that has been going on and the terrific job and the
8 leadership that you've shown over your entire tenure
9 on the Commission, but certainly as Chairman, that I
10 think it would be appropriate to nominate you to
11 continue as chairman for the 2018 year.

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

14 COMMISSIONER SIEGEL: I will second that.

15 CHAIRMAN VAN CLIEF: All those in favor?

16 NOTE: The Commission votes aye.

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

22 Now, we do need and have been without for a
23 couple of months a vice chairman, and I would like
24 to take the bull by the horns as well on that one.
25 I have talked to my fellow commissioners, all of

1 them on this issue. It seems to me that the
2 Commission has been well served by fairly frequent
3 rotation in officers, and also it seems obvious to
4 me that we have an extraordinarily well-qualified
5 Commission; four out of five of us having already
6 served as chairman.

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

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

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

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

1 nomination as vice chairman.

2 COMMISSIONER SIEGEL: I second that as well.

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

6 COMMISSIONER REYNOLDS: A great choice.

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

10 NOTE: The Commission votes aye.

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

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

16 COMMISSIONER SIEGEL: I move they be approved.

17 COMMISSIONER REYNOLDS: I second it.

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

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

1 under the VEA banner.

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

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

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

20 So I would like to call on Mr. Bryant to give us
21 a briefing from his perspective on our plan, and
22 what we are going to do today is listen to
23 Mr. Bryant. Mr. Hannum will follow him with a
24 briefing from VEA's standpoint, and today is the day
25 and the plan has been submitted in writing to my

1 fellow commissioners and today's the day that the
2 VEA actually submits the strategic planning draft to
3 this Commission.

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

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

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

14 CHAIRMAN VAN CLIEF: Thank you.

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

23 The VEA and the stakeholder group worked over
24 five meetings and four months to come up with a plan
25 that's before you and it hits on five main areas and

1 there are five main recommendations. I will speak
2 to those five areas in sort of highlighted fashion,
3 then there are details and nuances under each I'll
4 elude to, but I certainly reserve and recommend that
5 Ms. Easter, Mr. Hannum and others speak to the
6 details and nuances and those kind of issues, as
7 they are much better equipped.

8 The first main area was that the industry
9 maintain a strong alliance. It was quickly agreed
10 that since the advent of the Virginia Equine
11 Alliance that it has done wonders in bringing
12 diverse stakeholders together within the industry.

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

17 So the first and quite easy recommendation was
18 that the VEA continue to be the recognized voice for
19 the industry. The VEA does not act whimsically or
20 in a vacuum. They are very strategic with their
21 stakeholder constituencies. So I recommend they
22 continue to be the recognized voice of the industry
23 as a whole, and that the Virginia Racing Commission
24 continue recognizing in turn the VEA as the
25 industry's recognized voice.

1 The second main recommendation is that the
2 industry develop and maintain a recognizable live
3 racing product that is a brand. It's very important
4 that this industry be seen especially regionally but
5 nationally as well, is very viable in all aspects in
6 flat track, in harness racing and jump racing as a
7 strong, united industry.

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

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

24 That gets into the third area, which is growing
25 industry revenue. This is where the strategic

1 Planning Committee spent the bulk of their time.
2 Everyone recognizes the bottom line is the bottom
3 line. It is what so much else depends on.

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

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

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

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

25 The fourth category is developing regionally and

1 nationally recognized racing venues. Everyone
2 agrees that Colonial Downs, while having some
3 challenges, is quite a nice facility. It is
4 renowned for its turf track and that to the extent
5 possible under current market circumstances, we
6 recommend that we continue supporting Colonial
7 Downs, doing everything that we can as an industry
8 and encouraging you as a Commission to work with the
9 potential new owners to get Colonial Downs open.

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

22 It was agreed that supporting harness racing is
23 a priority as well. We acknowledge the good work
24 that the harness racing folks have done securing
25 Shenandoah County fairgrounds as their new

1 twenty-year home. It was agreed that there are
2 facility improvements that need to be made, so we
3 recommend that you continue supporting harness
4 racing at Shenandoah.

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

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

21 Last, I'll finish with this. The first and
22 final recommendation was continuing doing what
23 you're doing in terms of supporting industry
24 incentives. The Virginia-bred Owners Bonus Program,
25 the Certified Program, the Breeders' Fund. It was

1 noted that much of the success that we recognize in
2 these programs, one of which is new, is largely
3 anecdotal. We all agree that it's successful and
4 off to a good start, but we probably need to
5 document and better track the success so we see
6 exactly where the successes are and define them,
7 speak to them authoritatively and also recognize
8 where they can be improved, as the VEA and their
9 industry partners perhaps think of other such
10 programs to fully develop them and bring to you the
11 best business case possible for your consideration
12 if there are to be other incentive programs for your
13 consideration.

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

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

20 MR. HANNUM: So thank you, Preston. That
21 summary was excellent and there's not a whole lot
22 more to add. I'll just say that I felt the meetings
23 were really good for the group. I thought it was
24 just very beneficial to have a neutral person
25 leading us through some really good discussion.

1 It was very timely. I thought we just had a lot
2 of robust discussion about issues that we hadn't
3 really been able to dive in to as group, so I just
4 thought it worked out very well and Preston did a
5 very good job, so thank you very much.

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

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

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

23 The discussion around additional revenue for the
24 industry I thought was very important, particularly
25 looking at other sources of revenue outside of the

1 SWFs and ADWs, so that was a very important
2 discussion.

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

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

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

1 we all look towards as we move forward.

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

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

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

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

1 that's important.

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

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

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

23 MS. EASTER: I'll start. I think it's a great
24 start and a great template for going forward.
25 Things change as you all have sat on this Commission

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

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

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

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

25 MS. NIXON: I think it's a great thing. It's

1 very well thought out and well planned and actually
2 gives hope for flat racing in Virginia, so I am
3 very, very excited about it and look forward to
4 moving forward with it.

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

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

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

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

21 CHAIRMAN VAN CLIEF: Well, thanks for your
22 response.

23 MR. BRYANT: Mr. Chairman, the only other thing
24 I'll say is this is perhaps a five-year plan. I
25 don't think we made that clear. In Appendix A is a

1 recommended implementation of the timeline. It's
2 one thing to have a plan and another thing to go
3 full tilt, but there are suggested expectations as
4 to its implementation, so that is part of it as
5 well.

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

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

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

25 COMMISSIONER REYNOLDS: I've got a question.

1 CHAIRMAN VAN CLIEF: Yes, sir.

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

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

16 We're talking here about raising revenues and
17 all that revenue comes from the fans and the fan
18 base, so when you make a statement learning about
19 the concurrent interests of the Virginia horse
20 racing fan base, what kind of discussions did you
21 all have in talking about the fans themselves and
22 what you all are going to do to attract fans,
23 whether it's hopefully one day historical racing or
24 more ADWs or coming to the satellite wagering
25 facilities?

1 I, for one, would think the fan, most fans, my
2 being a fan, you know, I want quality, live racing
3 in a convenient location. That's the first thing I
4 would want as a fan. So what kind of conversations
5 did you all have in talking about your fans, those
6 folks that actually are going to be the ones that
7 produce the revenue so that we can race and sustain
8 the native industry and bring horse racing back
9 where it should be in Virginia?

10 MR. BRYANT: Yes, sir. I'll take the first stab
11 and turn it over to others. While admittedly this
12 was an industry stakeholder group, it was designed
13 to be an industry stakeholder group. With that
14 said, it was not made self-interested by one certain
15 stakeholder and every one of the five substantive
16 meetings and every recommendation and in every
17 sub-element of the recommendation there was a
18 discussion about how this would play with the fan
19 base, would it hurt the fan base, how they would
20 react. We discussed in every meeting no matter the
21 topic how the industry is changing technologically
22 as well; how to make the user experience, the fan
23 experience better, more attractive, more exciting.

24 Commissioner Steger often talked about the
25 family, how the traditional horse race

1 constituencies -- and there's also a growing family
2 event -- how we could attract more families,
3 especially to the jump races, but also to a very
4 attractive and exciting flat track and harness track
5 event.

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

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

22 COMMISSIONER REYNOLDS: Thank you very much.
23 The last question is regarding the ADWs and talking
24 about trying to expand them up in Northern Virginia.
25 Maybe I should know the answer to this, but I know

1 with the satellite wagering facilities we need to
2 pass a local referendum. Do you need to do that
3 with ADWs and kiosks in Northern Virginia or places
4 that have not passed a referendum yet?

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

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

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

20 CHAIRMAN VAN CLIEF: Thank you very much.
21 Commissioner Siegel.

22 COMMISSIONER SIEGEL: I'm good.

23 CHAIRMAN VAN CLIEF: All right. If there are no
24 other questions or items to discuss with regards to
25 that plan, I think we can go ahead and I'd like to

1 ask for a motion to accept the plan as submitted and
2 approve it.

3 COMMISSIONER REYNOLDS: So moved.

4 COMMISSIONER SIEGEL: I do second.

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

7 NOTE: The Commission votes aye.

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

14 MR. BRYANT: Thank you, sir.

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

24 MR. LERMOND: Sure. I think one step would be
25 our website as well as the VEA's website.

1 CHAIRMAN VAN CLIEF: All right. Great. Are you
2 both comfortable with that?

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

5 COMMISSIONER SIEGEL: Let's look at it.

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

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

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

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

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

1 email in or contact us.

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

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

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

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

23 I see no reason why we shouldn't approve the
24 renewal of their application, and Mr. Pitchford says
25 it's okay if in the interest of time if one of you

1 would like to make a motion to approve all four at
2 one time we can do that and Staff would recommend
3 that you do so.

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

7 COMMISSIONER SIEGEL: I will.

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

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

14 NOTE: The Commission votes aye.

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

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

21 MS. EASTER: Sure. Thank you very much. Just a
22 brief history of where we are on this budget and
23 where we are today compared to about four years ago
24 when Mr. Siegel was chairman and Easter Associates
25 took over the management of the VTA.

1 It was also a time when things were starting to
2 come apart here in Virginia. The Breeders Fund, for
3 those of you who don't know, is funded by one
4 percent of the wagering handle here in Virginia, but
5 it was decreasing rapidly, and upon his good
6 business insight realized that what happens is that
7 the VTA has been awarded \$190,000 to administer and
8 promote the fund since basically the beginning of
9 time or at least as far as I remember back.

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

15 Last year was probably our low at 600,000, so
16 Ian expressed the desire to the administration.
17 At that point, the VTA was probably taking about
18 \$105,000 in administrative costs, which also
19 included not only the money that we were awarded but
20 registration money also.

21 So we cut it at the Chairman's suggestion to
22 about \$77,000. So what the rest of everybody
23 probably doesn't know is that the VTA, like other
24 organizations, is a member organization. We have to
25 raise most of our money. So at the same time the

1 Breeders Fund was taking hits, so was the VTA.

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

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

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

21 I was -- at the time told you all I'm not sure
22 most everybody thinks of that as promotion of the
23 fund. Our industry was fractured enough and we were
24 losing members and breeders quickly. We had to do
25 stuff to bring everybody together.

1 So for 2018, I think financially the fund itself
2 is in better shape, the VTA is in better shape
3 because everything is going positively. I actually
4 think that the expenses we tried to put over here
5 are more about promoting the fund and bringing
6 horses here to Virginia.

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

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

21 But those are the three big changes that I
22 wanted to point out to you in our budget for 2018.
23 We'd like to spend -- basically, I asked for the
24 190,000 again, and instead of 77 being targeted
25 towards administration, that we would target 87

1 towards that and the rest of it would be spent on
2 promotion and trying to move this industry forward.

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

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

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

13 COMMISSIONER SIEGEL: I will move it.

14 COMMISSIONER REYNOLDS: I will second it.

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

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

21 MR. LERMOND: Mr. Chairman, Commissioners.
22 Behind Tab Three in your books is the budget
23 submitted by the Virginia Harness Horse Association,
24 submitted by its executive secretary, Iain
25 Woolnough.

1 This budget is very familiar to me because it
2 has been the same the last ten years, I think. Much
3 simpler, more straight forward than what Debbie just
4 explained, partially because there aren't as many
5 horses to keep track of.

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

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

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

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

20 CHAIRMAN VAN CLIEF: I'll move we approve.

21 COMMISSIONER SIEGEL: Second.

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

24 NOTE: The Commission votes aye.

25 CHAIRMAN VAN CLIEF: That passes as well. Next

1 in line is a request for the approval of the VEA's
2 budget for 2018. Mr. Hannum, are you going to give
3 us that? That should be under Tab Four.

4 MR. HANNUM: Great. Okay. Thank you. This
5 will be, I believe, the fourth budget. I think we
6 did a half calendar year in 2015, then we did a full
7 budget in '16 and then '17, so this will be our
8 fourth, I believe, that we've submitted to the
9 Commission.

10 We sort of treated these budgets a little bit as
11 a framework for what we anticipate for the coming
12 year, and with each year things are becoming a
13 little bit more solidified and normal and patterns
14 are developing, and so I'll talk through the budget.

15 I'm looking at the document that at the top says
16 Draft Budget for the Year Ending December 31st,
17 2018, and we hope that we could come back to the
18 Commission if there are some changes or some things
19 come up and we can reconsider aspects of it if
20 necessary.

21 This is kind of where we are and what we are
22 looking at for next year. Please interrupt me if
23 you want me to speak to a specific point in more
24 detail. I won't go through every single one of
25 these lines, but I'll start at the top with Line

1 One, which is the main source of revenue for the
2 VEA, which is the ADW money. Lines Two and Three
3 point to the rebates that we provide the four
4 licensed ADW companies, and then Line Three is the
5 statutory distributions.

6 So Line Four is the net proceeds from ADW which
7 is a little over \$1.8 million. Line Five is the OTB
8 revenue. That's based on the expectation that we
9 have three OTBs operational for the full year in
10 2018, and then we would have three operational for
11 part of the year. Then maybe we would have two more
12 up and running, but it's looking at six OTBs, but
13 not necessarily with all six operating for the full
14 year. That may change. We may run into a problem
15 or we may be able to accelerate that, but that's
16 what that is based on.

17 So the three OTBs we can be pretty certain we
18 can make a pretty good estimate on what that will
19 be. On the other three, it'll be only open for part
20 of the year. That's more of an estimate. So net
21 revenue for the VEA brings you to a little over
22 13 million.

23 Then Lines Eight through Eleven get into race
24 day expenses for Shenandoah and then support for the
25 Virginia Gold Cup.

1 Lines 12 and 13 is some money that we have
2 allocated for maintenance for Shenandoah. We're due
3 to meet with the representatives from the fair in
4 January or February and look at what sort of items
5 we can invest in for improvements for next year.

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

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

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

23 Lines 31 through 34 just speak to other
24 initiatives we support in the statute in the Racing
25 Act. We are required to support retirement programs

1 and we've done that each year and will carry on. We
2 had made -- Line 33 we had made a contribution to
3 the Virginia Point To Point Association and we want
4 to continue that.

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

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

18 And then we have two items here; debt reduction.
19 When we built the track out at Shenandoah, the VHHA
20 lent us \$300,000. We paid back 150 of it this year
21 and we're scheduled to pay back the balance next
22 year. And then the HBPA lent the VEA at its
23 inception \$250,000 to enable us to get up and
24 running before we had revenue, and we would be
25 looking to pay back some of that debt. So that

1 would leave us a little over a half million dollars
2 to work with.

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

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

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

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

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

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

25 MR. HANNUM: well, yes. I spoke at a number of

1 Commission meetings this year about the OTBs in
2 terms of I think I spoke to the time that it takes
3 to identify a site and get a partner on board, and
4 some of those OTBs that we hoped to have up and
5 running this year didn't pan out.

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

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

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

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

21 MR. HANNUM: Yes. So now we're moving into the
22 second full year. Now we can start to make
23 comparisons on a month-by-month basis. So that will
24 give us the ability to look a little bit, really
25 take a hard look at the numbers and see how we are

1 tracking compared to the pegasus weekend compared to
2 last year and Kentucky Derby and those sort of
3 things.

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

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

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

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

1 CHAIRMAN VAN CLIEF: Mr. Lermond.

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

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

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

20 MS. EASTER: We know we had a five-year plan,
21 but we know what sponsorship -- how hard it has been
22 to get sponsorship in the last years. The VEA is
23 part of the industry, so we thought if we could just
24 help them with one sponsorship on one race meet,
25 that would be a big help to them.

1 DR. ALLISON: In the conditions, it's always
2 Virginia horses preferred.

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

7 MR. HANNUM: Yes.

8 MR. LERMOND: Thank you.

9 MR. HANNUM: Thank you.

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

23 DR. ALLISON: Definitely.

24 MS. EASTER: Can't hurt.

25 DR. ALLISON: Definitely all of the above.

1 CHAIRMAN VAN CLIEF: All right. Thank you. Any
2 questions for Mr. Hannum or the management team on
3 the 2018 VEA budget? If not, could I have a motion
4 to approve as submitted, please?

5 COMMISSIONER SIEGEL: So moved.

6 COMMISSIONER REYNOLDS: I will second.

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

9 NOTE: The Commission votes aye.

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

15 MR. HANNUM: Great. Thank you, Commissioners.

16 CHAIRMAN VAN CLIEF: Thank you very much.

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

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

24 For the last couple of years, the amount of
25 breeder and stallion awards, instead of at the

1 beginning of the year trying to determine what the
2 amount will be, we wait until closer to the end of
3 the year because we're not sure how much we're going
4 to spend for owners bonus awards at Great Meadow and
5 different things.

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

10 As you can see, the carry over to '17 was
11 466,000, so that's the money that we had last year
12 to spend on the breeder and Stallion awards, and
13 because that had been less than prior years,
14 normally the Stallion award total is 500,000 and the
15 Stallions were 25.

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

21 Because of the OTBs operating in 2018, there
22 was, if you look at the bottom there, the estimated
23 ending balance this year is 560,000, so that extra
24 100,000 really came from the OTBs being up and
25 running.

1 So as a result, not only can we go back to the
2 \$500,000 level for the breeders awards, but
3 Ms. Easter and I had talked and her Breeders Fund
4 committee with the approval of the VTA's Board of
5 Directors recommended that we up the 500,000 by five
6 percent to make it to 525,000 for the breeders
7 awards and to leave the Stallion awards as they are
8 at 25,000, because quite frankly, there's really not
9 that many Stallions and I think that 25,000 is still
10 a pretty adequate number as awards are stacked.

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

16 COMMISSIONER REYNOLDS: So moved.

17 COMMISSIONER SIEGEL: Second.

18 CHAIRMAN VAN CLIEF: Questions or discussion?
19 All in favor, signify by saying aye.

20 NOTE: The Commission votes aye.

21 CHAIRMAN VAN CLIEF: Thank you very much.

22 MR. LERMOND: You're welcome.

23 CHAIRMAN VAN CLIEF: Okay. We've already
24 accomplished the report on strategic planning and
25 approved it. So that takes us back, Mr. Hannum, to

1 you again for an update on activities of the VEA.

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

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

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

20 I spoke to the numbers a little bit, but just as
21 a reminder, Ponies & Pints is doing about 25,000 a
22 day; Breakers a little over 30, and Buckets, our new
23 site, is doing about 27,000 a day. So we've been
24 pleased with that. That's where we are with the
25 OTBs. Any questions on that?

1 COMMISSIONER SIEGEL: I think it was referred to
2 earlier, but the marketing of these going forward,
3 existing and new, how much is allocated to do that
4 beyond what's in the budget? A number of items we
5 covered under that line item in the budget. I see
6 Darryl is here. Is he doing that for you?

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

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

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

19 MR. HANNUM: Yes.

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

25 So my own personal opinion is that you put more

1 in, if possible, if it makes sense to get more
2 recognition from the area of customers as well.

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

8 MR. HANNUM: Great. Thank you.

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

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

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

25 MS. EASTER: We're working on that.

1 MS. NIXON: You're old, Darryl.

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

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

9 COMMISSIONER SIEGEL: Great.

10 MR. HANNUM: Thank you.

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

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

17 CHAIRMAN VAN CLIEF: -- hear about it.
18 Absolutely.

19 MR. HANNUM: Great.

20 MR. LERMOND: Mr. Chairman.

21 CHAIRMAN VAN CLIEF: Yes.

22 MR. LERMOND: Jeb, I just had one question. You
23 alluded to the progress in Hampton. Given the
24 agenda today, we've covered some things that we
25 normally would have done in the January meeting, so

1 I don't want to put you on the spot, but if you
2 anticipate having an application for the Hampton
3 site by the middle of January that's fine, but if
4 you don't, perhaps maybe the Commission could forego
5 the January meeting and do one early in February,
6 but I defer to you on that.

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

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

14 MR. HANNUM: Certainly.

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

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

24 MR. LERMOND: If Mr. Chairman is okay with that
25 we can consider it.

1 CHAIRMAN VAN CLIEF: Unless we have something
2 else that comes up that demands action, I think that
3 will suit everybody.

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

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

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

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

23 Can I tell you that it has created any more
24 breeders in the state? No. I don't think so. The
25 hardest thing that we have with breeders -- creating

1 new breeders in this state is competing with the
2 states all around us that have casino wagering that
3 have much larger breeder funds.

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

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

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

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

23 I think that Stephanie and Woodberry are going
24 to talk to you about what it has done for their
25 farms, but it's creating new membership in the VTA.

1 To get the better prices they have to be
2 members, so it's just putting a smile on everybody's
3 face, which is a great thing. But I'm going to let
4 two of many that are benefiting from this program,
5 I'll let them talk to you and tell you about a few
6 people that I have talked to. But go ahead, please.

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

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

17 MS. EASTER: Have you hired new employees?

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

23 MS. EASTER: Woodberry, why don't you, if you
24 don't mind talking about you, and since you read
25 Karen Dennehy or Godsey's thing and I left my phone

1 sitting in the car, if you wouldn't mind summarizing
2 what she said also. This is Woodberry Payne.

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

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

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

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

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

1 hired five more --

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

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

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

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

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

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

24 I know that maybe 334 horses doesn't necessarily
25 seem like a lot, but when you consider we only breed

1 about a little over 100 every year now, it's a huge
2 deal.

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

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

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

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

21 MR. PAYNE: Part of the groundwork was laid by
22 having the Owners Bonus Program for Virginia-breds.
23 That put the idea out there. I have two trainers
24 that, yeah, I had this Virginia-bred and all of a
25 sudden this check showed up in the mail. So they

1 see that with the Virginia Certified Program as well
2 and we're making inroads in all states throughout
3 the Mid-Atlantic.

4 MS. EASTER: It's really something cool.

5 CHAIRMAN VAN CLIEF: That's impressive.

6 MS. EASTER: It is.

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

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

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

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

24 COMMISSIONER REYNOLDS: Congrats.

25 COMMISSIONER SIEGEL: That's great news.

1 MS. EASTER: That's very neat.

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

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

12 As far as the funding goes, we started it with a
13 2016 foal crop because we didn't want to come and
14 just have everything get -- so next year -- I don't
15 have the numbers in front of me, but I believe at
16 the average two-year-old win rate and the numbers
17 that we have in here, I think the spend on it is
18 something in about the \$100,000 range.

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

24 In this scenario, if we did them wrong and we
25 get more horses, it's a good thing. It's a win-win

1 for virginia. It's keeping farms going and keeping
2 green space and it's important for agriculture.

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

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

9 CHAIRMAN VAN CLIEF: That's good news.

10 MS. EASTER: It is good news.

11 CHAIRMAN VAN CLIEF: Thank you. Great report.

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

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

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

23 This is certainly something we should get the
24 word out there, make sure that our legislature's
25 aware of what's going on.

1 Additional jobs and revenues on these farms
2 trickles all the way down to the feed folks. I
3 think it's good to get that kind of information out.

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

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

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

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

22 MR. PITCHFORD: Thank you, Mr. Chairman.
23 Someone would need to make the following motion.
24 In accordance with the provisions of Section
25 2.2-3711 (A) (8) of the Code of Virginia, I move the

1 Commission go into closed meeting for the purpose of
2 consultation with legal counsel employed or retained
3 by a public body regarding specific legal matters
4 requiring the provision of legal service by such
5 counsel concerning the possible sale of the Colonial
6 Downs racetrack. Commissioners will only ask
7 counsel questions and will not engage in
8 deliberations or any other activity.

9 COMMISSIONER REYNOLDS: So moved.

10 CHAIRMAN VAN CLIEF: Second?

11 COMMISSIONER SIEGEL: I second.

12 CHAIRMAN VAN CLIEF: All in favor?

13 NOTE: The Commission votes aye.

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

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

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

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

1 need a member of the Commission to move as follows.
2 I move the adoption of the following resolution:

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

20 COMMISSIONER SIEGEL: I'll say yes.

21 CHAIRMAN VAN CLIEF: I'll second.

22 COMMISSIONER REYNOLDS: I'll third.

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

25 CHAIRMAN VAN CLIEF: Thank you for the reminder.

1 Commissioner Reynolds.

2 COMMISSIONER REYNOLDS: Aye.

3 CHAIRMAN VAN CLIEF: Commissioner Siegel.

4 COMMISSIONER SIEGEL: Aye.

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

8 COMMISSIONER SIEGEL: So moved.

9 COMMISSIONER REYNOLDS: Second.

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

12

13 NOTE: The meeting of the Virginia Racing
14 Commission is adjourned at 3:13 p.m.

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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