

MINNESOTA RACING COMMISSION

MINUTES
FULL COMMISSION MEETING

Wednesday, February 22, 2006

4:00 PM

Shakopee Police Department
475 Gorman Street
Shakopee MN 55479

CALL TO ORDER: Chair Hitesman called the meeting to order at 4:09 PM.

ROLL CALL: Present: Commissioners Hitesman, Kozitza, Leegard, McArdle, McNamara, Preece, Sundberg. Absent: Commissioners LeDoux, Robinson. Also Present: Commission staff personnel Dick Krueger, Sharon Beighley, Patrick Shannon, John Flynn, Mark Custer.

ADOPTION OF AGENDA: Chair Hitesman requested that the proposed agenda be amended to move Item No. 9 (North Metro Harness Initiative Matters) – up to No. 5 on the agenda. Commissioner McNamara moved that the agenda be adopted with the Chair's recommendation; seconded by Commissioner McArdle. Motion carried.

APPROVAL OF MINUTES: There being no additions, deletions, or corrections to the minutes of January 18, 2006, Commissioner Kozitza moved that the minutes be approved as presented; seconded by Commissioner Sundberg. Motion carried.

NORTH METRO HARNESS INITIATIVE MATTERS: Mr. Druck spoke to the Commission. He stated that he expected a Court Decision on or before April 5, 2006 in the Concerned Citizens lawsuit and, if the decision was favorable to North Metro, they could begin track construction this spring. He stated that there were no contracts before the Commission for approval at this time. Mr. Druck said that work was continuing on the project, and that Columbus Township was scheduled to receive the final plat design, development construction plan and road construction plan at its meeting set for February 22, 2006. He added that he did not anticipate any problems or controversies at that meeting.

RACING COMMITTEE REPORT: Commissioner McArdle, Chair of the Racing Committee, stated that she had met with industry representatives and staff members, and that she was presenting two additional sets of rules and one set of amendments to the previously authorized rules to the Commission for action at this meeting.

Chair McArdle went through the proposed rule changes for the Commissioners. She explained that the additions to the rule amendments authorized by the Commission at its December meeting consisted of changes to the veterinary rules proposed by the Commission veterinarian, and a minor change to the rules governing conflicts for licensed Racing Officials.

Commissioner McArdle explained that the other two sets of rules dealt with changes to the standardbred and quarterhorse breeders fund rules, and were designed to make the rules current with existing nationwide practices for breeding, including artificial insemination and embryo transfer.

Following discussion, and changing minor typographical errors, Commissioner McArdle moved that the Commission approve the rule changes to the veterinary rules and rules governing

conflicts, and include them along with the changes approved by the Commission at its December 18, 2005 meeting; seconded by Commissioner McNamara. Motion carried.

Commissioner McArdle moved that the Commission approve the proposed rule amendments and authorize the Director to publish Notice of Proposed Rule Adoption on rules governing the Standardbred Breeders Fund; seconded by Commissioner Kozitza. Motion carried.

Commissioner McArdle moved that the Commission approve the proposed rule amendments and authorize the Director to publish Notice of Proposed Rule Adoption on rules governing the Quarterhorse Breeders Fund; seconded by Commissioner Preece. Motion carried.

Chair McArdle explained that the HBPA was requesting that the Commission support its legislative effort to change the law regarding the licensing of convicted felons. She explained that the current statute prohibited the licensure of anyone with a felony conviction in his/her past, regardless of how long ago the felony occurred. Chair McArdle explained that the change being sought by the HBPA would allow the Commission to issue licenses to those persons who had felony convictions no later than the preceding ten years, provided that those felonies were not for gambling-related convictions, violent crimes, or sexual predator crimes. She added that this would also allow the Commission to issue licenses to those individuals who had felonies expunged from their records.

Chair Hitesman asked whether this change would put the Commission in the position of having to decide which felonies would be considered egregious enough to warrant the non-issuance of a license. Commissioner Sundberg expressed concerns about the proposal.

Chair McArdle suggested that, since the Commission did not have the proposed language before it at this time that the discussion should be tabled until the next meeting of the Commission. Commissioner Sundberg stated that she would like an opportunity to review the proposed statutory changes as soon as possible, reiterating that she was concerned about this type of approach.

Patrice Underwood, Executive Director of the HBPA, explained that the proposed change would bring Minnesota in line with the requirements of other states, adding that the proposed change to a ten year prohibition was more restrictive than that of the Minnesota Lottery, which was set at five years. Chair Hitesman reminded that each state had different felony laws, and what was considered a felony in one state might not be considered a felony in other states, and expressed her concern that it would still fall on the Commission to make judgments about licensing persons with past felony convictions. Commissioner Kozitza asked what was driving the proposed statutory change. In response, Randy Sampson of Canterbury Park stated that Minnesota was the only state with a lifetime prohibition against felons. He stated that with high profile races, such as the Claiming Crown Race, individuals who were highly regarded in the racing industry had been denied licenses because of the felony issue. Chair McArdle added that, even if the person requesting the license was willing to get the felony expunged, it could not be done in enough time to allow that person to participate in the race for which he/she had come to Minnesota.

Patrice Underwood stated that she would furnish the Commission with her research notes and data on felony restrictions in other states. Commissioner Sundberg stated that it was not clear what the Commission's role should be in this type of initiative. Commissioner Kozitza stated that it appeared to be a conflict for the Commission, because the Commission was charged with regulating horse racing to make sure that it is a clean sport. In response to a question from Commissioner Sundberg, Mr. Huwe from the Attorney General's office stated that the Commission could take whatever position it deemed appropriate on the issue. In further response to Commissioner Sundberg, Mr. Huwe stated that it was common for State Boards and Agencies to have lobbyists, and to pursue legislative actions. Commissioner McArdle said

expressed her agreement with Commissioner Kozitza, adding that the Commission could provide expert testimony to the Legislature, because of its expertise in regulating the industry. She stated that it was important for the Commission to take positions on issues of this type that affect the industry.

Chair Hitesman stated that she wanted this item on the agenda for the March Commission meeting, and that she wanted the Commissioners to be prepared to engage in a thorough discussion of the matter, which might lead to establishing a policy for future requests for support of legislative actions.

CARD CLUB COMMITTEE REPORT: Chair Hitesman spoke to the Commission as a member of the Card Club Committee, stating that a quorum was not available for the February 15, 2006 Card Club Committee meeting, so no recommendations were forthcoming for Commission action. She asked Mark Custer of Commission Staff to report on items discussed at the meeting.

Mr. Custer explained that a proposed change to the Card Club Plan of Operation had been discussed, reminding that it had been brought to the Commission at the January meeting but action had been deferred. He explained that the new language would more clearly define who was responsible for picking up a dropped card. He said that changing the language to "floor worker" would provide the needed clarity. Commissioner Sundberg expressed concern with the proposed language, stating that it was not clear what the violation was that was being addressed. She recommended that it be reworded to make it clear that the card could not be touched by anyone after it was dropped on the floor. Chair Hitesman suggested that the Card Club Committee meet again to consider the language on this provision.

Following discussion, Commissioner Kozitza moved that the change allowing Canterbury Park to replace single damaged cards rather than a whole deck be approved; seconded by Commissioner McNamara. Motion carried.

AD HOC INTERNET GAMBLING COMMITTEE REPORT: Commissioner Leegard reported on the recent Committee meeting held on January 31, 2006. She said that the meeting was well-attended, with two internet wagering companies represented. She explained that the Committee received an update on a National Law Enforcement meeting that had been held on the issue, and that the Meeting had been organizational in nature. She said that a second meeting had been scheduled, and the group hoped to develop a direction for future meetings. Commissioner Leegard reported that there are currently two schools of thought on internet wagering --- (1) that it is legal, and (2) that it is illegal. She added that there were conflicting opinions about whether amendments to the Interstate Horse Racing Act, made after Minnesota's constitutional amendment regarding off-track wagering, superseded Minnesota law. She stated that there were three options before the Commission: (1) do nothing, and let internet wagering continue to operate in Minnesota; (2) request a formal opinion from the Attorney General's office on the question amendments to the Interstate Horse Racing Act superseding Minnesota law; or (3) pursue legislative changes. Commissioner Leegard said that State Representative Andy Westerberg was in attendance at the meeting, and indicated a willingness to introduce legislation to at least stimulate conversation and interest in the problem.

Executive Director Krueger stated that the internet wagering companies in attendance would continue to offer their products and services in Minnesota regardless of whatever action the Commission or State Legislature might take. He also pointed out that there were many off-shore companies offering services similar to those of the two companies in attendance, and there was no regulation at all for those companies.

Commissioner Sundberg stated that she hoped a bill would be introduced, since it would provide a good forum for discussion. Commissioner Leegard stated that she thought the

Commission should take a position on this issue, since it was creating an unfair playing field for the race track. She stated that the Commission and other interested parties should try to find a method whereby the track could legally participate in this activity, and receive monetary payments from the providers, as well as increasing tax revenue to the State of Minnesota. She suggested that an Attorney General's opinion regarding the amendments to the Interstate Horse Racing Act might be helpful. Mr. Krueger pointed out that Indiana had recently adopted a prohibition against this type of wagering, but that it not deterred the companies from sending their signals into Indiana.

In response to a question from Chair Hitesman, Greg Huwe stated that litigation to determine the legality of internet wagering in Minnesota would be a long process, and would be costly. Chair Hitesman requested the Executive Director to check with other states and see how they were handling this issue. She suggested that perhaps a unified effort from Racing Commissioners International would be beneficial. The Chair also requested that the Executive Director obtain the licensing rules from California and Oregon, two states which issued licenses to internet wagering companies. Randy Sampson, of Canterbury Park, stated that he did not think litigation would be helpful, because the companies would still continue to send their signals into Minnesota. He thanked the Commissioners for their efforts, and stated that this seemed to be an unsolvable equation at the present time. He reminded that even if something could be worked out for the American companies, there were still many off-shore companies that could not be regulated. He stated that the best alternative seemed to be to find some way so that the track and the State could benefit from the activity.

CANTERBURY PARK MATTERS: Randy Sampson spoke to the Commission. He stated that things in the Card Club were status quo, and that January had been a good month. He praised Canterbury Park's security staff for assisting with saving the life of a person who had suffered a heart attack at the Card Club.

With regard to live racing, Mr. Sampson stated that the Condition Books for 2006 had been printed, and that he would bring copies to the next meeting for the Commissioners. He added that the picture on the front of the Condition Book featured the equine swimming pool opened last summer at the track. He stated that the purse structure being offered was identical to last year, but that there was a reduction on purses for the Minnesota-bred races made at the recommendation of the Breeders' Fund Advisory Committee. He explained that the new stalls were being worked on, and completion was expected shortly. He stated that Canterbury Park was proposing an event including fireworks on July 3rd, following the last race. He stated that precautions were being taken to make sure that the horses would not be startled by the fireworks. He stated that the horsemen's groups and track & state vets had been involved in the planning to insure the safety of the horses. Commissioner McArdle stated that she appreciated the great deal of thought and planning that had been put into this event. Mr. Sampson stated that he had also discussed the plan with the Chief Steward, who did not have any concerns or problems with the plan.

Mr. Sampson stated that simulcast revenues were slightly better, and that activity in this area seemed to be improving. He stated that simulcasting revenues were about the same as this time last year. Mr. Sampson stated that he did not think any major gambling issues would be heard at the Legislature during the 2006 session. He explained that they would be pursuing the Racino legislation, but had not finalized plans with their lobbyists at this time. He stated that it was important to keep pursuing the issue, even though action was not expected, so as to not lose momentum for the project. He stated that there would also probably be a bill for card room enhancements, i.e., increasing the number of tables permitted.

Contract Approvals: Mr. Sampson stated that two contracts (LRA and Daktronics) had been furnished to the Commission with their packets. He explained that the Daktronics contract would allow the purchase of video screen and updates to the Board in the infield, damaged in a

windstorm last fall. He stated that after investigating the matter, it had been deemed better to buy a new system rather than repair the existing system. Commissioner McNamara moved that the contract with Daktronics be approved; seconded by Commissioner McArdle. Motion carried.

Mr. Sampson explained that the proposed contract with LRA was for conducting customer satisfaction surveys and providing market research. He stated that this would be an on-going study and project, and in response to a question from Commissioner Leegard, stating that the initial period of the contract was for twelve months and that a renewal contract would be brought before the Commission after the end of the first twelve-month period. Commissioner McNamara moved that the contract with LRA be approved; seconded by Commissioner Preece. Motion carried.

Mr. Sampson then presented a proposed contract with Maxfield, Inc. He stated that the purpose of the contract was to begin planning for the development of other parcels of land next to and around Canterbury Park grounds. He explained that it was important that planning for development begin to insure that the land was utilized in the best possible manner. Commissioner Kozitza moved that the contract be approved; seconded by Commissioner McArdle. Motion carried.

Mr. Sampson requested approval of a project to provide additional bar seating in the north end of the grandstand, and for construction of two new employee break rooms. He provided drawings illustrating the project. He stated that the proposed project would cost about \$400,000.00 and they expected to have it completed by the time the track opened in May. Commissioner McNamara moved that the Commission approve the project; seconded by Commissioner McArdle. Motion carried. Commissioner Kozitza moved that the Commission approve the architectural drawings and plans; seconded by Commissioner McNamara. Motion carried.

BUDGET REPORT: Richard Krueger, Executive Director, reported that the Commission was currently \$7,000 under budget for the year to date. He stated that because the Attorney General's bill had been prepaid in advance, it was possible for the Commission to be under budget at this time. He stated that he had spent time with Commissioner Kozitza reviewing the budget, and that budget reporting in a different format would commence in the near future.

ANNOUNCE FUTURE MEETINGS: It was announced that the next meeting of the Racing Commission would be held on Wednesday, March 15, 2006 at 4:00 PM in the President's Suite at Canterbury Park.

ADJOURNMENT: There being no further business of the Minnesota Racing Commission, Commissioner Preece moved that the meeting be adjourned at 6:15 PM; seconded by Commissioner McNamara. Motion carried.

ADOPTED THIS 15th DAY OF MARCH, 2006 BY THE MINNESOTA RACING COMMISSION.