

MINNESOTA RACING COMMISSION
FULL COMMISSION MEETING

MINUTES

Wednesday, April 19, 2006
4:00 PM

Shakopee Police Department
475 Gorman Street
Shakopee MN 55079

CALL TO ORDER: Vice Chair LeDoux called the meeting to order at 4:00 PM

ROLL CALL: Present: Commissioners Hitesman (arrived at 4:45 PM), Kozitza, LeDoux, Leegard, McArdle, Robinson, Sundberg. Absent: Commissioners McNamara, Preece. Also present: Richard Krueger and Sharon Beighley, Commission Staff; Assistant Attorney General Greg Huwe.

ADOPTION OF AGENDA: There being no changes or additions to the proposed amended agenda, Commissioner McArdle moved that the agenda be adopted as presented; seconded by Commissioner Robinson. Motion carried.

APPROVAL OF MINUTES: There being no additions or corrections to the minutes of March 15, 2006, Commissioner McArdle moved that the minutes be approved as presented; seconded by Commissioner Kozitza. Motion carried.

REVIEW AND ACTION REGARDING VARIANCE REQUEST: At the request of the Vice-Chair, Executive Director Krueger explained that just prior to the Commission meeting, a public hearing had been conducted on a proposed variance request to proposed rules of the Commission. He explained that the request pertained to the proposed rules that were currently being formally promulgated, under Tracking Number AR952. Mr. Krueger said that, since the proposed rules would not be in effect until after the start of the 2006 live meet, the variance was needed so that the medication rules and other Class C license rules would be the same throughout the meet, and not have to be changed mid-way through the meet. He added that if the rules went into effect during the live meet, it would be very confusing for owners and trainers, and could result in unintended rule violations on horse medication.

Mr. Krueger explained that the proposed rules were currently under review at the Governor's office, and that he did not expect any problems with the rules. He added that the Governor's Office had not had time to conduct its review of the proposed rules as of this date.

Following discussion, Commissioner Kozitza moved that the Commission grant the proposed variance to the Commission's Proposed Rules; seconded by Commissioner McArdle. Motion carried.

ACTION ITEMS:

Pari-Mutuel Pools for Live Racing: Mr. Eric Halstrom from Canterbury Park presented Canterbury Park's request for pari-mutuel pools for the 2006 live meet. He stated that the request was similar to the 2005 request. He explained that the Pick Six wager was being changed, so that it would be offered nationwide. He stated there was also a proposed ten cent Superfecta wager included, but that it was being removed from consideration at this time because of the delay in adoption of the Commission's rules. Mr. Halstrom explained that

another change for the 2006 meet was the use of Net Pool Pricing. In response to a question from Commissioner McArdle, Mr. Halstrom explained that net pool pricing would allow Canterbury Park to accept wagers from other countries with that country's currency, and the tote system would automatically calculate the exchange rate of that foreign currency, and insure that payouts were made equally on a one-to-one basis.

Commissioner McArdle moved that the Request for Pari-Mutuel Pools for 2005 be approved as presented, with the exception of the ten cent Superfecta wager; seconded by Commissioner Robinson. Motion carried.

Racing Officials: Mr. Halstrom presented the proposed slate of Racing Officials for the 2006 meet, and explained that the name of Tom Solberg, Outrider, should be removed since he had decided not to take the job. Commissioner Kozitza moved that the list of Racing Officials be approved as submitted, deleting the name of Tom Solberg as an Outrider; seconded by Commissioner Robinson. Motion carried.

Simulcasting Canterbury Races to Guest Sites: Mr. Halstrom stated that the request was not much different from the 2005 meet. He explained that a new addition was the HBPA approved wagering hub. In response to Commissioner McArdle, Mr. Halstrom explained that the HBPA hub was an effort to recapture some of the money that was being wagered on internet gambling, to make sure that at least some of the money was being returned to the horsemen in the form of purse supplements.

Commissioner McArdle asked whether the contracts with the internet wagering companies on the list would have any effect on the off-shore internet wagering currently being conducted and having a negative impact on the handle at Canterbury Park. Mr. Sampson of Canterbury Park explained that it would not have any effect on the off-shore operations. He agreed that it was an awkward situation, but explained that this contract only involved the sending of Canterbury's signal out to tracks in other states, and did not involve Minnesota bettors betting on races at Canterbury Park. He stated that the internet betting system had been tested during the 2005 meet, and it did not accept wagers from Minnesotans on races at Canterbury Park.

In response to a question from Commissioner Leegard, Mr. Sampson stated that the internet wagering companies were not interested in voluntarily restricting Minnesotans from placing bets on their internet sites as a condition of receiving the Canterbury Park races. He said their market was too large, and it would end up hurting Canterbury Park more than the Internet Wagering Company if they refused to enter into a contract with that type of restriction.

Following discussion, Commissioner McArdle moved that list of guest sites to receive Canterbury Races during the 2006 meet be approved; seconded by Commissioner Robinson. Motion carried.

Approval of Additional Spit Sample Testing Laboratory: Mr. Krueger reminded the Commission that it had approved five split sample testing laboratories at the March Commission meeting, and explained that the University of Pennsylvania had also agreed to perform split sample testing for Minnesota on an as-requested basis. He explained that including the additional laboratory would give the owners and trainers another lab to select from for split sample testing. Following discussion, Commissioner McArdle moved that the Commission approve the inclusion of the University of Pennsylvania on the list of split sample laboratories for the 2006 racing season; seconded by Commissioner Robinson. Motion carried.

AD HOC INTERNET GAMBLING COMMITTEE REPORT: Commissioner Leegard, Chair of the Internet Ad Hoc Internet Gambling Committee, stated that the Committee had not met since the previous report to the Commission. She asked Mr. Krueger to update the Commission on the status of legislation. Mr. Krueger explained that Representative Westerberg had introduced a

bill, which would have allowed Canterbury Park to accept Source Marketing Fees from Internet Wagering Companies, but it had not received a hearing before the full House Regulated Industries Committee. He stated that it appeared the Ad Hoc Committee had achieved its goal of bringing attention to the issue, in that a bill had been introduced in the House. He stated that there was still a strong belief within the industry that provisions in the Interstate Horse Racing Act would pre-empt any State laws and statutes on the books. He explained that Congress was considering action that would place tighter restrictions on bets being placed with credit cards, but that this would have no impact on the Canterbury Park Program.

In response to Commissioner Leegard, Mr. Krueger explained that one of the Attorneys for America-Tab who had attended the last meeting of the Ad Hoc Committee, said she was reviewing the case law relative to the Rice case in Minnesota, and that he expected to hear something from her shortly. He added that he did not think their opinion would be changed by a review of the case law.

Commissioner Leegard asked what the Commission wanted to do about future meetings of the Ad Hoc Committee, since its work seemed to be completed with the introduction of the Legislation. Commissioner Sundberg said that this was an example of an issue that should be discussed by the full Commission and a decision on whether or not to take a position. She suggested that the Racing Committee and the Administration Committee try to begin the process of defining a Commission policy to deal with issues of this nature.

Commissioner McArdle requested that the Director keep the Commissioners informed on the Legislative process, and the dates of interim hearings if any are scheduled during the summer months.

ADMINISTRATION COMMITTEE REPORT: Commissioner Sundberg, Chair of the Administrative Committee, presented a proposed contract waiver procedure, explaining that it had been worked out with staff and both of the Class A/B Licensees. She added that the procedure was a good one, and addressed the concerns expressed by Chair Hitesman at a previous meeting. She explained that under this procedure, the Commission would be reviewing significant contracts and issues, and allowing the Executive Director to approve other contracts. She added that the Director would be reporting to the Commission on a monthly basis on all contracts that he had approved during the previous month. Commissioner Sundberg moved that the Commission approve and adopt the Contract Waiver Procedure; seconded by Commissioner Kozitza. Motion carried.

Commissioner Sundberg stated that the Committee had held preliminary discussions on the issue of the Commission taking positions on legislative issues, but cautioned that there was a lot of work yet to be done before a policy could be finalized and adopted by the Commission.

CANTERBURY PARK MATTERS:

Card Club: Mr. Sampson explained that the Card Club was going well, but that there was a decreased level of activity which was normal during the spring season. He said that some construction projects in the Card Club area were progressing on schedule, and everything was going well.

Live Racing: Mr. Sampson said that the backside had opened on Saturday, April 16th, and that about 200 horses were already on the grounds. He stated that there was an issue with the vets on the backside, but that hopefully the issue would be resolved shortly and there would be a sufficient number of vets on the backside. He stated that all of the inspections of facilities and equipment required by law and rule had been conducted, and that Mr. Krueger had been furnished with a copy of all inspection certificates. He explained that the stall applications had been received, and that they anticipated having all the stalls occupied. He provided the

Commissioners with pocket schedules and condition books, explaining that this was the information that was furnished to the horsemen upon their arrival at the track. He said that purses were at the same level as last year, but that the breeders' fund races were being supplemented at a lower level than during the 2005 meet. Mr. Sampson explained that race nominations had gone smoothly, and more horses were nominated than they had hoped for. He said that they had worked closely with the MTA to make sure that the process went smoothly.

Nat Wess explained that the Claiming Crown race was set for July 15, 2006. He informed that Commissioners that entries would be drawn for Claiming Crown on July 12th, that the Draw Breakfast was scheduled for the morning of July 12th, and a Pre-Race Party was scheduled for July 14th. Mr. Sampson added that some very good horses would be coming to the Claiming Crown.

Simulcasting: Mr. Sampson explained that the simulcasting was up, because of the increased interest in the races leading up to the Kentucky Derby. He added that the levels would be up during live racing, and they were actively cross promoting the card club and simulcasting activities to the patrons.

Legislative: Mr. Sampson stated that nothing of note had happened so far during the Legislative Session. He explained that a bill to raise the legal age for gambling from 18 to 19 had passed in the House Tax Committee, and would have a floor vote. He said that the bill would only go into effect if all 11 Indian Tribes in Minnesota also agreed to raise the age limit to 19. Mr. Sampson said he did not think this would occur.

Mr. Sampson said that the proposed legislation on putting the Racino Issue on the ballot in November had been defeated. He explained that there was currently no gambling legislation still under consideration at the Capitol.

Contract Approval: Mr. Krueger explained that he had furnished the Commissioners with copies of contracts and sponsorship agreements. He stated that the Administration Committee had reviewed the contracts at its meeting on April 14th.

Commissioner McArdle moved that the Commission approve all contracts and sponsorship agreements as submitted, with the additional four contracts submitted on April 19th; seconded by Commissioner Robinson. Motion carried.

NORTH METRO HARNESS INITIATIVE MATTERS: Tom Snook spoke to the Commission on behalf of North Metro Harness. He explained that on March 28th, the Court of Appeals had denied the petition from Columbus Concerned Citizens regarding the granting of the Class A & B Licenses. He stated that the plaintiffs had until April 28th to decide whether or not to appeal the decision to the Supreme Court. He explained that oral arguments would be heard on April 20th in the Concerned Citizens lawsuit regarding the Open Meeting Law. He stated that the Court of Appeals would have 90 days to issue its decision once the arguments had been heard.

Mr. Snook stated that they were proceeding with pre-construction work at this time, including starting archaeological work on the site to identify and preserve Native American relics. He explained that they were in the process of putting their financing in place, so they would be ramped up and ready to proceed once the legal issues were settled. Mr. Snook explained that there were no contracts before the Commission for consideration at this time, but that they would be forthcoming shortly.

Mr. Jeff Halpern spoke to the Commission on Legislative issues. He explained that legislation had been introduced that would have allowed North Metro to open its Card Club prior to conducting 50 days of live racing. He stated that the bill had not been heard in Committee, but that it had been amended on to the tax bill. He stated that Senator Vickerman made an

amendment on the Floor to delete the card club language, and that Senator Vickerman's motion had prevailed. He expressed his disappointment that Senator Day had voted in support of the amendment, and stated that it was a blow to the spirit of cooperation between the two licensees.

BUDGET REPORT: Mr. Krueger reported that the Commission was currently \$8100.00 under budget for the first nine months of the fiscal year, and that he expected to finish the year within budget. He reminded the Commission that they had been operating at the same budget level since 2004.

OTHER MATTERS:

Overview of ARCI Spring Meeting: Mr. Krueger reported on the ARCI meeting he had recently attended in New Mexico. He stated that this the first meeting of the newly merged RCI and NAPRA groups. He stated that the main thrust of the conference was on wagering integrity. He explained that they intend to form a group to monitor wagering at all member states, but that the cost of participation in the study would be high. He stated Chair Hitesman had been elected to the Board of Directors of ARCI, that Dr. Hovda was on the Veterinary Committee, and that John Flynn, a Commission Investigator, was on the Backside Security Committee. Mr. Krueger added that he was serving on the Model Rules Committee. Mr. Krueger explained that the computer software had been downloaded to the licensing system, and that it was operating and functional. He explained that the issue of jockeys' weights would be examined carefully, and perhaps a recommendation to raise the weights would be made to better protect the health of the jockeys. He stated that a representative from Youbet.Com had been in attendance, and had indicated that they were capable of blocking signals in a perimeter area around a racetrack. Mr. Krueger reported that Chris McCarron was in the process of setting up a school for jockeys, which would touch on all points of interest for jockeys, including business management.

Veterinary Update: Dr. Hovda spoke to the Commission. She thanked them for approving the variance request. She stated that Truesdail Laboratories had been advised of the rule amendments, and were prepared to test for the new levels. She stated that for the 2007 meet, she would recommend that the contract be re-bid, since other laboratories now had capabilities to test for the new drug levels and types of rule violations. Dr. Hovda explained that they would be doing random testing for milkshaking on the backside this year, probably one or two races per day would see horses tested for milkshaking. Dr. Hovda stated that she would be looking for abuse of anabolic steroids during this meet, and would probably have a recommendation for rulemaking in this area in the future.

Dr. Hovda explained that Canterbury Park had purchased a new freezer for the test barn, and two new centrifuges, and expressed her thanks for those items. She added that they were looking at purchasing a second trailer to be used for horses at the test barn, and for transporting horses to the University for necropsy. She explained that there were five veterinarians licensed to practice on the backside, and she was hopeful that a sixth veterinarian would be added by this weekend.

Regarding horse health, Dr. Hovda stated that she remained concerned about Strangles, and a neuro-herpes virus. She explained that she had met with officials from the Board of Animal Health, and laid groundwork for cooperation and coordination in the event of an outbreak. She explained that the starting gate would be sanitized before every race this year to help prevent the spread of contagious diseases.

Miscellaneous: Commissioner McArdle read an article that appeared in the March 25 issue of the Thoroughbred Times that was very complimentary to Canterbury Park. Vice-Chair LeDoux concurred with the remarks, adding that Canterbury Park had a great family atmosphere. Mr. Krueger referred to an article in the North Star Round Table that was also complimentary to the programs and work being done at Canterbury Park.

Mr. Krueger introduced Hank Mills, the Chief Steward for the 2006 meet, and Noble Hay, State Steward, to the Commission.

Greg Huwe, Assistant Attorney General, stated that he was being reassigned to other agencies and that Darren DeJong would be back representing the Commission again. Mr. Huwe stated that he would continue to act as the Commission's attorney in cases that had already been opened. Vice Chair LeDoux thanked Mr. Huwe for his services, and for doing a great job.

ANNOUNCE FUTURE MEETINGS: It was announced that the next meeting of the Commission would be held on May 17, 2006 at 4:00 PM at a location in the north metro area. The June meeting is scheduled for Thursday, June 15, at 4:00 PM at Canterbury Park.

ADJOURNMENT: There being no further business of the Commission, Commissioner McArdle moved that the meeting be adjourned at 5:30 PM; seconded by Commissioner Robinson. Motion carried.

ADOPTED This 17th DAY OF MAY, 2006 BY THE MINNESOTA RACING COMMISSION.