

MINNESOTA RACING COMMISSION  
FULL COMMISSION MEETING

MINUTES

Wednesday, December 20, 2006  
4:00 PM

President's Suite – Canterbury Park  
1100 Canterbury Road  
Shakopee MN 55379

CALL TO ORDER: Chair Hitesman called the meeting to order at 4:07 P.M.

ROLL CALL: Present: Commissioners Hitesman, Kozitza, Leegard, McArdle, Preece, Robinson, Sundberg. Absent: Commissioners LeDoux, McNamara. Also present: Racing Commission Staff Dick Krueger, Mary Manney, John Flynn, Mark Custer, Sharon Beighley; Assistant Attorney General Joan Eichhorst.

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

APPROVAL OF MINUTES: November 15, 2008: There being no additions, deletions, or corrections to the minutes of November 15, 2006, Commissioner McArdle moved that the minutes be approved as presented; seconded by Commissioner Kozitza. Motion carried.

CONSIDERATION AND ACTION REGARDING 2007:

Canterbury Park Request: Renewal of Class B License: In response to a question from Chair Hitesman, Executive Director Krueger stated that payment of the Class B License Fee was due to be paid on July 1, 2007, even though the license was effective on January 1, 2007. In further response to the Chair, Mr. Krueger explained that he reviewed the conditions for issuing a Class B license contained in statute and rule, and that Canterbury Park was in compliance with all the requirements. Commissioner Kozitza moved that the Commission approve issuing a 2007 Class B license to Canterbury Park; seconded by Commissioner McArdle. Motion carried.

Canterbury Park Request: Request for approval of 2007 televised racing days: Mr. Sampson, of Canterbury Park, explained that 2007 request was very similar in nature to the 2006 request. Mr. Krueger added that a detailed list of participating tracks and post times was included in the packet that was mailed to the Commissioners. Commissioner Preece moved that the Commission approved Canterbury Park's request for 2007 for televised racing days; seconded by Commissioner Robinson. Motion carried.

Canterbury Park Request: Request for approval of 2007 Pari-Mutuel Pools on Televised Racing Days: Mr. Sampson explained that the request covered the types of pari-mutuel pools offered by the tracks participating in the televised racing days for 2007. Commissioner McArdle moved that the Commission approve Canterbury Park's request for 2007 Pari-Mutuel Pools on Televised Racing Days and commingling with the pools at the host racetrack; seconded by Commissioner Kozitza. Motion carried.

Canterbury Park Request: Request for approval of 2007 Racing Officials: Mr. Sampson explained that the request before the Commission at this time was a partial list, and that additional names would be submitted to the Commission prior to the start of the 2007 Live

Racing Meet. Commissioner McArdle moved that Randy Sampson, Sean Corrigan, Mike Newlin, and Doug Schoepf be approved as Racing Officials for the 2007 Live Racing Meet; seconded by Commissioner Robinson. Motion carried.

Renewal of Class B License for North Metro Harness Initiative, Inc.: Following discussion Commissioner Sundberg moved that the Commission renew the Class B License to North Metro Harness Initiative, Inc., for 2007; seconded by Commissioner Robinson. Motion carried.

REPORT REGARDING THE AAEP MEETING: Dr. Hovda: Dr. Hovda reported that she and Dr. Klatt had recently returned from the American Association of Equine Practitioners meeting held in Texas. She stated that 39 regulatory veterinarians had been in attendance at the meeting, which was a large increase over previous years. Dr. Hovda reported that a push was on for a nationwide data base for track-related injuries, in light of the recent increase in the number of such injuries across the nation. She stated that the data base would be designed to keep the identity of the participating tracks anonymous, as well as the identities of the horses and trainers. She stated that discussions had been held on pre-race examinations, and that Minnesota was a fine example of a state where pre-race exams had been conducted for many years. Dr. Hovda stated that committees had been formed to study humane concerns, such as the use of whips, and sanitation issues. She stated that other issues discussed included the use of anabolic steroids, bicarbonate testing, Cornell collars, and the use of shockwave therapy.

Dr. Hovda indicated that the issue of Infectious Equine Herpes Virus was of major concern, and reported that two tracks in Florida were being put into some form of quarantine for the disease. She stated that she had just been made aware of the quarantine prior to the Commission meeting, and had no more details at this time.

Dr. Kristy Klatt also spoke to the Commission, about the Racing Subcommittee meeting held in conjunction with the AAEP meeting. She said that discussions had taken place regarding the importance of track veterinarians cooperating with regulatory veterinarians in reporting and tracking injuries that occurred. She explained that many times, regulatory vets were not informed about injuries that occurred during training. She reported that another issue discussed was the possibility of backside track veterinarians, licensed by the regulatory agencies, being asked to share responsibility for medication overages or errors. She stated that currently only trainers are held responsible.

Commissioner McArdle stated that she had attended the Racetrack Industry Symposium recently held in Tucson, and that the issue of pre-race examinations had also been discussed there. She stated that she had provided information on Minnesota's pre-race exam program, and encouraged trainers to bring their horses to Canterbury Park. She stated that Minnesota has a good staff, who takes the time to interact with trainers on a regular basis, and that the Commission should be proud of its veterinary staff.

Chair Hitesman agreed with Commissioner McArdle's comments, and stated that she was looking forward to having the same caliber of veterinary oversight at the new standardbred racetrack.

CANTERBURY PARK MATTERS: Randy Sampson spoke to the Commission. He explained that the Card Club would be ending the year with higher revenues than last year, and that the current "12 Days of Christmas" promotion was being well received by the players. He said that simulcasting receipts continued to go downhill, but that the November figures has been bolstered by the successful Breeders' Cup day. Regarding Legislation, Mr. Sampson stated that Canterbury Park did not anticipate any legislative initiatives for the 2007 session. With regard to live racing, Mr. Sampson stated that work was ongoing on the Condition Book and other plans for the 2007 live race meet, and that everything was proceeding according to plan.

NORTH METRO HARNESS INITIATIVE MATTERS: Mr. Druck spoke to the Commission. He stated that they had received final permits from the Army Corps of Engineers, and everything was in place for proposed groundbreaking to occur. He explained that the final permit from Rice Creek Watershed District would be received by the end of the year, and other routine permits would be forthcoming shortly. He stated that groundbreaking was tentatively planned for January 18, 2007 with a 1:30 formal ceremony followed by a reception. He noted that this coincided with the date of the Commission's January meeting, and invited the Commission to have their meeting in conjunction with the groundbreaking.

With regard to legislation, Mr. Druck stated that they expected to have legislative initiatives in 2007, to address the issues of all-breed simulcasting, and the ability to have the card club open prior to conducting fifty days of live racing. He said that they had received endorsement and support from the Anoka County Board of Commissioners for their legislative proposals.

Mr. Druck then stated that North Metro had signed a tentative term sheet for the financing of the track, and introduced representatives from Oppenheimer and Black Diamond Group. He stated that the proposed term sheet had been submitted to the Commission ten days prior to the Commission meeting. He explained that they would be contributing an additional \$2 million in equity to the project, as well as Mountaineer Gaming, for a total of \$4 million additional equity in the project. Mr. Tom Fox distributed copies of proposed financing schedules to the Commissioners. In response to Commissioner Kozitza, Mr. Druck stated that North Metro needed to contribute the additional \$2 million in equity before the end of the year.

In response to Commissioner Sundberg, Mr. Fox stated that it was not unusual to have equity requirements of this nature in a complex financial package. In response to Commissioner Kozitza, Mr. Fox stated that the debt to equity ratio would be 70 to 30, and that they had contributed \$15.5 million in equity to date. He added that the \$15.5 million in equity was used to purchase the land, and to other developmental work prior to construction.

Mr. Fox stated that the proposed balance sheets for fiscal years 2007 and 2008 were consistent with the plans for a construction start in February, 2007. He stated that construction would be complete by the end of November, 2007 and the inside work could be completed after that date. Mr. Fox explained that the proposed income statement was based on the situation as it currently existed, assuming no legislative changes, and assumed that racing would begin early in 2008, with the Card Club coming on line in July of 2008. He added that they were based on no legislative changes regarding all-breed simulcasting.

Mr. Fox explained that the proposed cash flow statements showed a deficit in 2008, but that a positive cash flow in 2010 would start, at which time they would start retiring the debt. Commissioner Kozitza stated that he was pleased to see that the debt to equity ratio had been kicked up to \$19 million. In response to Commissioner Kozitza, the representative from Oppenheimer stated that they had looked at a lot of proposals before recommending the Black Diamond Group as the financing partner. He stated that they were the best fit, and added they were experienced in financing gambling and racing venues. Mr. Druck commented that they had looked seriously at three financing proposals, and had decided to go with the Black Diamond group.

Mr. Hugh Gravenhorst from Black Diamond Group spoke to the Commission. He provided background information on the company, explaining that they were a privately held lending company and their investors consisted of pension and retirement funds. He explained that they currently had \$9 billion in capital under their management, much of it in the development of racing and gambling projects. He stated that they expected to finalize the term sheet and have a firm commitment prior to Christmas, with closing on the loan coming at the end of January.

In response to a question from Commissioner McArdle about an item on the balance sheet, Mr. Fox stated that the hotel referred to was a 15 unit motel in Forest Lake that they had purchased, and would be used as housing for grooms and track personnel. In further response to Commissioner McArdle, Mr. Fox explained that they were still working on the off-track stabling/training track issue and that it was not part of the current financing package.

In response to Commissioner Leegard, Mr. Gravenhorst stated that Black Diamond Group reserved the right to sell off any of the financing to other partners or groups. In further response to Commissioner Leegard, Mr. Druck stated that he was not concerned about the seven year maturity date on the loan, and that he believed they could re-finance at a better rate before that time.

In response to a question from Commissioner Sundberg about the level of Minnesota business participation in the project, Mr. Fox stated that the General Contractor is a Minnesota-based Company and was required to meet the EEOC requirements contained in Minnesota law. In further response to Commissioner Sundberg, Mr. Fox stated that the project would be environmentally friendly, and would meet or exceed pollution requirements.

In response to Chair Hitesman, Mr. Druck stated that if the financing was re-done at a later date, it would not have to come back to the Commission for approval unless the level of new investor participation was 5% or greater, as required by statute.

Commissioner Hitesman then moved that the Commission approve the information that was provided in concept, contingent upon completion of a background investigation of Black Diamond, further provided that there were no material changes to the terms and conditions of the proposed financing plan presented at this meeting; the motion was seconded by Commissioner Kozitza.

In response to Commissioner Leegard, Mr. Druck stated that the final copy of the term sheet would be provided to the Commission as soon as the documents became available.

Following further discussion, Chair Hitesman's motion was voted on and carried.

2007 COMMITTEE STRUCTURE: Chair Hitesman stated that the current system of meeting once a month, and appointing subcommittees to deal with various aspects of the Commission's oversight, was not working very well.

She suggested that the Commission move to a two meeting per month plan, the first Tuesday of the month being a working session, and the third Thursday of the month being the regularly designated Commission meeting. She stated that all Commissioners who were able to attend the working sessions, should plan on doing so, and the work at that meeting would be focused on items that the Commission would see on its agenda for the next Commission meeting.

In response to Commissioner Sundberg, Chair Hitesman stated that the work sessions would be noticed and agendas would be mailed out, consistent with practices for the regular monthly meeting of the Commission. In response to Mr. Druck, the Chair explained that proposed contracts should be brought to the working session, and they would be on the agenda for Commission action at the following Commission meeting.

In response to Commissioner Preece, the Chair explained that under the two-meeting per month system, the subcommittees would be dissolved. In further response to Commissioner Preece, the Executive Director stated that he did not think that if a Commissioner missed a work session, it would constitute a "missed meeting" for the purposes of formal notification of missed meetings to the Governor. Attorney General Eichhorst stated that telephone participation could

perhaps be allowed, and that she would investigate the issue and report back to the Commission.

In response to Commissioner Robinson, the Chair stated that for the present time it would be convenient for everyone to continue meeting at Canterbury Park, but that when the new track went on line, some meetings would be held at the north location. She added that the January meeting would be held at the north location in conjunction with the groundbreaking.

ELECT VICE CHAIRS: Following a brief discussion, Commissioner Preece moved that this item be tabled until the next Commission meeting; seconded by Commissioner Robinson. Motion carried.

OTHER MATTERS: Mr. Krueger stated that the comment period on the two sets of breeders' fund rules was expiring at 4:00 PM today. He stated that two comments had been received on the Quarter Horse breeders rules, and would be an agenda item for the Commission work session scheduled for January 2, 2007.

Mr. Krueger stated that he would be discussing budget information with the Commission at its next work session meeting. He stated that he and Commission staff had met with representatives from the State's Office of Technology, and were working on plans to hire a IT specialist on a mobility assignment from another agency, for up to two years, to redesign the Commission's computer systems and networking in preparation for the new track coming on line. He stated that the proposed cost would be about \$400,000. He stated that he hoped to have the proposal finalized and included in the Governor's budget for 2007. In response to Commissioner Sundberg, Mr. Krueger stated that he would like the Governor's office to support the initiative.

ANNOUNCE FUTURE MEETINGS: It was announced that the next meeting of the Commission would be on Tuesday, January 2, 2007, for a Commission Work Session, and would be held in the Paddock Gardens Conference Room at Canterbury Park.

ADJOURNMENT: There being no further business of the Commissioner, Commissioner Robinson moved that the meeting be adjourned at 5:50 PM; seconded by Commissioner Sundberg. Motion carried.

ADOPTED THIS 18th DAY OF JANUARY, 2007 BY THE MINNESOTA RACING COMMISSION