

Minnesota Racing Commission
Full Commission Meeting
MINUTES
December 20, 2007
4:00 PM

Shakopee Police Department
475 Gorman Street
Shakopee, Minnesota 55379

CALL TO ORDER: Chair Hitesman called the meeting to order at 4:05 PM.

ROLL CALL: Present: Commissioners Buhler, Duncanson, Hitesman, Kozitza, Leegard, McArdle, Overton, Preece, Sundberg. Also present: Commission staff members Krueger, Manney, Flynn, Custer, Beighley; Assistant Attorney General Joan Eichhorst.

ADOPTION OF AGENDA: Chair Hitesman requested that the agenda be amended to reverse the order of consideration of action items 5(A) and 5(B). Commissioner Overton moved that the agenda be adopted as amended; seconded by Commissioner Kozitza. Motion carried.

APPROVAL OF MINUTES –November 15, 2007: Chair Hitesman pointed out that the November 15, 2007 minutes needed to be amended to reflect that Commissioner Buhler was in attendance at the meeting. Commissioner Overton moved that the minutes be approved as corrected; seconded by Commissioner Kozitza. Motion carried.

CONSIDERATION AND ACTION ITEMS:

Running Aces Harness Park Requests

Running Aces Harness Park 2008 Live Race Day Request – 53 days

Chair Hitesman preceded the discussion and action on assignment of racing days by stating for the record that the Canterbury Park had requested 67 racing days in 2008 and Running Aces had requested 53 racing days in 2008. She explained that the Commission had held the statutorily mandated public hearing on each application, and had complied with any and all other requirements regarding the assignment of race days. Chair Hitesman stated that, with regard to the application from Running Aces, the Commission needed to consider the functional readiness and financial soundness of the licensee, i.e., whether the track would be ready to open in April, 2008 with all the necessary personnel in place. She also reminded that the Commission needed to consider whether its staff would be ready to open a second racetrack in terms of necessary personnel and equipment.

Commissioner Overton stated that at the Public Hearing held on December 18th, Running Aces had provided an update on the status of hiring key personnel, and that they had said they could not hire some of the key personnel until race days had been assigned by the Commission. Commissioner Overton stated his understanding that progress was being made in this area, and that Running Aces was in the process of acquiring the necessary personnel. Commissioner Duncanson stated that the Commission had asked a lot of questions regarding the Running Aces' application, and thanked Running Aces for responding to those questions. She stated that it was up to the Commission to act on the Race Days Request and give them the ability to finalize their personnel and hiring decisions.

In response to a question from Commissioner McArdle, Tom Fox from Running Aces stated that the restaurant at the track would be open for business on the first day of racing, adding that all concession stands and restaurants would be open for food service. He stated that demand for food and beverage services would be tracked throughout the meet, and services adjusted accordingly.

Commissioner Overton reminded that at the December 11th hearing and work session, he had requested updated financial information from Running Aces that would provide an accurate picture of the financial soundness of the licensee to fund the first race meet. He stated that the requested information had been provided at the December 18th hearing and work session, at which time the Commissioners had an opportunity to review the documents before turning them back over to Running Aces' personnel at the conclusion of the meeting to comply with confidentiality agreements. Commissioner Overton pointed out that statutes required the licensee to maintain \$1.5 million in its escrow account at all times, or risk being found in violation of the loan agreement. Commissioner Overton asked Running Aces' personnel to explain the financial structure of the accounts to ensure that the \$1.5 million would be in the account at all times. He stated that he remained concerned about the licensee's financial ability to hire and maintain the level of personnel required to sustain the track through its first live race meet.

Mr. Tom Fox from Running Aces responded to the question. He stated that Commissioner Overton had stated the facts accurately, and that there was a requirement to keep \$1.5 million in the escrow account at all times. He stated that part of the financing package negotiated by Running Aces would require that \$1.5 million always be available to Running Aces to insure that the escrow account was adequately funded. Commissioner Overton replied that since this was a start-up operation, there was no previous financial data for the Commission to rely on. He stated that he had some concerns about the licensee's ability to absorb a potential loss of \$3 to \$4 million during the first season and still maintain the required \$1.5 million in the escrow account. Mr. Fox stated that he did not think first year losses would reach the \$3 to \$4 million dollar level. Mr. Overton replied that because that were so many variables in the first year of operation, there would likely be losses. Chair Hitesman stated that all start-up operations were uncertain and that it would be unusual to have a positive balance sheet after the first year of operation.

Rosemary Williams stated her belief that there would be more people attending the races than reflected in the projections. She stated that education of the patrons would be a key factor in determining the initial success of the track. She stated that requested race days and post times would allow them to offer the simulcast signal to other tracks under Mountaineer Gaming's management, and would optimize the amount of simulcast wagers. Ms. Williams added that her company was very experienced at opening new tracks, and would succeed. Commissioner Overton stated that he was pleased to hear those comments, but added that it would be difficult to make those projections in the first year. Ms. Williams stated that they would be teaching the patrons how to wager, offering handicapping lessons, offering promotions such as mystery vouchers, along with a lot of other promotions that would help the track to succeed.

Commissioner Kozitza asked what would be done if the track failed to meet the projections, and what process North Metro would take to resolve the issue. Mr. Fox replied that the principal investors in the project had put in an additional \$10 million in equity, and that they had actually improved the debt to equity ratio from 20% to 30% since the projections had been made. In further response to Commissioner Overton, Mr. Fox stated that the principal investors would contribute any additional revenues necessary to pay purses and successfully run the meet.

In response to Commissioner Leegard, Mr. Fox stated that their racing day request was for the days they had wanted, and they did not feel as though they had been forced to compromise on their request. Commissioner McArdle asked what North Metro's intentions were for the 2009 racing season and beyond. Ms. Williams responded that future racing days requests might be different, and would require input from the General Manager, whenever that individual was hired. She stated that after the first meet, they would review what had happened and make whatever adjustments they felt were necessary.

Commissioner Sundberg moved that Commission approve the Race Days Request submitted by Running Aces Harness Park, Inc.; seconded by Commissioner Duncanson. Commissioner

Sundberg stated that she had been involved in the Commission's initial discussions and review of the project, and felt very comfortable that the applicant would have a successful race meet. She stated that she was delighted with the quality of the facility that had been constructed, and stated that she was confident that both racetracks would thrive. Commissioner McArdle stated that the Commission had a responsibility to insure that the best interests of all concerned persons were served. She stated her hope that everything would turn out well, but cautioned that the Commission would not tolerate abuse of animals at the track. She stated that although she had other concerns, her main concern was for the health and well-being of the horses and animals at the new track. Commissioner Overton expressed agreement with Commissioner McArdle's statements, and added that it was the Commission's job to explore all avenues of thought regarding the new track. He stated that no one wanted the new track to fail, but added that the Commission had to be concerned with maintaining and insuring the integrity of racing in Minnesota. Following discussion, the motion was voted on and carried.

Running Aces Harness Park Renewal of Class B License

Following discussion, Commission Sundberg moved that the Commission approve the renewal of the Class B license for North Metro Harness Racing Initiative, Inc., and authorize the Chair to sign the Findings of Fact, Conclusions of Law, and Order to renew the license; seconded by Commissioner Leegard. Motion carried.

Heartland Poker Tour Agreement

Mr. Druck spoke to the Commission, thanking them for approving the 2008 race days request. He stated that their challenge would be to make the initial meet a success. Mr. Druck explained that the Heartland Poker Tour is a TV show similar to the World Poker Tour and World Series of Poker. He said that tournaments are taped, and then rebroadcast at a later date. He stated that the program is in wide use, and has a high level of acceptance in the regulated gambling field. Mr. Druck stated that Running Aces Harness Park felt very fortunate to have successfully negotiated a contract with the Heartland Poker Tour to conduct a tournament at Running Aces in November, 2008. He stated that he was asking for the Commission's preliminary approval to enter into a contract for the tournament. In response to a question from Commissioner Sundberg, Mr. Druck stated that negotiations had been on-going for quite a long time to reach the current stage of requesting preliminary approval. In response to Commissioner Overton, Mr. Krueger stated that Heartland Poker would need to be licensed as a vendor by the Commission.

Chair Hitesman stated that, if the Commission were approve the contract, it was not an indication that that all of the steps necessary to actually conduct the tournament had already been performed. She reminded that the licensee would still have to conduct the required number of live racing days, and meet other statutory requirements, before the tournament could be held. Following further discussion, Commissioner Sundberg moved that the Commission approve Running Aces Harness Park's contract with the Heartland Poker Tour; seconded by Commissioner Kozitza. The motion was carried.

Canterbury Park Requests

Canterbury Park 2008 Live Race Day Request – 67 days

Mr. Sampson spoke to the Commission. He stated that the HBPA had approved Canterbury's request for 2008 race days, and was in support of the request. Commissioner Overton questioned whether Canterbury Park would have trouble filling fields for the 2008 meet. Mr. Sampson stated that he was confident that they would have enough horses for the meet. He stated that during the 2007 meet, there are had been a top horse population of about 1300 at the track, with about 800 horses at the track at the end of the meet. He stated that it was more difficult to compete for horses with other tracks offering higher purses because of slot machines being permitted at those tracks. In further response to Commissioner Overton, Mr. Sampson

stated that weather, and track conditions, were other unknown factors that could contribute to success or failure of a meet. In response to Commissioner McArdle, Mr. Sampson stated that a problem with the tote system during the 2007 meet that had resulted in the loss of a days' wagering, had been addressed and resolved and would not be an issue in 2008. In response to Commissioner Leegard, Mr. Sampson stated that Canterbury Park was happy with the request it had submitted, and did not feel that it had been forced to compromise or make an accommodation. Following discussion, Commissioner Leegard moved that the Commission approve Canterbury Park's request for 2008 live race days; seconded by Commissioner McArdle. Motion carried.

Renewal of Class B License Canterbury Park

Following discussion, Commissioner Overton moved that the Commission renew the Class B license for Canterbury Park, and authorize the Chair to sign the Findings of Facts, Conclusions of Law and Order, to renew the license; seconded by Commissioner Kozitza. The motion was carried.

365 Televised Race Days and pari-mutuel pools on televised race days

Following discussion, Commissioner Sundberg moved that the Commission approve the request of Canterbury Park to conduct 365 televised race days during 2008, and pari-mutuel pools on televised race days; seconded by Commissioner Preece. Motion carried.

Mr. Krueger reminded that Canterbury Park would need to cease its simulcast of harness races on April 11, 2008, the date on which Running Aces Harness Park was scheduled to open.

Racing Officials

Mr. Sampson presented four names to the Commission for consideration and approval as Racing Officials for the 2008 meet. He stated that three of the individuals would also be serving as Racing Officials for the simulcast race meet.

Following discussion, Commissioner McArdle moved that Randall D. Sampson be approved as General Manager for Canterbury Park for 2008, that Linda Arnoldi be approved as Mutuel Manager, that Doug Schoepf be approved as Racing Secretary, and that Sean Corrigan be approved as Security Manager; seconded by Commissioner Preece. Motion carried.

CONTRACT APPROVAL – Scientific Games, Running Aces Harness Park

Deputy Director Mary Manney reminded that this contract had been presented and discussed at the Commission's work session on December 18, 2007, and that no changes or additions had been made to the contract since the Commission's review. She explained that the contract was for the tote system at Running Aces Harness Park, and was the same vendor being used at Canterbury Park. Following discussion, Commissioner Overton moved that the contract be approved; seconded by Commissioner McArdle. Motion carried.

University of Minnesota Grant Request - \$7,750.00.

Dr. Hovda spoke to the Commission, explaining that the proposed grant request was similar to the one the Commission had approved in 2007, to publish a poster and books on Poisonous Plants. She stated that the grant would create a poster and booklets on desirable types of plants, forage and pasture for horses. She explained that the methodology and end product would be very similar to the materials produced in 2007. In response to a question from the Commission, Dr. Hovda stated that the 2007 poster and booklet had been hugely successful, and that Rutgers University had just ordered 300 copies of the booklet. She explained that sales of the booklet played for the reprinting costs. Commissioner McArdle pointed out that the Commission was acknowledged in the booklet as having provided the funding.

In response to Commissioner McArdle, Executive Director Krueger replied that the Commission had sufficient funds in the equine research and education account to fund the request. He stated that he had talked to the HBPA, and was expecting a request from them for funding of the Groom Elite Program in 2008, and added that there would be enough funds for both projects. Commissioner Preece stated that it had been a wonderful investment, and proved to be a valuable source of knowledge for all persons in the horse industry. Following further discussion, Commissioner McArdle moved that the grant request in the amount of \$7,750.00 be approved; seconded by Commissioner Preece. Motion carried.

REGULATORY THRESHOLDS – Medication Statute Change

Dr. Hovda reminded that this issue had also been discussed at the work session. She stated that it was necessary to make a statute change to enable staff to deal with the ever-expanding array of medicines and drugs available for equine use. She stated that testing methods were becoming more sophisticated, and better able to detect drugs in the horses' systems. She stated that it was her belief that the Commission would be able to rely on good science, and set thresholds for various drugs and medications by rule.

Commissioner Duncanson asked whether contact had been made with the Governor's office yet with regard to the proposed statute change. Mr. Krueger stated that he had a meeting set up with Governor's staff to discuss the proposal. Commissioner Duncanson then moved that the Commission approve the statute change and authorize staff to proceed with drafting the language and meeting with the governor and other legislators as necessary; seconded by Commissioner Preece.

In response to a question from Commissioner Leegard, Mr. Krueger explained that the statutory change needed to be accomplished first, and then the Commission to set the test levels by rule. Mr. Krueger also explained that the Chairs of the Committees that oversaw the Commission activities would be furnished with copies of any proposed rules dealing with medication and testing. In further response to Commissioner Leegard, Dr. Hovda stated that she would be bringing statistics and documentation to the meeting with the Governor's staff, and added Scott Watermann from the Racing Medication and Testing Consortium had offered to come to Minnesota to testify on behalf of the bill. Following further discussion, the motion was passed.

CANTERBURY PARK MATTERS

Randy Sampson spoke to the Commission. He stated that the Card Club was currently completing its "Twelve Days of Christmas" promotion. He stated that the smoking ban had caused a significant drop in attendance at the card club, resulting in a 29% downturn. He stated that the biggest drop was in the casino games room (at 34%), resulting in an overall drop in sales of 20%. He stated that it was a very disconcerting trend. He stated that there was a similar downturn in simulcasting, at a 20% drop in revenues. He stated that at the present time the downturn was not expected to affect purses, but said that it was a definite concern. He stated that they did not have any legislative plans for 2008, but added that if North Metro was successful in its pursuit of All-Breed Simulcasting, it would definitely help Canterbury Park.

Commissioner Overton asked what would happen if the All-Breed Simulcasting bill was not successful. Mr. Sampson replied that Canterbury Park did not make a practice of guaranteeing purses, but added that if the numbers went down, purses would definitely go down also at some time in the future.

RUNNING ACES HARNESS PARK MATTERS

Mr. Druck spoke to the Commission. He stated that they were pursuing the All-Breed Simulcasting bill with the 2008 Legislature. He showed the Commission some pictures of the new track, and stated that they were ahead of schedule on building, and under-budget on cost. He stated that the track project was moving along well. He stated that they had received many

resumes for employment at the track, and would now be ready to fill positions based on the Commission's assignment of racing days. He stated that ads were running in the metropolitan area for all of the senior positions at the track.

In response to a question from Commissioner Duncanson, Mr. Druck explained that the nearest casinos to them in terms of competition were in Turtle Lake, Wisconsin, and Hinckley, Minnesota. He stated that the smoking ban was a concern, and that weather could also have an impact on the first season. He stated that he thought their location would help them, and that they were figuring out plans for an area for the smokers. In response to Commissioner Overton, Mr. Druck stated that there would be no significant changes to the proposed All-Breed Simulcast legislation from that which was introduced last year.

OTHER MATTERS

Mr. Krueger explained that the November licensing report was available for review, and that 21 licenses had been issued in November.

Commissioner McArdle stated that she had toured the new Equine Center at the University of Minnesota, and had been very impressed with the variety of services available. She stated that it went beyond her expectations, and was a first-class facility that would draw a lot of attention on a national and international basis. She explained that significant contributions had been made to the Center from many Minnesota horsemen, including the Sampson family.

ANNOUNCE FUTURE MEETINGS

It was announced that there would be no Commission work session in January.

It was announced that the January meeting of the Commission would be held on January 17th, at a location to be announced.

ADJOURNMENT

There being no further business of the Commission, Commissioner Sundberg moved that the meeting be adjourned at 5:45 pm; seconded by Commissioner McArdle. Motion carried.

ADOPTED THIS 17TH DAY OF JANUARY, 2008 BY THE MINNESOTA RACING COMMISSION