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MINNESOTA RACING COMMISSION

February 15, 2009

The Honorable Tim Pawlenty, Governor
State of Minnesota
130 State Capitol
St. Paul, MN 55155

Peter Wattson, Secretary of Senate
Minnesota Senate
State Capitol
St. Paul, MN 55155

Albin Mathiowetz, Chief Clerk
Minnesota House of Representatives
211 State Capitol
St. Paul, MN 55155

Dear Governor Pawlenty and Members of the Legislature:

As provided by Minnesota Statutes 240.02, Subd. 6, we herewith submit on behalf of the Minnesota Racing Commission its Annual Report for 2008. The information set forth will provide details on the Commission's activities, organizational structure, and disbursements.

The pari-mutuel racing industry in Minnesota represents an important segment of the state's economy, not only as reflected by the 2008 operations of Canterbury Park, but also through the economic/agri-business activity represented by the breeding, training and related support activities for the racing animals throughout the state. Further, during 2008, the Commission continued its regulatory oversight regarding the construction and pre-opening activities of Running Aces Harness Park that will commence racing operation in April 2008.

Canterbury Park conducted 68 days of live racing for thoroughbreds and quarter horses this past summer from May 5 through September 3. Running Aces Harness Park conducted 53 days of live racing for standardbred horses from April 11 through July 6.

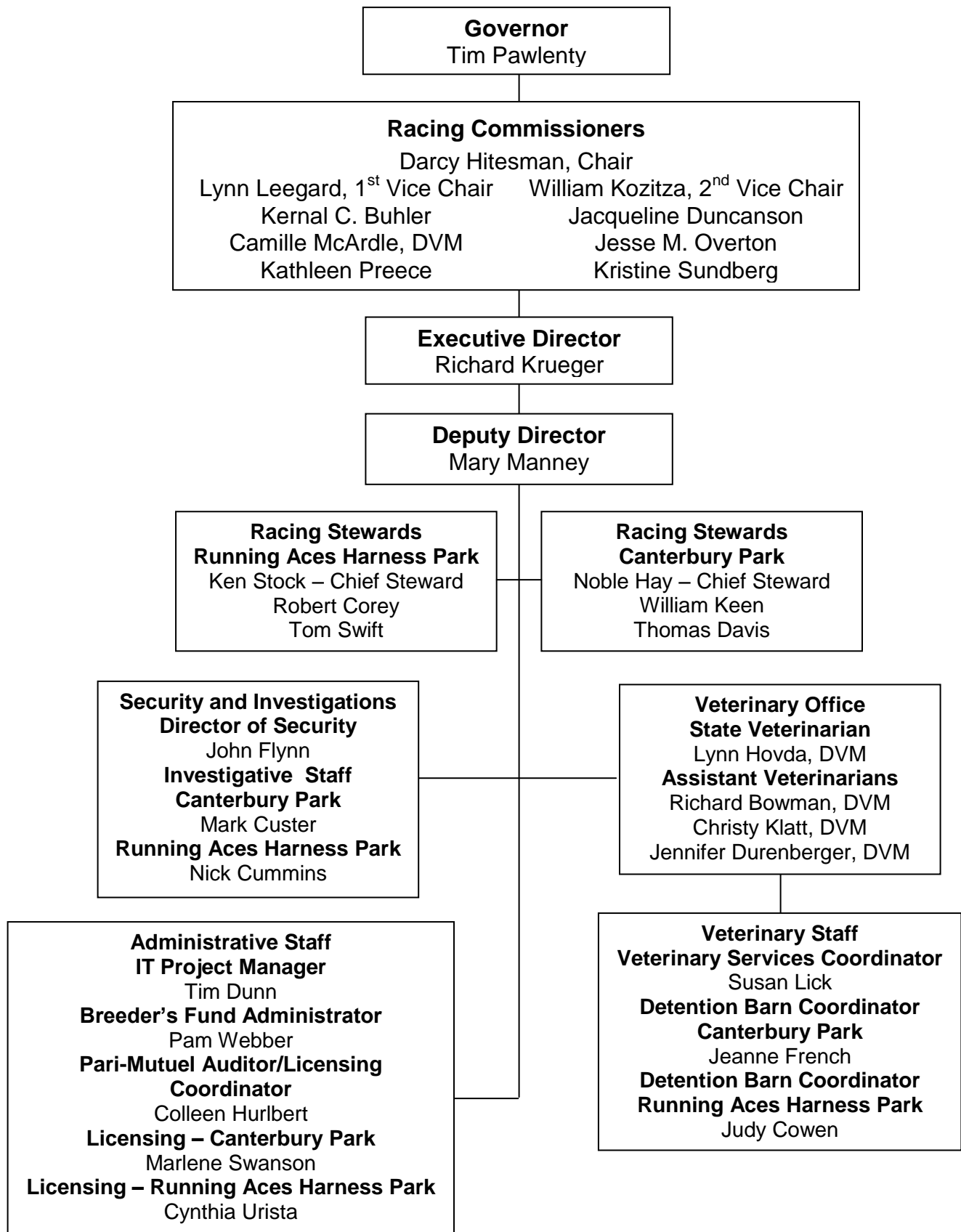
During the 1999 legislative session, the legislature passed chapter 206 allowing a licensed racetrack to operate a card club in addition to live racing and simulcasting. The clearly stated intent of that legislation was to increase purses, which immediately happened. Operation of the Canterbury Park Card Club for calendar year 2008 added \$3,520,000 to their purse structure while Running Aces Harness Park Card Club added \$1,245,000 to their purse structure. The Commission looks forward to working with you and your staff, the Legislature and other state agencies in carrying out its responsibilities in this important area.

The Minnesota Racing Commission and all the members of the industry appreciate the assistance provided by all levels of government and, most particularly, the Governor's office and the Legislature in addressing matters of interest and of significance to horse racing and pari-mutuel wagering. The Commission and its staff is working and will continue to work with all concerned to maintain the growth of live pari-mutuel horse racing and its integrity.

Regards,

Darcy Hitesman, Chair

The MINNESOTA RACING COMMISSION



MINNESOTA RACING COMMISSION

2008 ANNUAL REPORT

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I. MINNESOTA RACING COMMISSION

MISSION STATEMENT

The Minnesota Racing Commission was established to regulate horse racing and card playing in Minnesota; to ensure that it is conducted in the public interest, and to take all necessary steps in ensuring the integrity of racing and card playing in Minnesota thus promoting the breeding of race horses in order to stimulate agriculture and rural agribusiness.

INTRODUCTION

This annual report is being submitted to the Governor and the Legislature pursuant to Minnesota Statutes §240.02, Subd. 6 and to the Secretary of the Senate, the Chief Clerk of the House of Representatives and the Legislative Reference Library pursuant to Minnesota Statutes §3.195. In compliance with the Laws of 1994, Chapter 559, Section 1, it is estimated that it cost \$900.00 to prepare this report.

CONSTITUTIONAL / LEGISLATIVE AUTHORITY

In November 1982, the Minnesota voters approved by an overwhelming majority a constitutional amendment allowing pari-mutuel horse racing. The amendment provides that:

"The Legislature may authorize on-track pari-mutuel betting on horse racing in a manner prescribed by law." Minnesota Constitution, Article X, Section 8.

In response to that public mandate, in 1983, the Minnesota Legislature enacted Minnesota Statute, Chapter 240, which created and empowered the Minnesota Racing Commission.

DUTIES OF THE COMMISSION

The legislature has empowered the Racing Commission with certain duties including, among others, the authority to:

1. Regulate horse racing and card club operation, in Minnesota, to ensure that it is conducted in the public interest;
2. Issue racetrack owner, operator, and occupational licenses;
3. Enforce all laws and rules concerning horse racing and the card club plan of operation;
4. Supervise the conduct of pari-mutuel betting on horse racing and collect and distribute all pari-mutuel taxes;
5. Conduct investigations and inquiries the Commission deems necessary to carry out its duties; and
6. Take all necessary steps to ensure the integrity of horse racing and card playing in Minnesota.

THE COMMISSIONERS

The Racing Commission is comprised of nine members appointed by the Governor and confirmed by the Senate for six-year terms. The names of the current Commissioners are listed below along with city of residence and ending date of each of their respective terms.

Darcy Hitesman, Chair
Maple Grove, Minnesota
Term expires June 30, 2009

Lynn Leegard, 1st Vice Chair
Blaine, Minnesota
Term Expires June 30, 2011

William Kozitza, 2nd Vice Chair
North Mankato, Minnesota
Term Expires June 30, 2011

Kernal Buhler
Eden Prairie, Minnesota
Term Expires June 30, 2013

Jacqueline Duncanson
Mapleton, Minnesota
Term Expires June 30, 2013

Camille McArdle, DVM
Corcoran, Minnesota
Term Expires June 30, 2011

Jesse M. Overton
Bloomington, Minnesota
Term Expires June 30, 2013

Kathleen Preece
Bemidji, Minnesota
Term Expires June 30, 2009

Kristine Sundberg
Minnetonka, Minnesota
Term Expires June 30, 2009

Pursuant to state law, the Commissioners are paid \$55 for each day spent on Racing Commission business.

THE COMMISSION STAFF

The Racing Commission is currently staffed by the following individuals:

| | |
|--------------------|---|
| Richard G. Krueger | Executive Director |
| Mary M. Manney | Deputy Director |
| Tim Dunn | IT Project Manager |
| Pamela Webber | Office Manager/Breeders' Fund Administrator |
| Colleen Hurlbert | Pari-mutuel Auditor/Licensing Coordinator |
| Marlene Swanson | Licensing Clerk |
| Cynthia Urista | Licensing Clerk |
| John Flynn | Director of Security |
| Mark Custer | Investigator |
| Nick Cummins | Investigator |

To further assist the Commission with its regulatory responsibilities, the following individuals were contracted or employed seasonally by the MRC for professional and technical services during the 2008 racing season:

| | |
|------------------------------------|---|
| Stewards – Canterbury Park | Hank Mills Noble Hay, Jr. Bill Keen Tom Davis |
| Judges – Running Aces Harness Park | Ken Stock Bob Corey Tom Swift |
| Veterinarians and Assistants | Chief Veterinarian Lynn Hovda, DVM Richard Bowman, DVM Christy Klatt, DVM Jennifer Durnberger, DVM Susan Lick, Veterinary Services Coordinator Jeanne French, Lead Test Barn Technician - Canterbury Park Judy Cowan, Lead Test Barn Technician – Running Aces Harness Park |

ADVISORY COMMITTEES

The Thoroughbred Breeders Fund Advisory Committee advised the Racing Commission regarding thoroughbred topics during 2008.

BREEDERS' FUND APPROPRIATIONS ADVISORY COMMITTEE

| | |
|-----------------------|-------------|
| Carin Offerman, Chair | Plymouth |
| Dean Benson | Webster |
| Dan Cohen | Minneapolis |
| Dave Dayon | St. Michael |
| John Demaria | Hayfield |
| Chad Kuehn | Austin |
| Dan Mjolsness | Red Wing |
| Dennis Strohkirch | Stillwater |
| Jack Walsh | Stillwater |

MEETINGS OF THE COMMISSION

The Racing Commission meets the third Thursday of each month. In addition, the Commission has a working meeting on the first Tuesday of each month.

COMMISSION OFFICES

The Minnesota Racing Commission offices are located at:

Canterbury Park
P.O. Box 630
1100 Canterbury Road
Shakopee, MN 55379
Telephone: (952) 496-7950
Fax: (952) 496-7954

Running Aces Harness Park
15201 Zurich Street
Columbus, MN 55025
Telephone: (651) 925-3951
Fax: (651) 925-3957

Website: <http://www.mrc.state.mn.us>
1-800-627-3529 (TDD-Voice Relay Service)

II. COMMISSION ACTIVITIES

RULEMAKING

Of the many ongoing duties and responsibilities of the Minnesota Racing Commission, perhaps the most important is to promulgate the rules by which pari-mutuel racing and wagering will be conducted. All rules and amendments thereto have served well to regulate and control the industry. Through the events of past race meets, it becomes apparent that several rules, many of them unique to Minnesota, require certain revisions. As a result the Minnesota Racing Commission, with advice and consultation with Class A & B licensees and other affected parties revises and updates it's rules to meet the current needs of the industry.

The Commission concluded one rulemaking project in 2008. The process concluded in 2008 modified definitions to match rules; made changes to rules governing information available at racetracks and independent tip sheets; and made a technical change to insure that the rule is consistent with statute governing the assignment of racing days. "Freeze branding" was included as a recognized method of horse identification. Changes were made to the rules to include references to standardbred drivers as well as thoroughbred jockeys. It also included rule revisions to clarify accreditation requirements for veterinarians at licensed racetracks and allow assistant trainers to be licensed as authorized agents. The process added a requirement that all veterinary drugs be FDA approved. Language was added to clarify conflict of interest rules for racing officials. There were amendments to the rules governing stewards and the examination for first-time trainers. Changes were made to the rules regarding coupled entries and to the rules governing horse equipment. Rules were amended to standardbred workout requirements, the number of horses allowed in a race, the length of a standardbred racetrack, driver clothing and color registration, and expanded homestretch authority. References to human gender have been changed to gender neutral language. Medication rules were changed to include definitions and processes for TC02 testing for horses, and definitions for alkalinizing agents, milkshaking, TC02, and venom.

In 2008, the Commission initiated rulemaking processes that include the following:

- Align license fees for association employees and increase the fees for the multiple license type of Owner/Trainer/Driver to a level that is more consistent with the fees associated with those individual occupational types.
- Specifying that the University of Minnesota, Veterinary Diagnostic Laboratory shall conduct postmortem examinations of horses and that the Class B licensee (racetrack) bear the cost of transportation.
- Allowing for blood and/or urine testing of horses at any time while on the race track grounds when ordered by the Stewards.
- Identifying regulatory guidelines for split sample testing for TC02.
- Identifying guidelines and setting late fees for late registration of standardbred foals.
- Setting regulatory threshold levels for the Androgenic-anabolic steroids (AAS) group of compounds.

- Adding the definition for “stable area” to clearly define this area of a racetrack.
- Removing obsolete language and redefining the requirements for emergency medical personnel.
- Changing the number of horses required in a field to offer a Superfecta wager.
- Changing language to include all protected classes as defined in Minnesota statute.
- Adding “Microchips” to the list of items that must be secured at a racetrack.
- Adding to the trainer’s duties the immediate reporting of the alteration of the sex of a horse.
- Changing the guidelines regarding veterinarian contact with entered horses on race days and the use of substances, medication, venom, or biological products and USDA approval.
- Making technical changes to claiming a horse to comply with industry standards and to revise obsolete language.
- Putting limitations on toe grabs and restricting all other traction devices.
- Eliminating obsolete language.

The Commission anticipates that these rules will be effective in the spring of 2009.

The major categories of rules for which the Commission has direct authority and accountability for oversight include:

Racetrack Licensure (Class A)
 Racing Licensure (Class B)
 Pari-Mutuel Betting
 Racing Facilities and Stabling
 Occupational Licensure (Class C)

County Fair Licensure (Class D)
 Conduct of the Race
 Horse Medication and Examination
 Medical Testing
 Breeders Fund

The overriding concern of the Minnesota Racing Commission is to provide the controls to build in safeguards for the patrons of Canterbury Park and the citizens of Minnesota. The Racing Committee has not overlooked the fact that the rules should also provide protection for the participants and allow them to conduct their business in an orderly fashion without the burden of undue over regulation or operating costs. Strict compliance with the Minnesota Administrative Procedures Act has been observed and participation by all persons has been encouraged.

SUMMARY OF CARD CLUB OPERATION

During the 1999 legislative session, the legislature passed chapter 206 allowing a licensed racetrack to operate a Card Club in addition to live racing and simulcasting. The card club at Canterbury Park opened in April of 2000. A second card club, at Running Aces Harness Park, opened in July of 2008. According to the law, 10% of the rake, up to \$6 million is set aside for purses and of that amount 10% is paid to the Commission for purse supplements from the Minnesota Breeders’ Fund. Once the rake exceeds \$6 million, the purse set aside is 14% with again 10% of that amount for the Breeders’ Fund. That legislation goes on to allow the racetrack

and the horsemen's organizations to negotiate different percentages than stated in the law and, if so, to file an agreement with the Commission.

LICENSING, SECURITY AND INVESTIGATIONS

A primary function of the Minnesota Racing Commission security and licensing staff is to allow only qualified personnel to participate in racing in Minnesota. Another function is to ensure that the statutes and the Minnesota Racing Commission rules and regulations of racing are enforced. This requires communication with the Federal Bureau of Investigation; Minnesota Department of Public Safety, Alcohol and Gambling Enforcement Division; Minnesota Bureau of Criminal Apprehension; US Citizenship and Immigration Services (USCIS); Internal Revenue Service; Minnesota Department of Revenue; Scott County Sheriff's Office; State Attorney General's Office; Shakopee Police Department; Association of Racing Commissioners International (ARCI); Organization of Racing Investigators (ORI); racing and gaming regulatory agencies in other jurisdictions; Board of Stewards; The Jockeys' Guild; The Jockey Club; U.S. Trotting Association; Minnesota Thoroughbred Association; Minnesota Quarter Horse Racing Association; Minnesota Harness Racing, Inc.; Arabian Racing Association of Minnesota; Canterbury Park and North Metro Harness.

INVESTIGATIONS SUMMARY

The Minnesota Racing Commission relies on their Director of Security and investigators, agents from the Department of Public Safety's Alcohol and Gambling Enforcement Division, and the Shakopee Police Department. The investigators work on the backside to enforce the statutes and rules of racing in the community, and on the front side in the licensing office to interview and screen applicants. The investigators and licensing staff are responsible for ensuring that Class C (occupational) licensees comply with all Minnesota statutes including applicant eligibility and workers' compensation requirements.

The card room requires additional investigative responsibility to ensure that all the card games are played in compliance with statutes, Commission rules and the card club plan of operation. The investigators work closely with the surveillance room personnel to monitor the behavior of the patrons and the card room employees. The Minnesota Department of Public Safety, Alcohol and Gambling Enforcement Division is the primary agency to which the Commission reports any misconduct or procedure violations.

The majority of investigations consist of criminal history and background checks on licensees. Minnesota has strict laws about the eligibility of license applicants with criminal backgrounds. As a result, additional investigation may be required in the processing of an applicant. During live racing, surveillance of those directly involved in racing competition is necessary. Those individuals include jockeys, drivers, gate crewmembers, trainers, and other backstretch employees. The investigators work closely with the stewards in following up on complaints and instances where irregularities are noticed.

OCCUPATIONAL LICENSING

The Minnesota Racing Commission must license everyone who is employed at a racetrack in Minnesota. Applicants are fingerprinted and authorize the release of personal information to verify application content. The applicants must also complete a notarized Affidavit of Qualification stating

that they are not in debt to the State of Minnesota, have never been convicted of a felony, have never been involved in illegal business or fraud, nor have they been convicted of a crime related to horse racing or gambling.

In 2008, 4376 Class C occupational licenses were issued by the Minnesota Racing Commission during the live and simulcast racing meets. Of these, 3444 licenses were issued to individuals racing or working in various occupations at Canterbury Park. 932 licenses were issued to individuals racing or working in various occupations at Running Aces Harness Park. Licenses were issued to applicants from 40 different states as well as several different countries including Canada, England, France, and Mexico. Table 1, page 8 summarizes by occupation, the licenses issued by the Commission since 1995. Table 2, page 9 summarizes licenses issued to Minnesotans by occupation since 1995.

**Chart 1.
Class C Occupational Licenses Issued 1994 - 2008**

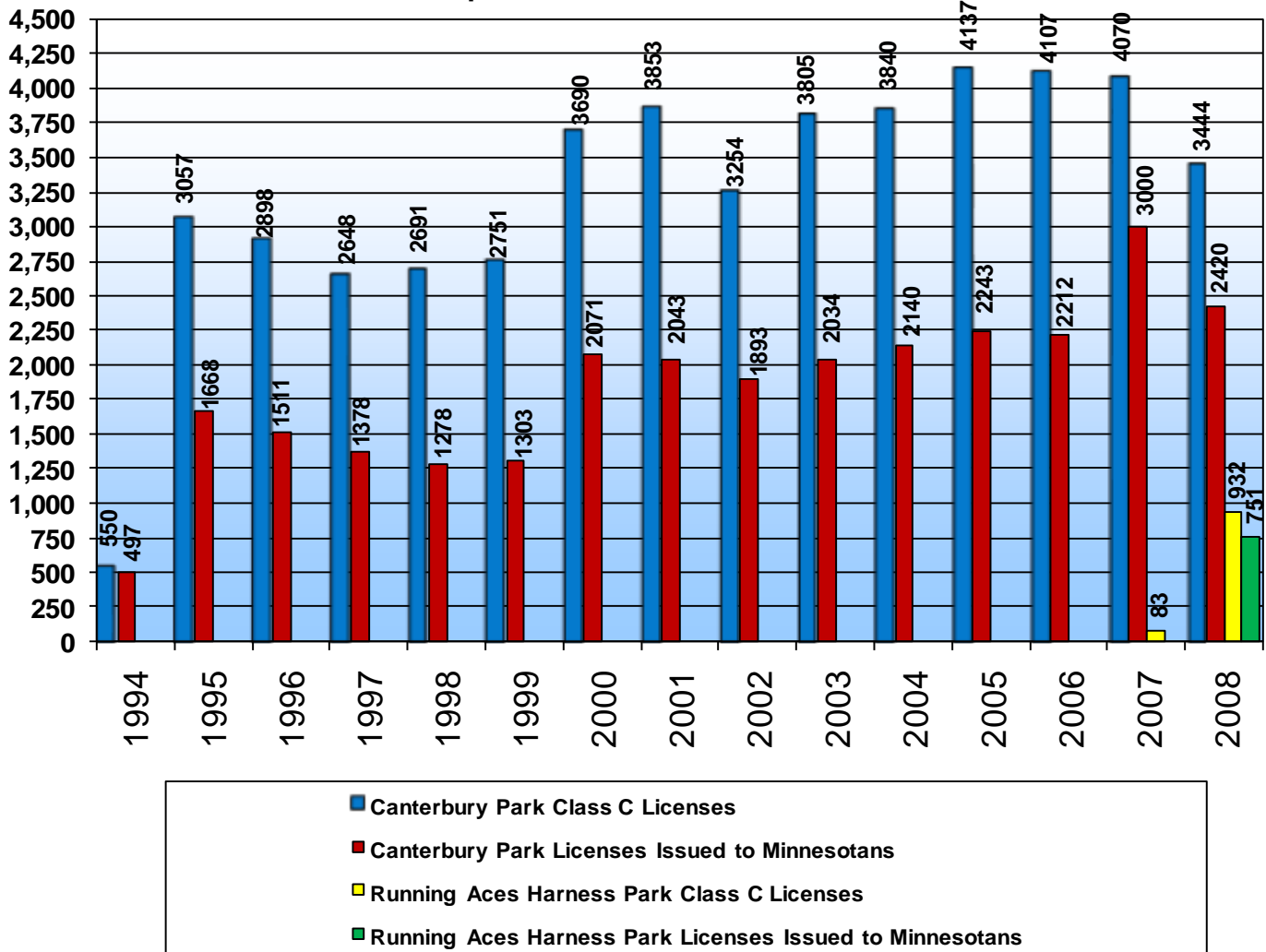


Table 1.
OCCUPATIONAL (CLASS C) LICENSE SUMMARY BY YEAR

| LICENSE TYPE | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Authorized Agent | | | | | | | | | | 84 | 82 | 113 | 112 | 117 |
| Bloodstock Agent | 1 | 1 | 0 | 0 | 0 | 0 | 2 | 1 | 1 | 1 | 2 | 2 | 2 | 2 |
| Canterbury Employees | 943 | 780 | 704 | 646 | 713 | 1466 | 1321 | 1225 | 1232 | 1330 | 1351 | 1320 | 1338 | 1279 |
| Commission/MRC Staff | 35 | 31 | 31 | 34 | 30 | 53 | 39 | 31 | 31 | 29 | 32 | 38 | 35 | 48 |
| County Fair Volunteers | | | | | | 24 | 27 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Detention Barn Technician | 12 | 17 | 20 | 11 | 12 | 19 | 15 | 16 | 17 | 14 | 22 | 19 | 19 | 18 |
| Driver | 0 | 4 | 15 | 14 | 7 | 6 | 15 | 0 | 13 | 0 | 0 | 0 | 0 | 12 |
| Exercise Rider | 71 | 66 | 40 | 46 | 45 | 46 | 60 | 52 | 44 | 64 | 66 | 66 | 54 | 53 |
| Farrier | 12 | 16 | 12 | 10 | 13 | 8 | 11 | 10 | 11 | 12 | 12 | 11 | 10 | 16 |
| Farrier's Assistant | 0 | 0 | 1 | 1 | 1 | 0 | 2 | 0 | 2 | 0 | 0 | 0 | 0 | 0 |
| Groom/Hotwalker | 262 | 266 | 209 | 241 | 251 | 251 | 357 | 268 | 314 | 285 | 294 | 299 | 278 | 324 |
| Jockey | 72 | 54 | 60 | 61 | 61 | 69 | 84 | 58 | 80 | 76 | 77 | 59 | 58 | 69 |
| Jockey Agent | 7 | 12 | 6 | 8 | 8 | 12 | 17 | 11 | 11 | 8 | 8 | 9 | 12 | 9 |
| Jockey, Apprentice | 4 | 3 | 4 | 3 | 2 | 2 | 5 | 5 | 4 | 2 | 4 | 2 | 4 | 3 |
| Other | 11 | 40 | 36 | 16 | 13 | 17 | 15 | 20 | 28 | 18 | 38 | 29 | 25 | 24 |
| Owner, Individual | 1061 | 1038 | 908 | 976 | 984 | 965 | 1055 | 906 | 1106 | 1051 | 1178 | 1160 | 1090 | 1293 |
| Owner, Multiple | 181 | 212 | 135 | 180 | 169 | 199 | 256 | 216 | 283 | 267 | 299 | 315 | 283 | 324 |
| Owner/Trainer | | | | | | 111 | 116 | 81 | 101 | 93 | 93 | 100 | 74 | 76 |
| Owner/Trainer/Driver | 28 | 17 | 37 | 39 | 19 | 14 | 30 | 0 | 16 | 0 | 0 | 0 | 0 | 32 |
| Pony Rider | 18 | 21 | 19 | 19 | 19 | 21 | 19 | 19 | 17 | 16 | 9 | 14 | 15 | 16 |
| Running Aces Harness Employees | | | | | | | | | | | 7 | 9 | 20 | 591 |
| Stable | 42 | 52 | 36 | 47 | 39 | 52 | 48 | 37 | 49 | 46 | 40 | 41 | 46 | 55 |
| Stable Foreman | 9 | 5 | 3 | 6 | 4 | 2 | 1 | 0 | 1 | 1 | 0 | 2 | 0 | 2 |
| Trainer | 186 | 172 | 180 | 185 | 201 | 105 | 112 | 65 | 110 | 85 | 100 | 86 | 70 | 101 |
| Trainer, Assistant | 52 | 42 | 40 | 38 | 38 | 38 | 48 | 39 | 57 | 41 | 41 | 46 | 54 | 46 |
| Vendor | 32 | 28 | 60 | 29 | 28 | 49 | 45 | 40 | 80 | 96 | 109 | 104 | 134 | 144 |
| Vendor Employees | 8 | 81 | 12 | 71 | 82 | 144 | 134 | 137 | 180 | 206 | 260 | 251 | 326 | 369 |
| Veterinarian | 7 | 9 | 7 | 7 | 9 | 10 | 11 | 11 | 11 | 8 | 14 | 15 | 17 | 20 |
| Veterinary Assistant | 3 | 2 | 2 | 3 | 3 | 7 | 8 | 6 | 6 | 7 | 6 | 6 | 12 | 9 |
| Totals | 305 | 289 | 264 | 269 | 275 | 369 | 385 | 325 | 380 | 384 | 413 | 410 | 406 | 505 |

Table 2.
OCCUPATIONAL (CLASS C) LICENSES ISSUED TO MINNESOTANS

| LICENSE TYPE | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Authorized Agent | | | | | | | | | 29 | 25 | 27 | 27 | 23 | |
| Bloodstock Agent | 1 | 1 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 |
| Canterbury Employees | 873 | 743 | 633 | 585 | 612 | 1307 | 1217 | 1141 | 1140 | 1229 | 1221 | 1224 | 1220 | 1179 |
| Commission/MRC Staff | 30 | 24 | 30 | 28 | 20 | 33 | 29 | 5 | 26 | 24 | 27 | 34 | 31 | 38 |
| County Fair Volunteers | | | | | | 24 | 27 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Detention Barn Technician | 10 | 16 | 17 | 9 | 11 | 18 | 14 | 16 | 13 | 12 | 19 | 16 | 16 | 16 |
| Driver | 0 | 1 | 1 | 2 | 1 | 3 | 3 | 0 | 2 | 0 | 0 | 0 | 0 | 1 |
| Exercise Rider | 22 | 20 | 15 | 20 | 17 | 16 | 20 | 20 | 15 | 17 | 12 | 16 | 16 | 13 |
| Farrier | 4 | 3 | 4 | 1 | 2 | 3 | 4 | 3 | 3 | 3 | 3 | 3 | 2 | 5 |
| Farrier's Assistant | 0 | 0 | 1 | 1 | 1 | 0 | 1 | 0 | 2 | 0 | 0 | 0 | 0 | 0 |
| Groom/Hotwalker | 112 | 88 | 71 | 80 | 84 | 82 | 131 | 97 | 127 | 81 | 89 | 95 | 100 | 143 |
| Jockey | 5 | 2 | 3 | 5 | 3 | 4 | 6 | 6 | 8 | 5 | 4 | 5 | 7 | 4 |
| Jockey Agent | 1 | 3 | 2 | 2 | 1 | 2 | 2 | 1 | 2 | 2 | 3 | 1 | 2 | 4 |
| Jockey, Apprentice | 1 | 0 | 0 | 0 | 0 | 1 | 2 | 1 | 0 | 1 | 2 | 1 | 2 | 2 |
| Other | 6 | 34 | 21 | 14 | 11 | 14 | 11 | 17 | 26 | 17 | 25 | 19 | 17 | 16 |
| Owner, Individual | 531 | 504 | 437 | 394 | 397 | 382 | 393 | 403 | 440 | 453 | 520 | 512 | 549 | 603 |
| Owner/Trainer | | | | | | 20 | 27 | 23 | 27 | 21 | 22 | 23 | 15 | 16 |
| Owner/Trainer/Driver | 11 | 9 | 10 | 9 | 9 | 5 | 6 | 0 | 5 | 0 | 0 | 0 | 0 | 3 |
| Pony Rider | 5 | 6 | 6 | 6 | 5 | 3 | 4 | 3 | 2 | 3 | 4 | 6 | 8 | 10 |
| Running Aces Harness Employees | | | | | | | | | | | 4 | 5 | 11 | 527 |
| Stable Foreman | 2 | 2 | | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 |
| Trainer | 46 | 41 | 43 | 44 | 43 | 20 | 11 | 14 | 14 | 7 | 12 | 10 | 11 | 13 |
| Trainer, Assistant | 10 | 5 | 7 | 7 | 5 | 6 | 9 | 7 | 9 | 10 | 7 | 9 | 9 | 5 |
| Vendor Employee | 8 | 8 | 52 | 79 | 71 | 117 | 113 | 122 | 156 | 174 | 230 | 220 | 288 | 320 |
| Veterinarian | 7 | 7 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 8 | 13 | 12 | 15 | 16 |
| Veterinary Assistant | 3 | 2 | 1 | 2 | 3 | 3 | 3 | 3 | 5 | 6 | 5 | 5 | 10 | 7 |
| Totals | 1668 | 1511 | 1378 | 1278 | 1301 | 2071 | 2041 | 1891 | 2031 | 2101 | 2241 | 2241 | 2351 | 2961 |

2008 COMMISSION VETERINARIAN'S REPORT

MISSION STATEMENT: The mission of the Minnesota Racing Commission's Veterinary Department is to protect the participants in the sport of horse racing, including horses, riders or drivers, owners, and fans, from harm that can occur through negligence or deliberate mistreatment of horses.

The mission statement for the Minnesota Racing Commission's veterinary department continues to guide the staff. The goals for 2008, while similar to previous years, were expanded with the opening of Running Aces Harness Park in Columbus, Minnesota. This racetrack brought a different breed of horse with different needs and expectations. Common to both were the need to maintain an honest and ethical relationship with the horsemen and women, complying with state and federal guidelines regarding equine transport and infectious diseases, protecting horses from abuse and neglect, minimizing racing injuries and accidents to horses as well as riders and drivers, preventing the use of illegal medications, safeguarding the owner's investments, and ensuring consistent equine performances.

CANTERBURY PARK

Almost 1400 Thoroughbreds and Quarterhorses entered the grounds of Canterbury Park during the 2008 race meet. In compliance with state and federal regulations and to keep infectious diseases at a minimum all horses allowed on the grounds were accompanied by a Certificate of Veterinary Inspection (CVI) with current Equine Infectious Anemia (EIA or Coggins) information clearly documented. Horses coming from training centers or racetracks with known infectious diseases required additional information on their CVI. The required information varied depending on the geographical location, suspected or known infectious disease, and vaccination status. Certificates were collected at the time of entry and examined each day by a Commission Veterinarian for accuracy and completeness. Copies of certificates with incomplete or missing information were sent to the Minnesota Board of Animal Health. Horses arriving without CVI's or with outdated EIA certificates were held at the stable gate or in the quarantine area until examined by a licensed veterinarian and an appropriate certificate produced.

Pre race examinations were performed on all horses entered to race. A total of 5261 examinations were performed with 4941 horses ultimately leaving the starting gate. Based on results of prerace examinations, 165 horses were recommended to the Board of Stewards to be scratched from racing on that day. These 165 horses along with 114 other horses were placed on the Veterinarian's List and not allowed to race again until deemed fit by one of the Commission Veterinarians. Thirty nine horses required a timed workout observed by a Commission Veterinarian, either to be removed from the Veterinarian's List or to return to racing after a layoff of more than one year.

Furosemide (Salix®), a medication administered to control Exercise Induced Pulmonary Hemorrhage (EIPH or bleeding) was permitted for 1322 horses entered into the 2008 program. This number, roughly 96% of the horses, is higher than previous years but not all horses entered on furosemide actually went to the starting gate. The furosemide program functioned well with no known administration errors and no furosemide medication violations.

Industrial Laboratories in Boulder, Colorado, the Minnesota Racing Commission 2008 contract laboratory, analyzed 1381 blood samples and 1178 urine samples for medication violations. They

also processed 6 external blinded samples for Quality Assurance and screened 343 samples for TCO2 levels (milk shaking). The total number of medication violations (57) was higher than previous years. This may be due to a change in contract laboratories, the presence of new trainers from less stringent states, or the fact that Minnesota tests for both anabolic and corticosteroids. The majority of violations were associated with corticosteroids (23 methylprednisolone, 1 triamcinolone, 6 dexamethasone). These were followed by violations that revolved around overages or lack of the permitted medications phenylbutazone (6), flunixin (9). One violation involved a controlled substance (butorphanol) and two violations occurred from elevated levels of TCO2. The remaining 9 violations were minor in nature and included clenbuterol (1), DMSO (1), methocarbamol (7). The Board of Stewards dealt with all 57 violations in a manner deemed fair and equitable by them.

Nineteen horses died or were humanely euthanized during the 2008 meet. Nine of these horses suffered injuries during a race resulting in a race related, traumatic breakdown rate of 0.18%. This is at the low end of the nationally accepted range of 0.15% to 0.5%. Data collected from these horses was statistically analyzed and no common factor was found. In addition, data from the Thoroughbreds was collated and submitted for inclusion in the National Horse Breakdown Study. Four horses were euthanized after training related accidents. No statistics are kept on training horses as the total number of horses training on each day is not recorded. The remaining horses died or were euthanized for a variety of illnesses or medical problems. All horses dying or euthanized on the grounds for any reason were transported to the University of Minnesota Diagnostic Laboratory within eight hours of their death for a complete post mortem examination. As a matter of record all 19 horses were placed on the Veterinarian's List and the Jockey Club or American Quarterhorse Association notified of their deaths.

Our "Because We Care" horse retirement and adoption program became custodians for or assisted in the placement of 46 racehorses. An additional 14 horses in foster care were moved to permanent homes. No horse in need of help was turned away regardless of their condition. These horses have gone on to successful careers in polo, games, dressage, pleasure, hunters, jumpers, and other forms of recreational riding.

The Commission Veterinarians accepted responsibility for and were present at all animal related programs at Canterbury Park during the live racing season. The veterinarians were involved with the Children's Petting Zoo, Weiner dog races, Camel and Ostrich races, Minnesota Thoroughbred sale, MTA mare and foal exhibit, and other events occurring on the grounds. Commission veterinarians also provided support for the Don MacBeth injured jockey fund raiser, Dean Kutz chapel fund raiser, Groom Elite program, swimming pool observational study, and a variety of other projects and programs.

RUNNING ACES HARNESS PARK

The inaugural season at Running Aces brought 322 Standardbred horses to the backside. In compliance with state and federal regulations and to keep infectious diseases at a minimum all horses allowed on the grounds were accompanied by a Certificate of Veterinary Inspection (CVI) with current Equine Infectious Anemia (EIA or Coggins) information clearly documented. Horses coming from training centers or racetracks with known infectious diseases required additional information on their CVI. The required information varied depending on the geographical location, suspected or known infectious disease, and vaccination status. Certificates were collected at the time of entry and examined each day by a Commission Veterinarian for accuracy and completeness. Copies of certificates with incomplete or missing information were sent to the Minnesota Board of Animal Health. Horses arriving without CVI's or with outdated EIA certificates

were held at the stable gate until examined by a licensed veterinarian and an appropriate certificate produced.

Pre race examinations, modified for Standardbreds, were performed on all horses entered to race. A total of 2787 examinations were performed with 4 horses scratched at the starting gate. These 4 horses along with 48 other horses were placed on the Veterinarian's List and not allowed to race again until deemed fit by one of the Commission Veterinarians. A veterinarian was also present during each of the 44 qualifying races with medication testing provided at the request of the Judges.

Furosemide (Salix®), a medication administered to control Exercise Induced Pulmonary Hemorrhage (EIPH or bleeding) was permitted for 1760 horses entered into the 2008 program. This accounts for approximately 63% of the starters. The furosemide program functioned well with no known administration errors and no furosemide medication violations.

Industrial Laboratories in Boulder, Colorado, the Minnesota Racing Commission contract laboratory, analyzed 852 blood samples and 676 urine samples for medication violations. In addition, they screened 19 samples for TCO2 elevations (milk shaking). Eleven medication violations occurred. The majority of the violations revolved around overages or lack of the permitted medications phenylbutazone (3) and flunixin (4). Other violations included DMSO (1), methylprednisolone (1), methocarbamol (1), and HCG (1). The Judges dealt with all 11 violations in a manner deemed fair and equitable by them. Seven external blinded samples were screened for Quality control.

The horse ambulance was used only once at Running Aces. In addition, no horses died or were euthanized at Running Aces

BOTH TRACKS

The Minnesota Racing Commission's veterinary staff had a high visibility at Canterbury Park and Running Aces Harness Park both on the backside and the racing surface. The office provided medication information and withdrawal times, trainer education, and assistance to backside veterinarians while keeping the medication controls tight. Their daily presence ensured the humane treatment of all horses and helped maintain the integrity of horse racing in Minnesota.

Table 3.
2008 PARI-MUTUEL STATISTICS
CANTERBURY PARK

LIVE WAGERING

| 2008 Live Thoroughbred and Quarter Horse Races Mixed Meet (Thoroughbred & Quarter Horse) – May 3 – September 1, 2008 Claiming Crown – August 2, 2008 Festival of Champions – August 17, 2008 | | | | | | |
|--|---------------------|--------------------|------------|-------------------------|---------------------|---------------|
| BREED | HANDLE | TAKEOUT | # OF RACES | AVERAGE HANDLE PER RACE | BETTOR RETURN | WINNING % |
| Thoroughbred | \$12,862,462 | \$2,567,647 | 550 | \$23,386.29 | | |
| Quarter Horse | \$985,643 | \$194,152 | 84 | \$11,733.85 | | |
| TOTAL | \$13,848,105 | \$2,761,799 | 634 | \$21,842.44 | \$10,350,530 | 74.75% |

SIMULCAST WAGERING

| 2008 Full-Card Simulcast Meets January 1, 2008 – December 31, 2008 | | | | | | |
|--|---------------------|--------------------|----------------|-----------------------------|---------------------|---------------|
| BREED | HANDLE | TAKEOUT | # OF RACE DAYS | AVERAGE HANDLE PER RACE DAY | BETTOR RETURN | WINNING % |
| Thoroughbred | \$42,365,011 | \$8,506,864 | | | | |
| Quarter Horse | \$1,325,189 | \$273,400 | | | | |
| Standardbred | \$2,124,664 | \$471,689 | | | | |
| Arabian | \$110,541 | \$22,194 | | | | |
| TOTAL | \$45,925,405 | \$9,274,147 | 364 | \$126,169 | \$36,289,112 | 79.02% |

Table 4.
2008 PARI-MUTUEL STATISTICS
RUNNING ACES HARNESS PARK

LIVE WAGERING

| 2008 Live Standardbred Races April 11 – July 6, 2008 | | | | | | |
|--|--------------------|------------------|------------|-------------------------|------------------|---------------|
| BREED | HANDLE | TAKEOUT | # OF RACES | AVERAGE HANDLE PER RACE | BETTOR RETURN | WINNING % |
| Standardbred | \$1,223,877 | \$230,279 | 426 | \$2,872.95 | | |
| TOTAL | \$1,223,877 | \$230,279 | 426 | \$2,872.95 | \$957,491 | 78.23% |

SIMULCAST WAGERING

| 2008 Full-Card Simulcast Meets April 11, 2008 – December 31, 2008 | | | | | | |
|---|--------------------|--------------------|----------------|-----------------------------|--------------------|---------------|
| BREED | HANDLE | TAKEOUT | # OF RACE DAYS | AVERAGE HANDLE PER RACE DAY | BETTOR RETURN | WINNING % |
| Thoroughbred | \$3,976,576 | \$789,869 | | | | |
| Quarter Horse | \$116,657 | \$23,520 | | | | |
| Standardbred | \$1,139,559 | \$249,423 | | | | |
| Arabian | \$5,625 | \$1,425 | | | | |
| TOTAL | \$5,238,417 | \$1,064,237 | 263 | \$19,918 | \$4,038,781 | 77.10% |

**Chart 2.
RACING HANDLE
CALENDAR YEARS 1985 - 2008**

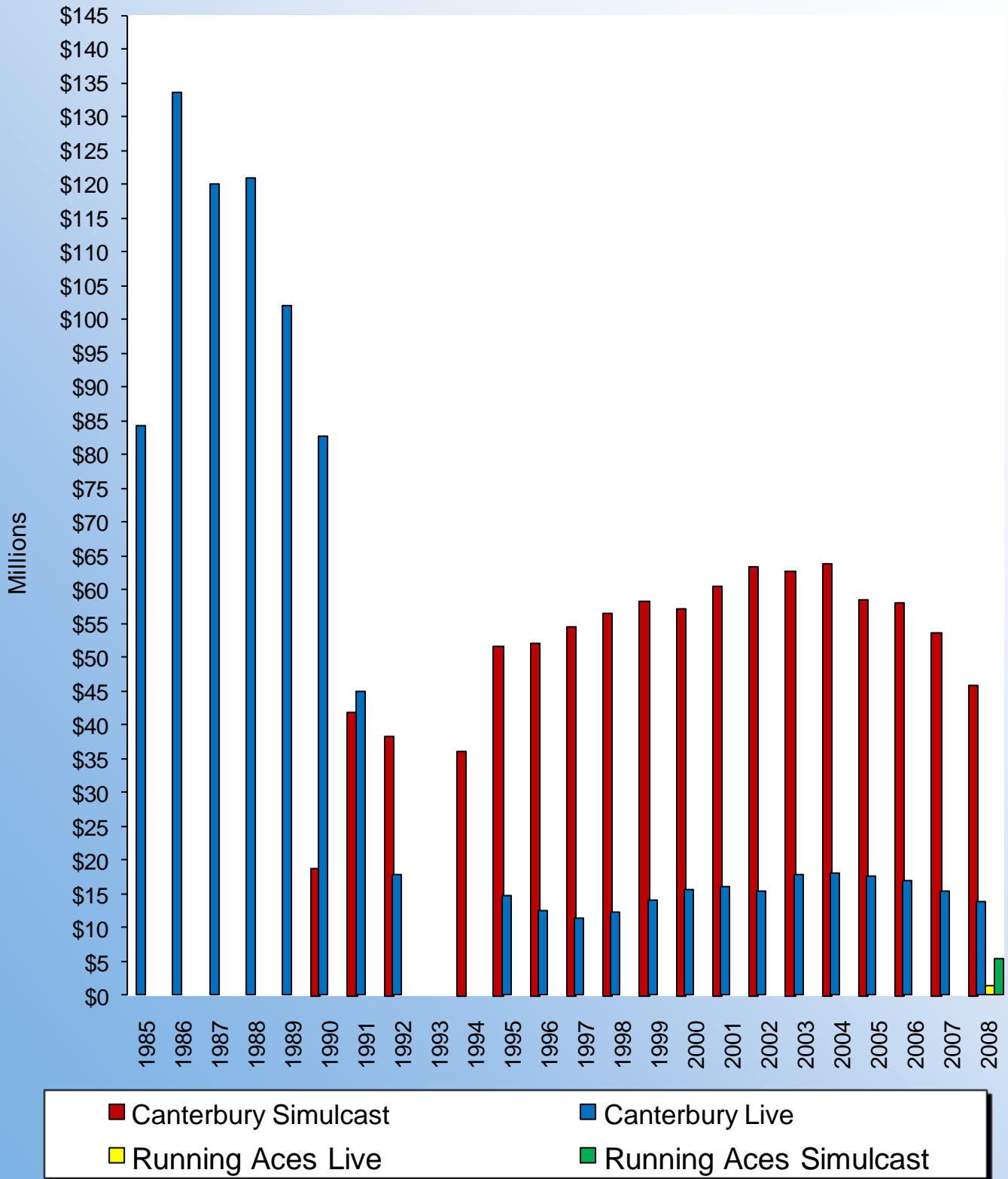


Table 5.
FIVE YEAR FINANCIAL SUMMARY
FISCAL YEARS 2004 - 2008

| APPROPRIATIONS | | | | | |
|--|--------------------|------------------|------------------|------------------|------------------|
| | FY 2008 | FY 2007 | FY 2006 | FY 2005 | FY 2004 |
| General Fund Appropriation | | | | | |
| Special Revenue Appropriation 1) | \$1,130,000 | \$835,000 | \$674,000 | \$421,000 | \$421,000 |
| Deficiency Appropriation | | | | \$98,000 | |
| Statutory Carry Forward | | | \$58,000 | \$12,163 | -\$12,163 |
| Unallotment | | | | | |
| Total | \$1,130,000 | \$835,000 | \$732,000 | \$531,163 | \$408,837 |
| | Actual 08 | Actual 07 | Actual 06 | Actual 05 | Actual 04 |
| Salaries, Benefits & Per Diem | \$582,000 | \$442,314 | \$376,150 | \$361,655 | \$313,980 |
| Rents | \$0 | \$174 | \$220 | \$220 | \$220 |
| Consultant Services | \$0 | \$0 | \$0 | \$0 | \$0 |
| Professional/Technical Services | \$31,000 | \$13,792 | \$5,243 | \$4,001 | \$2,920 |
| Data Processing & System Services | \$39,000 | \$4,338 | \$1,788 | \$4,480 | \$5,213 |
| Communications | \$7,000 | \$6,283 | \$6,084 | \$5,564 | \$4,026 |
| Travel | \$19,000 | \$18,303 | \$11,881 | \$13,599 | \$6,167 |
| Supplies and Material | \$19,000 | \$9,547 | \$5,787 | \$4,455 | \$11,583 |
| Equipment | \$133,000 | \$16,038 | \$8,203 | \$26,025 | \$9,355 |
| Other (Repairs, Printing, Dues, Legal, Ind. Cost) | \$83,000 | \$76,091 | \$46,644 | \$103,001 | \$55,373 |
| Total | \$913,000 | \$586,880 | \$462,000 | \$523,000 | \$408,837 |
| | Actual 08 | Actual 07 | Actual 06 | Actual 05 | Actual 04 |
| Appropriation Balance | \$217,000 | \$248,120 | \$270,000 | \$8,163 | \$ 0 |
| License Revenues to General Fund/Special Revenue Fund1) | \$743,000 | \$704,912 | \$721,638 | \$463,486 | \$445,547 |
| Pari-Mutuel Taxes to General Fund | \$96,000 | \$148,862 | \$221,181 | \$246,634 | \$268,649 |
| Fines to General Fund | \$20,000 | \$18,860 | \$14,030 | \$14,900 | \$8,725 |
| 1) Beginning with the 2004 - 2005 biennium, appropriations are from the special revenue fund financed by dedicated receipts from license fees. | | | | | |

BREEDERS' FUND

The primary purpose of the Minnesota Breeders' Fund is to provide incentive monies to enhance the horse racing industry in the State of Minnesota and to encourage Minnesotans to participate in the racing and breeding industry.

Minnesota Statute 240.15 and 240.13 require that the funds earn one percent of the total handle wagered on live racing and 5.5% of the take-out from full-card simulcasting. Minnesota Statute 240.135 requires that the Breeders' Fund receive ten percent of the card club rake that is set aside for purses. This amount is distributed to the thoroughbred, quarter horse and standardbred funds. Each breed has a separate fund. Breeders' Fund monies are distributed as both purse supplements and awards. During the Live Mixed Meet only, Breeders' Fund monies earned from full-card simulcasts, regardless of the breed racing, are apportioned between the thoroughbred and quarter horse funds based on the number of live races for each breed as compared to the total number of races for both breeds.

In 2008 the Breeder's Fund earned \$772,106 from live and simulcast racing and earned \$453,812 from card club operations. 190 individuals and partnerships received \$257,480 in thoroughbred, quarter horse, and standardbred award payments from monies available at the end of the live racing season. Purse supplements paid out at pari-mutuel meets totaled \$904,606. Purse supplements of \$21,600 were paid out during four days of non pari-mutuel harness racing at county fair venues. The monies available for the 2008 purse supplements included carryovers from 2006.

Committees consisting of the industry participants advise the Commission on distribution of these funds. The committees review distribution alternatives on an ongoing basis.

EQUINE GRANT PROGRAMS

Pursuant to Minnesota Statute 240.15, after the cost of administering the Breeders' Fund program is deducted, twenty percent of the Breeders' Fund monies accumulated from live racing are expended in the form of grants for equine research and related education in the State of Minnesota.

Legislative changes enacted in 1991 to Minnesota Statute 240.18, Breeders' Fund, expanded and clarified the uses to which the equine grants portion of Breeders' Fund monies may be applied. One-half of the equine grant monies are dedicated specifically to equine research and education at the University of Minnesota's College of Veterinary Medicine. The remainder may be expended for any one or more of the following:

- (1) Additional equine research and related education;
- (2) Substance abuse programs for licensed personnel at racetracks in this state;
- (3) Promotion and public information regarding the industry, Commission activities, ownership, breeding and the development and expansion of the economic benefits from racing.

The Racing Commission awarded five grants from the fund during 2007.

(1) The College of Veterinary Medicine received an extension on their grant of \$1,300 from 2007 to help fund the Equine Neonatal Education Program and Colostrum Network. This service, which the Minnesota Racing Commission has helped support for several years, educates horse owners on the importance of protective antibodies transmitted to neonatal foals through the mare's first milk, the colostrum, and helps collect and freeze this substance and makes it available for orphan foals. The grant was to provide additional funding for the redesign and updating of informational pamphlets and their promotional display.

(2) The Department of Veterinary Population Medicine of the University of Minnesota received \$7,750 to provide education to Minnesota horse owners regarding the identification and control of common non-poisonous pasture plants in the Upper Midwest by:

- a. Producing a poster intended to aid horse owners in weed identification
- b. Producing a publication, which will include multiple images of common pasture weeds and discuss origin, life cycle, identification, distribution, habitat, and specific chemical and cultural control options for each weed. The publication will also include, among other items, best management practices for horse pastures and chemical and cultural weed control tables.
- c. Distributing the poster and/or publication on the Minnesota Racing Commission, University of Minnesota Horse, Veterinary Medicine, Extension and Weed Science websites and make it available for purchase through the Extension Distribution Center.

(3) The Groom Elite Program received \$3,995 to help fund a training program for racetrack grooms and assistant trainers. Grooms are responsible for the daily care of the horses in training at the racetrack. Trainers and owners have a need for well-trained grooms because errors made in the areas of nutrition and recognition and treatment of injuries or illnesses can result in significant expense. The purpose of the Groom Elite Program is to offer classroom and/or hands on instruction regarding such topics as: performing a horse health check-up, horse behavior and grooming, anatomy and conformation, digestion and feeding, front and rear leg examination, and bandaging for first time grooms or individuals wanting to improve or add to their skills. The funds will be used for preparation of instructional materials, securing instructors and students, providing for bilingual translations and obtaining equipment.

Table 6.
2008 BREEDERS' FUND RECAP

| THOROUGHBRED | | QUARTER HORSE | |
|--------------------------------|------------------|--------------------------------|-----------------|
| Live and Simulcast Racing | \$620,913 | Live and Simulcast Racing | \$45,218 |
| Card Club Operations | \$319,476 | Card Club Operations | \$31,977 |
| Total Earnings | \$940,389 | Total Earnings | \$77,195 |
| Less Administrative Costs | \$22,000 | Less Administrative Costs | \$1,680 |
| = Net Breeders' Fund | \$918,389 | = Net Breeders' Fund | \$75,515 |
| Less Equine Research | \$21,325 | Less Equine Research | \$1,635 |
| = Net Available Breeders' Fund | \$897,064 | = Net Available Breeders' Fund | \$73,880 |
| Less Purse Supplements | \$677,581 | Less Purse Supplements | \$50,834 |
| = Balance Remaining for Awards | \$219,483 | = Balance Remaining for Awards | \$23,046 |
| STANDARD BRED | | ARABIAN | |
| Live and Simulcast Racing | \$51,900 | Total Earnings | \$1,299 |
| Card Club Operations | \$99,315 | Less Purse Supplements | \$714 |
| Total Earnings | \$151,215 | = Balance Remaining for Awards | \$ 585 |
| Less Administrative Costs | \$2,736 | | |
| = Net Breeders' Fund | \$148,479 | | |
| Less Purse Supplements | \$133,730 | | |
| Less Equine Research | \$2,458 | | |
| Less Non-PM Development | \$2,458 | | |
| = Balance Remaining for Awards | \$9,833 | | |

Effective November 1, 2001 all Breeds designated for purse and supplements only.

Table 7.
HORSE REGISTRATIONS

| Year | THOROUGHBRED | | | QUARTER HORSE | | | STANDARD BRED | |
|------|--------------|-------|-------|---------------|-------|-------|---------------|-------|
| | Stallions | Mares | Foals | Stallions | Mares | Foals | Stallions | Foals |
| 1985 | 54 | 543 | 403 | 1 | 0 | 97 | 1 | 17 |
| 1986 | 99 | 895 | 601 | 70 | 241 | 70 | 22 | 13 |
| 1987 | 112 | 988 | 648 | 73 | 178 | 78 | 15 | 20 |
| 1988 | 141 | 1261 | 760 | 94 | 229 | 109 | 18 | 23 |
| 1989 | 141 | 1334 | 844 | 119 | 272 | 143 | 22 | 28 |
| 1990 | 118 | 1145 | 653 | 95 | 257 | 134 | 19 | 30 |
| 1991 | 104 | 966 | 612 | 88 | 214 | 112 | 11 | 21 |
| 1992 | 85 | 735 | 450 | 72 | 175 | 90 | 7 | 16 |
| 1993 | 63 | 444 | 242 | 52 | 131 | 81 | 6 | 17 |
| 1994 | 49 | 253 | 160 | 40 | 85 | 64 | 3 | 14 |
| 1995 | 46 | 265 | 179 | 43 | 98 | 59 | 3 | 9 |
| 1996 | 44 | 275 | 168 | 47 | 105 | 54 | 3 | 8 |
| 1997 | 41 | 210 | 138 | 48 | 95 | 53 | 4 | 8 |
| 1998 | 40 | 211 | 140 | 49 | 103 | 75 | 7 | 8 |
| 1999 | 31 | 234 | 166 | 41 | 88 | 48 | 4 | 10 |
| 2000 | 26 | 232 | 171 | 35 | 91 | 41 | 3 | 10 |
| 2001 | 31 | 304 | 232 | 37 | 124 | 46 | 4 | 12 |
| 2002 | 34 | 323 | 265 | 35 | 103 | 58 | 8 | 9 |
| 2003 | 30 | 365 | 284 | 28 | 107 | 73 | 11 | 28 |
| 2004 | 36 | 408 | 335 | 21 | 91 | 71 | 15 | 35 |
| 2005 | 43 | 451 | 341 | 24 | 79 | 48 | 19 | 56 |
| 2006 | 42 | 435 | 330 | 24 | 79 | 56 | 16 | 93 |
| 2007 | 38 | 396 | 301 | 20 | 78 | 43 | 16 | 71 |
| 2008 | 37 | 380 | 284 | 19 | 69 | 35 | 24 | 81 |

Pursuant to Racing Commission Rule 7895.0275, Subp. 2A. Standardbred foals, unlike Thoroughbreds and Quarter Horses, are not required to be registered in the year of foaling. The rule requires that they be registered before they are entered in restricted races.

III. NORTH METRO HARNESS INITIATIVE

The North Metro Harness Initiative dba Running Aces Harness Park began its inaugural season on April 11, 2008 with a 53 day harness race meet. This was the culmination of a long effort that began with the submission of a Class A license application in December 2003 followed by the Racing Commission granting Class A and B licenses in January 2005. In 2008 the House and Senate passed a bill allowing the simulcasting of all breeds of horse racing at Running Aces as well as at Canterbury Park. After completing 50 days of live racing, which is required by law, Running Aces Harness Park opened a 24 hour card club on June 30, 2008.

IV. LEGISLATION

The Commission is not proposing any legislation during the 2009 session.

Please notify the Racing Commission if you required this material to be made available in alternative format, i.e., large print, Braille, audiocassette, or other requested special format.

**The Racing Commission can be reached at:
952-496-7950; 1-800-627-3529, (TTY/VOICE RELAY SERVICES)**