



Minnesota Racing Commission

2006 Annual Report

To:
Governor Tim Pawlenty
And
The Minnesota Legislature

MINNESOTA RACING COMMISSION

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February 15, 2007

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

Patrick E. Flahaven, 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 2006. 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 2006 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.

Canterbury Park conducted 69 days of live racing for Thoroughbreds and Quarter Horses this past summer from May 6 through September 4.

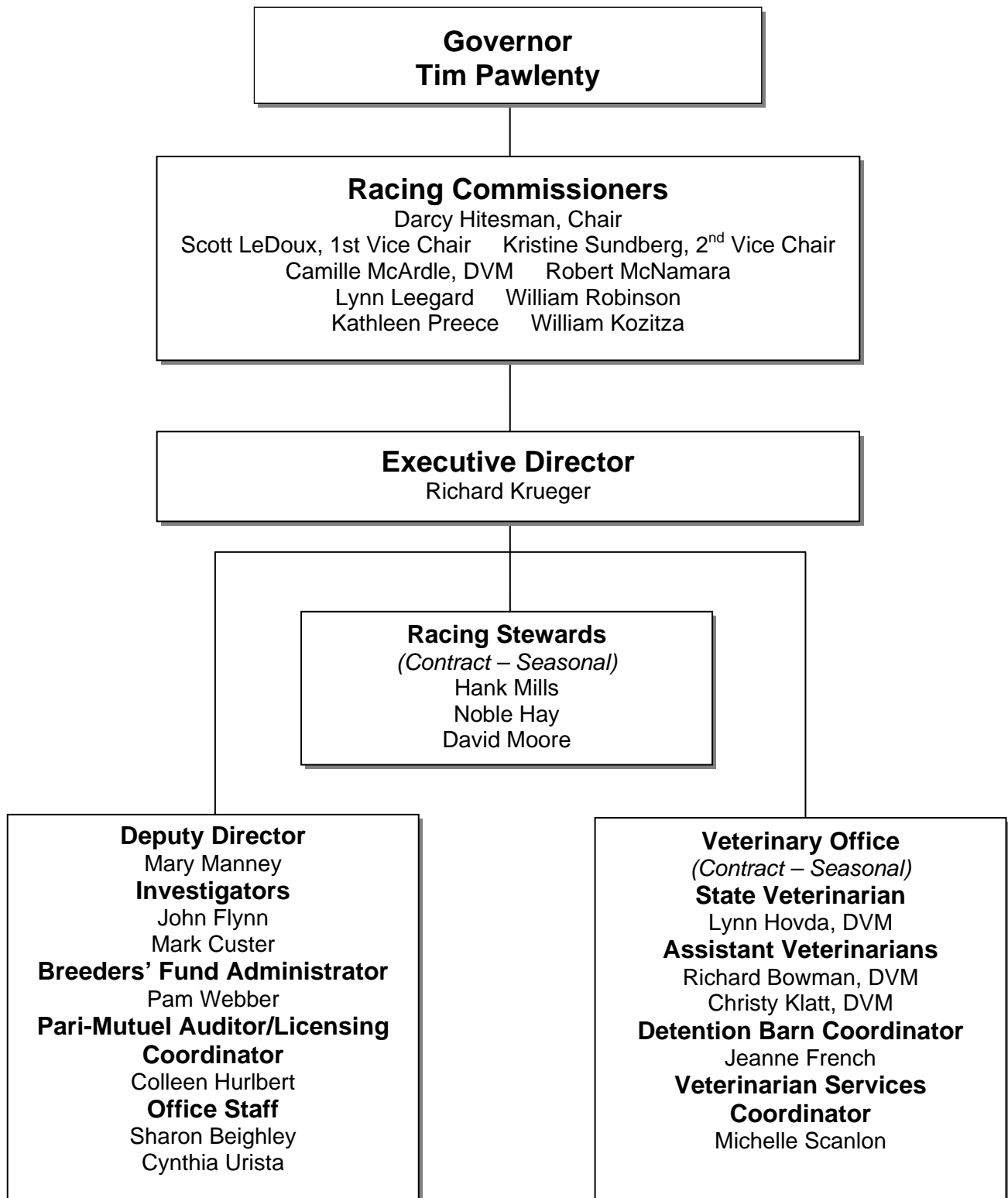
During the 1999 legislative session, the legislature passed chapter 206 allowing a licensed racetrack to operate a card club in addition to live racing and simulcasting. The clearly stated intent of that legislation was to increase purses, which immediately happened. Operation of the Card Club for calendar year 2006 added \$4,500,000 to Canterbury's 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

2006 ANNUAL REPORT

TABLE OF CONTENTS

I. THE MINNESOTA RACING COMMISSION

Introduction	1
Constitutional/Legislative Authority	1
Duties of the Commission	1
The Commissioners	2
The Commission Staff	2
Advisory Committees	3
Meetings of the Commission	3
Commission Office	3

II. COMMISSION ACTIVITIES

Rulemaking	4 - 5
Summary of Card Club Operation	5
Licensing, Security and Investigations	5 - 6
Table 1. Occupational License Summary By Year	7
Table 2. Occupational Licenses Issued to Minnesotans.....	8
Chart 1. Comparison of License Types Issued to Minnesotans	9
Chart 2. Occupational Licenses Issued 1985 – 2006	9
Veterinary Department Year End Report.	10 - 12
Table 3. Pari-mutuel Statistics.....	13
Chart 3. Canterbury Park Handle	14
Table 4. Fiscal Year Financial Summary.	15
Breeders' Fund.	16
Equine Grant Programs	16 - 18
Table 5. Breeders' Fund Recap for 2005	19
Table 6. Breeders' Fund Horse Registrations	19
Chart 4. Thoroughbred Registrations by Year.....	20
Chart 5. Quarter Horse Registrations by Year	20
Chart 6. Standardbred Registrations by Year	20

III. LEGISLATION.....21

IV. NORTH METRO HARNESS INITIATIVE.....21

I. MINNESOTA RACING COMMISSION

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 \$1,286.97 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	June 30, 2009
Scott LeDoux, 1 st Vice Chair	Andover	June 30, 2007
Kristine Sundberg, 2 nd Vice Chair	Minnetonka	June 30, 2009
William Kozitza	North Mankato	June 30, 2011
Lynn Leegard	Blaine	June 30, 2011
Camille McArdle, DVM	Corcoran	June 30, 2011
Robert McNamara	Edina	June 30, 2007
Kathleen Preece	Bemidji	June 30, 2009
William Robinson	Long Lake	June 30, 2007

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
Pamela Webber	Office Manager/Breeders' Fund Administrator
Colleen Hurlbert	Pari-mutuel Auditor/Licensing Coordinator
Sharon Beighley	Office Administration
Cynthia Urista	Licensing Clerk
John Flynn	Investigator
Mark Custer	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 2006 racing season:

Stewards	Hank Mills Noble Hay, Jr. David Moore
Veterinarians and Assistants	Chief Veterinarian Lynn Hovda, DVM Richard Bowman, DVM Christy Klatt, DVM Jeanne French, Lead Test Barn Technician Michelle Scanlon, Veterinary Office Administrator

ADVISORY COMMITTEES

The Thoroughbred Breeders Fund Advisory Committee advised the Racing Commission regarding thoroughbred topics during 2006.

BREEDERS' FUND APPROPRIATIONS ADVISORY COMMITTEE

Carin Offerman, Chair	Plymouth
Dan Cohen	Minneapolis
Burt Dahlberg	Lakeville
Dave Dayon	St. Michael
Marlys Goebel	Cottage Grove
Kathy Kissoon	Bloomington
Dan Mjolsness	Red Wing
Jack Walsh	Stillwater
vacant	

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 OFFICE

The office of the Minnesota Racing Commission is located at:

**Canterbury Park
P.O. Box 630
1100 Canterbury Road
Shakopee, MN 55379
Telephone: (952) 496-7950
Telefax: (952) 496-7954
Website: <http://www.mnrace.commission.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 began one rulemaking process in June of 2005, and two separate rules processes were initiated in December, 2005. This process initiated in June of 2005 includes proposed amendments on the following subjects: removal of obsolete language regarding Class A license fees as addressed in Minnesota Statute 240.10; a provision for the Jockey's Guild patch to be displayed on a jockey's attire; and new language prohibiting physical contact between jockeys and/or another jockey's horse before, during or after a race. It also includes rule revisions for standardbred racing in Minnesota, and for bringing Minnesota's horse medication rules into alignment with rules of other states and the Model Rules of the Association of Racing Commissioners International (ARCI), of which Minnesota is a member. Other rules included in the June 2005 amendment package include changes to occupational licensing rules which are designed to enhance the Commission's ability to ensure the safety and security of persons on the grounds of licensed racetracks. These rules also include amendments to the wagering rules to allow Minnesota racetrack's to be competitive with the types of wagers offered at other racetracks across the country. The rules were also amended to bring the standardbred racing rules up-to-date. The standardbred racing rules have not been amended since their original promulgation nearly twenty years ago, and the amendments are needed with the projected start of standardbred racing at the new Class A standardbred race track in the Metropolitan Area in 2008. These rules are expected to be effective in the spring of 2007.

In December, 2005, the Commission began rulemaking processes to amend the rules governing breeders fund activities for standardbred horses and quarter horses. These rule amendments were initiated at the request of the standardbred and quarter horse racing industries in Minnesota, and are intended to bring Minnesota's breeding rules in line with those of other states. The Commission anticipates that these rules will be effective in the fall of 2007.

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

During 1995, a Public Advisory Committee was formally organized to provide input to proposed rule changes as they are proposed. Members of the Advisory Committee are:

Kay King	Executive Director, MN Thoroughbred Association
Tom Metzen	President, MN H.B.P.A.
Ron Banks	President, MN Harness Racing Inc.
Eric Halstrom	Executive Director of Simucast Operations, Canterbury Park
Kelvin Childers	President, MN Quarter Horse Racing Association

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 opened on April 19th of 2000. 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. There was agreement for all of 2006 that required 15% of the rake to be set aside for purses. The total rake for 2006 was \$30.1 million, up 1.85% from 2005, with \$4.5 million set aside for purses and \$452,525 paid to the Breeders' Fund for purse supplements for Minnesota bred horses.

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 Immigration and Naturalization Service; Internal Revenue Service; Minnesota Department of Revenue; Scott County Sheriff's Office; State Attorney General's Office; Shakopee Police; Association of Racing Commissioners International (ARCI); 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, investigators and agents from the Department of Public Safety's Alcohol and Gambling Enforcement Division. 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 2006, 4107 Class C occupational licenses were issued by the Minnesota Racing Commission during the live and simulcast racing meets. Of these, 3487 licenses were issued to individuals racing or working in various occupations at Canterbury Park. Licenses were issued to applicants from 40 different states as well as several different countries including Canada, England, and Mexico. Table 1, page 8 summarizes by occupation, the licenses issued by the Commission since 1994. Table 2, page 9 summarizes licenses issued to Minnesotans by occupation since 1994. Charts on page 10 show a comparison, by type, of licenses that were issued in 2006 and also the trend of licenses issued since the track first opened in 1985.

Table 1.

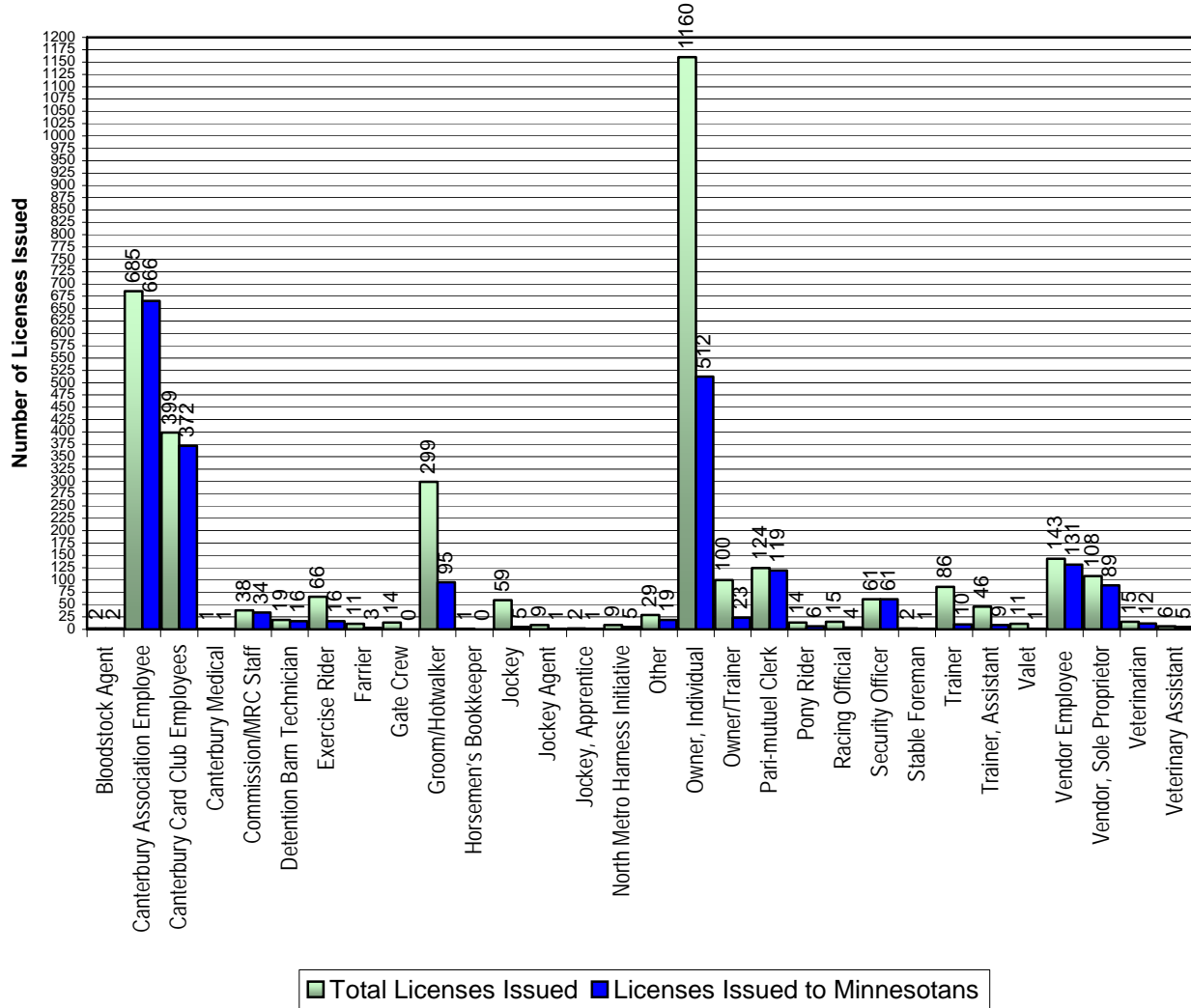
Occupational (Class C) License Summary By Year

LICENSE TYPE	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Commission/MRC Staff	20	35	31	31	34	30	53	39	31	31	29	32	38
Bloodstock Agent	0	1	1	0	0	0	0	2	1	1	1	2	2
Vendor	11	32	28	60	29	28	49	45	40	80	96	109	104
Vendor, Sole Proprietor	2	8	10	12	24	28	40	42	39	79	98	109	108
Vendor Employee			71		47	54	104	92	98	101	108	151	143
Detention Barn Technician	0	12	17	20	11	12	19	15	16	17	14	22	19
Driver	0	0	4	15	14	7	6	15	0	13	0	0	0
Exercise Rider	0	71	66	40	46	45	46	60	52	44	64	66	66
Farrier	0	12	16	12	10	13	8	11	10	11	12	12	11
Farrier's Assistant	0	0	0	1	1	1	0	2	0	2	0	0	0
Gate Crew	0	12	14	14	12	16	10	14	15	11	15	12	14
Horsemen's Bookkeeper	0	1	1	1	1	1	1	1	1	1	1	1	1
Groom/Hotwalker	0	262	266	209	241	251	251	357	268	314	285	294	299
Jockey	0	72	54	60	61	61	69	84	58	80	76	77	59
Jockey Agent	0	7	12	6	8	8	12	17	11	11	8	8	9
Jockey, Apprentice	0	4	3	4	3	2	2	5	5	4	2	4	2
North Metro Harness Initiative												7	9
Owner, Individual	15	1061	1038	908	976	984	965	1055	906	1106	1051	1178	1160
Owner, Multiple	0	181	212	135	180	169	199	256	216	283	267	299	315
Owner/Trainer							111	116	81	101	93	93	100
Owner/Trainer/Driver	24	28	17	37	39	19	14	30	0	16	0	0	0
Pari-mutuel Clerk	132	228	151	147	136	164	165	145	126	131	138	134	124
Pony Rider	0	18	21	19	19	19	21	19	19	17	16	9	14
Racing Official	3	19	21	18	19	17	22	19	12	19	15	14	15
Security Officer	27	55	42	41	36	38	104	85	71	80	81	61	61
Stable Foreman	0	9	5	3	6	4	2	1	0	1	1	0	2
Trainer	0	186	172	180	185	201	105	112	65	110	85	100	86
Trainer, Assistant	0	52	42	40	38	38	38	48	39	57	41	41	46
Valet	0	10	9	11	10	10	14	12	15	17	12	14	11
Veterinarian	0	7	9	7	7	9	10	11	11	11	8	14	15
Veterinary Assistant	0	3	2	2	3	3	7	8	6	6	7	6	6
Canterbury Association Employee	306	579	515	434	392	417	729	632	601	639	674	689	685
Canterbury Card Club Employees							386	408	379	330	391	418	399
Canterbury Medical	0	39	27	38	40	50	35	5	5	4	3	1	1
Stable	0	42	52	36	47	39	52	48	37	49	46	40	41
Authorized Agent											84	82	113
County Fair Volunteers							24	27	0	0	0	0	0
Other	1	11	40	36	16	13	17	15	20	28	18	38	29
Totals	550	3057	2898	2648	2691	2751	3690	3853	3254	3805	3840	4137	4107

Table 2.**Occupational (Class C) Licenses Issued To Minnesotans**

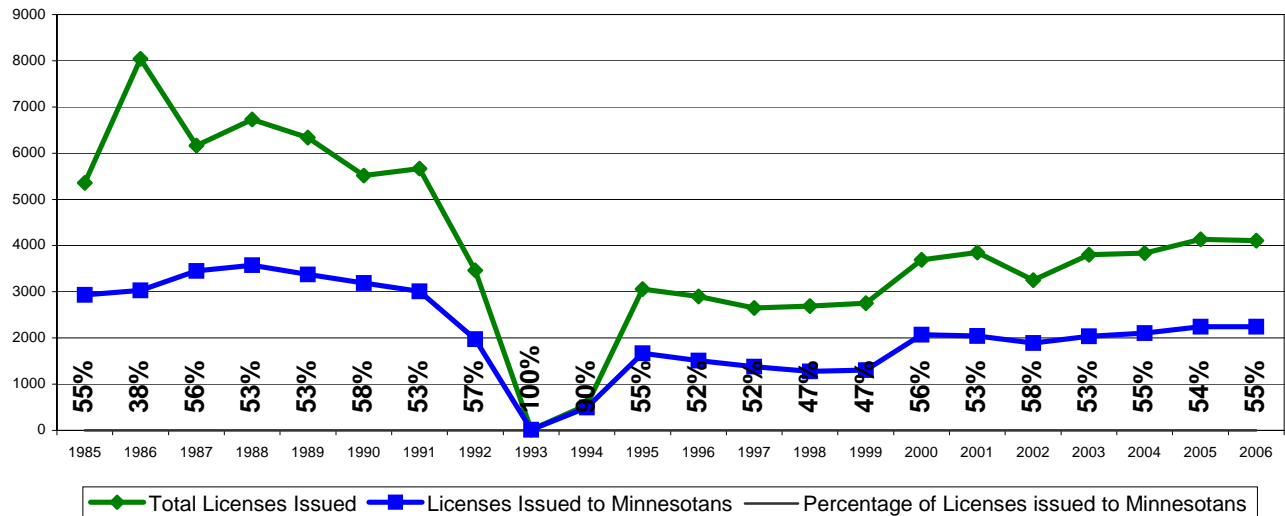
LICENSE TYPE	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Commission/MRC Staff	19	30	24	30	28	20	33	29	5	26	24	27	34
Bloodstock Agent	0	1	1	0	0	0	0	1	1	1	1	2	2
Vendor, Sole Proprietor	1	8	8	10	18	23	32	31	32	64	81	88	89
Vendor Employee				42	61	48	85	82	90	92	93	142	131
Detention Barn Technician	0	10	16	17	9	11	18	14	16	13	12	19	16
Driver	0	0	1	1	2	1	3	3	0	2	0	0	0
Exercise Rider	0	22	20	15	20	17	16	20	20	15	17	12	16
Farrier	0	4	3	4	1	2	3	4	3	3	3	3	3
Farrier's Assistant	0	0	0	1	1	1	0	1	0	2	0	0	0
Gate Crew	0	1	3	4	2	1	0	3	5	3	2	0	0
Horsemen's Bookkeeper	0	1	1	1	1	1	0	0	0	0	0	0	0
Groom/Hotwalker	3	112	88	71	80	84	82	131	97	127	81	89	95
Jockey	0	5	2	3	5	3	4	6	6	8	5	4	5
Jockey Agent	0	1	3	2	2	1	2	2	1	2	2	3	1
Jockey, Apprentice	0	1	0	0	0	0	1	2	1	0	1	2	1
North Metro Harness Initiative												4	5
Owner, Individual	5	531	504	437	394	397	382	393	403	440	453	520	512
Owner/Trainer							20	27	23	27	21	22	23
Owner/Trainer/Driver	8	11	9	10	9	9	5	6	0	5	0	0	0
Pari-mutuel Clerk	130	224	148	141	129	131	155	141	121	128	132	126	119
Pony Rider	0	5	6	6	6	5	3	4	3	2	3	4	6
Racing Official	2	4	5	5	7	6	9	8	3	8	4	5	4
Security Officer	27	55	42	39	36	38	97	83	69	80	81	61	61
Stable Foreman	0	2	2		3	0	0	0	0	0	0	0	1
Trainer	0	46	41	43	44	43	20	11	14	14	7	12	10
Trainer, Assistant	0	10	5	7	7	5	6	9	7	9	10	7	9
Valet	0	0	2	4	4	2	3	5	8	6	5	2	1
Veterinarian	0	7	7	5	6	7	8	9	10	11	8	13	12
Veterinary Assistant	0	3	2	1	2	3	3	3	3	5	6	5	5
Canterbury Association Employee	301	552	508	403	366	384	659	593	576	614	639	653	666
Canterbury Card Club Employees							350	379	354	297	363	373	372
Canterbury Medical	0	36	26	36	40	49	34	5	5	4	3	1	1
Authorized Agent											29	25	27
County Fair Volunteers							24	27	0	0	0	0	0
Other	1	6	34	21	14	11	14	11	17	26	17	25	19
Totals	497	1668	1511	1378	1278	1303	2071	2043	1893	2034	2103	2243	2246

Chart 1.
Comparison of License Types Issued to Minnesotans in 2006



Legend: ■ Total Licenses Issued ■ Licenses Issued to Minnesotans

Chart 2.
Occupational Licenses Issued 1985 - 2006



Legend: ◆ Total Licenses Issued ■ Licenses Issued to Minnesotans — Percentage of Licenses issued to Minnesotans

2006 COMMISSION VETERINARIAN'S REPORT

Mission Statement: The mission of the Veterinary Services Department of the Minnesota Racing Commission is to protect the well being of equine athletes, safeguard riders and drivers, protect the betting public and maintain the integrity of horse racing in Minnesota.

The Veterinary Services Department is goal oriented and utilizes a number of well established programs to achieve them. In particular, the department attempts to protect horses from neglect and abuse, minimize the number of avoidable accidents to horses and riders/drivers, prevent the use of illegal medications, control the use of legal medications, and monitor the long term condition of the training and racing surfaces. Pre-race inspections, maintenance of medical records for each horse, tightly monitored Salix[®] (furosemide) administration, prerace TCO₂ (total carbon dioxide) testing and a well controlled post race and out of competition drug testing program help achieve these goals. These programs are supported by veterinary participation in track related activities and committees, well planned and rapid response to infectious diseases, detail specific trainer and veterinarians' manuals, and continuing education for trainers and grooms. New programs are introduced as needed. Some last only a year and others like the Because We Care horse rescue/rehabilitation/adoption program were established in response to a defined need and continue to this day. In 2006, random testing for "milkshaking" or the illegal administration of sodium bicarbonate and baseline screening for anabolic steroid use were instituted. Both will continue for the foreseeable future.

A total of 1492 Thoroughbreds and Quarterhorses entered the grounds of Canterbury Park in 2006. In compliance with state and federal laws and to keep infectious diseases at a minimum, each horse entering the grounds was accompanied by an original Certificate of Veterinary Inspection (CVI or health certificate) with EIA (equine infectious anemia or "Coggins") status clearly documented. Each certificate was dated and signed by a licensed, accredited veterinarian. Horses without a CVI were not allowed to enter the grounds until examined by a licensed veterinarian and an appropriate certificate produced. Horses shipping from racetracks or training centers with known infectious diseases were required to provide additional information on their CVI. The information varied depending on the infectious disease and origin of horses. Certificates were collected at the stable gate and examined daily by a Commission Veterinarian. Copies of CVI's with missing or incorrect information were forwarded to the Minnesota Board of Animal Health. One forged CVI was identified by the Veterinarians' Office and that trainer dealt with by the Board of Stewards and the Minnesota Board of Animal Health.

The number of horses leaving the starting gate in 2006 totaled 5292. Race day or pre-race examinations were performed on 5,595 horses with a record of veterinary findings maintained and updated as each horse was examined. From these examinations, 133 horses were deemed unfit to race and a recommendation made to the Board of Stewards that they be scratched from racing. An additional 22 horses were scratched in the paddock or at the starting gate by the Track Veterinarian. Trainers (51) and stewards (97) accounted for the remaining non veterinary related scratches.

This year marked a minor change in rules regarding the furosemide (Salix[®]) program. In keeping with the Commission Veterinarians' goal of alignment with the National Racing Medication and Testing Consortium (RMTC) model rules, horses are no longer required to

show visible evidence of bleeding to sign up for furosemide. In addition, the amount of furosemide administered as a single dose was increased to 500 mg if recommended by the trainer's veterinarian. The number of horses (1451) signed up to run on furosemide increased over prior years. This was an expected phenomenon and many of these horses were ultimately removed from the furosemide list and the number stabilized. No furosemide administration errors or furosemide medication violations occurred this year.

Truesdail Laboratories in Tustin, California, was again the Minnesota Racing Commission's contract testing laboratory. A total of 1464 serum and 1358 urine samples were tested. Truesdail Laboratories also processed 6 internal Quality Assurance (QA) samples and 8 QA external samples. All QA samples were detected on initial screening. In addition, the Veterinarians' Office randomly tested 201 horses for TCO₂ (total carbon dioxide levels in the serum). This was a new program and one that required considerable tact and effort on the part of the Veterinary Office and Commission Veterinarians.

The total number of medication violations (52) reported by Truesdail Laboratories was up significantly from previous years. Again, this was an expected reaction to a minor change in the medication rules. The Minnesota Racing Commission, in keeping with the RMTTC model rules, allowed limited and controlled use of one of three nonsteroidal anti-inflammatory drugs (flunixin meglumine, ketoprofen, or phenylbutazone). The dosing window for flunixin is very narrow and most of the flunixin violations (20) were minor overages occurring early in the season as horsemen and backside veterinarians adjusted to the tight controls. The number of phenylbutazone violations (16) was down from 2005 and no ketoprofen violations occurred. The remaining violations (16) occurred sporadically through the season and were primarily minor overages of corticosteroids. The Board of Stewards dealt with each of the violations in a manner deemed fair and consistent by them.

Fourteen horses died or were euthanized during the 2006 race meet. Nine of these horses had traumatic race related breakdown injuries, resulting in a race related, traumatic breakdown injury rate of 0.17%. This number is higher than previous years, but still low when compared to the accepted national rate of 0.15% - 0.5%. It is interesting to note that 2 of these horses shipped in from a racetrack with an injury and breakdown plagued season. One horse died after a training exercise and the 4 remaining horses died from medical related issues. All horses dying or euthanized on the grounds of Canterbury Park were transported to the Minnesota Veterinary Diagnostic Laboratory within 8 hours of their death for a complete necropsy. As a matter of record, all 14 horses were placed on the Veterinarian's List and their deaths reported to the Jockey Club or the American Quarterhorse Association.

The Commission Veterinarians' Because We Care horse rescue, rehabilitation, and adoption program physically placed 22 injured or retired racehorses this year and assisted in the placement of 21 others. All horses, regardless of their injury, were accepted into the program; no horse was turned away. Two horses were placed in a local non-profit horse rescue program, 3 in individual temporary homes, 7 in new homes, and 10 in our out-reach foster care program. When physically and mentally sound, these 10 horses will be moved to new permanent homes. Seven other horses in the foster care program were placed in permanent homes during 2006. All horses are placed with the caveat that should things not work out as planned they are to be returned to Because We Care for reevaluation and further placement. Over the past 12 years, retired racehorses have moved from Canterbury Park to become successful police horses, children's hunters or jumpers, dressage competitors, fox hunters, 4H horses, trail horses, barrel racers, pasture pets, and simple companions.

Sam, a trained herding dog owned by one of the Commission Veterinarians, was used to safely herd geese from the turf course and other areas around the racetrack. Any injured geese and other birds were retrieved and delivered to the appropriate rehabilitation program. Other abandoned, lost, or unwanted pets – including birds, cats and kittens, rabbits, goats, tropical fish, and an iguana, were found and returned to their owners or vaccinated, spayed or neutered, and moved to adoptive homes.

The Veterinarian's Office continued to accept responsibility for, support, and monitor all other animal related programs at Canterbury Park. The office was involved with the petting zoo, Minnesota Thoroughbred Association mare and foal exhibit, Weiner Dog races, Little Pony races, Minnesota Thoroughbred Association yearling sale, and other horse exhibitions on the racing surface. Support was also provided for the horse swimming pool, Groom Elite Program, Don MacBeth fundraiser, 4th of July celebration, and a myriad of other racetrack related projects.

The Minnesota Racing Commission's Veterinary Services Department, while proud of their involvement in Canterbury Park programs, continued to exist as a regulatory agency. The veterinarians maintained their high visibility and presence on the backside, supplied drug information and education, and kept controls tight. They insured the humane treatment of all animals on the backside and preserved the integrity of horse racing in Minnesota. In keeping with our mission statement, the Veterinary Office provided safeguards to protect the well being of horses, riders or drivers, owners, and the betting public.

Table 3.
2006 PARI-MUTUEL STATISTICS

LIVE WAGERING

2006 Live Thoroughbred and Quarter Horse Races Thoroughbred Meet – May 6 – May 25, 2006 Mixed Meet (Thoroughbred & Quarter Horse) – May 26 – September 4, 2006 Claiming Crown – July 15, 2006 Festival of Champions – August 20, 2006 Total Attendance for Live Racing (May 6 – September 4, 2006 - 69 Days) 359,943					
BREED	HANDLE	TAKEOUT	BETTOR RETURN	# OF RACES	AVERAGE HANDLE PER RACE
Thoroughbred	\$15,839,854	\$3,176,947	\$11,945,839	596	\$26,576
Quarter Horse	\$1,037,246	\$206,733	\$794,944	84	\$12,348
TOTAL	\$16,877,100	\$3,383,680	\$12,740,783	680	\$24,819

SIMULCAST WAGERING

2006 Full-Card Simulcast Meets January 1, 2006 – December 31, 2006					
BREED	HANDLE	TAKEOUT	BETTOR RETURN	# OF RACE DAYS	AVERAGE HANDLE PER RACE DAY
Thoroughbred	\$53,230,404	\$10,723,158	\$42,780,947		
Quarter Horse	\$1,807,275	\$375,561	\$1,444,977		
Standardbred	\$2,809,949	\$610,454	\$2,112,672		
Arabian	\$214,892	\$42,989	\$205,937		
TOTAL	\$58,062,520	\$11,752,162	\$46,544,533	364	\$159,512

Chart 3.
CANTERBURY PARK HANDLE
CALENDAR YEARS 1985 - 2006

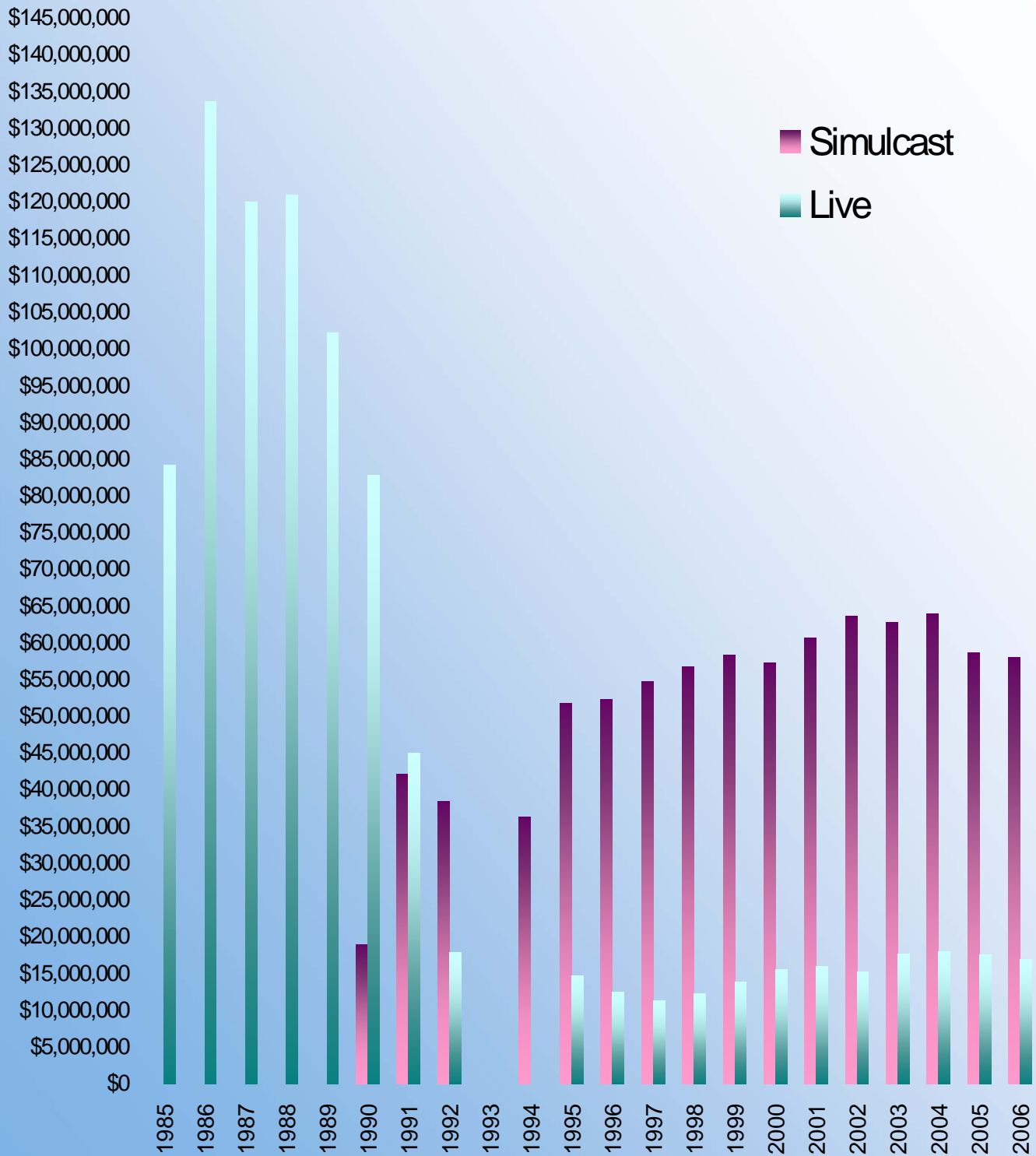


Table 4.
SIX YEAR FINANCIAL SUMMARY
FISCAL YEARS 2001 - 2006

APPROPRIATIONS						
	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
General Fund Appropriation				\$426,000	\$414,000	\$402,000
Special Revenue Appropriation 1)	\$674,000	\$421,000	\$421,000			
Deficiency Appropriation		\$98,000				
Statutory Carry Forward	\$58,000	\$12,163	-\$12,163	\$1,647	-\$1,647	\$1,474
Unallotment				-\$21,000		
Total	\$732,000	\$531,163	\$408,837	\$406,647	\$412,353	\$403,474
EXPENSES						
	Actual 06	Actual 05	Actual 04	Actual 03	Actual 02	Actual 01
Salaries, Benefits & Per Diem	\$376,150	\$361,655	\$313,980	\$287,005	\$295,495	\$285,413
Rents	\$220	\$220	\$220	\$220	\$175	\$194
Consultant Services	\$0	\$0	\$0	\$0	\$0	\$0
Professional/Technical Services	\$5,243	\$4,001	\$2,920	\$46,284	\$67,848	\$56,855
Data Processing & System Services	\$1,788	\$4,480	\$5,213	\$2,701	\$9,680	\$8,641
Communications	\$6,084	\$5,564	\$4,026	\$4,365	\$6,050	\$6,464
Travel	\$11,881	\$13,599	\$6,167	\$3,102	\$5,831	\$6,917
Supplies and Material	\$5,787	\$4,455	\$11,583	\$10,807	\$7,233	\$9,432
Equipment	\$8,203	\$26,025	\$9,355	\$10,033	\$7,449	\$9,833
Other (Repairs/Printing & Dues)	\$46,644	\$103,001	\$55,373	\$12,182	\$12,592	\$16,986
Total	\$462,000	\$523,000	\$408,837	\$376,699	\$412,353	\$400,735
SUMMARY						
	Actual 06	Actual 05	Actual 04	Actual 03	Actual 02	Actual 01
Appropriation Balance	\$270,000	\$8,163	\$0	\$29,948	\$0	\$2,739
License Revenues to General Fund/Special Revenue Fund 1)	\$721,638	\$463,486	\$445,547	\$390,800	\$392,000	\$321,175
Pari-Mutuel Taxes to General Fund 2)	\$221,181	\$246,634	\$268,649			
Fines to General Fund & 212 2)	\$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.

2) Prior to FY04 these amounts were included in Revenues to the General Fund

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 2005 the Breeder's Fund earned \$815,128 from live and simulcast racing and earned \$452,524 from card club operations. 137 individuals and partnerships received \$289,640 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 \$828,092. Purse supplements of \$28,000 were paid out during four days of non pari-mutuel harness racing at county fair venues. The monies available for the 2006 purse supplements included carryovers from 2005.

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 2006.

(1) The College of Veterinary Medicine received a grant for \$1,300 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 Minnesota Equine Research Center (MEC) of the University of Minnesota received \$17,790 to help fund research proposals in the areas of equine health, performance and reproduction. MEC is an interdisciplinary program, administered through the office of the associate dean for research in the College of Veterinary Medicine, dedicated to the creation and dissemination of new knowledge leading to the improvement of health in performance horses. MEC's Advisory Council is comprised of horse owners and leaders in the horse industry and will advise the Center of research area priorities and in fund development. The Scientific Committee, made up of equine veterinarians and select lay people, will advise the Center on research project selection and funding.

The grant monies were used to help fund the following research studies:

- 1) Diffusion of triamcinolone from the distal interphalangeal joint to the navicular bursa.
- 2) What are the risks and benefits of swimming for race horses at Canterbury Park?

(3) The Department of Veterinary Population Medicine of the University of Minnesota received \$7,955 to fund the production of a publication, written for the lay horse owner, that will discuss approximately 20 of the most common poisonous plants in the Upper Midwest that may be harmful to horses. Each plant species will be given two pages; one page will be devoted to identification of the plant and the second page will include information about the plant, including distribution, habitat, toxin, toxic effect, etc.

(4) The Groom Elite Program received \$3,100 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.

(5) The Minnesota Horse Racing Quality of Life Foundation received \$5,000 to help fund programs for backside workers at the racetrack. The Quality of Life Foundation's primary goal is to provide substance abuse services for the licensed personnel who work on the backside of Canterbury Park. These services include prevention, intervention, education, counseling, employee assistance, and treatment. The Foundation, in conjunction with the HBPA (Horsemen's Benevolent and Protective Association) and Canterbury Park, provide for a chaplain who maintains an office on the backside of the racetrack during the live race meet and attends to the spiritual concerns of the residents of the backside, as well as supporting a recreational program that includes softball leagues, outing, social activities and children's activities. The Foundation may also assist in providing services such as transportation and interpreters for backside workers.

Table 5.
2006 BREEDERS' FUND RECAP

THOROUGHBRED		QUARTER HORSE	
Live and Simulcast Racing	\$731,185	Live and Simulcast Racing	\$48,010
Card Club Operations	\$407,272	Card Club Operations	\$40,727
Total Earnings	\$1,138,457	Total Earnings	\$88,737
Less Administrative Cost	\$23,680	Less Administrative Cost	\$1,960
= Net Breeders' Fund	\$1,114,777	= Net Breeders' Fund	\$86,777
Less Equine Research	\$26,944	Less Equine Research	\$1,682
= Net Available Breeders' Fund	\$1,087,833	= Net Available Breeders' Fund	\$85,095
Less Purse Supplements	\$829,220	Less Purse Supplements	\$60,793
= Balance Remaining for Awards	\$258,613	= Balance Remaining for Awards	\$24,302

STANDARD BRED		ARABIAN	
Live and Simulcast Racing	\$33,575	Total Earnings	\$2,358
Card Club Operations	\$4,525	Less Purse Supplements	\$1,297
Total Earnings	\$38,100	= Balance Remaining for Awards	\$1,061
Less Purse Supplements	\$28,028		
Less Equine Research	\$1,679		
Less Non-PM Development	\$1,678		
= Balance Remaining for Awards	\$6,715		

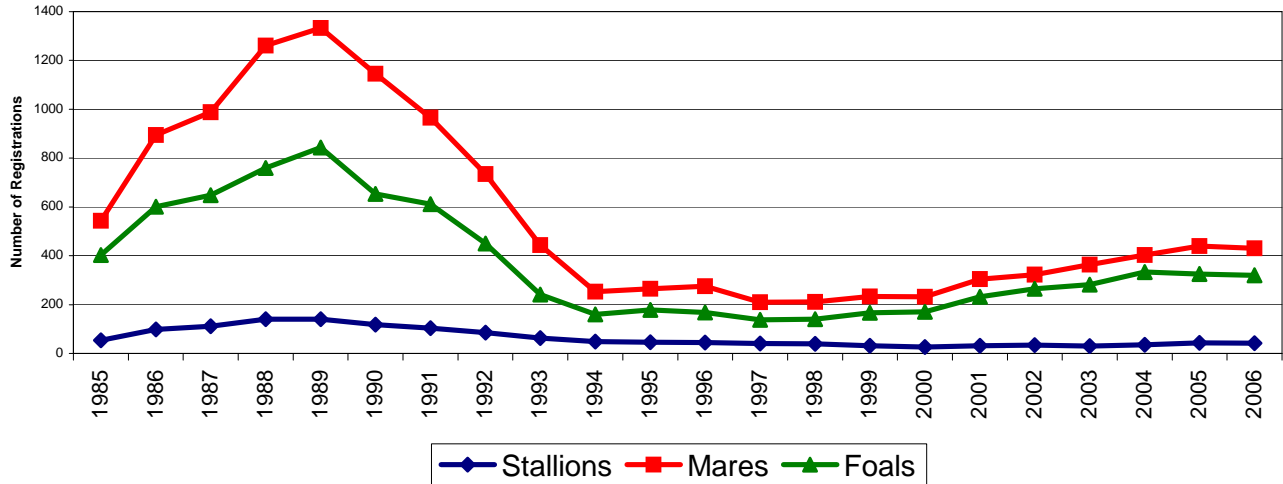
Effective November 1, 2001 all Breeders' Fund monies set aside from card club revenues were designated for purse supplements only.

Table 6.
HORSE REGISTRATIONS

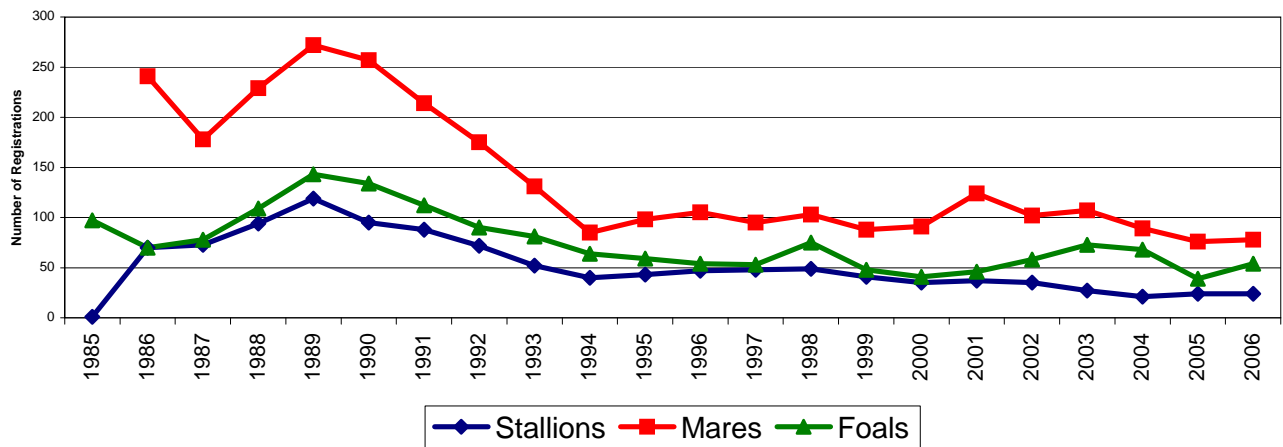
Year	THOROUGHBRED				QUARTER HORSE				STANDARD BRED	
	Stallions		Mares	Foals	Stallions		Mares	Foals	Stallions	Foals
1985	54		543	403	1			97	1	17
1986	99		895	601	70		241	70	22	13
1987	112		988	648	73		178	78	15	20
1988	141		1261	760	94		229	109	18	23
1989	141		1333	844	119		272	143	22	28
1990	118		1145	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		102	58	8	9
2003	30		363	282	27		107	73	11	28
2004	36		403	333	21		89	68	15	33
2005	43		440	325	24		76	39	19	47
2006	42		431	320	24		78	54	16	71

* 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.

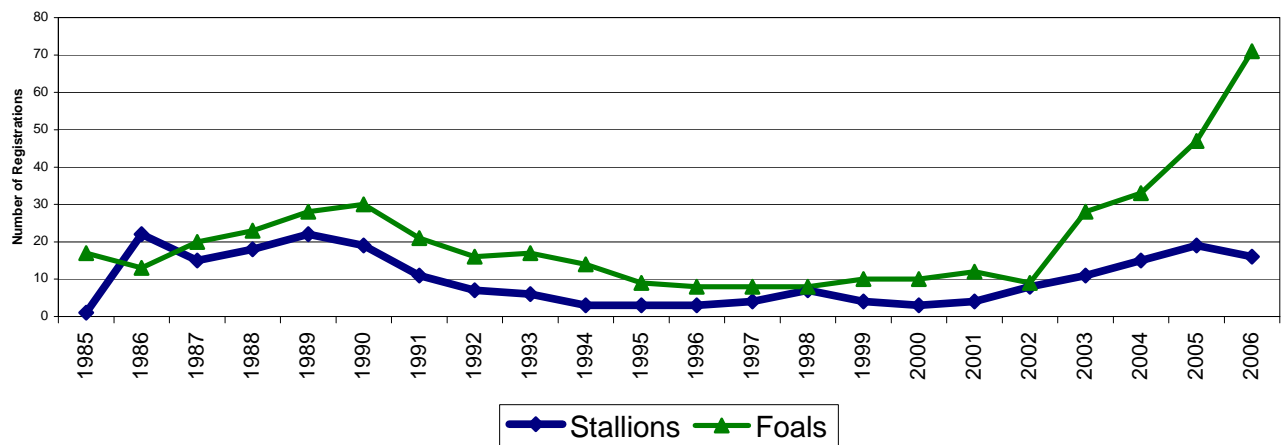
**Chart 4.
THOROUGHBRED REGISTRATIONS**



**Chart 5.
QUARTER HORSE REGISTRATIONS**



**Chart 6.
STANDARD BRED REGISTRATIONS**



III. LEGISLATION

At this time, the Commission does not anticipate proposing policy legislation for consideration by the 2006 session of the Legislature.

IV. NORTH METRO HARNESS INITIATIVE

The Commission received an application for a class A and class B license from North Metro Harness Initiative at the end of December 2003. Accordingly, during all of 2004 the Commission reviewed and evaluated included two public hearings as required by law (one in then Columbus Township and the other in Shakopee), the formation of an Application Committee of the Commission that met eight times during the summer to review all aspects of the application in detail, the engaging of a public accounting firm to perform an independent financial review and evaluation regarding the applicant's sources of financing and business plan, and a background investigation by the Alcohol and Gambling Enforcement Division of the Department of Public Safety. After considering all of the information gathered during 2004, the Commission voted on January 19, 2005 to approve both licenses. Subsequent thereto, the local opposition group, Columbus Concerned Citizens, filed a petition for judicial review with the Court of Appeals. That petition was asking the Court of review the Commission's license approval process. A second petition was filed asking the court to review the Commissions use of the Open Meeting law. The Commission prevailed on both petitions.

On January 18, 2007 North Metro Harness Initiative held the official groundbreaking for the yet to be named Harness Track and Card Club that will be located in Anoka County. North Metro Harness Initiative is anticipating the opening to be spring of 2008.

North Metro Harness Initiative has a bill in the Senate to permit them to open the Card Club once they have applied and been approved for race dates by the Commission and to be allowed to simulcast all breeds of horse racing.

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)**