

FISCAL NOTE
Requested by Legislative Council
01/12/2015

Amendment to: HB 1203

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Provides a decreased tax cap for any licensee (simulcast/account deposit wagering company) which applies for and conducts a 12 day live horse racing meet in the state.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The fiscal impact of the bill is unknown at this time. The bill provides financial incentives to both currently licensed simulcast/account deposit wagering company and those considering licensure in the state. Only one currently licensed simulcast/account deposit wagering company pays taxes in excess of the reduced tax cap available pursuant to this bill. However, several large simulcast/account deposit wagering companies, if licensed in ND, would pay taxes in excess of the reduced tax cap.

If the currently licensed company who pays taxes in excess of the reduced tax cap did apply for and conduct a qualifying race meet, there would be a fiscal effect to the General Fund and our three continuing appropriations - Purse, Promotion, and Breeders' Funds - of (\$55,000) to each. If any other company currently licensed or considering licensure operated a qualifying race meet, there would be no decrease to the current level of tax revenue. However, at this time it is unknown what company, if any, will undertake to operate a qualifying meet.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The fiscal impact of the bill is unknown at this time. The bill may provide sufficient tax incentive to drive larger simulcast/account deposit wagering companies licensed in other states to seek licensure in ND which would subsequently increase tax revenues. Many of the larger companies already have in-house expertise in operating race meets. However, it is currently unknown if any companies will decide to relocate to ND.

See section 2B for further explanation.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

No additional expenditures are anticipated at this time.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

The fiscal impact of the bill is unknown at this time. The bill may provide sufficient tax incentive to drive larger simulcast/account deposit wagering companies licensed in other states to seek licensure in ND which would subsequently increase tax revenues to the Commission's continuing appropriations: Purse, Promotion, and Breeders' Funds. However, it is currently unknown if any companies will decide to relocate to ND.

If our single currently licensed simulcast/account deposit wagering company who pays taxes in excess of the reduced tax cap were to operate a live race meet, the tax reduction would be (\$55,000) to each of our continuing appropriations. However, at this time it is unknown if that company will undertake to operate a qualifying meet.

See section 2B for further explanation.

Name: Gunner laCour

Agency: ND Racing Commission

Telephone: 701-328-4290

Date Prepared: 01/15/2015

FISCAL NOTE
Requested by Legislative Council
01/12/2015

Bill/Resolution No.: HB 1203

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
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Expenditures						
Appropriations						

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See section 2B for further explanation.

Name: Gunner laCour

Agency: ND Racing Commission

Telephone: 701-328-4290

Date Prepared: 01/15/2015

2015 HOUSE POLITICAL SUBDIVISIONS

HB 1203

2015 HOUSE STANDING COMMITTEE MINUTES

Political Subdivisions Committee

Prairie Room, State Capitol

HB 1203

1/23/2015

22464

☐ Subcommittee

☐ Conference Committee

Amanda Muscha

Explanation or reason for introduction of bill/resolution:

Relating to the taxation of live racing, simulcast, and account wagering and payments to the funds administered but the North Dakota racing commission; and to provide and effective date.

Minutes:

Gunner LaCour Testimony #1

Chairman Klemin: Opened hearing on HB 1203.

Representative Maragos: The bill if passed would allow flexibility on promotion of racing. The director of racing is here to tell us why to pass it.

Gunner LaCour: See Testimony #1

Chairman Klemin: Could you explain the bill?

Gunner LaCour: We are trying to provide a tax reduction to our AD account deposit wagering companies which produce vests amount of revenue for our state to run live race meets, so that they will be incentivized to go to our track and say we would like to get involved, help you operate this track, provide some private capital, provide assistance in various areas in an effort to bring up the level of racing and reduce the reliance on state funding.

Representative Zubke: In 2013 a license had to pay 400,000 dollars, then in 2014 it was 420,000, and now it will be 420,000 each year?

Gunner LaCour: Yes, at the time they were trying to create a tiered structure that would increase every year automatically. It was similar to what Oregon has in place, however, the legislature did not like that solution so we had just a two tier and we moved it up a little the last two years and that is what we came out with. Now it is at 420 going forward.

Representative Zubke: So what we're saying it just won't increase.

Gunner LaCour: Yes the tax will not increase. The tax cap that we currently have in place would stay the same and not increase. That was not the purpose of the bill. The purpose is

that if any ADW partners with one of our tracks, they would get a subsequent tax reduction in that case. That is to incentivize them going to our tracks and trying to invest private capital and their efforts in those tracks to support the racing industry.

Chairman Klemin: The 420,000 cap and then it says that if the license conducts a live race meet, he may not pay more than 200,000. Is that the incentive?

Gunner LaCour: Yes. If they went to a track and said they would like to partner with them and conduct the live race meet, then they would be entitled to a subsequent tax reduction and it would have to be a qualifying race meet, meeting the requirements the 12 days is outlined in that bill

Chairman Klemin: Could you explain the fiscal note?

Gunner LaCour: In our state we have a number of account deposit wagering companies that are licensed and regulated by us. At current it would require 166 million dollars in handle essentially wagering through those companies to hit the tax cap that we have currently set in statute. At the moment we only have one ADW that actually will get close to the cap at this time. At the reduced rate of 200,000 it only requires 80 million in wagering to be conducted to hit that tax cap. That one ADW doing that level of revenue is the only ADW which would hit the tax cap currently. Unless that entity decided to create this partnership and follow through on this incentive, there would be no fiscal impact on our current revenues, but I can't determine whether they will follow through or not. If that ADW participated it would a 55000 would be the fiscal impact.

Chairman Klemin: So there would be an impact on tax reduction of 220,000 if ADW does do the live racing?

Gunner LaCour: Just that one entity, the rest of them do not produce enough taxes, if they were involve, it would not meet the tax cap yet. Some are going in that direction but not yet.

Representative Kelsh: To qualify they have to have 12 day of racing in a year rather than below it. If they were below that number they wouldn't qualify?

Gunner LaCour: That is correct.

Scott Norse: I am the president of the North Dakota Thoroughbred Association. We would be able to run 12 days instead of 6. This will get us to another level if the ADW's would come in a partner with us and bring in money. More people would bring their horses and it would keep us up there.

Representative Kretschmar: Has the racing commission authorized the 12 days this summer?

Scott Norse: So far only 3 weekends have been authorized.

Representative Beadle: You said it is expanding from the 6 days to the 12 days and the bill itself says a qualifying live race must consist of a minimal of 12 live racing days in a single calendar year. If I licensee is awarded 14 or more live racing days, fails to run a

minimum of 14 and it doesn't qualify. If we are just expanding it to 12 how could they do 14?

Gunner LaCour: It was a drafting error. It was supposed to say 12 across the board, but when I was working on it, it was a drafting error, and so it got continued in the draft.

Representative Beadle: One do we need the language minimum of 12, because if that would be that maximum that they would be able to get and then two should we just make it so that the 14 is a 12?

Gunner LaCour: Yes, if we put minimum that is essentially what we are saying. You have to run 12 days at least to get the tax credit. Change 14 to 12 yes.

Representative Beadle: If we say they have to run 12 days at least, but they are only allowed to run 12 days wouldn't that cause some confusion?

Gunner LaCour: Maybe there is a way to make the language differently that will indicate this but the intent was that the 12 days be the minimum and that they can run more than 12 days if they choose.

Chairman Klemin: So you're saying we need to amend lines 18-19 to change 14 to 12?

Gunner LaCour: Yes.

Chairman Klemin: Closed the hearing on HB 1213

Chairman Klemin: Opened the hearing on HB 1213

Chairman Klemin: We need to look at an amendment page two lines 18 and 19. If this bill passes out of committee I would like to refer it to Appropriations.

Representative Maragos: Motioned to adopt the amendment

Representative Beadle: Seconded the motion

A Voice Vote was Taken: All in favor

Amendment was adopted

Representative Beadle: Motioned to do pass as amended to referral to appropriations

Representative Strinden: Seconded the motion

A Roll Call Vote was Taken: Yes 12, No 1, Absent 1 (Koppelman)

Do pass as amended with referral to appropriations.

Representative Maragos will carry HB 1203

Rereferring this bill to Appropriations was omitted on the report and a motion was made during Session on the floor.

15.0443.01002
Title.02000

Adopted by the Political Subdivisions
Committee

January 23, 2015

Handwritten: 1-23-15

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1203

Page 2, line 18, replace "fourteen" with "twelve"

Page 2, line 19, replace "fourteen" with "twelve"

Renumber accordingly

**2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1203**

House Political Subdivisions Committee

☐ Subcommittee ☐ Conference Committee

Amendment LC# or Description: 15.0443.01002

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Maragos Seconded By Beadle

Representative	Yes	No	Representative	Yes	No
Chairman Lawrence R. Klemin			Rep. Pamela Anderson		
Vice Chair Patrick R. Hatlestad			Rep. Jerry Kelsh		
Rep. Thomas Beadle			Rep. Kylie Oversen		
Rep. Rich S. Becker			Rep. Marie Strinden		
Rep. Matthew M. Klein					
Rep. Kim Koppleman					
Rep. William E. Kretschmar					
Rep. Andrew G. Maragos					
Rep. Nathan Toman					
Rep. Denton Zubke					
	Voice			Voice	

Total (Yes) 14 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Amendment will be adopted

**2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1203**

House Political Subdivisions Committee

☐ Subcommittee

☐ Conference Committee

Amendment LC# or Description: _____

Recommendation:

☐ Adopt Amendment

☒ Do Pass

☐ Do Not Pass

☐ Without Committee Recommendation

☒ As Amended

☒ Rerefer to Appropriations

Other Actions:

☐ Reconsider

☐ _____

Motion Made By Beadle Seconded By Strinden

Representative	Yes	No	Representative	Yes	No
Chariman Lawrence R. Klemin	X		Rep. Pamela Anderson	X	
Vice Chair Patrick R. Hatlestad	X		Rep. Jerry Kelsh	X	
Rep. Thomas Beadle	X		Rep. Kylie Oversen	X	
Rep. Rich S. Becker	X		Rep. Marie Strinden	X	
Rep. Matthew M. Klein	X				
Rep. Kim Koppelman	----				
Rep. William E. Kretschmar	X				
Rep. Andrew G. Maragos	X				
Rep. Nathan Toman		X			
Rep. Denton Zubke	X				

Total (Yes) 12 No 1

Absent 1 (Koppelman)

Floor Assignment Representative Maragos

If the vote is on an amendment, briefly indicate intent:

Do Pass as amended and rerefer to appropriations

REPORT OF STANDING COMMITTEE

HB 1203: Political Subdivisions Committee (Rep. Klemin, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING). HB 1203 was placed on the Sixth order on the calendar.

Page 2, line 18, replace "fourteen" with "twelve"

Page 2, line 19, replace "fourteen" with "twelve"

Renumber accordingly

2015 HOUSE APPROPRIATIONS

HB 1203

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

HB 1203
2/13/2015
23862

- ☐ Subcommittee
☐ Conference Committee

Mary Brucker

Explanation or reason for introduction of bill/resolution:

Relating to the taxation of live racing, simulcast, and account wagering and payments to the funds administered by the North Dakota racing commission.

Minutes:

No attachments.

Representative Klemin spoke as chair of Political Subdivisions Chairman: This is a bill that came from the racing commission. The fiscal note doesn't indicate if there will be any effect. It provides a situation where certain licensed companies could sponsor a certain number of horse races a year. If they did that they could get a reduction in the tax cap from \$420,000 to \$200,000. The racing commissioner presented it but didn't know if there were going to be any races or not and if there were they thought it would raise a lot of money but if there weren't it wouldn't have any effect. If they had these races it would reduce the amount of taxes because the tax cap goes from \$420,000 down to \$200,000; more than a 50% reduction. We passed this out of the committee but re-referred this to appropriations with the hope that you might have a better handle on the result of this.

Chairman Jeff Delzer: Do you think if it had gone to the floor it would have had the same vote out of committee?

Representative Klemin: I don't think the fact that it was re-referred made any difference. The only difference it made to us was that even though they couldn't determine a fiscal impact and it didn't really come within the normal parameters we would use to re-refer it to appropriations, we thought that based on the uncertainty of the situation and the potential loss of revenue if we reduced the tax cap we'd like to have you look at it.

Chairman Jeff Delzer: How many races were held in the last two years?

Representative Klemin: There are two places they race; Belcourt and Fargo. They did 6-9 days of races in Fargo.

Chairman Jeff Delzer: You didn't find out the amount of money that it would affect off of that?

Representative Klemin: We didn't get any information on that.

Vice Chairman Keith Kempenich: We're still supporting the general fund. They are still struggling to keep any money in the purses.

Chairman Jeff Delzer: It seems to me that we defeated a bill on the floor already that dealt with the park in Fargo.

Representative Klemin: That was a different kind of bill and that would have taken the amount that is paid in taxes to the general fund and diverted it back to the race park. I looked at my notes and in Fargo they had six race days last year.

Chairman Jeff Delzer: Do you know how much taxes they paid from those six race days?

Representative Klemin: I don't have that information.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

HB 1203
2/17/2015
24012

- ☐ Subcommittee
☐ Conference Committee



Explanation or reason for introduction of bill/resolution:

Relating to the taxation of live racing, simulcast, and account wagering and payments to the funds administered by the North Dakota racing commission

Minutes:

Chairman Delzer: Opened hearing on HB 1203. This is the bill which would change the simulcast amount that would be taxed in the end. I think what they are going after here is trying to lure some more big betters into the state. We have done this in the past many times and worked on it many. One time we did have a big better and it brought money into the state but Oregon has almost done everything and we have made some moves in the past to try to address this and Oregon turned around and readdressed them so they were a little below us again. I don't know if we can get anywhere with this. It is whatever the committee wished. It doesn't have much of a fiscal note. In the end we did have a hope that they would be able to turn around and put some money into the Fargo racetrack but I know there was a bill on the floor that died to do that direct appropriation to them already.

Representative Nelson: What was the vote out of committee?

Chairman Delzer: 12-1 from political subdivisions. I don't know if it would work or not. I don't know if it has a lot of negative effects. It says 55,000 to each under the current plan for the ones that are here, so it would cost 55,000 any way you look at it. I don't know who gets the money for sure. I think the racing commission gets the money but I think it might be the simulcast operator who actually gets the benefit.

Representative Paur: I would like to know, is there actually a racetrack in Fargo? Is it running?

Chairman Delzer: There is and it is. I don't know if it will be able to run this summer or not. They did run last summer.

Representative Thoreson: I know last summer the track in Fargo did run 3 weekends, so 6 days of racing and in discussion with the director with the host of the park I believe they are looking at running in 2015.

Representative Paur: Maybe my question should be instead, would this help the promotion of that race track? I know this is simulcast but would those dollars be used if there was any income to be help?

Chairman Delzer: The way it would work is if you got the big better in there would be a certain amount of money that goes into the batter's fund or purse fund off of the simulcast that they think would help them promote racing. I think that is thought of it.

Representative Boehning: I move a do pass

Representative Brandenburg: Second.

A Roll Call Vote Was Taken: Yes 12, No 10, Absent 1

Motion carries

Representative Maragos will carry the bill

Date: 2/12/15Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1203

House Appropriations Committee☐ Subcommittee

Amendment LC# or Description: _____

Recommendation: ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
 Other Actions: ☐ Reconsider ☐ _____

Motion Made By: Boehning Seconded By: Brandenburg

Representatives	Yes	No	Absent	Representatives	Yes	No	Absent	Representatives	Yes	No	Absent
Chairman Jeff Delzer		✓		Representative Nelson	✓			Representative Boe		✓	
Vice Chairman Keith Kempenich	✓			Representative Pollert	✓			Representative Glassheim	✓		
Representative Bellew		✓		Representative Sanford	✓			Representative Guggisberg		✓	
Representative Brandenburg	✓			Representative Schmidt		✓		Representative Hogan		✓	
Representative Boehning	✓			Representative Silbernagel		✓		Representative Holman	✓		
Representative Dosch		✓		Representative Skarphol		✓					
Representative Kreidt	✓			Representative Streyle			—				
Representative Martinson	✓			Representative Thoreson	✓						
Representative Monson	✓			Representative Vigasaa		✓					
	<u>6</u>	<u>3</u>	<u>0</u>		<u>4</u>	<u>4</u>	<u>1</u>		<u>2</u>	<u>3</u>	<u>0</u>

Totals

(Yes)	<u>12</u>
No	<u>10</u>
Absent	<u>1</u>
Grand Total	<u>23</u>

Motion Carried

Floor Assignment: Maragos

If the vote is on an amendment, briefly indicate intent: _____

REPORT OF STANDING COMMITTEE

HB 1203, as engrossed: Appropriations Committee (Rep. Delzer, Chairman)
recommends **DO PASS** (12 YEAS, 10 NAYS, 1 ABSENT AND NOT VOTING).
Engrossed HB 1203 was placed on the Eleventh order on the calendar.

2015 SENATE FINANCE AND TAXATION

HB 1203

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

HB1203
3/18/2015
Job #25047

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to the taxation of live racing, simulcast, and account wagering and payments to the funds administered by the North Dakota racing commission; and to provide an effective date.

Minutes:

Attachments #1, 2, #3

Chairman Cook opened the hearing on HB1203.

Rep. Andrew Maragos, Dist. 3 -- I'm here to introduce HB1203. I introduced this bill on behalf of the Racing Commission and the director of the racing commission is here, Gunner LaCour, to explain to you why he thinks this bill is needed and what they hope to accomplish with it.

Jim Ozbun Chairman of Racing Commission -- I'm here to introduce Gunner LaCour who has already been introduced. Gunner came here from Florida. When Winston Satrom retired, the commission decided that we should try to find someone with a legal background, as well as an understanding of horse racing and we were fortunate enough to be able to find Gunner who has both. He is an attorney by training. He was an attorney in Florida when we found him and hired him. He grew up in Kentucky and his family was involved with horse racing in Kentucky. He has the dual background. He is doing a great job for us here in North Dakota.

Gunner LaCour, Director North Dakota Racing Commission -- (Attachment #1)
In support of bill. **(Attachment #2)**

Sen. Cook - ADW? Account Deposit Wagering?

Gunner LaCour -- Yes sir.

Sen. Cook -- How many states have a racing commission like we do?

Gunner LaCour -- It's however many states allow racing, which I think is somewhere between 34 & 38.

Sen. Cook -- Tax decreases by lowering the cap that you have?

Gunner LaCour -- Yes, that would be lowered cap if they participated and ran a 12 day meet at one of our race tracks.

Sen. Cook -- Is there going to be any racing in North Dakota next year?

Gunner LaCour -- Yes, we've moved the dates that were in Fargo and moved them to Chippewa Downs.

Sen. Cook -- And Chippewa Downs is where again?

Gunner LaCour -- In Belcourt. And the reason that we did that and rescinded the dates is based on the information in front of you.

Sen. Cook -- And they will have 12 live racing days up there in Belcourt?

Gunner LaCour -- They will actually have 14 live racing days.

Sen. Bekkedahl -- Looking at the debt status that's on one of the facilities currently, as in the private market when that occurs and it's untenable to move forward and there is sale of the assets, would there be anybody picking up the assets at a lesser price that could make this work?

Gunner LaCour -- One of my largest concerns is that we do get down the road to say sheriff's sale of the property, the problem that we would face at that point is that the debt owed on the property would not be wiped off by that sheriff's sale. So you would have to buy it at or above the price of the debt in order to wipe that off. If no one ultimately bought it at sheriff's sale, it would then revert back to the city at which point the city could wipe off that tax increment financing debt. Until that point, somebody would have to pay essentially \$2 million to buy this thing if they didn't want to go into it with any debt. I'm not sure if there are any buyers. We haven't gotten there yet. The main focus right now is trying to get something done before that occurs. This would be a very helpful thing.

Sen. Cook -- Who owns the Fargo track right now?

Gunner LaCour -- Horse Race North Dakota is one of the entities. There is a map in your packet behind the first page.

Sen. Cook -- Is it for profit or nonprofit?

Gunner LaCour -- Nonprofit organization, 501c3. They are represented here by Mike Schmitz and Levi Otis.

Rep. Randy Boehning, Dist 27 --I'm not here opposed to the bill or in favor of the bill. I'm here to offer an amendment to HB1203. **(Attachment #3)**

Sen. Cook -- So you are changing the actual tax structure? And you are mandating that the race be held at the North Dakota Horse Park?

Rep. Boehning -- Yes. In the new language, this would have to be done at the North Dakota Horse Park.

Sen. Cook -- And what problem would this solve?

Rep. Boehning -- I think the racing commission is setting up the North Dakota Horse Park to fail. I think without some language in this here, we need to do something to help shore that up. If we don't have race dates, it's going to fail. They set it up a couple of times before with race dates and when they have language in here where we're taking more out of the general fund from the \$400,000 to \$200,000, we're going to have races up in Belcourt which are not going to have much attendance up there as well. We need to have a horse park that is going to be sustainable. With this language in here would it would mandate that to be account wagering or account depositing would have to be done in Fargo.

Sen. Cook -- So without these amendments, you would suggest that we kill the bill?

Rep. Boehning -- If that would be the committee's recommendation, I would have no problem.

Larry Backhaus, member of Quarterhorse Association, Thoroughbred Association, previous president of North Dakota Stollbrand Horse Advisory Council -- Reading this, I am against it.

Sen. Cook -- The bill, as introduced, you are against?

Larry Backhaus -- Yes, definitely. Definitely we're against taking money out and putting it in the general fund. We ain't got enough the way it is. The main reason I'm here is, every legislative session, there is one of these where they want to take the money out of the horse park. Money out of the purse fund. Money out of the breeders fund. ADW's come in and say, promises, if we do this, this is what we're gonna get. Let's get some guarantees first. (meter 24:48-26:45)

Sen. Triplett -- How do you make money in Minnesota, is it just because there are so many more people who are interested in attending races?

Larry Backhaus -- The breeders fund in Minnesota is far greater than it is here. (meter 27:07-27:18)

Sen. Triplett -- And that money comes from? What's the source of the money?

Larry Backhaus -- I'm not sure totally how there's brought in but its part of this. They got a lot more people so handle is a lot higher. And the state supports it.

Sen. Triplett -- State subsidized?

Larry Backhaus -- Yes, and the casino, they do have some there.

Sen. Cook -- Gunner, one more question. I have seen a lot of these bills over the years, but refresh me here, the revenue we are talking about here, the 1/16 of 1%, that's out of the money that's bet on racing, correct?

Gunner LaCour -- Yes.

Sen. Cook -- And it starts, what is there, 5% of the total bet comes to the state.

Gunner LaCour -- ¼% of the total bet.

Sen. Cook -- ¼% of 1%?

Gunner LaCour -- ¼ of 1% comes to the state, that is, in turn, split evenly among the 4 funds: the general fund, promotion fund, purse fund, and breeders fund. We take something called breakage on the first \$20 million wagered by each company. Breakage is the odd cents that they round off when they pay your bet. That is approximately \$66,000 per \$20 million, and that goes into the promotion fund. And those funds are what we use to actually run racing.

Sen. Cook -- I always thought that was higher. So somebody makes a \$10 horse race bet, out of the \$10 how much of it actually goes into...

Gunner LaCour -- Oh gosh, a ¼% of \$10 is...

Sen. Cook -- A ¼% is going to come to the state, but the company that is running the track is going to get some.

Gunner LaCour -- It depends on the take out. It depends on the fees they are paying, based on the state where they are so take-out rates are set by states and then there are certain fees that they have to pay, for example, you are going to make much less in California because they have fees that go to workers compensation, they have all sorts of fees.

Sen. Cook -- But in North Dakota, if there's a race, its simulcast, okay, the races are all over. Some of that bet comes into this fund too, does it not?

Gunner LaCour -- Yes.

Sen. Cook -- So all the money that you bet on simulcast racing, ¼ of 1% of that money comes into this account?

Gunner LaCour -- Yes and that has amounted to, last fiscal year, \$323 million. I think we are about \$400 million going into this next fiscal year, but without those funds, the purse promotion breeders, I'm not sure how we are going to operate.

Sen. Cook -- Kentucky Derby is going to be at Churchill Downs. How much does Churchill Downs get to run the Kentucky Derby, out of all the money that is bet?

Gunner LaCour -- Out of all the money that's bet? They would get from our ADW companies, they would get a certain percentage.

Sen. Cook -- What is the percentage?

Gunner LaCour -- For the Kentucky Derby, you are probably talking about maybe even up to 10%.

Sen. Cook -- Is it different for every track?

Gunner LaCour -- It is different for every track and for some races because of the quality of the racing, the prominence of that race, things of that nature. Some are as low as 2%. Some are on a regular basis as high as 8%.

Sen. Cook -- The simulcast company, they are going to get a cut. Is that the same for every race?

Gunner LaCour -- No. It won't be the same for every race because the percentage of take-out is based on what track they are betting on so if California says your take-out rate is this and then you have to take out our tax and you have to take out all the different fees that they pay, whether that's the track or whether that's to the entity that sends them the signal or whether that's for workers comp, things of that nature that are mandated by statute in that state and once you split up the pile those different ways, that's what they are left with. And then they may have to rebate, on top of that, in order to keep their players so give them a better rate on their wagers. Give them a refund if they wager enough, in order to keep some of their higher volume players.

Sen. Cook -- So the track gets a cut out of every dollar that's bet; the simulcast company gets a cut out of every dollar that's bet; the local establishment on the strip, where you go to place your bet, they get a cut.

Gunner LaCour -- That would be the company that operates it, yes.

Sen. Cook -- And then the racing commission gets a cut. Is there anybody else that gets a cut?

Gunner LaCour -- It depends upon which state you are betting in to. For example, California, they split it up many different ways. There is various organizations to take care of.

Sen. Cook -- In North Dakota, is there anybody else?

Gunner LaCour -- As far as our taxes go? Just the purse, promotion and breeder fund and then the general fund get our taxes. And then we pay breeders out of that. Pay the tracks out of that. Pay for the purses out of that.

Senate Finance and Taxation Committee

HB1203

March 18, 2015

Page 6

Chairman Cook closed the hearing on HB1203.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Lewis and Clark Room, State Capitol

HB1203
3/23/2015
Job #25236

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Committee work on HB1203

Minutes:

Chairman Cook opened the committee work on HB1203.

Sen. Unruh -- I would move a do not pass on engrossed HB1203.

Sen Laffen -- Seconded.

Sen. Triplett -- I would just ask "why". I don't know very much about horse racing. I don't care very much about horse racing and I don't really care which way this bill goes, but I would just like to know why we are doing what we are doing.

Sen. Laffen -- I will explain why I am going to vote no on this. I wasn't here when horse racing came in but I've watched every session we've had to do more and more and more to make horse racing work and I'm convinced that we are not a big enough state to make horse racing work. This is just another increasing of another lowering of the cap to try to make another sort of game work at the horse racing track. I'm not going to vote any more going forward and I think the senator from district one last session sort of opened my eyes to it when he stood up and said I'm never going to vote again to increase what we do to make this business work in North Dakota because it's just not going to work. That is my position on it.

Sen. Dotzenrod -- I missed part of the hearing but it was a long testimony which I had a hard time figuring out how the testimony really related to the bill. He got into a lot of detail. Sen. Marcellais has talked to me about this bill. He wants to see it passed. He seems to believe that this bill will allow the place where there is a lot of interest in horse racing, there is a group of people who have been in conflict with the Fargo and the population centers where they feel they have been doing the work. (Meter 2:54-3:13)

Sen. Cook -- The bill takes money away from the breeders fund and either the promotion fund or the purse fund and puts it into the general fund. And then there is quite a shift in

the amount of dollars. They want to bring in a new account deposit wagering company to run it. What starts the bill is the race track in Fargo is broke, can't pay its bill. The horse racing commission, if you've been following it in the newspaper, has basically said no more races in Fargo. They are all going to be up at Belcourt. Then during the hearing, we had the horse park from Fargo and a Fargo representative come in with amendments to amend the bill, mandating that they be in Fargo at all races. I've been involved with it since the very beginning and it's not my first hearing on horse racing commission and I'm tired of them too.

Sen. Dotzenrod -- Those comments about taking the money from the breeders cup, I'm looking in the bill and maybe it gets done in there some way. Is that what those overstrikes do on page 2, lines 9 & 10? Because I don't see anything about taking money from one fund and putting in a different fund.

Sen. Bekkedahl -- If I may try to clear a little bit of that, if you look over the fiscal note that is attached to this, it offers some explanation. It says its unknown at this time but the bill provides financial incentives to both currently licensed simulcast account deposit wagering companies and those considering licensure in the state. And it also says may provide sufficient tax incentives to drive larger simulcast account deposit wagering companies. (meter 5:38-7:32)

Sen. Dotzenrod -- One of the sponsors, Sen. Flakoll, and if the bill's purpose is to see that the races do not occur in Fargo?

Sen. Cook -- That decision has already been made by the racing commission.

Sen. Triplett -- The bill's sponsors want the possibility of someone coming in to help make these things work better so that then the Fargo facility would be saved. The bill's sponsors believe that they are trying to do something with this bill that would save Fargo racing.

Sen. Dotzenrod -- The bill, by itself, doesn't steer the racing to one location or another?

Sen. Laffen -- No, it was an internal decision.

Sen. Cook -- Well, I'm not too sure about that. A qualifying live race meet must consist of a minimum of 12 live racing days. That's what Fargo can't do.

Sen. Dotzenrod -- I tend to look at what's going on up there in the Turtle Mountain area as somewhat different than Fargo. It seems to me what Fargo has done is try to attract a new venture and tie it into the NDSU Equine program and see if they could make it work. I don't know if they really have the right cultural climate there and the history to make the racing work. I'm not so sure up in the Turtle Mountain area; they seem like they have been at this a long time and they have quite a bit of cultural acceptance and a lot of dedicated following for what they are doing up there. Maybe I've got it all wrong.

Sen. Cook -- A successful race is relative to how much income you have coming in; how much income does the race generate, and what's it cost you to run the race. I can guarantee you they can run a race up at Turtle Mountain a lot cheaper than they can in

Fargo. Fargo built a great big white elephant and it cost a lot of money to run that race track. And that's been their challenge since the day they built it.

Sen. Dotzenrod -- The only concern that I have about it is if we kill this bill, does that detract or somehow make what is going on up at Turtle Mountain less viable?

Sen. Cook -- I would say no it does not. If you need to be more comfortable with that, we don't have to deal with the bill today. You are not going to talk me into passing this bill.

Sen. Dotzenrod -- I know that Sen. Marsellais has talked to me about this more than once and wondered what we are doing with it, I just wonder if there is information that he has that the committee should have or maybe I should go talk to him and tell him that we've got the bill.

Sen. Cook -- We'll hold the bill.

Sen. Dotzenrod -- I'll let him know that the committee is holding it and if he has something that he can give us that would convince us that this is really a good idea he should get it to us.

Sen. Cook -- We're going to put this on the table for a while and we'll bring it back tomorrow. We have a motion on it. We will just start with the do not pass motion that's already made.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

HB1203
3/23/2015
Job #25275

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Committee work

Minutes:

Chairman Cook opened the committee work on HB1203.

Sen. Dotzenrod -- I don't know if he could come in now. He could come in tomorrow morning at 10. He has time off from his other committee tomorrow morning at 10, if you want to do it then. He was going to contact the other House sponsor, Andy Maragos, and see if he wanted to come in and talk about this.

Sen. Cook -- I don't want to have another hearing.

Sen. Dotzenrod -- Okay.

Sen. Cook -- Does he like the bill?

Sen. Dotzenrod -- Yeah, I talked to him about it and he just said that the bill, as he understood it, would be for them and their area, they think there is a real tourist benefit. They get good turn-outs for their events and he just thought that if the bill passed that they would see some benefit.

Sen. Cook -- They are going to get the race anyway.

Sen. Dotzenrod -- Well, yeah, I don't know, maybe they will. If you kill the bill, I suppose they can still do the races. I don't know if these changes in these numbers that are in the bill if that affects the size of the purse or what that does. I told him that you've got to have 12 races and he knew that was in the bill.

Sen. Cook -- So you want some time for this bill?

Sen. Dotzenrod -- Yeah.

Sen. Cook -- Okay, then you got it.

Sen. Laffen -- Correct me if I am wrong but I think the intent of the bill is to lower the cap so these ADW's can make more money and, hopefully, another one would come and do this. Right now we have 1. They are hoping another one might come and do it.

Sen. Oehlke -- Sen. Dotzenrod mentioned that Marsellais said it helps their tourism and I think that is one of the pieces of this pie: Fargo, in the summertime, is a hot piece of asphalt. No one wants to be there. I lived there for a while and it sucks in the summertime. So everybody goes to the lakes. They go anywhere else but Fargo. I think striving to have events like this in the summer is an uphill battle for them. I don't know how much of this type of thing would help them or make a difference.

Sen. Dotzenrod -- I understand the committee's question. I need to be able to give you, the committee, more good reasons why that bill should pass. If there is any benefit in it for the people that are up there. I will try to get that.

Sen. Cook -- I don't think it has anything to do with them up there. It has to do with \$400,000 to \$200,000.

Sen. Dotzenrod -- Is that change really more of a question of getting the promoters or the people that are doing the work, that are setting up the framework of the betting and conducting the wagers, for them to be able to get more out of it for themselves or be able to run more events?

Sen. Cook -- Yeah.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

HB1203
3/24/2015
Job #25304

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature

Alice Grove

Explanation or reason for introduction of bill/resolution:

Committee work

Minutes:

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Chairman Cook opened the committee work on HB1203.

Sen. Cook -- We have a do not pass motion and a second.

Sen. Dotzenrod -- I appreciate the consideration and courtesy that you extended to give me a little more time. I did go talk to Sen. Marsellais and the prime sponsor Rep. Maragos and Rep. Maragos said he could no longer support the bill and Sen. Marsellais also said that he has had some communication with the racing people back in his district and they don't feel that the bill has much merit, in its current shape. My concerns are out of the way.

Sen. Cook -- Any other discussion? Hearing none, we will take the roll on a do not pass on HB1203. Roll call vote 7-0-0. Carried.

Carrier: Sen. Dotzenrod

Date: 3.24.15Roll Call Vote #: 1

**2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1203**

Senate Finance and Taxation Committee☐ Subcommittee

Amendment LC# or Description: _____

Recommendation: ☐ Adopt Amendment
☐ Do Pass ☒ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
 Other Actions: ☐ Reconsider ☐ _____

Motion Made By Sen. Unruh Seconded By Sen. Laffen

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook	✓		Senator Jim Dotzenrod	✓	
Vice Chairman Lonnie Laffen	✓		Senator Connie Triplett	✓	
Senator Brad Bekkedahl	✓				
Senator Dave Oehlke	✓				
Senator Jessica Unruh	✓				

Total (Yes) 7 No 0Absent 0Floor Assignment Sen. Dotzenrod

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1203, as engrossed: Finance and Taxation Committee (Sen. Cook, Chairman)
recommends **DO NOT PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed HB 1203 was placed on the Fourteenth order on the calendar.

2015 TESTIMONY

HB 1203

House Bill 1203
ND Racing Commission
Gunner laCour, Director
January 23, 2015

64th Legislative Assembly
House Political Subdivisions Committee
Representative Lawrence R. Klemin, Chairman

The North Dakota Racing Commission has experienced success over the past biennium in growing revenues to support the horsemen of this state. This is largely due to the significant increase in account deposit wagering activity directly resulting from the state's low tax rates and business friendly environment. Despite this added tax revenue directly supporting racing, there remain issues related to the operation of our tracks that are better solved through other means. Specifically, the Commission believes that our tracks and the charities that run them will be able to provide a superior level of racing in this state through direct partnership with account deposit wagering companies (ADWs).

Before discussing how this would work in North Dakota, I would like to provide some background on operations in other states. The two largest ADWs in the country, Xpressbet and Twin Spires, are subsidiaries of organizations which began as track operating groups and eventually ventured into the ADW market. Between the two companies, they own or represent a significant portion of the tracks in the U.S. Each company possesses a great deal of racing business acumen which they have used to

maintain successful tracks throughout the country. While none of our ADWs or their affiliated companies own any tracks currently, the industry has shown that the ADW/track partnership can be a successful business model due to the combination of the ADWs' private capital and technical expertise.

This bill has three key aspects which will support the long term prosperity of our racing industry. First and foremost, this bill will incentivize ADWs to invest private capital and technical expertise into currently operating North Dakota tracks. With regard to the private capital aspect, the vast majority of funding for our race meets comes from Commission support with comparatively little outside private funding. Despite increased levels of revenue the Commission finds itself pushed to the limits of its resources to support live race meets each year. The Commission lacks the additional resources to undertake larger projects to support the long term health of the industry such as infrastructure improvements, equipment refurbishments, or scholarship programs to support in-state racing education and employment. However, were an ADW to invest private capital, the Commission would have more flexibility with its funding to undertake these additional projects. The Commission could effectively shift its funding focus from year to year race meet support to the long-term stability of the racing industry. In addition, the horsemen would also receive a 12 day meet as required by the

bill, a significantly longer meet than those currently operated (ND Horse Park 6 days, Chippewa Downs 8 days).

Such private capital could also insulate the Commission from the ups and downs of the ADW market. Due to the Commission's heavy reliance on ADW taxes and the need to spend the majority of revenue each year to run live meets, a single year of downswing in the market would cause setbacks for racing in the state. However, within a year or two of beginning private funding to our tracks, the Commission would be able to set aside some money to hedge against the market. Additionally, while any ADW partnering with the track may be subject to a downturn as well, if they are subsequently unable to continue the partnership, either another less affected ADW would be incentivized to intervene or the Commission could fall back on its own support and reserves until such time as the market returned.

The investment of experience and technical expertise that would be available to the tracks through an ADW partnership is also a critical component that would support the long term health of the industry by bringing North Dakota into a higher class of racing. There is currently significant competition from other states to attract the horses and jockeys that North Dakota desperately needs. Much of this competition is driven by additional funding available in several states with substantially increased purses through either instant wagering or casino gaming. However, compared to states with relatively

similar purses to North Dakota, what makes the difference is the quality of the experience the track can provide to the horsemen. Unfortunately, having an industry in decline over many years has led to a lack of experienced personnel necessary to take that next step in operations. The quality of the product created by this expertise would also drive additional revenues in areas such as off-track betting, a revenue source into which our tracks currently do not tap due in part to a lack of personnel capable of driving such a product. We do not have the time necessary to discuss every way in which additional experienced personnel would benefit racing in North Dakota; suffice it to say the value would be immense.

The second significant effect that this bill would have would be to incentivize the movement of large ADWs from other states to North Dakota. While the tax rates applied to ADWs and the efforts by the Commission to create a business-friendly atmosphere have drawn in a number of new and emerging ADWs, we have yet to see a large, well-established ADW enter our state. By further reducing the effective tax cap, we may be able to draw in these ADWs who would not only immediately bring levels of business which would hit our tax caps and increase the stability of our ADW market share, but would significantly increase the stature of our state in the industry. As discussed previously, an ADW of this size would provide the added benefit of having capital and technical expertise far beyond anything seen in North Dakota to date. While it is too

early to tell for certain whether such incentives will be enough to drive the movement of ADWs in this category, general inquiries made by the Director to individuals in the industry lead the Commission to believe that at least one, if not more, would find such incentives worth exploring.

The third and final effect of this bill would be to create a "safety net" for our tracks, particularly Fargo, which has been working to address problems associated with its debt. Were a track to find itself in a situation where it could no longer operate on its own, the financial incentives of the tax reduction could drive significant investment by an ADW to help reopen a struggling track. This one-time expense with subsequent operations costs, when offset against the ongoing tax reduction, could make this a long-term net gain for an ADW. Particularly with respect to our Fargo track, facilities of that quality and size are expensive to build and a turn-key operation difficult to come by. Were our tracks to no longer have the financial resources necessary to continue operations or retain their assets, a well-established ADW would be remiss if it did not consider stepping in to help.

Throughout this discussion you may be asking, why would any ADW want to do this when what they save in taxes may be offset by track operations costs? First, a good track operator can develop a track into a net zero operation at a minimum. While it might take an outlay of capital at the beginning or during the height of the meet, a

professional operation can find the balance between income and expenses over time. Even with an operation netting zero or close to it, the tax reduction then becomes a significant offset against the ADW's overall costs, providing a competitive advantage to the entity.

Second, within the industry there are significant secondary benefits to operating a track. In recent years, those entities who own and operate large numbers of tracks (coincidentally the same entities owning the largest ADWs) have made it increasingly difficult for ADWs to obtain permission to use their signal (video of races) and wager into their pools. This has effectively locked some ADWs out of the largest U.S. markets. However, one of the most significant factors upon which these entities base their decision to allow or disallow an ADW is that ADW's direct contribution to the racing industry. Not only would an ADW operating a track in North Dakota be able to provide ample evidence of their contributions, but were they to send out signal from our tracks, they would have a bargaining chip which would allow them to essentially say "you give us your signal and we will give you ours." Having complete content is very important for these larger entities and should weigh in favor of providing content to the ADW.

Third, through its participation in the race meet, the ADW is provided exposure on a level not otherwise available to further strengthen its overall operations. This exposure can come in several forms; specifically, through in-state exposure created by

operating one of two tracks, the ADW can promote any local efforts it might consider as part of its broader activities in the state such as simulcast parlors. Out-of-state exposure can be created by distribution of the track's signal nationally and internationally, possibly driving additional revenue to its online platform. Track operation essentially acts as free broad-based publicity, a benefit no ADW would fail to appreciate.

As a final note, I want emphasize that this bill merely represents an incentive for ADWs to participate in our race meets. It does not require their participation in any way. Any charity currently operating a track is free to partner with an ADW or not as they see fit based on the benefits that an ADW brings. If the charity chooses to move forward with such a partnership, they would apply to the Commission for race dates in the same way they always have, including the partnership as part of their application. If they choose not to partner, they would simply apply for race dates on their own.

I would also like to make clear that this bill, taking into consideration the current activities of our ADWs, will not have any fiscal impact unless the one ADW we have who exceeds this cap creates a partnership with a track. Based on that ADW's current operations I believe this is unlikely. What I see as more likely is that a larger ADW we do not currently have decides to come to North Dakota based on a long term partnership or one of our current ADWs enters into a partnership in advance when they feel they are likely to hit this cap in the near future.

The racing industry in North Dakota, while currently stronger than it has been for many years, remains in a precarious position between success and failure. While the industry needs new and inventive ways to drive additional support, it is important to also take note of the basic principles upon which success has previously been built. With that in mind, the Commission believes that this bill uses the tried and true method of reducing taxes to incentivize private capital investment and more competitive business models, while also attempting to tap into the North Dakota ADW market in a new way to find additional resources outside of state support.

For these reasons the North Dakota Racing Commission supports this bill.

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House Bill 1203
ND Racing Commission
Gunner laCour, Director
March 18, 2015

64th Legislative Assembly
Senate Finance and Taxation Committee
Senator Dwight Cook, Chairman

The North Dakota Racing Commission has experienced success over the past biennium in growing revenues to support the horsemen of this state. This is largely due to the significant increase in account deposit wagering activity directly resulting from the state's low tax rates and business friendly environment (\$323 million in taxable wagering in FY2014 up from \$82 million in FY2011). Despite this added tax revenue directly supporting racing, there remain issues related to the operation of our tracks that are better solved through other means. Specifically, the Commission believes that North Dakota tracks and the charities that run them will be able to provide a superior level of racing in this state through direct partnership with account deposit wagering companies (ADWs).

Before discussing why this bill would work, I would like to discuss how it would function. In application, this process is really not very different from the statutory requirement that a charity contract with an ADW to operate gaming activities due to the ADWs superior ability to provide these services. In the case of track operation, an interested ADW would have to seek out a willing track charity to create a partnership

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which would allow the ADW to contribute to the operation of the meet. This partnership would cover everything from providing experienced personnel to the dollar amount an ADW would contribute. After reaching an agreement between each other, the ADW and track would then apply to the Commission for the dates setting out their plan of operations. The Commission would consider this as it does any other race date application with the primary question being; do the horsemen receive adequate return for the cost of the meet? In this case that consideration would have to include weighing the contribution of the ADW against the potential tax break.

Though our method of operation would be somewhat unique due to our state allowing only charitable gaming, similar arrangements have worked well in other states. The two largest ADWs in the country, Xpressbet and Twin Spires, are subsidiaries of organizations which began as track operating groups and eventually ventured into the ADW market. Between the two companies, they own or represent a significant portion of the tracks in the U.S. Each company possesses a great deal of racing business acumen which they have used to maintain successful tracks throughout the country. While none of our ADWs or their affiliated companies own any tracks currently, the industry has shown that the ADW/track partnership can be a successful business model due to the combination of the ADWs' private capital and technical expertise.

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Secondly, whether the ADW is a new entrant into our state or one of our up-and-coming entities, this bill will incentivize ADWs to invest private capital and technical expertise into currently operating North Dakota tracks. With regard to the private capital aspect, the vast majority of funding for our race meets comes from Commission

support with comparatively little outside private funding. Despite increased levels of revenue the Commission finds itself pushed to the limits of its resources to support live race meets each year. The Commission lacks the additional resources to undertake larger projects to support the long term health of the industry such as infrastructure improvements, equipment refurbishments, or scholarship programs to support in-state racing education and employment. However, were an ADW to invest private capital, the Commission would have more flexibility with its funding to undertake these additional projects. The Commission could effectively shift its funding focus from year to year race meet support to the long-term stability of the racing industry. In addition, the horsemen would also receive a 12 day meet as required by the bill, a significantly longer meet than those previously operated (ND Horse Park 6 days, Chippewa Downs 8 days).

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incentivized to intervene or the track could fall back on Commission support and reserves until such time as the market returned.

The investment of experience and technical expertise that would be available to the tracks through an ADW partnership is also a critical component that would support the long term health of the industry by bringing North Dakota into a higher class of racing. There is currently significant competition from other states to attract the horses and jockeys that North Dakota desperately needs. Much of this competition is driven by additional funding available in several states with substantially increased purses through either instant wagering or casino gaming. However, compared to states with relatively similar purses to North Dakota, what makes the difference is the quality of the experience the track can provide to the horsemen. Unfortunately, having an industry in decline over many years has led to a lack of experienced personnel necessary to take that next step in operations. The quality of the product created by this expertise would also drive additional revenues in areas such as off-track betting, a revenue source into which our tracks currently do not tap due in part to a lack of personnel capable of driving such a product. We do not have the time necessary to discuss every way in which additional experienced personnel would benefit racing in North Dakota; suffice it to say the value would be immense.

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The third and final effect of this bill would be to create a “safety net” for our tracks, particularly Fargo, which has been working to address problems associated with its debt. Were a track to find itself in a situation where it could no longer operate on its own, the financial incentives of the tax reduction could drive significant investment by an ADW to help reopen a struggling track. This one-time expense with subsequent operations costs, when offset against the ongoing tax reduction, could make this a long-term net gain for an ADW. Particularly with respect to our Fargo track, facilities of that quality and size are expensive to build and a turn-key operation difficult to come by. Were our tracks to no longer have the financial resources necessary to continue operations or retain their assets, a well-established ADW would be remiss if it did not consider stepping in to help.

Throughout this discussion you may be asking, why would any ADW want to do this when what they save in taxes may be offset by track operations costs? First, a good track operator can develop a track into a net zero operation at a minimum. While it might take an outlay of capital at the beginning or during the height of the meet, a professional operation can find the balance between income and expenses over time. Even with an operation netting zero or close to it, the tax reduction then becomes a significant offset against the ADW’s overall costs, providing a competitive advantage to the entity.

Second, within the industry there are significant secondary benefits to operating a track. In recent years, those entities who own and operate large numbers of tracks (coincidentally the same entities owning the largest ADWs) have made it increasingly difficult for ADWs to obtain permission to use their signal (video of races) and wager into their pools. This has effectively locked some ADWs out of the largest U.S. markets. However, one of the most significant factors upon which these entities base their decision to allow or disallow an ADW is that ADW's direct contribution to the racing industry. Not only would an ADW operating a track in North Dakota be able to provide ample evidence of their contributions, but were they to send out signal from our tracks, they would have a bargaining chip which would allow them to essentially say "you give us your signal and we will give you ours." Having complete content is very important for these larger entities and should weigh in favor of providing content to the ADW.

Third, through its participation in the race meet, the ADW is provided exposure on a level not otherwise available to further strengthen its overall operations. This exposure can come in several forms. Specifically, through in-state exposure created by operating one of two tracks, the ADW can promote any local efforts it might consider as part of its broader activities in the state such as simulcast parlors. Out-of-state exposure can be created by distribution of the track's signal nationally and internationally,

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possibly driving additional revenue to its online platform. Track operation essentially acts as free broad-based publicity, a benefit no ADW would fail to appreciate.

As a final note, I want emphasize that this bill merely represents an incentive for ADWs to participate in our race meets. It does not require their participation in any way. Any charity that currently owns a track is free to partner with an ADW or not as they see fit based on the benefits that an ADW brings. If the charity choses to move forward with such a partnership, they would apply to the Commission for race dates in the same way they always have, including the partnership as part of their application. If they choose not to partner, they would simply apply for race dates on their own.

I would also like to make clear that this bill, taking into consideration the current activities of our ADWs, will not have any fiscal impact unless the one ADW we have who exceeds the reduced tax cap creates a partnership with a track. Based on that ADW's current operations I believe this is unlikely. What I see as more likely is that a larger ADW we do not currently have decides to come to North Dakota based on a long term partnership or one of our current ADWs enters into a partnership in advance when they feel they are likely to hit this cap in the near future.

The racing industry in North Dakota, while currently stronger than it has been for many years, remains in a precarious position between success and failure. While the industry needs new and inventive ways to drive additional support, it is important to

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also take note of the basic principles upon which success has previously been built.

With that in mind, this bill uses the tried and true method of reducing taxes to incentivize private capital investment and more competitive business models, while also attempting to tap into the North Dakota ADW market in a new way to find additional resources outside of state support.

For these reasons the North Dakota Racing Commission supports this bill.

North Dakota Horse Park Status Sheet

Outstanding Debt

- **Current total debt of the Horse Park is approximately \$2,152,829**
 - Horse Race North Dakota (HRND)
 - **City of Fargo TIF: \$692,733**
 - Annual payments approximately \$56,000
 - **Economic Development Corp. Loan: \$250,000**
 - Annual payments approximately \$21,500
 - Currently in arrears in excess of \$65,000
 - **Mortgage to Starion Financial: approximately \$80,000**
 - Annual payments \$6,420
 - **Property Taxes: approximately \$11,000 annually**
 - Horse Park Foundation
 - **City of Fargo TIF: \$1,130,096**
 - Annual payments approximately \$92,000
 - **Property Taxes: approximately \$24,000 annually**
- The financial report provided by financial consultant Jim McKinney indicates that despite increases in pull-tab revenues, without either additional significant revenue/capital investment or a reduction in the debt, HRND will not be able to meet the debt obligations of the Horse Park.

Efforts to Address the Debt

- Pursuant to the recommendations of the Advisory Committee that was established by the Commission, the Commission supported the HRND financial review and the drafting of a bill to provide funding. The results are as follows:
 - The City of Fargo has refused to make any deal, requiring full payment of the TIF debt.
 - The Legislature did not pass the Racing Infrastructure Fund bill; therefore, there will be no additional funding.
- Neither the Horse Park entities nor any other entity has come forward with a plan to address the debt with the exception of a claim that HRND could pursue some legal action against the City.

Land Status

- Horse Race North Dakota Parcel
 - Though HRND has stated that they can pay their property taxes and TIF on their parcel, they failed to make the first payment and are currently in arrears.
- Horse Park Foundation Parcel
 - The Foundation has no income and thus cannot pay their TIF or property taxes. HRND does not have sufficient revenues to meet this obligation per the financial review.
- Both parcels are in arrears as of March 1, taxes and penalties accruing in total as follows:

	<u>HRND</u>	<u>Foundation</u>	<u>Total</u>
▪ 2015:	\$ 80,923	\$127,272	\$208,195
▪ 2016:	\$172,256	\$270,002	\$442,258
▪ 2017:	\$275,053	\$418,103	\$693,156

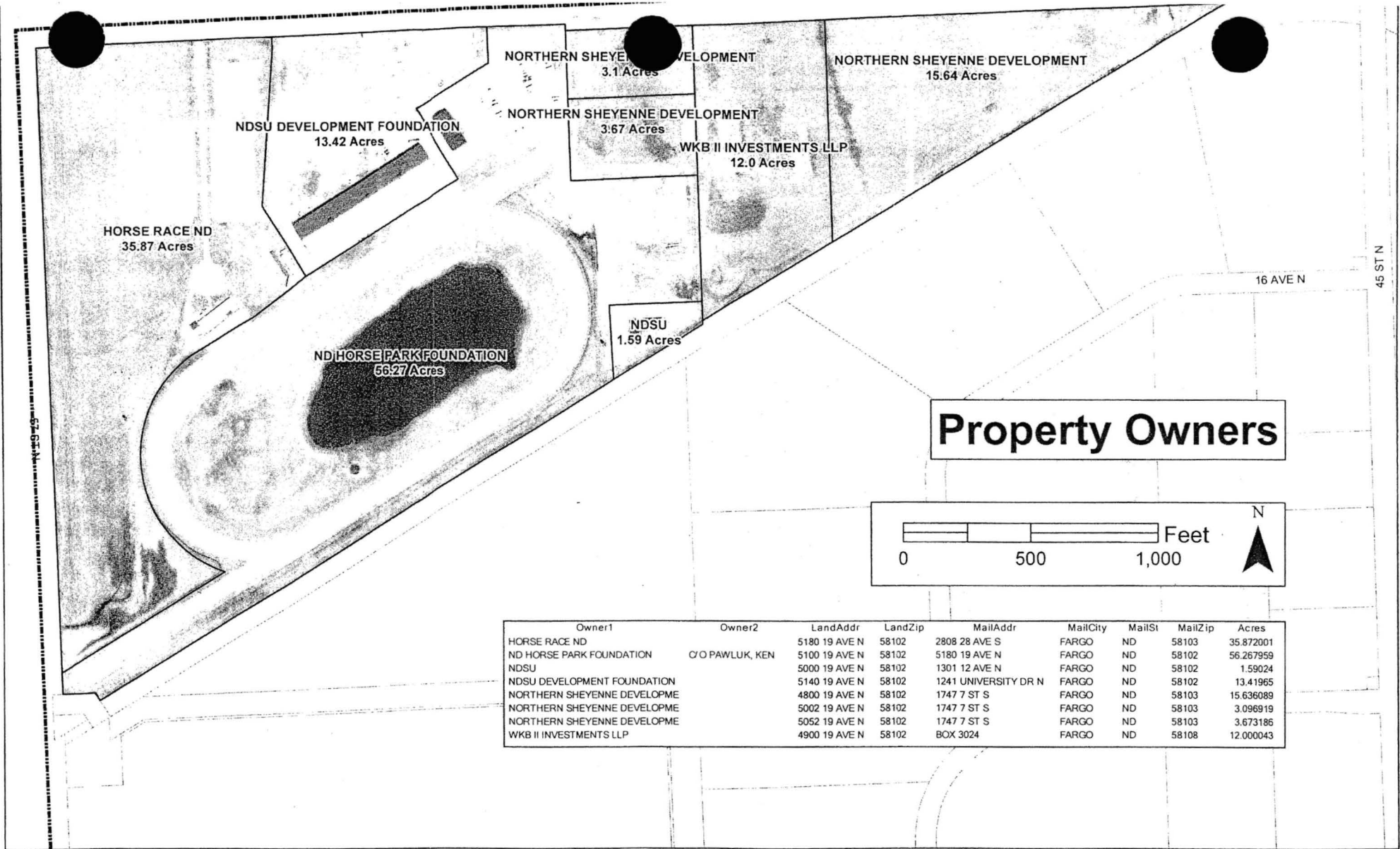
Advisory Committee

- The Advisory Committee stated in their recommendations that in the event no financially viable solution to the Horse Park debt is found, no further efforts should be made by the parties to keep the track alive (other than bankruptcy or sheriff's sale). While this statement was directed to the Horse Park entities, it is also applicable to the Commission.

State Statute

- Per NDCC 53-06.2-14, "failure or inability to meet financial obligations connected with racing meets" is an explicit basis on which the Commission may deny a racing license.

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Property Owners

Owner1	Owner2	LandAddr	LandZip	MailAddr	MailCity	MailSt	MailZip	Acres
HORSE RACE ND		5180 19 AVE N	58102	2808 28 AVE S	FARGO	ND	58103	35.872001
ND HORSE PARK FOUNDATION	C/O PAWLUK, KEN	5100 19 AVE N	58102	5180 19 AVE N	FARGO	ND	58102	56.267959
NDSU		5000 19 AVE N	58102	1301 12 AVE N	FARGO	ND	58102	1.59024
NDSU DEVELOPMENT FOUNDATION		5140 19 AVE N	58102	1241 UNIVERSITY DR N	FARGO	ND	58102	13.41965
NORTHERN SHEYENNE DEVELOPME		4800 19 AVE N	58102	1747 7 ST S	FARGO	ND	58103	15.636089
NORTHERN SHEYENNE DEVELOPME		5002 19 AVE N	58102	1747 7 ST S	FARGO	ND	58103	3.096919
NORTHERN SHEYENNE DEVELOPME		5052 19 AVE N	58102	1747 7 ST S	FARGO	ND	58103	3.673186
WKB II INVESTMENTS LLP		4900 19 AVE N	58102	BOX 3024	FARGO	ND	58108	12.000043

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**ND Racing Commission Advisory Committee
Recommendations to the North Dakota Horse Park**

The North Dakota Racing Commission Advisory Committee was established by motion at the April 25th Racing Commission meeting. The Commission appointed the following individuals to the Committee:

Chairman Tony Grindberg
Bruce Furness
Rick Berg
John Cosgriff
Pat Weir

The Advisory Committee was asked to review the current debt, structure and operations of the North Dakota Horse Park and return any recommendations regarding future operations to the non-profit entities which own the Horse Park and the Commission. After reviewing the documentation and information provided by the Commission and other entities, the Advisory Committee provides the following recommendations regarding future operations at the North Dakota Horse Park:

Financial Viability

Any recommendation regarding the future operations of the Horse Park must be predicated on the long term financial viability of such operations. This consideration is particularly important in light of the substantial debt encumbering Horse Park operations. The most significant obligation is the \$1.7 million in TIF debt owed on the Horse Park property to the City of Fargo becoming due and payable on February 15, 2015. Additionally, the non-profit entity that operates racing at the Horse Park, Horse Race North Dakota, owes an additional \$250,000 to the Fargo/Morehead Economic Development Corporation as well as an \$80,000 mortgage to Starion Financial.

After a review of the financial documents and business plan of Horse Race North Dakota, it is clear that operations as they are currently conducted are not financially viable when faced with the outstanding TIF debt. The annual payments on the TIF beginning February 15, 2015 will be approximately \$135,000 for the two parcels. This will be in addition to the approximately \$30,000 in ad valorem taxes and \$60,000 in operational expenses for the year. These costs do not include the Economic Development Corporation loan payments which were due beginning April of 2012, none of which have been made. Even if all current sources of income remain constant the entities would be unable to continue racing operations at the Horse Park at current or increased levels. Therefore, it must be determined whether the Horse Park can be financially viable under any other set of circumstances in the future.

In the absence of a business plan demonstrating that the Horse Park can be operated in a manner so as to meet its financial obligations in full or at a reduced level through negotiations with the City, the Advisory Committee recommends that no further efforts be made to restructure the current ownership and management. Any efforts to this end would ultimately be futile if the Park cannot sustain its financial obligations. Therefore, the recommendations that follow are aimed at determining whether the Park is financially viable and, if so, implementing the appropriate business plan.

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Professional Management

It is the opinion of the Advisory Committee that a third party operator experienced in horse racing operations may be in the best position to produce sufficient profits so as to create a financially viable track. In such a case, the non-profit entity conducting racing operations at the Horse Park would enter into an agreement with this third party operator. While the specific terms of the agreement would be left up to the parties, the agreement would theoretically provide that the operator would be responsible for running the meet and that the non-profit entity would receive either a fee or a percentage of profits for the use of the facilities.

In order to further support this idea, the Advisory Committee has solicited informal business plans/letters of intent from potential third party management groups. However, of the three entities contacted, only one was willing to put forward a letter of intent due to the outstanding debt. This letter of intent will be provided to the non-profit entities and Commission to support other recommended activities, specifically the efforts of a Consultant detailed in the following section.

Consultant

The Advisory Committee recommends that a consultant be retained to advise the non-profit entities and the Commission on the operations and financial viability of the Horse Park. Specifically, the consultant should examine the informal proposals of the third party operators, the racing facility, the local and non-local population draw, the local and regional horse industry, the current debt obligations and finances, and any other significant factors, and then provide an opinion as to the possibility of the Horse Park operating in a financially viable manner moving forward.

If the consultant finds that such operations are possible, the consultant would then work with the non-profit entities and the Commission to develop a detailed request for proposal for professional management services. The consultant would help identify the appropriate parties to whom the RFP should be directed and ultimately work with the non-profits and Commission to evaluate and identify the most beneficial proposal. Once such information has been evaluated the consultant could also support drafting a new business plan which would be used to begin discussions/negotiations with the City.

Merger and Restructuring the Board

If it appears from the results of the consultant's report that a financially viable Horse Park is possible, it is recommended that the two non-profits which currently own the Horse Park property begin working towards a merger. As a necessary part of attracting a third party operator, the ownership of the Horse Park should be consolidated under a single non-profit entity. It is recommended that the Horse Park Foundation (501(c)3 charity) be merged up and into Horse Race North Dakota (501(c)4 charity). This recommendation is based on the following considerations:

- Such a merger would not require the resulting charity to reapply for its federal charitable tax status;

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- Operating a race track would not be permissible under 501(c)3 status, but is permissible under 501(c)4;
- Neither entity is receiving charitable contributions which could be deducted under 501(c)3 but not 501(c)4 status; and
- The ongoing charitable gaming activities of HRND would not be interrupted or impacted in any way.

Additionally, through the merger process the board of HRND should be restructured. This will allow the new board to bring on representatives from the local business community as well as NDSU, facilitating better interaction with various stakeholders in the community. This will also present the board as a more attractive business partner. With the vast majority of the board made up of horsemen who participate in the meet and the broad perception of past mismanagement, a solid group of disinterested businessmen could quickly reverse any lingering negative perceptions. Despite the positive reviews from this year's meet, potential business partners still have concerns about the Horse Park's business and management structure, which is exemplified by the letter of intent received from a prospective third party operator explicitly stating that it would be unwilling to provide such services if the merger and restructuring were not accomplished.

The new method of operation will require a higher degree of business acumen on the part of the board. By recruiting local businessmen with significant influence in the community, the Horse Park will be in a position to establish a long-term financially beneficial relationship with both the third party operator and the City. The Horse Park will also be able to take advantage of these preexisting relationships to further its efforts and establish itself as an acknowledged contributor to the local community.

Negotiations with the City of Fargo

Once the non-profit entities have adopted a plan which addresses the financial viability of the Horse Park, it can then begin to move forward with negotiations involving the City of Fargo. With a clear business plan and with the support of the Advisory Committee and Commission, the non-profits can approach the City with proposals to reduce the current debt to a more manageable level. By demonstrating that at least some repayment on the TIF financing can be achieved, it is possible the City will be willing to reduce the total amount of payment in some way. The City would be unlikely to proceed with any negotiation without a firm commitment to at least some base level of payment.

State Legislation

There is also the opportunity for non-profits, again with the support of the Advisory Committee and Commission, to propose and/or support legislation which would divert the taxes remitted to the general fund towards repayment of this debt. A critical component of such legislation would be that at least some percentage of the funding would be allocated to capital improvements at Chippewa Downs in order to draw support from additional members of the legislature. It must be noted, however, that due to the relatively limited funds remitted to the general fund at this time (approximately \$190,000 per year) such legislation does not provide an independent path toward satisfaction of the debt, rather it must be one aspect of a larger business plan.

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Bankruptcy Proceedings

In the event that there is no viable business plan which can address the debt, the only other possible solution remaining to the non-profit entities is to declare bankruptcy. The bankruptcy court would then attempt a reorganization and negotiation of the debt. The extent to which the debt could be relieved and the possibility of a favorable outcome are issues that the non-profits would need to discuss further with their legal counsel. Ultimately, there is the possibility that a bankruptcy proceeding could keep the Horse Park operational in the event all other efforts fail. However, as bankruptcy would merely serve as a vehicle for reorganization and negotiation of the debt rather than complete relief of the debt, it would appear that if similar efforts outside bankruptcy have failed, this process is unlikely to be more successful.

Sheriff's Sale (Foreclosure)

Of all the possible options for managing this debt, a sheriff's sale of the property is the only avenue which would entirely relieve the TIF debt attached to the property. However, the outcome of such a sale is very uncertain. There is a possibility the Commission could help locate a buyer who would then work to continue racing in Fargo. However, this option is obviously a worst case scenario and should be exercised only if no financially viable path forward can be negotiated with the City.

Agreed this 25th day of August 2014:

Senator Tony Grindberg, Chairman
Bruce Furness
Rick Berg
John Cosgriff
Pat Weir

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Introduced by

Representative Maragos

Senators Sorvaag, Armstrong

1 A BILL for an Act to amend and reenact sections 53-06.2-01 and 53-06.2-11 of the North Dakota
2 Century Code, relating to the establishment of the racetrack infrastructure fund and grant
3 program; to provide a continuing appropriation; and to provide an expiration date.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. AMENDMENT.** Section 53-06.2-01 of the North Dakota Century Code is
6 amended and reenacted as follows:

7 **53-06.2-01. Definitions.**

8 As used in this chapter:

- 9 1. "Breeders' fund" means a fund, administered by the commission, established to
10 financially reward breeders or owners of North Dakota-bred horses to be paid in
11 accordance with rules as approved by the commission.
- 12 2. "Certificate system" means the system of betting described in section 53-06.2-10.
- 13 3. "Charitable organization" means a nonprofit organization operated for the relief of
14 poverty, distress, or other conditions of public concern in this state and has been so
15 engaged in this state for at least two years.
- 16 4. "Civic and service club" means a branch, lodge, or chapter of a nonprofit national or
17 state organization that is authorized by its written constitution, charter, articles of
18 incorporation, or bylaws to engage in a civic or service purpose in this state and has
19 so existed in this state for at least two years. The term includes a similar local
20 nonprofit organization, not affiliated with a state or national organization, which is so
21 recognized by a resolution adopted by the governing body of the local jurisdiction in
22 which the organization conducts its principal activities, and which has existed in this
23 state for at least two years.
- 24 5. "Commission" means the North Dakota racing commission.

- 1 6. "Director" means the director of the commission.
- 2 7. "Fraternal organization" means a nonprofit organization in this state, which is a
- 3 branch, lodge, or chapter of a national or state organization and exists for the common
- 4 business, brotherhood, or other interests of its members, and has so existed in this
- 5 state for two years. The term does not include a college or high school fraternity.
- 6 8. "Local jurisdiction" means, with respect to a site inside the city limits of a city, that city,
- 7 and with respect to a site not inside the city limits of a city, the county in which the site
- 8 is located.
- 9 9. "Other public-spirited organization" means a nonprofit organization recognized by the
- 10 governing body of the appropriate local jurisdiction by resolution as public-spirited and
- 11 eligible under this chapter.
- 12 10. "Purse fund" means a fund, administered by the commission, established to
- 13 supplement and improve purses offered at racetracks within the state.
- 14 11. "Racing" means live or simulcast horse racing under the certificate system or
- 15 simulcast dog racing under the certificate system.
- 16 12. "Racing infrastructure fund" means a fund administered by the commission
- 17 established to provide grants to racetracks in the state to assist with infrastructure
- 18 improvement and existing debt retirement.
- 19 13. "Racing promotion fund" means a fund administered by the commission established to
- 20 assist in improving and upgrading racetracks in the state, promoting horse racing in
- 21 the state, and developing new racetracks in the state as necessary and approved by
- 22 the commission.
- 23 ~~13-14.~~ "Religious organization" means a nonprofit organization, church, body of
- 24 communicants, or group gathered in common membership for mutual support and
- 25 edification in piety, worship, and religious observances, and which has been so
- 26 gathered or united in this state for at least two years.
- 27 ~~14-15.~~ "Veterans' organization" means a congressionally chartered organization in this state,
- 28 or a branch, lodge, or chapter of a nonprofit national or state organization in this state,
- 29 the membership of which consists of individuals who were members of the armed
- 30 services or forces of the United States, and which has so been in existence in this
- 31 state for at least two years.

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1 **SECTION 2. AMENDMENT.** Section 53-06.2-11 of the North Dakota Century Code is
2 amended and reenacted as follows:

3 **53-06.2-11. Bet payoff formulas - Uses by licensee of funds in excess of expenses -**
4 **Payment to general fund racing funds - Continuing appropriation.**

5 1. For wagering on live horse racing:

6 a. In win, place, and show pari-mutuel pools, the licensee may deduct no more than
7 twenty percent of the amount wagered. Of the amount wagered, the licensee
8 shall pay:

9 (1) One-half of one percent to the ~~state treasurer~~commission to be deposited in
10 the ~~general~~racing infrastructure fund.

11 (2) One-half of one percent to the commission to be deposited in the breeders'
12 fund.

13 (3) One-half of one percent to the commission to be deposited in the purse
14 fund.

15 (4) One-half of one percent to the commission to be deposited in the racing
16 promotion fund.

17 b. In daily double, quinella, exacta, trifecta, or other combination pari-mutuel pools,
18 the licensee may deduct no more than twenty-five percent of the amount
19 wagered. Of the amount wagered, the licensee shall pay:

20 (1) One-half of one percent to the ~~state treasurer~~commission to be deposited in
21 the ~~general~~racing infrastructure fund.

22 (2) One-half of one percent to the commission to be deposited in the breeders'
23 fund.

24 (3) One-half of one percent to the commission to be deposited in the purse
25 fund.

26 (4) One-half of one percent to the commission to be deposited in the racing
27 promotion fund.

28 2. For simulcast and account wagering:

29 a. In win, place, and show pari-mutuel pools, the licensee may deduct no more than
30 twenty percent of the amount wagered. Except as limited in subdivision c, of the

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- 1 amount wagered by simulcast and account wagering in win, place, and show
2 pari-mutuel pools, the licensee shall pay:
- 3 (1) One-sixteenth of one percent to the ~~state treasurer~~commission to be
4 deposited in the ~~general~~racetrack infrastructure fund.
- 5 (2) One-sixteenth of one percent to the commission to be deposited in the
6 breeders' fund.
- 7 (3) One-sixteenth of one percent to the commission to be deposited in the
8 purse fund.
- 9 (4) One-sixteenth of one percent to the commission to be deposited in the
10 racing promotion fund.
- 11 b. Except as limited in subdivision c, of the amount wagered by simulcast and
12 account wagering in daily double, quinella, exacta, trifecta, or other combination
13 pari-mutuel pools, the licensee shall pay:
- 14 (1) One-sixteenth of one percent to the ~~state treasurer~~commission to be
15 deposited in the ~~general~~racetrack infrastructure fund.
- 16 (2) One-sixteenth of one percent to the commission to be deposited in the
17 breeders' fund.
- 18 (3) One-sixteenth of one percent to the commission to be deposited in the
19 purse fund.
- 20 (4) One-sixteenth of one percent to the commission to be deposited in the
21 racing promotion fund.
- 22 c. For the fiscal year commencing July 1, 2013, the licensee may not pay more than
23 four hundred thousand dollars. For the fiscal year commencing July 1, 2014, and
24 thereafter, the licensee may not pay more than four hundred twenty thousand
25 dollars.
- 26 3. For all pari-mutuel wagering the licensee shall pay to the commission the amount due
27 for all unclaimed tickets and all breakage on the first twenty million dollars wagered in
28 each fiscal year with each service provider. The amount received must be deposited in
29 the racing promotion fund.

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- 1 4. The licensee conducting wagering on live racing, simulcast wagering, or account
2 wagering shall retain all other money in the pari-mutuel pool and pay it to bettors
3 holding winning tickets as provided by rules adopted by the commission.
- 4 5. A licensee may not use any of the portion deducted for expenses under subsections 1
5 and 2 for expenses not directly incurred by the licensee in conducting pari-mutuel
6 racing under the certificate system. After paying qualifying expenses, the licensee
7 shall use the remainder of the amount so withheld only for eligible uses allowed to
8 charitable gambling organizations under section 53-06.1-11.1.
- 9 6. The commission shall deposit the moneys received pursuant to subsections 1, 2, and
10 3 and from the North Dakota horse racing foundation pursuant to subsection 5 of
11 section 53-06.2-05 in the breeders' fund, the purse fund, the racing infrastructure fund.
12 and the racing promotion fund. Moneys, and any earnings on the moneys, in the
13 breeders' fund, purse fund, racing infrastructure fund, and racing promotion fund are
14 appropriated to the commission on a continuing basis to carry out the purposes of
15 those funds under this chapter and must be administered and disbursed in accordance
16 with rules adopted by the commission. The commission shall use moneys and
17 earnings in the racing infrastructure fund to establish a grant program to assist
18 racetracks in the state with infrastructure improvement and existing debt retirement.
19 The commission may not transfer money among the funds. The commission shall
20 distribute awards and payment supplements from the breeders' fund in the same
21 calendar year the money was earned by the recipient. The commission shall distribute
22 payments awarded to qualified owners and breeders from the breeders' fund without
23 requiring owners and breeders to apply for the payments. The commission may
24 receive twenty-five thousand dollars per year or twenty-five percent per year,
25 whichever is greater, from the racing promotion fund for the payment of the
26 commission's operating expenses.

27 **SECTION 3. EXPIRATION DATE.** This Act is effective through June 30, 2019, and after that
28 date is ineffective. Any remaining funds in the racing infrastructure fund on July 1, 2019, which
29 are not committed to a grant, must be transferred to the general fund.

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Parcel #: 01-6560-00200-000 Mail To: HORSE RACE NORTH DAKOTA
 Owner: HORSE RACE NORTH DAKOTA NORTH DAKOTA HORSE PARK
 Address: 5180 19 AVE N PO BOX 1917
 FARGO ND 58102
 Jurisdiction: Fargo City
 Mortgage Company:

2014
 Statement #140125892
 Mill Levy Rate: 302.27
 Consolidated: \$15,507.64
 Specials: \$55,673.25
 Drains: \$943.79
 Other: \$0.00
 Discounts: \$0.00
 Pen/Int: \$1,931.13
 1st Due: \$64,370.86
 2nd Due: \$7,753.82
 Amount Due: **\$74,055.81**
 Grand Total Due: **\$74,055.81**

Statements

Year	Statement #	Type	Tax	Penalty	Interest	Discount *	Paid	Balance	Add to Cart
2014	140125892	Real Estate	\$72,124.68	\$1,931.13	\$0.00	\$0.00	\$0.00	\$74,055.81	
2013	130126905	Real Estate	\$16,300.38	\$0.00	\$0.00	\$753.50	\$15,546.90	\$0.00	Paid
2012	120227583	Real Estate	\$8,688.60	\$148.79	\$0.00	\$0.00	\$8,837.39	\$0.00	Paid
2011	110227605	Real Estate	\$8,520.83	\$438.84	\$0.00	\$0.00	\$8,959.67	\$0.00	Paid
2010	100227668	Real Estate	\$5,716.85	\$551.42	\$61.71	\$0.00	\$6,329.98	\$0.00	Paid
2009	90227722	Real Estate	\$5,657.90	\$0.00	\$0.00	\$221.37	\$5,436.53	\$0.00	Paid

Assessments

Year	Agricultural		Residential		Commercial		Total	Taxable Value Before Credits	Credits	Net Taxable Value
	Land	Land	Building	Land	Building					
2014	\$0.00	\$0.00	\$0.00	\$703,000.00	\$463,000.00	\$1,166,000.00	\$58,300.00	\$0.00	\$58,300.00	
2013	\$0.00	\$0.00	\$0.00	\$703,000.00	\$429,000.00	\$1,132,000.00	\$56,600.00	\$0.00	\$56,600.00	
2012	\$0.00	\$0.00	\$0.00	\$108,000.00	\$312,200.00	\$420,200.00	\$21,010.00	\$0.00	\$21,010.00	
2011	\$0.00	\$0.00	\$0.00	\$21,000.00	\$387,000.00	\$408,000.00	\$20,400.00	\$0.00	\$20,400.00	
2010	\$0.00	\$0.00	\$0.00	\$21,000.00	\$247,500.00	\$268,500.00	\$13,425.00	\$0.00	\$13,425.00	
2009	\$0.00	\$0.00	\$0.00	\$21,000.00	\$247,500.00	\$268,500.00	\$13,425.00	\$0.00	\$13,425.00	

SPECIAL ASSESSMENTS

If any special assessment districts are listed below they are for debt service type districts where improvements are financed and a yearly installment of principal and interest is attached to your tax billing. The "Principle Remaining" is the principle balance of the assessment that has not been billed on the tax statement. The "2014 Installment" is the proposed billing of principal and interest for the next tax year. The "Paid Specials" is a listing of the principal and interest payments made each year.

This does not include any special assessments levied by the City of Fargo. Contact the [City of Fargo Assessor's office](#) or review their [website](#) for more information.

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MB 1203
3.18.15

Assessment Information

Updated: 3/17/2015 12:01:00 AM

[HELP](#)

PARCEL NUMBER	01-6560-00200-000		
SEGMENT NUMBER	2		
ADDRESS	5180 19 AVE N		
OWNERSHIP INFORMATION	HORSE RACE ND		
SCHOOL DISTRICT	6 - West Fargo		
2014 Appraised Value (Current Certified)			
	<u>Land</u>	<u>Improvements</u>	<u>Total</u>
Full Appraised Value	\$703,000	\$463,000	\$1,166,000
Net Taxable Appraised Value	\$703,000	\$463,000	\$1,166,000
Assessment (Local, State, Exempt)	Local		
2015 Proposed Appraised Value (subject to change)			
	<u>Land</u>	<u>Improvements</u>	<u>Total</u>
Full Appraised Value	\$703,000	\$463,000	\$1,166,000
Net Taxable Appraised Value	\$703,000	\$463,000	\$1,166,000
Assessment (Local, State, Exempt)	Local		
BUILDING INFORMATION			
Year Built	2004		
Story Height (Res. Only)	N/A		
Main Floor Sq. Ft. (Res. Only)	N/A		
Total Building Sq. Ft.	1000 Sq. Ft.		
Number of Apartment Units	N/A		
LAND USE	Commercial		
PROPERTY TYPE			
LOT SIZE			
Front Width	920.97		
Back Width	751.67		
Depth Side 1	2295.66		
Depth Side 2	944.47		
Square Footage	1562767		
TAXES PAYABLE (2015)	Cass County Property Taxes (This link will direct you to the Cass County web site where you will be able view your property tax information).		
LEGAL DESCRIPTION	Click here to view legal description information		

See also -- [Fargo GIS Map](#) for interactive mapping and parcel information (link will open in a separate window).

Special Assessment Information

Updated: 3/17/2015 12:05:41 AM

(Special assessment information pertains to the entire parcel, not individual segments)

[HELP](#)

Project Category (click for details)	Current Installment	Balance Remaining (principal only)	Work Complete (pending approval)	Work in Progress (estimate only)
UTILITIES				
453052	\$2,729.80	\$27,502.78		

2.14
4B/203
3.18.15

<u>436452</u>	\$129.66	\$1,328.66		
<u>530151</u>	\$43,194.94	\$565,403.55		
<u>464252</u>	\$424.54	\$4,277.30		
<u>510300</u>	\$459.31	\$4,390.83		
<u>464352</u>	\$3,459.81	\$36,301.49		
UNKNOWN				
<u>436951</u>	\$43.97	\$450.50		
<u>458352</u>	\$5,231.24	\$53,077.99		
Totals	\$55,673.27	\$692,733.10	\$0.00	\$0.00
	<i>Payment Status</i>			

Principal and Interest Breakdown

Year	Total Payment	Principal Amount	Interest Amount
2014	\$55,673.25	\$15,377.00	\$40,296.25
2013	\$459.31	\$193.54	\$265.77
2012	\$54,265.29	\$13,450.87	\$40,814.42

NOTE: For additional special assessment information, please fill out [this form](#), then fax your request to 701-297-7793.
(Requires [Adobe Acrobat Reader](#))

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Property Value, Ownership, or Legal Description Information Feedback: assessor@cityoffargo.com

Special Assessments Feedback: specials@cityoffargo.com

DISCLAIMER

The City Of Fargo provides property information to the public "as is" without warranty of any kind, expressed or implied. Assessed values are subject to change by the City Of Fargo. In no event will the City Of Fargo be liable to anyone for damages arising from the use of the property data. You assume responsibility for the selection of data to achieve your intended results, and for the installation and use of the results obtained from the property data.

Assessment records are for the sole purpose of identifying the land being taxed. In some cases to attain efficiency, Assessment Department legal descriptions may be shortened yet will retain sufficient information to identify the land. Since tax statements and records are not deeds and may contain abbreviated descriptions, they should not be used as a basis for a survey or a legal document and should not be used by surveyors or others as the primary source of a property description.

2.15
HB203
3.18.15

Parcel #: 01-6560-00101-000
 Owner: NORTH DAKOTA HORSE PARK FOUNDATION
 Address: 5100 19 AVE N
 FARGO ND 58102
 Jurisdiction: Fargo City
 Mortgage Company:

Mail To: NORTH DAKOTA HORSE PARK FOUNDATION
 C/O KEN PAWLUK
 2808 28TH AVE S
 FARGO ND 58103-5074

2014
 Statement #140125890
 Mill Levy Rate: 302.27
 Consolidated: \$24,233.69
 Specials: \$90,759.47
 Drains: \$1,478.77
 Other: \$0.00
 Discounts: \$0.00
 Pen/Int: \$3,130.65
 1st Due: \$104,355.09
 2nd Due: \$12,116.84
 Amount Due: **\$119,602.58**
 Grand Total Due: **\$119,602.58**

Statements

Year	Statement #	Type	Tax	Penalty	Interest	Discount *	Paid	Balance	Add to Cart
2014	140125890	Real Estate	\$116,471.93	\$3,130.65	\$0.00	\$0.00	\$0.00	\$119,602.58	
2013	130126903	Real Estate	\$25,414.55	\$0.00	\$0.00	\$1,177.50	\$25,414.55	\$0.00	Paid
2012	120227581	Real Estate	\$4,893.77	\$0.00	\$0.00	\$149.98	\$4,743.78	\$0.00	Paid
2011	110227603	Real Estate	\$4,913.98	\$0.00	\$0.00	\$150.99	\$4,762.97	\$0.00	Paid
2010	994004106	Real Estate	\$4,415.29	\$0.00	\$0.00	\$141.19	\$4,274.09	\$0.00	Paid

Assessments

Year	Agricultural		Residential		Commercial		Total	Taxable Value Before Credits	Credits	Net Taxable Value
	Land		Land	Building	Land	Building				
2014	\$0.00	\$0.00	\$0.00	\$0.00	\$980,000.00	\$842,100.00	\$1,822,100.00	\$91,105.00	\$0.00	\$91,105.00
2013	\$0.00	\$0.00	\$0.00	\$0.00	\$980,000.00	\$789,000.00	\$1,769,000.00	\$88,450.00	\$0.00	\$88,450.00
2012	\$0.00	\$0.00	\$0.00	\$0.00	\$169,000.00	\$0.00	\$169,000.00	\$8,450.00	\$0.00	\$8,450.00
2011	\$0.00	\$0.00	\$0.00	\$0.00	\$33,000.00	\$136,000.00	\$169,000.00	\$8,450.00	\$0.00	\$8,450.00
2010	\$0.00	\$0.00	\$0.00	\$0.00	\$33,000.00	\$136,000.00	\$169,000.00	\$8,450.00	\$0.00	\$8,450.00

SPECIAL ASSESSMENTS

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2.16
HB1203
3.18.15**Assessment Information**

Updated: 3/17/2015 12:01:00 AM

[HELP](#)

PARCEL NUMBER	01-6560-00101-000		
SEGMENT NUMBER	2		
ADDRESS	5100 19 AVE N		
OWNERSHIP INFORMATION	ND HORSE PARK FOUNDATION C/O PAWLUK, KEN		
SCHOOL DISTRICT	6 - West Fargo		
2014 Appraised Value (Current Certified)	<u>Land</u>	<u>Improvements</u>	<u>Total</u>
Full Appraised Value	\$980,000	\$842,100	\$1,822,100
Net Taxable Appraised Value	\$980,000	\$842,100	\$1,822,100
Assessment (Local, State, Exempt)	Local		
2015 Proposed Appraised Value (subject to change)	<u>Land</u>	<u>Improvements</u>	<u>Total</u>
Full Appraised Value	\$980,000	\$842,100	\$1,822,100
Net Taxable Appraised Value	\$980,000	\$842,100	\$1,822,100
Assessment (Local, State, Exempt)	Local		
BUILDING INFORMATION			
Year Built	2005		
Story Height (Res. Only)	N/A		
Main Floor Sq. Ft. (Res. Only)	N/A		
Total Building Sq. Ft.	9728 Sq. Ft.		
Number of Apartment Units	N/A		
LAND USE	Commercial		
PROPERTY TYPE			
LOT SIZE			
Front Width			
Back Width			
Depth Side 1			
Depth Side 2			
Square Footage	2450849		
TAXES PAYABLE (2015)	Cass County Property Taxes (This link will direct you to the Cass County web site where you will be able view your property tax information).		
LEGAL DESCRIPTION	Click here to view legal description information		

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Special Assessment Information

Updated: 3/17/2015 12:05:41 AM

(Special assessment information pertains to the entire parcel, not individual segments)

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Project Category (click for details)	Current Installment	Balance Remaining (principal only)	Work Complete (pending approval)	Work in Progress (estimate only)
UTILITIES				

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453052	\$4,387.57	\$44,204.77		
530151	\$70,682.62	\$925,205.81		
464352	\$5,580.94	\$58,557.12		
510300	\$705.07	\$6,740.11		
436452	\$209.15	\$2,143.29		
464252	\$684.83	\$6,899.66		
UNKNOWN				
436951	\$70.91	\$726.68		
458352	\$8,438.36	\$85,618.63		
Totals	\$90,759.45	\$1,130,096.07	\$0.00	\$0.00
	Payment Status			

Principal and Interest Breakdown

Year	Total Payment	Principal Amount	Interest Amount
2014	\$90,759.47	\$25,043.98	\$65,715.49
2013	\$705.07	\$297.10	\$407.97
2012	\$88,561.84	\$21,935.32	\$66,626.52

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2.18
HBI 203
3.18.15

Report on the Financial Viability of the North Dakota Horse Park

This report presents my findings concerning the financial viability of the current operations of the North Dakota Horse Park and is based on face-to-face meetings and telephone conversations with and documents and estimates provided by individuals associated with The North Dakota Racing Commission (hereafter, "NDRC"), Horse Race North Dakota (hereafter, "HRND"), a non-profit corporation with its charitable purpose being the promotion of live horse racing in North Dakota, North Dakota Horse Park Foundation (hereafter, "NDHPF"), a non-profit corporation with the charitable purpose of promoting equine education in North Dakota, and certain Advance Deposit Wagering companies (hereafter, "ADWs"), that are charitable contributors to HRND. This report only addresses the financial viability of the current operations and structure, with one notable exception:

A merger of HRND and NDHPF must take place or the entities must otherwise enter into some other form of agreement which requires HRND to be responsible for all financial obligations of NDHPF (NDHPF is insolvent with no currently known sources of funding), and which results in HRND's ability to utilize race track facilities owned by NDHPF and available for use by NDHPF, via its agreement with North Dakota State University (hereafter, "NDSU"), for the production of live horse racing events.

Background

Due to high fixed costs and seasonality, race tracks throughout the country are finding it increasingly difficult to support their horse racing operations without sources of revenue from other than racing (usually other forms of gaming), and The North Dakota Horse Park (hereafter, "NDHP") is no exception. HRND, the current operator of the race meetings, has operated the previous meets on a shoestring budget, and although increased funding could significantly improve the production value of the event, the financial projections included in this report (Exhibits A, B, & C) assume no such increases. Even with HRND's shoestring budget, review of the 2014 race meet's financial statements (Exhibit D), did not reflect many significant problem areas. Assuming similar support of purses and promotional monies by the NDRC and the various horsemen's associations around state, HRND believes that the \$40,000 it was required to contribute to purses for the 2014 meet could be cut to approximately \$20,000 in future years to maintain the same purse levels and the same number of races and race days (also Exhibit D).

This projected cash loss from racing operations, however, ignores the looming repayment of substantial debt to the City of Fargo from NDHPF, \$1,130,096.07 (Exhibit E), and HRND, \$692,733.10 (Exhibit F) and to the Fargo/Cass County Economic Development Corporation (hereafter, "EDC") from NDHPF, \$250,000 (Exhibit G).

The EDC financing is not secured and was interest-free, through 12/31/11. The loan is payable over ten years in 39 fixed quarterly payments of \$5,395.94 plus a final payment of \$166,819.73, due 1/10/22. No payments have yet been made, so the projections that are part of this report assume a "catch-up" payment of \$59,355.34 to be made 1/10/15, along with the normal monthly payment, then regular quarterly payments, thereafter.

The financing received from the City of Fargo was in the form of Tax Incremental Financing ("TIF") and is to be repaid via Special Assessments on the real estate tax bills associated with and secured by the land parcels on which it financed the development. Annual payments total \$146,432.72 and begin 2/15/15. The City of Fargo has been notified that NDHPF is insolvent and cannot repay its obligations and that HRND and NDHPF are taking steps toward a merger with the intent that HRND assumes the obligations of both organizations, as long as they can obtain some relief from the City from the current payment schedule. As HRND has not prepared nor maintained neither overall operating budgets nor cash flow

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forecasts, meaningful negotiations with the City concerning payment modifications have not moved forward effectively.

Producing such cash flow projections became my priority with this project and the discussion of the assumptions behind them is the subject of the balance of this report.

Cash Flow Projections 2014-2016

The insolvency of NDHPF is clear, so HRND has already begun paying NDHPF's operating expenses, and the projections presented here assume the continued payment by HRND of the financial obligations of NDHPF. Additionally, actual 2014 financial information has been provided for HRND only through the second quarter of 2014. The projections will be updated for actual third and fourth quarter results when the information is made available.

Racing Operations:

HRND operates a horse race meet at NDHP each summer in fulfillment of its charitable purpose. For preparation of the attached projections, and because actual financial information for the months of operation of the 2014 meet have not yet been made available, racing costs and revenues are addressed in a separate column, other than funds received by HRND from NDRC in April and May, and are based on the actual costs of the 2014 meet, as submitted by HRND to NDRC.

Pari-mutuel commissions are driven by the amount of wagering, which is assumed to remain at 2014 levels for 2015 and 2016. The industry standard for commissions runs 21% to 22% of wagering; 21% has been used for 2015-16 projections.

Funds from the NDRC and from the various state horsemen associations to support purses is predicted to remain at or above 2014 levels by both HRND and NDRC management as are the promotional monies received from NDRC. HRND management has stated that they will push to increase revenues received from corporate and other sponsors in future years, and their predicted increase from 2014 levels of approximately \$15,000 per year is reflected in the 2015-16 projections.

Purse payouts are projected to be at 2014 levels in 2015-16, as are the number of race dates and the total number of races.

All other race meet operating expenses are projected at 2014 levels, other than program printing, which based on industry standards, seemed exceedingly high.

Other Operations:

To support its charitable purpose, HRND has two other sources of income:

- ADW charitable contributions
- Pull-tab operations

ADW companies licensed and regulated in the State of North Dakota must make contributions to one of several charities operated for the benefit of promoting horse racing in North Dakota, and HRND is one such charity. The ADWs that have chosen to contribute to HRND generally contribute .25% of their wagering, up to a limit of \$72,000 annually. Avatar ceased operations in May 2014 and Watch & Wager has notified the NDRC that they will be changing their elected charity, effective 1/1/15. Estimated 2014

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3.18.15

ADW contributions have been adjusted accordingly for 2015 and 2016 (Exhibit H). There are no operating expenses associated with the ADW revenues.

HRND has been licensed by the North Dakota Gaming Commission (hereafter, "NDGC") to operate up to 25 pull-tab locations, and is currently operating 15 sites. All operating expenses, other than the salary of the General Manager and those for operating the race meet, are associated with the pull-tab operations.

Pull-tab operations began in late 2013 and have been growing steadily in number of locations and in sales per location. Management expects to build out its 25 locations by the end of 2015 and predicts that sales will top out at \$500,000 per quarter by the last quarter of 2015. No increases in revenues from 2015 are predicted in 2016.

Pull-tab payouts run at a consistent 75% of sales.

State Gaming Taxes are 1% of pull-tab revenues (for revenues < \$1,500,000) and are due quarterly. In the cash flow projection, the gaming taxes are treated as if paid on the last day of the month of the quarter.

Printing and Copying expense, then than from printing race programs, primarily represents the cost of printing pull-tabs and is projected to grow at the same rate as pull-tab revenue.

Payroll Expense represents such costs for the General Manager, the Pull-Tab Manager, and for the Runners that service the pull-tab locations and is projected to grow at 50% of the rate of growth of pull-tab revenues.

Mileage Expense is vehicle expense reimbursement for the General Manager, the Pull-tab Manager, and for the Runners servicing pull-tab locations and is budgeted to increase at 50% of the rate of growth of pull-tab revenues.

Director's & Officer's Insurance is budgeted for 2015-16 at 2014's rate of \$3,000 annually. General Liability coverage is including in the racing operations.

Property Taxes (Real Estate) taxes for HRND are projected for 2015-16 at 2014's level, with one payment in December of each year for the total annual amount due. HRND is also projected to pay NDRPF's property taxes, as it did the last half of 2014. Those payments are budgeted at two annual payments of \$11,775 each.

Other operating expenses have been budgeted for 2015-16 at 2014 levels.

Debt Service:

Starion Financial – The \$80,000 mortgage to Starion Financial is being paid currently at a \$910 monthly payment of principal and interest.

EDC Loan – No repayment schedule has yet been received for the \$250,000 loan from EDC. For purposes of the 2015-16 projections, repayment in 120 equal monthly payments of principal only has been assumed.

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HB1203
3.18.15


TIF Financing – Both HRND and NDHPF have recently received their TIF loan repayment schedules from the City of Fargo. Both require one annual payment each February (HRND = \$55,673; NDHPF = \$90,759), beginning in 2015.

Analysis and Discussion

It is clear that the survival of horse racing at NDHP is dependent on four things happening: a merger of HRND with NDHPF (or an operating agreement between the two with essentially the same result), growth of HRND's pull-tab operations, ADW contribution remain at adjusted 2014 levels, and successful loan restructuring negotiations with the City of Fargo and with EDC. All must happen.

Based on available information for 2014, it appears that HRND will end 2014 with around \$150,000 in cash; however, that cash, plus the net cash flow of approximately \$2,000 from 1/2015-2/2015, will be insufficient to make their scheduled debt payments of over \$210,000 due by the end of February. As pull-tab operations grow during 2015, they begin to contribute an estimated \$8,000 per month by October. Even so, 2015's operations are projected to contribute only a little better than \$60,000 in cash, which when combined with 2014's excess cash of \$150,000, is still short of the \$235,000 of debt service scheduled for 2015. Pull-tab operations are projected to be running at full capacity for all of 2016 and contributing about \$10,000 per month in cash all year. Altogether, 2016's operations are projected to contribute a bit more than \$150,000, an amount that is still short of the approximate \$175,000 in scheduled debt payments that and future years.

Based on information provided, I believe that loan restructuring negotiations with Fargo and EDC should attempt to defer initial payments to the middle of 2015, commit to payments to both agencies in total of no more than \$100,000 per year, and allow for additional unpenalized prepayments, should such addition cash become available.

 12/12/14

James E. McKinney

Cash Flow Analysis
January 2014 through December 2014

	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Est Jul 14	Est Aug 14	Other Racing	Est Sep 14	Est Oct 14	Est Nov 14	Est Dec 14	Adjust	TOTAL
Handle									355,839						
Income															
Charitable Gaming Proceeds															
Poker	0	12,750	0	0	0	0	0	0	0	0	0	0	0	0	12,750
Pull Tabs (Machine)	91,379	71,548	82,462	88,824	78,443	81,903	82,500	82,500	0	82,500	82,500	82,500	82,500	0	989,559
Raffle	0	0	0	5,860	300	0	0	0	0	0	0	0	0	0	6,160
Total Charitable Gaming Proceeds	91,379	84,298	82,462	94,684	78,743	81,903	82,500	82,500	0	82,500	82,500	82,500	82,500	0	1,008,469
Direct Public Support															
Other Purse Monies	0	0	0	0	0	0	0	0	77,696	0	0	0	0	0	77,696
Corporate Contributions	0	0	0	0	0	0	0	0	5,315	0	0	0	0	0	5,315
Total Direct Public Support	0	0	0	0	0	0	0	0	83,011	0	0	0	0	0	83,011
Government Grants															
State Grants	0	0	0	103,500	120,500	0	0	0	0	0	0	0	16,000	0	240,000
Total Government Grants	0	0	0	103,500	120,500	0	0	0	0	0	0	0	16,000	0	240,000
Other Types of Income															
Inventory Sales	0	0	0	0	48	0	0	0	0	0	0	0	0	0	48
ADW Contributions	7,586	8,022	191	63,480	18,850	21,596	11,900	11,900	0	11,900	11,900	11,900	11,900	0	191,125
Miscellaneous Revenue	0	0	0	0	0	0	0	0	45,444	0	0	0	0	0	45,444
Total Other Types of Income	7,586	8,022	191	63,480	18,898	21,596	11,900	11,900	45,444	11,900	11,900	11,900	11,900	0	236,617
Program Income															
Event Admission Fees	0	0	0	0	470	0	0	0	46,883	0	0	0	0	0	47,353
Program Service Fees	0	0	0	0	130	0	0	0	13,403	0	0	0	0	0	13,533
Total Program Income	0	0	0	0	600	0	0	0	60,286	0	0	0	0	0	60,886
Simulcast/Pari-mutuel Proceeds	0	0	0	0	0	0	0	0	87,787	0	0	0	0	0	87,787
Total Income	98,965	92,320	82,653	261,664	218,741	103,499	94,400	94,400	276,529	94,400	94,400	94,400	110,400	0	1,716,771
Gross Profit	98,965	92,320	82,653	261,664	218,741	103,499	94,400	94,400	276,529	94,400	94,400	94,400	110,400	0	1,716,771
Expense															
Bank Charges	9	15	12	12	12	12	12	12	0	12	12	12	12	0	144
Business Expenses															
Background Investigation	0	15	0	0	0	0	0	0	0	0	0	0	0	0	15
Business Registration Fees	0	460	25	0	600	1,500	0	0	0	0	0	0	0	0	2,585
Employee Gaming Permit	0	10	10	0	100	0	0	0	0	0	0	0	0	0	120
Fines and Penalties	0	19	125	0	0	0	0	0	0	0	0	0	0	0	144
Taxes - Not UBIT															
Property Tax	0	0	0	0	0	0	0	0	0	11,775	0	15,547	0	0	27,323
State Gaming Tax	0	0	2,546	0	0	2,622	0	0	2,500	0	0	2,500	0	0	10,168
State Racing Taxes	0	0	0	0	0	0	0	0	16,029	0	0	0	0	0	16,029
Total Taxes - Not UBIT	0	0	2,546	0	0	2,622	0	0	16,029	2,500	11,775	0	18,047	0	53,519
Total Business Expenses	0	504	2,706	0	700	4,122	0	0	16,029	2,500	11,775	0	18,047	0	56,383
Cash Long/Short	0	0	0	0	(5)	0	0	0	0	0	0	0	0	0	(5)
Charitable Contributions	0	0	0	500	0	0	0	0	0	0	0	0	0	0	500
Charitable Gaming Payouts															
Poker	0	10,200	0	0	0	0	0	0	0	0	0	0	0	0	10,200
Pull Tabs (Machine)	69,146	55,077	62,570	66,160	59,360	62,275	61,875	61,875	0	61,875	61,875	61,875	61,875	0	745,858
Raffle	0	0	0	875	0	0	0	0	0	0	0	0	0	0	875
Total Charitable Gaming Payouts	69,146	65,277	62,570	67,035	59,360	62,275	61,875	61,875	0	61,875	61,875	61,875	61,875	0	756,933
Contract Services															
Accounting Fees	2,400	2,400	2,850	2,850	3,600	2,700	2,500	2,500	0	2,500	2,500	2,500	2,500	0	31,800
Legal Fees	0	228	0	0	0	0	0	0	0	0	0	0	0	0	228
Outside Contract Services	0	495	100	445	401	5,824	0	0	0	0	0	0	0	0	7,265
Total Contract Services	2,400	3,123	2,950	3,295	4,001	8,524	2,500	2,500	0	2,500	2,500	2,500	2,500	0	39,293

75.37%

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Cash Flow Analysis
January 2014 through December 2014

	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Racing	Sep 14	Oct 14	Nov 14	Dec 14	Adjust	TOTAL
Facilities and Equipment															
Equip Rental and Maintenance	762	1,059	812	1,434	942	2,479	2,000	2,000	0	2,000	2,800	2,000	2,000	0	20,268
Equipment Fuel	0	0	(1,078)	121	0	10	10	10	0	10	10	10	10	0	(887)
Property Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Rent, Parking, Utilities	3,528	3,550	2,967	4,341	4,021	4,074	4,600	4,600	83,445	4,600	4,600	4,600	4,600	0	133,527
Total Facilities and Equipment	4,291	4,609	2,701	5,896	4,963	6,563	6,610	6,610	83,445	6,610	7,410	6,610	6,610	0	152,927
Meals and Entertainment Operations															
Computer and Internet	0	0	36	0	0	175	175	175	0	175	175	175	175	0	1,261
Contract Labor	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Postage, Mailing Service	11	1	0	12	74	62	50	50	0	50	50	50	50	0	460
Printing and Copying	1,671	2,171	3,807	1,531	4,423	3,289	3,000	3,000	23,143	3,000	3,000	3,000	3,000	0	58,036
Supplies	45	481	73	170	186	568	500	500	0	500	500	500	500	0	4,521
Telephone, Telecommunications	156	178	175	174	175	175	175	175	0	175	175	175	175	0	2,085
Total Operations	1,882	2,832	4,091	1,888	4,858	4,268	3,900	3,900	23,143	3,900	3,900	3,900	3,900	0	66,363
Other Types of Expenses															
Advertising Expenses	0	89	479	2,461	1,015	539	0	0	8,522	0	0	0	0	0	13,105
Awards/Plaques/Trophies	0	0	0	0	0	377	0	0	1,310	0	0	0	0	0	1,687
Insurance - Liability, D and O	0	0	0	0	17,280	0	0	0	9,505	0	3,000	0	0	0	29,785
Interest Expense	385	382	351	377	363	372	375	375	0	375	375	375	375	0	4,480
Memberships and Dues	0	0	0	0	0	0	0	0	0	0	325	0	0	0	325
Other Costs	0	220	0	0	0	0	0	0	76,863	0	0	0	0	0	77,083
Uniforms	0	0	0	0	1,350	1,695	0	0	0	0	0	0	0	0	3,045
Total Other Types of Expenses	385	691	830	2,839	20,007	2,983	375	375	86,200	375	3,700	375	375	0	129,509
Payroll Expenses															
Race Meet Payouts	3,995	7,403	7,324	7,277	7,358	7,423	7,500	7,500	95,843	7,500	7,500	7,500	9,500	0	183,622
Purse Payments	0	1,252	0	0	0	0	0	0	223,597	0	0	0	0	0	224,849
Total Race Meet Payouts	0	1,252	0	0	0	0	0	0	223,597	0	0	0	0	0	224,849
Travel and Meetings															
Airfare	0	338	0	0	0	0	0	0	0	0	0	0	500	0	838
Conference, Convention, Meeting	100	32	0	22	29	0	0	0	0	0	0	0	500	0	683
Gasoline	32	210	161	654	97	0	0	0	0	0	0	0	0	0	1,155
Lodging	0	81	0	0	722	0	0	0	0	0	0	0	400	0	1,203
Mileage	884	1,416	946	1,487	1,340	1,529	1,500	1,500	0	1,500	1,500	1,500	1,500	0	16,802
Parking	0	0	45	0	62	0	0	0	0	0	0	0	0	0	107
Taxi, Rental Car	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Travel and Meetings	1,015	2,076	1,152	2,164	2,250	1,529	1,500	1,500	0	1,500	1,500	1,500	2,000	0	20,587
Total Expense	83,125	87,782	84,383	90,925	103,735	97,798	84,372	84,372	538,256	66,872	100,272	84,372	105,819	0	1,632,083
Net Ordinary Income	15,840	4,536	(1,730)	170,739	115,006	5,701	10,028	10,028	(261,728)	7,528	(5,872)	10,028	4,581	0	84,687
Net Income	15,840	4,536	(1,730)	170,739	115,006	5,701	10,028	10,028	(261,728)	7,528	(5,872)	10,028	4,581	0	84,687
Other Items Affecting Cash Flow:															
Breakage & Unclaimed Tickets													(8,913)		
Station - Principal Payments												(545)	(545)		

Cash - EDM

147,000	156,483	151,607
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Notes:

1 NDHPF 2nd half 2013 taxes (unable to pay)

2.23
HB 1202
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Horse Race North Cash Flow Analysis
January 2015 through December 2015

	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Other Racing 360,000	Sep 15	Oct 15	Nov 15	Dec 15	Adjust	TOTAL	
Handle																Same as last 2014
Income																
Charitable Gaming Proceeds																
Poker	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Pull Tabs (Machine)	82,500	88,300	94,500	101,100	108,200	115,800	123,900	132,600	0	141,900	151,800	162,400	173,800	0	1,476,800	Increase to \$500,000/yr by Q3 2015 1.07
Raffle	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Charitable Gaming Proceeds	82,500	88,300	94,500	101,100	108,200	115,800	123,900	132,600	0	141,900	151,800	162,400	173,800	0	1,476,800	
Direct Public Support																
Other Purse Monies	0	0	0	0	0	0	0	0	80,000	0	0	0	0	0	80,000	
Corporate Contributions	0	0	0	0	0	0	0	0	10,000	0	0	0	0	0	10,000	Increased from \$5,000 in 2014
Total Direct Public Support	0	0	0	0	0	0	0	0	90,000	0	0	0	0	0	90,000	
Government Grants																
State Grants	0	0	0	0	240,000	0	0	0	0	0	0	0	0	0	240,000	Same as 2014
Total Government Grants	0	0	0	0	240,000	0	0	0	0	0	0	0	0	0	240,000	
Other Types of Income																
Inventory Sales	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
ADW Contributions	4,650	12,150	19,150	24,150	21,150	6,150	2,150	2,150	0	2,150	2,150	2,150	2,150	0	100,300	
Miscellaneous Revenue	0	0	0	0	0	0	0	0	50,000	0	0	0	0	0	50,000	
Total Other Types of Income	4,650	12,150	19,150	24,150	21,150	6,150	2,150	2,150	50,000	2,150	2,150	2,150	2,150	0	150,300	
Program Income																
Event Admission Fees	0	0	0	0	0	0	0	0	50,000	0	0	0	0	0	50,000	
Program Service Fees	0	0	0	0	0	0	0	0	15,000	0	0	0	0	0	15,000	
Total Program Income	0	0	0	0	0	0	0	0	65,000	0	0	0	0	0	65,000	
Simulcast/Parimutuel Proceeds	0	0	0	0	0	0	0	0	75,600	0	0	0	0	0	75,600	21% x handle
Total Income	87,150	100,450	113,650	125,250	369,350	121,950	126,050	134,750	280,600	144,050	153,950	164,550	175,950	0	2,097,700	
Gross Profit	87,150	100,450	113,650	125,250	369,350	121,950	126,050	134,750	280,600	144,050	153,950	164,550	175,950	0	2,097,700	
Expense																
Bank Charges	12	12	12	12	12	12	12	12	0	12	12	12	12	0	144	
Business Expenses																
Background Investigation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Business Registration Fees	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Employee Gaming Permit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Fines and Penalties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Taxes - Not UBIT																
Property Tax	0	11,775	0	0	0	0	0	0	0	11,775	0	0	15,547	0	39,097	Includes NDHPF property taxes
State Gaming Tax	0	0	2,653	0	0	3,251	0	0	0	3,984	0	0	4,880	0	14,768	1% x Pull tab revenue, paid qtrly
State Racing Taxes	0	0	0	0	0	0	0	0	7,200	0	0	0	0	0	7,200	2% x handle
Total Taxes - Not UBIT	0	11,775	2,653	0	0	3,251	0	0	7,200	3,984	11,775	0	20,427	0	61,065	
Total Business Expenses	0	11,775	2,653	0	0	3,251	0	0	7,200	3,984	11,775	0	20,427	0	61,065	
Cash Long/Short	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Charitable Contributions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Charitable Gaming Payouts																
Poker	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Pull Tabs (Machine)	61,875	66,225	70,875	75,825	81,150	86,850	92,925	99,450	0	106,425	113,850	121,800	130,350	0	1,107,600	75% Payout
Raffle	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Charitable Gaming Payouts	61,875	66,225	70,875	75,825	81,150	86,850	92,925	99,450	0	106,425	113,850	121,800	130,350	0	1,107,600	
Contract Services																
Accounting Fees	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	0	2,500	2,500	2,500	2,500	0	30,000	
Legal Fees	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Outside Contract Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Contract Services	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	0	2,500	2,500	2,500	2,500	0	30,000	

EXHIBIT B

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Horse Race North Cash Flow Analysis
January 2015 through December 2015

	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Racing	Sep 15	Oct 15	Nov 15	Dec 15	Adjust	TOTAL	
Facilities and Equipment																
Equip Rental and Maintenance	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	0	2,000	2,000	2,000	2,000	0	24,000	
Equipment Fuel	10	10	10	10	10	10	10	10	0	10	10	10	10	0	120	
Property Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
																Racing = Rent & Lease plus Utilities. Gaming = Increases at same rate as revenues
Rent, Parking, Utilities	4,600	4,900	5,200	5,600	6,000	6,400	6,800	7,300	85,000	7,800	8,300	8,900	9,500	0	166,300	
Total Facilities and Equipment	6,610	6,910	7,210	7,610	8,010	8,410	8,810	9,310	85,000	9,810	10,310	10,910	11,510	0	190,420	
Meals and Entertainment																
Operations	100	100	100	100	100	100	100	100	0	100	100	100	100	0	1,200	
Computer and Internet	175	175	175	175	175	175	175	175	0	175	175	175	175	0	2,100	
Contract Labor	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Postage, Mailing Service	50	50	50	50	50	50	50	50	0	50	50	50	50	0	600	
Printing and Copying	3,000	3,200	3,400	3,600	3,900	4,200	4,500	4,800	11,250	5,100	5,500	5,900	6,300	0	64,650	Racing = 75% x Program Sales. Put table grow at same rate as revenues
Supplies	500	500	500	500	500	500	500	500	0	500	500	500	500	0	6,000	
Telephone, Telecommunications	175	175	175	175	175	175	175	175	0	175	175	175	175	0	2,100	
Total Operations	3,900	4,100	4,300	4,500	4,800	5,100	5,400	5,700	11,250	6,000	6,400	6,800	7,200	0	75,450	
Other Types of Expenses																
Advertising Expenses	0	0	0	0	0	0	0	0	10,000	0	0	0	0	0	10,000	
Awards/Plaques/Trophies	0	0	0	0	0	0	0	0	1,500	0	0	0	0	0	1,500	
Insurance - Liability, D and O	0	0	0	0	0	0	0	0	28,000	0	3,000	0	0	0	31,000	Jockey Accident, G/L, WC + D and O
Interest Expense	375	375	375	375	375	375	375	375	0	375	375	375	375	0	4,500	Starion mortgage (pmnt = \$910)
Memberships and Dues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Other Costs	0	0	0	0	0	0	0	0	77,000	0	0	0	0	0	77,000	Operating less Adv less Blankets/Trophies plus Unbudgeted less Program Printing
Uniforms	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Other Types of Expenses	375	375	375	375	375	375	375	375	116,500	375	3,375	375	375	0	124,000	
Payroll Expenses																
Race Meet Payouts	7,500	7,500	7,500	7,500	7,500	7,800	8,100	8,400	95,000	8,700	9,000	9,300	9,600	0	193,400	Increases at 1/2 the rate of increase in put tab revenue; Dec includes \$2,000 bonus; racing same as 2014
Purse Payments	0	0	0	0	0	0	0	0	225,000	0	0	0	0	0	225,000	Same as 2014
Total Race Meet Payouts	0	0	0	0	0	0	0	0	225,000	0	0	0	0	0	225,000	
Travel and Meetings																
Airfare	0	0	0	0	0	0	0	0	0	0	0	0	500	0	500	Travel to Simulcast Conference
Conference, Convention, Meeting	0	0	0	0	0	0	0	0	0	0	0	0	500	0	500	Travel to Simulcast Conference
Gasoline	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Lodging	0	0	0	0	0	0	0	0	0	0	0	0	400	0	400	Travel to Simulcast Conference
Mileage	1,500	1,600	1,700	1,800	1,900	2,000	2,100	2,200	0	2,300	2,400	2,500	2,600	0	24,600	Increases at 1/2 the rate of increase of put tab revenues
Parking	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Taxi, Rental Car	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Travel and Meetings	1,500	1,600	1,700	1,800	1,900	2,000	2,100	2,200	0	2,300	2,400	2,500	4,000	0	26,000	
Total Expense	<u>84,372</u>	<u>101,097</u>	<u>97,225</u>	<u>100,222</u>	<u>108,347</u>	<u>116,398</u>	<u>120,322</u>	<u>128,047</u>	<u>539,950</u>	<u>140,205</u>	<u>159,722</u>	<u>154,297</u>	<u>186,074</u>	<u>0</u>	<u>2,034,279</u>	
Net Ordinary Income	<u>2,778</u>	<u>(647)</u>	<u>16,425</u>	<u>25,028</u>	<u>263,003</u>	<u>5,552</u>	<u>5,728</u>	<u>6,703</u>	<u>(259,350)</u>	<u>3,844</u>	<u>(5,772)</u>	<u>10,253</u>	<u>(10,124)</u>	<u>0</u>	<u>63,421</u>	
Net Income	<u>2,778</u>	<u>(647)</u>	<u>16,425</u>	<u>25,028</u>	<u>263,003</u>	<u>5,552</u>	<u>5,728</u>	<u>6,703</u>	<u>(259,350)</u>	<u>3,844</u>	<u>(5,772)</u>	<u>10,253</u>	<u>(10,124)</u>	<u>0</u>	<u>63,421</u>	
Other Items Affecting Cash flow:																
Starion - Principal Payments (Interest Included above)	(425)	(545)	(545)	(545)	(545)	(545)	(545)	(545)		(545)	(545)	(545)	(545)		(6,420)	Starion mortgage (pmnt = \$910)
EDC - Debt Service Payment	(64,731)			(5,396)			(5,396)				(5,396)				(80,919)	
TIFF - Debt Service Payment, HRND		(55,673)													(55,673)	
TIFF - Debt Service Payment, NDHPF		(90,759)													(90,759)	
Cash - EOM	<u>89,228</u>	<u>(58,397)</u>	<u>(42,517)</u>	<u>(23,429)</u>	<u>238,029</u>	<u>244,036</u>	<u>243,823</u>	<u>249,981</u>	<u>(9,369)</u>	<u>(6,070)</u>	<u>(17,783)</u>	<u>(6,075)</u>	<u>(18,744)</u>		<u>(170,351)</u>	Annual Net Cash Flow

2-25
11/12/03
3-18-15

Horse Race ~~North~~ Dakota
Cash Flow Analysis
January 2016 through December 2016

	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Other Racing	Sep 16	Oct 16	Nov 16	Dec 16	Adjust	TOTAL	
									360,000							Same as last 2014
Handle																
Income																
Charitable Gaming Proceeds																
Poker	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Pull Tabs (Machine)	173,800	173,800	173,800	173,800	173,800	173,800	173,800	173,800	0	173,800	173,800	173,800	173,800	0	2,085,600	Increase to \$500,000/qr by Dec 1
Raffle	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Charitable Gaming Proceeds	173,800	173,800	173,800	173,800	173,800	173,800	173,800	173,800	0	173,800	173,800	173,800	173,800	0	2,085,600	
Direct Public Support																
Other Purse Monies	0	0	0	0	0	0	0	0	80,000	0	0	0	0	0	80,000	
Corporate Contributions	0	0	0	0	0	0	0	0	10,000	0	0	0	0	0	10,000	Increased from \$5,000 in 2014
Total Direct Public Support	0	0	0	0	0	0	0	0	90,000	0	0	0	0	0	90,000	
Government Grants																
State Grants	0	0	0	0	240,000	0	0	0	0	0	0	0	0	0	240,000	Same as 2014
Total Government Grants	0	0	0	0	240,000	0	0	0	0	0	0	0	0	0	240,000	
Other Types of Income																
Inventory Sales	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
ADW Contributions	2,150	12,150	19,150	24,150	21,150	6,150	2,150	2,150	0	2,150	2,150	2,150	2,150	0	97,800	
Miscellaneous Revenue	0	0	0	0	0	0	0	0	50,000	0	0	0	0	0	50,000	
Total Other Types of Income	2,150	12,150	19,150	24,150	21,150	6,150	2,150	2,150	50,000	2,150	2,150	2,150	2,150	0	147,800	
Program Income																
Event Admission Fees	0	0	0	0	0	0	0	0	50,000	0	0	0	0	0	50,000	
Program Service Fees	0	0	0	0	0	0	0	0	15,000	0	0	0	0	0	15,000	
Total Program Income	0	0	0	0	0	0	0	0	65,000	0	0	0	0	0	65,000	
Simulcast/Parimutuel Proceeds	0	0	0	0	0	0	0	0	75,600	0	0	0	0	0	75,600	21% x handle
Total Income	175,950	185,950	192,950	197,950	434,950	179,950	175,950	175,950	280,600	175,950	175,950	175,950	175,950	0	2,704,000	
Gross Profit	175,950	185,950	192,950	197,950	434,950	179,950	175,950	175,950	280,600	175,950	175,950	175,950	175,950	0	2,704,000	
Expense																
Bank Charges	12	12	12	12	12	12	12	12	0	12	12	12	12	0	144	
Business Expenses																
Background Investigation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Business Registration Fees	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Employee Gaming Permit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Fines and Penalties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Taxes - Not UBIT																
Property Tax	0	11,775	0	0	0	0	0	0	0	0	11,775	0	15,547	0	39,097	Includes NDHPF property taxes
State Gaming Tax	0	0	5,214	0	0	5,214	0	0	0	5,214	0	0	5,214	0	20,856	1% x Pull tab revenue, paid qtrly
State Racing Taxes	0	0	0	0	0	0	0	0	7,200	0	0	0	0	0	7,200	2% x handle
Total Taxes - Not UBIT	0	11,775	5,214	0	0	5,214	0	0	7,200	5,214	11,775	0	20,761	0	67,153	
Total Business Expenses	0	11,775	5,214	0	0	5,214	0	0	7,200	5,214	11,775	0	20,761	0	67,153	
Cash Long/Short	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Charitable Contributions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Charitable Gaming Payouts																
Poker	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Pull Tabs (Machine)	130,350	130,350	130,350	130,350	130,350	130,350	130,350	130,350	0	130,350	130,350	130,350	130,350	0	1,564,200	75% Payout 75.00%
Raffle	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Charitable Gaming Payouts	130,350	130,350	130,350	130,350	130,350	130,350	130,350	130,350	0	130,350	130,350	130,350	130,350	0	1,564,200	
Contract Services																
Accounting Fees	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	0	2,500	2,500	2,500	2,500	0	30,000	
Legal Fees	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Outside Contract Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Contract Services	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	0	2,500	2,500	2,500	2,500	0	30,000	

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Horse Race North Dakota
Cash Flow Analysis
January 2016 through December 2016

	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Racing	Sep 16	Oct 16	Nov 16	Dec 16	Adjust	TOTAL	
Facilities and Equipment																
Equip Rental and Maintenance	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	0	2,000	2,000	2,000	2,000	0	24,000	
Equipment Fuel	10	10	10	10	10	10	10	10	0	10	10	10	10	0	120	
Property Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Rent, Parking, Utilities	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	85,000	9,500	9,500	9,500	9,500	0	199,000	Racing = Rent & Lease plus Utilities Gaming = increases at same rate as revenues
Total Facilities and Equipment	11,510	11,510	11,510	11,510	11,510	11,510	11,510	11,510	85,000	11,510	11,510	11,510	11,510	0	223,120	
Meals and Entertainment																
Operations	100	100	100	100	100	100	100	100	0	100	100	100	100	0	1,200	
Computer and Internet	175	175	175	175	175	175	175	175	0	175	175	175	175	0	2,100	
Contract Labor	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Postage, Mailing Service	50	50	50	50	50	50	50	50	0	50	50	50	50	0	600	
Printing and Copying	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	11,250	6,300	6,300	6,300	6,300	0	86,850	Racing = 75% x Program Sales - Pull labs grow at same rate as revenues
Supplies	500	500	500	500	500	500	500	500	0	500	500	500	500	0	6,000	
Telephone, Telecommunications	175	175	175	175	175	175	175	175	0	175	175	175	175	0	2,100	
Total Operations	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	11,250	7,200	7,200	7,200	7,200	0	97,650	
Other Types of Expenses																
Advertising Expenses	0	0	0	0	0	0	0	0	10,000	0	0	0	0	0	10,000	
Awards/Plaques/Trophies	0	0	0	0	0	0	0	0	1,500	0	0	0	0	0	1,500	
Insurance - Liability, D and O	0	0	0	0	0	0	0	0	28,000	0	3,000	0	0	0	31,000	Jockey Accident, G/L, WC + D and
Interest Expense	375	375	375	375	375	375	375	375	0	375	375	375	375	0	4,500	Station mortgage (pmnt = \$910)
Memberships and Dues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Other Costs	0	0	0	0	0	0	0	0	77,000	0	0	0	0	0	77,000	Operating less Adv less Blankets/Trophies plus Unbudgeted less Program Printing
Uniforms	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Other Types of Expenses	375	375	375	375	375	375	375	375	116,500	375	3,375	375	375	0	124,000	
Payroll Expenses																
Race Meet Payouts	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	95,000	7,500	7,500	7,500	9,500	0	187,000	Increases at 1/2 the rate of increase in pull tab revenue; Dec includes \$2,000 bonus; racing same as 2014
Purse Payments	0	0	0	0	0	0	0	0	225,000	0	0	0	0	0	225,000	Same as 2014
Total Race Meet Payouts	0	0	0	0	0	0	0	0	225,000	0	0	0	0	0	225,000	
Travel and Meetings																
Airfare	0	0	0	0	0	0	0	0	0	0	0	0	500	0	500	Travel to Simulcast Conference
Conference, Convention, Meeting	0	0	0	0	0	0	0	0	0	0	0	0	500	0	500	Travel to Simulcast Conference
Gasoline	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Lodging	0	0	0	0	0	0	0	0	0	0	0	0	400	0	400	Travel to Simulcast Conference
Mileage	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	0	2,600	2,600	2,600	2,600	0	31,200	Increases at 1/2 the rate of increase of pull tab revenues
Parking	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Taxi, Rental Car	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Travel and Meetings	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	0	2,600	2,600	2,600	4,000	0	32,600	
Total Expense	162,147	173,922	167,361	162,147	162,147	167,361	162,147	162,147	538,950	167,361	176,922	162,147	186,308	0	2,552,067	
Net Ordinary Income	13,803	12,028	25,589	35,803	272,803	12,589	13,803	13,803	(258,350)	8,589	(972)	13,803	(10,358)	0	151,933	
Net Income	13,803	12,028	25,589	35,803	272,803	12,589	13,803	13,803	(258,350)	8,589	(972)	13,803	(10,358)	0	151,933	
Other Items Affecting Cash Flow:																
Station - Principal Payments	(425)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)		(6,420)	Station mortgage (pmnt = \$910)
EDC - Debt Service Payment	(5,396)			(5,396)				(5,396)			(5,396)				(21,584)	
TFF - Debt Service Payment, HRND		(55,673)													(55,673)	
TFF - Debt Service Payment, NDHPF		(90,759)													(90,759)	
Cash - EDM	(10,782)	(145,712)	(120,668)	(90,806)	181,452	193,496	201,358	214,816	(44,734)	(36,890)	(43,603)	(30,345)	(41,248)		(22,503)	Annual Net Cash Flow

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NORTH DAKOTA HORSE PARK
2015-16 RAC. MEET BUDGETS VS 2014 ACTUAL

EXHIBIT D

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Handle	Actual 2014	Budget 2015-16	Comments
	Exec Director's P&L Quicksheet	From Cash Flow Projection	
	\$ 355,839	\$ 360,000	
<u>Pari-Mutuel Revenue</u>			
WPS Wagers	\$ 78,875	\$ 41,600	22.17% 2014 Actual
Exotic Wagers		\$ 34,000	21.00% 2015 Projected
Taxes Collected			
Breakage	\$ 3,637		Offset 100% by expense
Unclaimed Tickets	\$ 5,276		Offset 100% by expense
	\$ 87,787	\$ 75,600	
<u>Fund & Grant Revenue</u>			
Purses - NDRC Fund Purse Subsidy	\$ 80,000	\$ 80,000	
Purses - HRND Charitable Gaming (Pull Tabs)	\$ 50,000		From HRND, so not from outside sources
Other Purse Money - Sponsors	\$ 19,050	\$ 35,000	
Other Purse Money - Horsemen Associations	\$ 35,675	\$ 35,000	
Other Purse Money - Entry Fees	\$ 22,971	\$ 20,000	
Other Purse Money - Additional HRND (Shortage)	\$ 15,902		From HRND, so not from outside sources
NDRC Promotion Fund Grant	\$ 160,000	\$ 160,000	
	\$ 383,597	\$ 330,000	
<u>Operating Revenue</u>			
Concessions - Food & Beverage	\$ 21,905	\$ 23,000	All commissions from outside vendors
Gate Sales	\$ 46,883	\$ 50,000	
Program Sales	\$ 13,403	\$ 15,000	
Program Advertising			
Gift Shop Sales	\$ 8,353	\$ 9,000	
Stall Fee Income	\$ 8,250	\$ 7,500	
Jockey Insurance Income			
Nomination & Entry Fees			
Bookkeeper Fees	\$ 6,045	\$ 6,000	
Rental Income			
	\$ 104,840	\$ 110,500	
<u>Other Income</u>			
ATM Commission	\$ 891		
OTB Site - Avatar			
OTB Site - Megatote			
OTB Site - Watch & Wager			
Interest Income			
Other - Corporate Sponsorship	\$ 5,315	\$ 4,500	
Other	\$ 6,206	\$ 4,500	
	\$ 6,206	\$ 4,500	
<u>Total Revenue</u>	\$ 582,430	\$ 520,600	
<u>Purses</u>			
Stake Races	\$ 223,597		
Trials			
Overnights			
Claiming-Allowance-Handicap	\$ 223,597	\$ 225,000	
<u>Personnel</u>			
Mutuel Computer Operator			
Mutuel Department Tellers	\$ 10,000	\$ 10,000	
Money Room Clerk	\$ 1,200	\$ 1,200	
Clerical & Accounting	\$ 840	\$ 840	
Entrance Gate Personnel	\$ 2,150	\$ 2,150	
Ticket Workers			
Assistant Starters (Gate Crew)	\$ 11,850	\$ 11,850	
Maintenance Workers	\$ 16,629	\$ 16,630	
Clerk of Scales	\$ 1,350	\$ 1,350	
Timer	\$ 500	\$ 500	
Jock Mounts (for cancelled race)	\$ 360	\$ 360	
Tractor Drivers	\$ 2,220	\$ 2,220	
Paddock Judge			
Horse Identifier			
Jockey's Room Custodian			
Patrol Judges	\$ -	\$ -	
EMT			
Payroll Taxes	\$ 7,000	\$ 7,900	Estimate
	\$ 54,099	\$ 55,000	Included with Contract Labor, below
			\$ 55,000.00

NORTH DAKOTA HORSE PARK
2015-16 RAC'S MEET BUDGETS VS 2014 ACTUAL

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	Actual 2014	Budget 2015-16	Comments
	Exec Director's P&L Quicksheet	From Cash Flow Projection	
<u>Contract Personnel</u>			
General Manager	\$ 2,000	\$ -	
Parimutuel Manager	\$ 2,500	\$ 2,500	
Veteranarian			
Accounting	\$ 2,400	\$ 2,400	
Audit			
Horsemen's Bookkeeper	\$ 4,000	\$ 4,000	
Racing Secretary	\$ 5,100	\$ 5,100	
Security	\$ 14,166	\$ 14,200	
Announcer	\$ 2,500	\$ 2,500	
Outriders	\$ 2,090	\$ 2,000	
Starter	\$ 2,100	\$ 2,100	
Paddock Judge/Backside Manager	\$ 1,200	\$ 1,200	
Stewards	\$ 3,687	\$ 4,000	
	\$ 41,743	\$ 40,000	
<u>Rent & Lease</u>			\$ 95,000.00
Ambulance Rent	\$ 6,356	\$ 6,800	
Rent - Food & Beverage			
Photo Finish Equipment Rent	\$ 6,180	\$ 6,500	
Equipment Rental	\$ 887		
Water Truck		\$ 2,500	
Tractors	\$ 742	\$ 6,000	
FCHRA - Transportation			
FCHRA - Repairs			
Tote Rental	\$ 43,220	\$ 44,000	12.15%
Barn Lease & Bedding	\$ 18,410	\$ 18,000	
NDHP Grounds Maintenance			
Office Rent			
	\$ 75,796	\$ 83,800	
<u>Insurance</u>			
Jockey Insurance	\$ 17,280		
General Liability Insurance	\$ 7,005		
Workmen's Compensation	\$ 2,500		
	\$ 26,785	\$ 28,000	
<u>Utilities</u>			
Electric	\$ 1,947	\$ 2,100	
Telephone	\$ 1,516	\$ 2,200	
Waste disposal	\$ 1,210	\$ 1,300	
Gas		\$ 600	
Water	\$ 2,977	\$ 3,000	
	\$ 7,649	\$ 9,200	\$ 85,000.00
<u>Operating</u>			
Advertising	\$ 8,522	\$ 10,000	
Blankets /Trophies	\$ 1,310	\$ 1,500	
Dues			
Entertainment			
Concessions Supplies (Beer)			
Concessions Supplies (Other)			
Laundry			
Bank Charges			
Cash Over/Short			
Licenses	\$ 1,270		
Clothing Purchases	\$ 4,998		
Restroom Supplies	\$ 518		
Interest Expense			
Office Supplies	\$ 1,556		
Outside Services	\$ 5,195		
Postage	\$ 403		
Printing	\$ 23,143	\$ 11,250	
Professional Fees			
Travel	\$ 1,852		
Staff Rooming	\$ 3,783		
Miscellaneous	\$ 1,003		
Racing Plant Maintenance	\$ 29,734		
Fuel & Oil	\$ 3,746		
Jockey Incentive	\$ 10,050		
Property Taxes			
Depreciation			
	\$ 97,084	\$ 91,750	

NORTH DAKOTA HORSE PARK
2015-16 RACE MEET BUDGETS VS 2014 ACTUAL

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ND Racing Commission

Drug Testing

Radios

Personnel

Pari-Mutuel Taxes - General Fund

Pari-Mutuel Taxes - Purse Fund

Pari-Mutuel Taxes - Breeders' Fund

Pari-Mutuel Taxes - Promotion Fund

Breakage

Unclaimed Tickets

Unbudgeted Expenses

Miscellaneous

Total Expenses

Net Income

Actual 2014	Budget 2015-16	Comments
Exec Director's P&L Quicksheet	From Cash Flow Projection	
\$ 1,779	\$ 1,800	
\$ 1,779	\$ 1,800	0.50%
\$ 1,779	\$ 1,800	0.50%
\$ 1,779	\$ 1,800	0.50%
\$ 3,637		0.50%
\$ 5,276		
\$ 16,029	\$ 7,200	
\$ 12,754		
\$ 12,754	\$ -	
\$ 555,536	\$ 539,950	
\$ 26,894	\$ (19,350)	
\$ (50,000)		less: Contributed from HRND
\$ (15,902)		Purses - HRND Charitable Gaming (Pull Tabs)
		Other Purse Money - Additional HRND (Shortage)
\$ (39,008)	\$ (19,350)	Actual Loss on Race Meet

**Specials Summary
City of Fargo**

Parcel No 01-6560-00101-000
Address 5100 19 AVE N
Owner 1 ND HORSE PARK FOUNDATION
Owner 2 C/O PAWLUK, KEN
Legal [ADDITION] North Dakota Horsepark

Front Footage 409.62
Square Footage 2,451,058

Uncertified Balances and Payoff as of: 11/12/2014

Proj No	Start Yr	Proj Term	Ending Yr	Uncert Bal Before Cert	Future Balance	Deferred Balance	Accrued Int	Payoff Total	Int Rate	Daily Int	Days of Int	Projected Cert Princ	Projected Cert Int	Projected Cert Tot
436452	2014	18	2031	2,143.29		0.00	0.00	2,143.29	6.310	0.371	0	73.91	135.24	209.15
Fund: 310														
Description: Horse Park Deferral														
436951	2014	18	2031	726.68		0.00	0.00	726.68	6.310	0.126	0	25.06	45.85	70.91
Fund: 310														
Description: Horse Park Deferral														
453052	2014	18	2031	44,204.77		0.00	0.00	44,204.77	6.550	7.933	0	1,492.16	2,895.41	4,387.57
Fund: 310														
Description: Horse Park Deferral														
458352	2014	18	2031	85,618.63		0.00	0.00	85,618.63	6.450	15.130	0	2,915.96	5,522.40	8,438.36
Fund: 310														
Description: Horse Park Deferral														
464252	2014	18	2031	6,899.66		0.00	0.00	6,899.66	6.550	1.238	0	232.90	451.93	684.83
Fund: 310														
Description: Horse Park Deferral														
464352	2014	18	2031	58,557.12		0.00	0.00	58,557.12	5.980	9.594	0	2,079.22	3,501.72	5,580.94
Fund: 310														
Description: Horse Park Deferral														
510300	2004	25	2028	6,740.11		0.00	0.00	6,740.11	5.550	1.025	0	330.99	374.08	705.07
Fund: 368														
Description:														
530151	2014	25	2038	925,205.81		0.00	0.00	925,205.81	5.550	140.682	0	19,333.70	51,348.92	70,682.62
Fund: 368														
Description: Horse Park Deferral														
				1,130,096.07		0.00	0.00	1,130,096.07		176.097		26,483.90	64,275.55	90,759.45

Certified Balances as of: 11/12/2014

Proj No	Cert Year	Principal	Interest	Total	Yr Beg Bal	Balance
436452	2014	69.52	139.63	209.15	209.15	209.15
436951	2014	23.57	47.34	70.91	70.91	70.91
453052	2014	1,400.43	2,987.14	4,387.57	4,387.57	4,387.57
458352	2014	2,739.28	5,699.09	8,438.37	8,438.37	8,438.37
464252	2014	218.59	465.25	684.84	684.84	684.84
464352	2014	1,961.90	3,619.04	5,580.94	5,580.94	5,580.94
510300	2014	313.59	391.48	705.07	705.07	705.07

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↑
Annual
payment

EXHIBIT C
11/12/15
2.31

Specials Summary City of Fargo

Parcel No 01-6560-00200-000
Address 5180 19 AVE N
Owner 1 HORSE RACE ND
Owner 2
Legal [ADDITION] North Dakota Horsepark

Front Footage 3,204.47
Square Footage 1,562,531

Uncertified Balances and Payoff as of: 11/12/2014

Proj No	Start Yr	Proj Term	Ending Yr	Uncert Bal Before Cert	Future Balance	Deferred Balance	Accrued Int	Payoff Total	Int Rate	Daily Int	Days of Int	Projected Cert Princ	Projected Cert Int	Projected Cert Tot
436452	2014	18	2031	1,328.66		0.00	0.00	1,328.66	6.310	0.230	0	45.82	83.84	129.66
Fund: 310														
Description: Horse Park Deferral														
436951	2014	18	2031	450.50		0.00	0.00	450.50	6.310	0.078	0	15.54	28.43	43.97
Fund: 310														
Description: Horse Park Deferral														
453052	2014	18	2031	27,502.78		0.00	0.00	27,502.78	6.550	4.935	0	928.37	1,801.43	2,729.80
Fund: 310														
Description: Horse Park Deferral														
458352	2014	18	2031	53,077.99		0.00	0.00	53,077.99	6.450	9.380	0	1,807.71	3,423.53	5,231.24
Fund: 310														
Description: Horse Park Deferral														
464252	2014	18	2031	4,277.30		0.00	0.00	4,277.30	6.550	0.768	0	144.38	280.16	424.54
Fund: 310														
Description: Horse Park Deferral														
464352	2014	18	2031	36,301.49		0.00	0.00	36,301.49	5.980	5.947	0	1,288.98	2,170.83	3,459.81
Fund: 310														
Description: Horse Park Deferral														
510300	2004	25	2028	4,390.83		0.00	0.00	4,390.83	5.550	0.668	0	215.62	243.69	459.31
Fund: 366														
Description:														
530151	2014	25	2038	565,403.55		0.00	0.00	565,403.55	5.550	85.972	0	11,815.04	31,379.90	43,194.94
Fund: 368														
Description: Horse Park Deferral														
				692,733.10		0.00	0.00	692,733.10		107.978		16,261.46	39,411.81	55,673.27

Certified Balances as of: 11/12/2014

Proj No	Cert Year	Principal	Interest	Total	Yr Beg Bal	Balance
436452	2014	43.10	86.56	129.66	129.66	129.66
436951	2014	14.61	29.35	43.96	43.96	43.96
453052	2014	871.30	1,858.50	2,729.80	2,729.80	2,729.80
458352	2014	1,698.17	3,533.06	5,231.23	5,231.23	5,231.23
464252	2014	135.51	289.04	424.55	424.55	424.55
464352	2014	1,216.25	2,243.58	3,459.81	3,459.81	3,459.81
510300	2014	204.28	255.03	459.31	459.31	459.31

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Annual
payment

EXHIBIT F

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11/12/2014
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EXHIBIT G

2.33
WB 1203
3.18.15



51 Broadway, Suite 500
Fargo, ND 58102
(701) 237-6132
Fax (701) 293-7819

May 9, 2001

North Dakota Racing Commission
600 East Boulevard
Bismarck, ND 58502

RE: North Dakota Horse Park Foundation

On behalf of the Fargo-Cass County Economic Development Corporation, this letter shall serve as notification that we have formally approved a loan of \$250,000 to the North Dakota Horse Park Foundation. The terms of the loan will be seven to ten year loans with no interest or principal repayment due during that time period.

Our commitment is based on our previous investment in the Growth Initiative Fund being returned to the Development Corporation. Our loan will be forthcoming in late May or early June.

Sincerely,

John A. Kramer
President

John@fedc.com
www.fargond.org

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2.34
HB 1203
3.18.15

LOAN AGREEMENT

THIS AGREEMENT is made this 28th day of December, 2001, between FARGO-CASS COUNTY ECONOMIC DEVELOPMENT CORPORATION ("EDC"), whose post office address is 51 Broadway, Suite 500, Fargo, North Dakota 58102, and HORSE RACE NORTH DAKOTA, a North Dakota nonprofit corporation, whose post office address is 2808 SW 28th Ave, Fargo, North Dakota 5810, ("Borrower"), and any persons executing this Agreement as Guarantors.

PRELIMINARY STATEMENTS

1. EDC is a not-for-profit corporation organized under the laws of the State of North Dakota whose principal mission is the economic development of the Fargo, Cass County, North Dakota area through the support of new and current businesses and to create new jobs so as to provide an appropriate economic base for the citizens of Fargo and Cass County; and

2. The Borrower has been organized as a 501(c)(4) not-for-profit organization which, in conjunction with the North Dakota Horse Park Foundation ("Foundation"), North Dakota State University, and others, in developing an equine center which will include facilities to support businesses and employees and provide the services and product necessary for the successful operation of the equine center; and

3. Borrower desires to borrow from EDC the amount set forth below, and EDC is willing to make such loan upon the terms and conditions set forth in this Agreement ("Loan").

FOR VALUABLE CONSIDERATION, THE PARTIES AGREE AS FOLLOWS:

1. AMOUNT OF LOAN. EDC will lend to Borrower Two Hundred Fifty Thousand Dollars (\$250,000) evidenced by a promissory note ("Note") upon terms provided in this Agreement. See Exhibit A.
2. USE OF LOAN PROCEEDS. The proceeds of the Loan shall be used to acquire the real estate described in Exhibit B attached hereto ("Property"), which Property is part of a larger parcel what is in part being sold to the Borrower and in part donated to the Foundation.
3. TERM. The Note shall be due December 31, 2021.
4. INTEREST RATE. The Note shall bear no interest for a period of ten (10) years through December 31, 2011. From and after January 1, 2012, interest will accrue at a rate per annum equal to the municipal bond rate for the City of Fargo on January 2, 2012. The interest rate of the Note shall be adjusted upward or downward as the case may be annually on the 2nd day of January each year. Such changed rate shall remain in effect for at least one year. Interest shall be computed on the basis of a 365 day year.

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5. TERMINATION. If this Agreement is terminated for any reason, its terms and conditions shall remain in force so long as there remains any unpaid balance due from Borrower to EDC on the Note.
6. PAYMENTS. Quarterly installments of principal and accrued interest shall be due commencing April 10, 2012, which payment will be on or before the 10th day of April, July, October and January in each year. The quarterly installment shall be calculated based on the principal balance due December 31, 2011, amortized over a 20-year term. The quarterly payment may be adjusted annually based upon the principal amount due and the interest rate, provided the amortization schedule does not extend beyond December 31, 2031. The entire unpaid balance of principal and interest, if not sooner paid, shall be due on or before December 31, 2021. Attached as Exhibit C is a payment schedule based upon a 6% interest rate.
7. SECURITY. The parties have agreed that this is an unsecured loan.
8. FINANCIAL STATEMENTS. In executing this Agreement and making the loan, EDC has relied on proforma financial statements provided by Borrower. Borrower warrants that such financial statements are based on a reasonable business model and that the conditions reflected by them have not materially changed as of the date of such statements. Borrower shall provide EDC with the following financial statements:
 - (a) Borrower's quarterly profit and loss statements within 45 days of their preparation and its federal tax return within 120 days after the end of its fiscal year.
 - (b) Annual detailed breakdown of capital expenditures, repairs and maintenance.
 - (c) Such other documents as EDC may reasonably require, including but not limited to balance sheets, contracts, primary loan documentation and such other documentation as would be appropriate for a lender to review.
9. OWNERSHIP OF PROPERTY. Borrower warrants that the loan proceeds will be used to acquire the Property and that the same will be owned free and clear of all liens and encumbrances, subject to future encumbrances for improvement.
10. BORROWER'S WARRANTIES. Borrower warrants and covenants as follows:
 - (a) Borrower is duly organized, existing and in good standing under the laws of the State of North Dakota, and the execution and performance of this Agreement by Borrower does not violate any provisions of Borrower's Bylaws.

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- (b) The execution and performance of this Agreement by Borrower is not a violation of any agreement to which Borrower is a party. Borrower has authority to execute and deliver the Note and all other instruments provided for herein, and to incur the obligation represented by the Note, all of which have been duly authorized by proper corporate action. Any consent of members of the Borrower required as a condition to the validity of this Agreement, or any document executed in connection with this Agreement, has been obtained.
 - (c) Borrower is not in default with respect to any agreement or other obligation which Borrower has with any person or entity.
 - (d) All federal, state and local tax returns will be filed and the taxes paid, and Borrower will pay all federal, state and local taxes and similar charges as they become due.
 - (e) Borrower will maintain the Property and improvements in good order and condition.
 - (f) Borrower will pay and discharge all taxes, assessments, and other charges against the Property prior to the date such charges become delinquent, and will pay and discharge any charges for labor, materials and supplies which, if not paid, might become a lien against any part of the Property.
 - (g) Borrower will insure the improvements to the Property against fire and other risks customarily insured against and shall insure against public liability risks to the extent as is customarily done by similar businesses. If requested by EDC, Borrower will furnish EDC with appropriate Certificates of Insurance.
 - (h) Borrower will not sell or transfer all or any substantial part of Borrower's property nor cause the Foundation to sell or transfer its real estate without the written consent of EDC. If consent is not obtained, the Note will be immediately due and payable.
 - (i) Borrower is, and will continuously be, in full compliance with all franchises, licenses, permits and contractual arrangements, as well as all applicable state and local laws and ordinances. Borrower will immediately notify EDC of any notice it receives asserting any violation of any of the foregoing, along with its response thereto. Except for reasonable contest thereof, Borrower will take immediate steps to remedy any violation.
11. RIGHT OF PREPAYMENT. The Loan may be prepaid in full or in part without penalty. All payments will first be applied to interest, if any, and then principal.
12. INSPECTION. Borrower will allow EDC to inspect any of Borrower's property; to examine Borrower's books, records and files and make copies thereof; and to discuss the

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affairs of Borrower with its officers and employees, all at such reasonable times as EDC may request.

13. CONDITIONS PRECEDENT The obligations of EDC under this Agreement shall be subject to the following conditions precedent, all of which shall be fulfilled prior to or concurrently with the advance of funds under this Agreement:

- (a) EDC shall have received the Note evidencing the Loan.
- (b) All representations or warranties contained in this Agreement shall be true and correct.
- (c) EDC shall have received an opinion of Borrower's counsel that Borrower is duly organized and validly existing in North Dakota and has authority to enter into the transaction contemplated by this Agreement and a title opinion that Borrower is the owner of the Property, free and clear of liens and encumbrances.

14. FEES AND EXPENSES. Borrower shall pay out-of-pocket expenses incurred by EDC in connection with this Agreement and the loan contemplated thereunder, including fees and expenses of EDC's counsel.

15. COLLECTION EXPENSES. If EDC incurs any cost or expense in the collection of amounts due under the Note or this Agreement, Borrower shall, so far as permitted by law, be obligated to pay to EDC all such costs and expenses, including reasonable attorney's fees, and including all costs and expenses with respect to seizure and sale of Collateral.

16. MISCELLANEOUS.

- (a) This Agreement shall inure to the benefit of and be binding upon the parties, their successors and assigns.
- (b) No delay by EDC in the exercise of any power, right or remedy shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy constitute a waiver of any other right. The rights and remedies of EDC are in addition to any other rights and remedies which EDC might otherwise have.
- (c) All covenants, representations and warranties made in this Agreement shall survive its termination and shall continue until EDC receives payment in full of all sums owing under this Agreement.
- (d) This Agreement shall be governed by the laws of the State of North Dakota.

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- (e) Any notice required by this Agreement shall be sufficient when addressed to Borrower at Borrower's address as shown on this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year first above written.

EDC

FARGO-CASS COUNTY ECONOMIC
DEVELOPMENT CORPORATION

By: Richard W. Hart
Its: Chairman

By: _____
Its: _____

BORROWER

HORSE RACE NORTH DAKOTA

By: Ken Pauluk
Its: pres

By: [Signature]
Its: [Signature]

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HB 1203
3.18.15EXHIBIT A
PROMISSORY NOTE

\$250,000

December 28, 2001
Fargo, North Dakota

FOR VALUE RECEIVED, the undersigned, HORSE RACE NORTH DAKOTA, a North Dakota nonprofit corporation, promises and agrees to pay to the order of FARGO-CASS COUNTY ECONOMIC DEVELOPMENT CORPORATION, a North Dakota nonprofit corporation, whose post office address is 51 Broadway, Suite 500, Fargo, North Dakota 58102, the principal sum of Two Hundred Fifty Thousand Dollars (\$250,000) under the following terms and conditions:

1. This Note will be non-interest bearing for the period through December 31, 2011. No payments of principal will be required through December 31, 2011, but the undersigned agrees to make principal payments when and if funds are available through the operation of businesses developed in the equine center.
2. From and after January 1, 2012, interest will accrue on the then-remaining principal balance at a rate equal to the municipal bond rate that would be available to the City of Fargo, State of North Dakota, on January 1, 2012. The interest rate will be adjusted annually on January 2 of each year based on the then-available municipal bond rate available to the City of Fargo.
3. From and after January 1, 2012, the then-remaining principal balance will be repaid in quarterly installments, the quarterly installment being based on a 20-year amortization schedule. Quarterly payments of principal and interest will be due on April 10, 2012, and on or before the 10th day of each July, October, January and April thereafter until the indebtedness is fully paid.
4. In the event of an interest rate change, the quarterly installment will be adjusted upward or downward as the case may be over the remaining term of the 20-year amortization.
5. Notwithstanding the above, the entire remaining balance of principal and accrued interest shall be paid no later than December 31, 2021.
6. All payments will be applied first to the accrued interest and then to the outstanding principal balance.
7. The undersigned shall have the right to prepay all or any portion of the same at anytime without penalty.

If default be made in the payment of any installment under this Note or in the performance of any of the covenants or agreements contained in the Loan Agreement of even date herewith, then, or at any time thereafter, during the continuance of such default, the entire principal sum and accrued interest shall at once become due and payable without notice, at the option of the holder of

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this Note. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent default.

This Note was made and is to be paid and performed in North Dakota. It is the intention of the parties that this Note is a North Dakota contract and it shall be construed and governed by North Dakota law.

This Note is unsecured but is subject to the terms, conditions and obligations of the undersigned contained in the Loan Agreement of even date herewith.

The undersigned, whether principal, surety, guarantor, endorser, or other party hereto, hereby waives any exemption right against said debt and waives demand, protest and notice of demand, protest and nonpayment.

Dated this 28th day of December, 2001.

HORSE RACE NORTH DAKOTA

By: Ken Pauluk
Its: pres

By: [Signature]
Its: [Signature]

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EXHIBIT B
Property

Lot 2, Block 1, North Dakota Horsepark Addition to the City of Fargo, Cass County,
North Dakota.

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Horse Park Note

EXHIBIT C

Compound Period Quarterly

Nominal Annual Rate ... : 6.000 %

Effective Annual Rate .. : 6.136 %

Periodic Rate : 1.5000 %

Daily Rate : 0.01644 %

CASH FLOW DATA

Event	Start Date	Amount	Number Period	End Date
1 Loan	12/31/2011	250,000.00	1	
2 Payment	04/10/2012	5,395.94	39 Quarterly	10/10/2021
3 Payment	01/10/2022	166,819.73	1	

AMORTIZATION SCHEDULE - Normal Amortization

Date	Payment	Interest	Principal	Balance
Loan 12/31/2011				250,000.00
2011 Totals	0.00	0.00	0.00	
1 04/10/2012	5,395.94	4,167.12	1,228.82	248,771.18
2 07/10/2012	5,395.94	3,731.57	1,664.37	247,106.81
3 10/10/2012	5,395.94	3,706.60	1,689.34	245,417.47
2012 Totals	16,187.82	11,605.29	4,582.53	
4 01/10/2013	5,395.94	3,681.26	1,714.68	243,702.79
5 04/10/2013	5,395.94	3,655.54	1,740.40	241,962.39
6 07/10/2013	5,395.94	3,629.44	1,766.50	240,195.89
7 10/10/2013	5,395.94	3,602.94	1,793.00	238,402.89
2013 Totals	21,583.76	14,569.18	7,014.58	
8 01/10/2014	5,395.94	3,576.04	1,819.90	236,582.99
9 04/10/2014	5,395.94	3,548.74	1,847.20	234,735.79
10 07/10/2014	5,395.94	3,521.04	1,874.90	232,860.89
11 10/10/2014	5,395.94	3,492.91	1,903.03	230,957.86
2014 Totals	21,583.76	14,138.73	7,445.03	
12 01/10/2015	5,395.94	3,464.37	1,931.57	229,026.29
13 04/10/2015	5,395.94	3,435.39	1,960.55	227,065.74
14 07/10/2015	5,395.94	3,405.99	1,989.95	225,075.79
15 10/10/2015	5,395.94	3,376.14	2,019.80	223,055.99
2015 Totals	21,583.76	13,681.89	7,901.87	
16 01/10/2016	5,395.94	3,345.84	2,050.10	221,005.89
17 04/10/2016	5,395.94	3,315.09	2,080.85	218,925.04
18 07/10/2016	5,395.94	3,283.88	2,112.06	216,812.98
19 10/10/2016	5,395.94	3,252.19	2,143.75	214,669.23
2016 Totals	21,583.76	13,197.00	8,386.76	

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Horse Park Note

Date	Payment	Interest	Principal	Balance
20 01/10/2017	5,395.94	3,220.04	2,175.90	212,493.33
21 04/10/2017	5,395.94	3,187.40	2,208.54	210,284.79
22 07/10/2017	5,395.94	3,154.27	2,241.67	208,043.12
23 10/10/2017	5,395.94	3,120.65	2,275.29	205,767.83
2017 Totals	21,583.76	12,682.36	8,901.40	
24 01/10/2018	5,395.94	3,086.52	2,309.42	203,458.41
25 04/10/2018	5,395.94	3,051.88	2,344.06	201,114.35
26 07/10/2018	5,395.94	3,016.72	2,379.22	198,735.13
27 10/10/2018	5,395.94	2,981.03	2,414.91	196,320.22
2018 Totals	21,583.76	12,136.15	9,447.61	
28 01/10/2019	5,395.94	2,944.80	2,451.14	193,869.08
29 04/10/2019	5,395.94	2,908.04	2,487.90	191,381.18
30 07/10/2019	5,395.94	2,870.72	2,525.22	188,855.96
31 10/10/2019	5,395.94	2,832.84	2,563.10	186,292.86
2019 Totals	21,583.76	11,556.40	10,027.36	
32 01/10/2020	5,395.94	2,794.39	2,601.55	183,691.31
33 04/10/2020	5,395.94	2,755.37	2,640.57	181,050.74
34 07/10/2020	5,395.94	2,715.76	2,680.18	178,370.56
35 10/10/2020	5,395.94	2,675.56	2,720.38	175,650.18
2020 Totals	21,583.76	10,941.08	10,642.68	
36 01/10/2021	5,395.94	2,634.75	2,751.19	172,888.99
37 04/10/2021	5,395.94	2,593.33	2,802.61	170,086.38
38 07/10/2021	5,395.94	2,551.30	2,844.64	167,241.74
39 10/10/2021	5,395.94	2,508.63	2,887.31	164,354.43
2021 Totals	21,583.76	10,288.01	11,295.75	
40 01/10/2022	166,819.73	2,465.30	164,354.43	0.00
2022 Totals	166,819.73	2,465.30	164,354.43	
Grand Totals	377,261.39	127,261.39	250,000.00	

HORSE RACE NORTHE DAKOTA
ESTIMATED ADW RECEIPTS

		<u>Avatar</u>	<u>Megatote</u>	<u>Social Gaming</u>	<u>Watch & Wager</u>	<u>Paribet</u>	<u>123Bet (eBet)</u>	<u>Racing2Day</u>	<u>Total</u>
Act	Jan-14	\$ 11,777.07	\$ 561.07	\$ 191.15	\$ 2,129.68	\$ 10,386.37			\$ 25,045.33
Act	Feb-14	\$ 13,720.36	\$ 543.03	\$ 207.31	\$ 2,374.80	\$ 16,253.71			\$ 33,099.20
Act	Mar-14	\$ 19,931.19	\$ 1,074.37	\$ 252.35	\$ 2,395.15	\$ 21,818.88			\$ 45,471.94
Act	Apr-14	\$ 21,312.96	\$ 1,163.38	\$ 303.89	\$ 2,066.84	\$ 18,688.52			\$ 43,535.59
Act	May-14	\$ 2,753.19	\$ 1,171.13	\$ 372.39	\$ 2,406.57	\$ 4,852.52			\$ 11,555.80
Act	Jun-14		\$ 978.41	\$ 332.40	\$ 2,158.91				\$ 3,469.72
Act	Jul-14		\$ 774.24	\$ 315.75	\$ 2,378.82		\$ 52.32	\$ 580.01	\$ 4,101.14
Act	Aug-14		\$ 1,144.20	\$ 347.47	\$ 2,539.31		\$ 155.02	\$ 614.93	\$ 4,800.93
	Total	\$ 69,494.77	\$ 7,409.83	\$ 2,322.70	\$ 18,450.08	\$ 72,000.00	\$ 207.34	\$ 1,194.94	\$ 171,079.65
Est	Sep-14		\$ 1,000.00	\$ 350.00	\$ 2,500.00		\$ 200.00	\$ 600.00	\$ 4,650.00
Est	Oct-14		\$ 1,000.00	\$ 350.00	\$ 2,500.00		\$ 200.00	\$ 600.00	\$ 4,650.00
Est	Nov-14		\$ 1,000.00	\$ 350.00	\$ 2,500.00		\$ 200.00	\$ 600.00	\$ 4,650.00
Est	Dec-14		\$ 1,000.00	\$ 350.00	\$ 2,500.00		\$ 200.00	\$ 600.00	\$ 4,650.00
Est	2014	\$ 69,494.77	\$ 11,409.83	\$ 3,722.70	\$ 28,450.08	\$ 72,000.00	\$ 1,007.34	\$ 3,594.94	\$ 189,679.65
Est	Jan-15		\$ 1,000.00	\$ 350.00		\$ 10,000.00	\$ 200.00	\$ 600.00	\$ 12,150.00
Est	Feb-15		\$ 1,000.00	\$ 350.00		\$ 17,000.00	\$ 200.00	\$ 600.00	\$ 19,150.00
Est	Mar-15		\$ 1,000.00	\$ 350.00		\$ 22,000.00	\$ 200.00	\$ 600.00	\$ 24,150.00
Est	Apr-15		\$ 1,000.00	\$ 350.00		\$ 19,000.00	\$ 200.00	\$ 600.00	\$ 21,150.00
Est	May-15		\$ 1,000.00	\$ 350.00		\$ 4,000.00	\$ 200.00	\$ 600.00	\$ 6,150.00
Est	Jun-15		\$ 1,000.00	\$ 350.00			\$ 200.00	\$ 600.00	\$ 2,150.00
Est	Jul-15		\$ 1,000.00	\$ 350.00			\$ 200.00	\$ 600.00	\$ 2,150.00
Est	Aug-15		\$ 1,000.00	\$ 350.00			\$ 200.00	\$ 600.00	\$ 2,150.00
Est	Sep-15		\$ 1,000.00	\$ 350.00			\$ 200.00	\$ 600.00	\$ 2,150.00
Est	Oct-15		\$ 1,000.00	\$ 350.00			\$ 200.00	\$ 600.00	\$ 2,150.00
Est	Nov-15		\$ 1,000.00	\$ 350.00			\$ 200.00	\$ 600.00	\$ 2,150.00
Est	Dec-15		\$ 1,000.00	\$ 350.00			\$ 200.00	\$ 600.00	\$ 2,150.00
Est	2015	\$ -	\$ 12,000.00	\$ 4,200.00	\$ -	\$ 72,000.00	\$ 2,400.00	\$ 7,200.00	\$ 97,800.00
Est	Jan-16		\$ 1,000.00	\$ 350.00		\$ 10,000.00	\$ 200.00	\$ 600.00	\$ 12,150.00
Est	Feb-16		\$ 1,000.00	\$ 350.00		\$ 17,000.00	\$ 200.00	\$ 600.00	\$ 19,150.00
Est	Mar-16		\$ 1,000.00	\$ 350.00		\$ 22,000.00	\$ 200.00	\$ 600.00	\$ 24,150.00
Est	Apr-16		\$ 1,000.00	\$ 350.00		\$ 19,000.00	\$ 200.00	\$ 600.00	\$ 21,150.00
Est	May-16		\$ 1,000.00	\$ 350.00		\$ 4,000.00	\$ 200.00	\$ 600.00	\$ 6,150.00
Est	Jun-16		\$ 1,000.00	\$ 350.00			\$ 200.00	\$ 600.00	\$ 2,150.00
Est	Jul-16		\$ 1,000.00	\$ 350.00			\$ 200.00	\$ 600.00	\$ 2,150.00
Est	Aug-16		\$ 1,000.00	\$ 350.00			\$ 200.00	\$ 600.00	\$ 2,150.00
Est	Sep-16		\$ 1,000.00	\$ 350.00			\$ 200.00	\$ 600.00	\$ 2,150.00
Est	Oct-16		\$ 1,000.00	\$ 350.00			\$ 200.00	\$ 600.00	\$ 2,150.00
Est	Nov-16		\$ 1,000.00	\$ 350.00			\$ 200.00	\$ 600.00	\$ 2,150.00
Est	Dec-16		\$ 1,000.00	\$ 350.00			\$ 200.00	\$ 600.00	\$ 2,150.00
Est	2016	\$ -	\$ 12,000.00	\$ 4,200.00	\$ -	\$ 72,000.00	\$ 2,400.00	\$ 7,200.00	\$ 97,800.00

EXHIBIT H

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3-18-15

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1203

Page 1, line 13, overstrike "One-sixteenth" and insert immediately thereafter "Three-sixteenths"

Page 1, overstrike lines 17 through 20

Page 2, line 1, overstrike "One-sixteenth" and insert immediately thereafter "Three-sixteenths"

Page 2, overstrike lines 5 through 8

Page 2, line 13, replace "in the state" with "at North Dakota horse park"

Page 2, line 17, after "days" insert "at North Dakota horse park"

Renumber accordingly