

JUDICARY COMMITTEE HEARING

SEPTEMBER 8, 2010

10:10 A.M --- 10:40 A.M.

The last time I appeared before you I gave the status of Horse Racing as pessimistically optimistic. Since that date, of May 10, I have had a re-appraisal of my outlook. It has shifted to a more positive future for several reason and I would like to share those reasons with you today. We have engaged another Account Deposit Wagering company that will begin its operation under the North Dakota Racing Commission licensing on October 1, 2010. They are from the Isle of Mann and have merged into a partnership with Watch and Wager a company that has been licensed in North Dakota for the past two years but have been inactive. The current business of \$30 million U.S. wagering for both companies will be directed through North Dakota and will increase the revenue for the three funds that support racing.

We will be reviewing a license application from Source One a new Florida Account Wagering Firm on September 28 at the Commission meeting and at the present time I do not see any impediment to their application. They are projecting 26 million dollars in business in the next 12 months.

On the chart illustrating revenue projections I will point out the handle expected revenues from those projections for the next calendar year.

| | NDRC Projection | ADW Projection |
|---------------|-----------------|-----------------------|
| AVATAR | \$36 MILLION | \$60 TO \$108 MILLION |
| LIEN GAMES | \$41 MILLION | \$52 MILLION |
| WATCH & WAGER | \$30 MILLION | \$47 MILLION |

| | | |
|-----------|---------------------|------------------------------|
| SOUCE ONE | \$30 MILLION | \$26.4 MILLION |
| MEGATOTE | ? | ? |
| SILKS | ? | ? |
| | TOTAL \$137 MILLION | \$185.4 MILLION Lowest est. |
| | | \$233.4 MILLION Highest est. |

Estimated Revenue available for racing based on Racing Commission estimate.

\$256,875 from taxes for the three funds plus breakage of \$324,800 for a total revenue of \$581,675.00.

Estimated Revenue based on ADW company estimates.

Low estimate: \$346,875 plus breakage of \$324,800 = \$671,675

Highest estimate: \$436,875 plus breakage of \$324,800 = \$761,675

Estimated cost of racing at each track:

2010 Belcourt Race Meet: Purse Fund \$123,000

Promotion Fund \$84,500

Total Racing Funds: \$207,500

2009 Horse Race North Dakota, Fargo:

Promotion Funds: \$237,500

Plus an additional \$50,000 in 2010 to assist in payment of race meet deficit.

Purse Funds: \$350,000

Total Racing Funds: \$637,500

To conduct race meets based on the 2009 and 2010 levels it would require the Racing Commission to generate a total of \$845,000. It is obvious that the number of race days are going to be adjusted to meet the income levels. Negotiations will have to be held with each of the tracks to scale their proposals to the funds available.

As Director I am proposing to the Racing Commission two separate pieces of

Legislation:

The first is a limitation on breakage for each individual account wagering company of \$20,000,000. To retain and attract new companies we have to be competitive with the State of Oregon which licenses companies at \$200 per day which is \$73,000 per year. In order to meet the competitive rate from Oregon we will need to allow the Account Deposit Wagering companies to retain the breakage after \$20,000,000 wagered by each company.

The second piece of legislation that I am proposing to the Racing Commissioners is a change in the current law that allows the Racing Commission to have access to 25% of the promotion fund monies to operate the Commission's administrative activities. It currently is allowed but specifies that it must be approved by the Emergency Commission.

It is my interest to build these funds into our budget. The legislative change would designate the use of funds from the Promotion Fund be approved by the legislature instead of the Emergency Commission. The Promotion Funds used by the Commission would be to intensify the scrutiny on the business conducted by the Account Deposit Wagering Companies.

The Racing Commission is presently going through the process of administrative rule changes to alter the process of account wagering redefining the role of the charities and the responsibilities of the account deposit wagering companies. In these changes we have created three new bet types that are not in use in the United States at the current time. It is our plan to implement these bet types and introduce a new revenue source in America.

Mad Scramble

Pick 1-2-3

Pick 1-2-3-4-5

All three bet types have carryover which is placed into a jackpot for the eventual winner. One of the account deposit wagering companies is presently developing a business plan to market these bet types world wide. Their plan will be submitted to the Commission for review and approval.

In summation I want to reiterate my increase feeling of cautious optimism and our pledge to continue to work to stabilize and build horse racing in North Dakota.

Submitted by: Winston E. Actman

Date: September 8, 2010