

2015 HOUSE APPROPRIATIONS

HB 1023

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1023
1/15/2015
Recording Job# 22033

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the North Dakota racing commission.

Minutes:

See attachments A and B.

Chairman Brandenburg: Opened the hearing on HB1023.

Jim Ozbun, Chairman, ND Racing Commission: Made introductions of the ND Racing Commission.

Gunner LaCour, Director, ND Racing Commission: See testimony attachment A.

Chairman Brandenburg: Speaking towards the finding with the breeder's fund, do you have legislation? Do you have a bill number for that?

Gunner LaCour: It is HB1091.

Representative Kempenich: How many of these ADW's are located in the state?

Gunner LaCour: We have 11 currently licensed. Of those, I believe 7 are operational.

Representative Kempenich: But you're saying we're seeing an increase?

Gunner LaCour: We are. We did have some problems a few years ago. We had a different setup than we do now. We were wholly dependent upon one entity.

Representative Kempenich: Are they spread across the state or is it located in one area?

Gunner LaCour: They are located in various jurisdictions. They can have parts of themselves located in other states. We have one located in Fargo, one that is primarily based out of Florida, and several that are primarily based out of California.

Representative Hogan: Are you involved in direct funding of the gambling addiction services?

Gunner LaCour: Yes we are. The commission has taken money from its continuing appropriations over the last 2 years to directly fund Lutheran Social Services.

Representative Hogan: Do you pay for the actual treatment?

Gunner LaCour: No. We don't pay for actual treatment. We're paying for awareness type things.

Representative Boehning: How much was the contribution to Lutheran Social Services?

Gunner LaCour: Over the last 6 months it was \$10,000.00.

Representative Boehning: Is that reflected in your budget? How are you paying for that?

Gunner LaCour: We look at that as promoting horse racing in North Dakota. We use promotion funding with the support of the horsemen to take care of the problems that horse racing could potentially cause individuals in the state. We have a continuing appropriation called the promotion fund and we took money from there to provide to Lutheran Social Services.

Representative Boehning: How much do you plan to spend in the next biennium on these promotions to prevent gambling addiction?

Gunner LaCour: We don't have a set amount. I continue to ask what their needs are as we continue to move forward; and based on those needs she becomes before us and asks for grants. So far she's come before us twice to ask for 2 grants; the first one has been used and that's the one I reported on. She recently came before us for the second grant and left with additional money and will come back to report in the future on the use of that money.

Representative Boehning: Could you get us some kind of numbers for what you plan on spending in the next biennium?

Gunner LaCour: The commissioner's haven't discussed exactly what they plan on spending. I can't give you a specific dollar amount because I don't know if I would be able to meet that or exceed that.

Representative Glassheim: I see you have HB1091; which would be a racetrack infrastructure fund and would cost the general fund \$406,000.00. What is that for?

Gunner LaCour: There are some debt issues at our Fargo track and some infrastructure issues we have been working on at Sheboy Downs. We worked with an advisory committee and they recommended as part of their findings as to how we could address these debt issues. They worked to draft and submit this bill.

Jessica Thomasson, CEO, ND Lutheran Services: Testified in support of HB1023. See attachment B.

Representative Skarphol: Do you know what percentage of the addiction counseling you do is attributable to racing?

Jessica Thomasson: This particular program is called gambler's choice. I don't know that I have the percentage that's related to horse racing.

Representative Skarphol: The money that you invest do you invest it merely in public information announcements or do you actually get involved in counseling?

Jessica Thomasson: Our program is primarily about counseling and treatment. Our relationship with the racing commission has been public service announcements. It's typically done in a group support environment and they meet twice a week every week. We have groups Fargo, Grand Forks, Williston, and Bismarck. They meet with addiction counselors and we also meet with the problem gambler's families.

Representative Hogan: Who funds the treatment part of the gambling problem?

Jessica Thomasson: We receive some support from the Attorney General's office, Indian gaming, casinos, the racing commission and from charitable donations as well. We're the only certified treatment program for problem gambling in the state.

Representative Hogan: Can you get some trend numbers of the people served over the last 4 years?

Jessica Thomasson: I can get that to you.

Representative Skarphol: I would ask council to verify numbers and try to give us some idea of how much is spent in the various categories for addiction in all of the budgets.

Gunner LaCour: I received a report from Lutheran Social Services after they used the funding from the first round. I can provide that to you. Referenced attachment B.

Chairman Brandenburg: Closed the hearing.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1023
2/9/2015
Recording Job# 23528

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the North Dakota racing commission.

Minutes:

See attachment A.

Chairman Thoreson: Opened the discussion on HB1023.

Adam Mathiak, Fiscal Analyst, ND Legislative Council: See attachment A.

Representative Vigesaa: I don't recall from when we had the overview the reduction in other funds in the payroll of \$9,000.00.

Adam Mathiak, Fiscal Analyst, ND Legislative Council: One of the issues that comes into play with these smaller agencies is the accrued leave. I think some ended up showing a negative base payroll change.

Becky Deichert, Fiscal Analyst, ND Office of Management and Budget: We adjusted the allocation of the salary also; because it's split between general and special funds.

Vice Chairman Brandenburg: If we going to move the base payroll you move the \$5,000.00 or is it minus \$3,000.00?

Chairman Thoreson: We would move the total which is minus \$3,926.00. Is that correct?

Vice Chairman Brandenburg: I'll move that.

Representative Skarphol: Are they anticipating a reduction in special fund revenue?

Gunner LaCour, Director, ND Racing Commission: I would anticipate some reduction in special fund revenue. At one point we were getting big chunks of revenue based on fees that account deposit wagering companies initially getting licensed with us had to initially pay. At this time there are only so many of these companies in the United States. They have an ongoing fee they pay every year but those are less.

Representative Skarphol: The sheet we have reflects that you're going to pay \$3,926.00 less in base payroll; does that mean you're going to hire fewer people to work out there?

Gunner LaCour: We have a new employee as my administrative assistant. The change of pay was reflected in that \$3,000.00 because she started at the lower pay.

Representative Boehning: We should move the 3% and 3% over.

Representative Glasheim: The market equity is rather high.

Becky Deichert, Fiscal Analyst, ND Office of Management and Budget: That's based on where they're at in their pay grade based on the hay study.

Representative Glasheim: They were very low in other words?

Becky Deichert: Correct.

Representative Hogan: Are we going to move the health insurance increase over automatically?

Becky Deichert: I double checked and the numbers are flipped the \$17,899.00 is the performance piece and the \$16,053.00 is market.

Representative Glasheim: We're moving the \$17,899.00 but it changed to 3% and 3% from 4% and 3%? You're not moving over the equity is \$16,053.00.

Representative Boehning: No.

Chairman Thoreson: Closed the discussion.

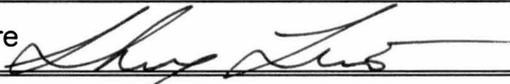
2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

HB1023
2/17/2015
Recording Job# 23960

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the North Dakota racing commission.

Minutes:

Attachment A.

Chairman Thoreson: Opened the discussion on HB1023.

Vice Chairman Brandenburg: Made a motion for a "Do Pass as Amended".

Representative Vigesaa: Seconded the motion.

Roll call vote: 8 Yeas 0 Nays 0 Absent

Motion carried.

Representative Boehning carried the bill.

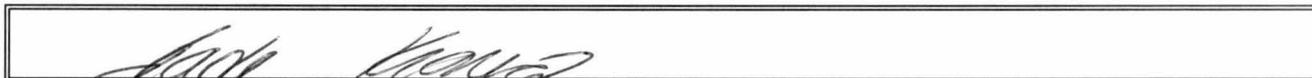
Chairman Thoreson: Closed the discussion.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1023
2/19/2015
24188

- Subcommittee
 Conference Committee



Explanation or reason for introduction of bill/resolution:

Provide an appropriation for defraying expenses of North Dakota Racing Commission

Minutes:



Representative Boehning: Spoke on amendment 15.8131.01001. I am just going to work off the work sheet. We did move over the base payroll changes but there was a decrease in the base payroll changes of 9,000 dollars and I think that was due to the new commissioner, probably at a lower salary decrease. Along with that there was a new office person in there so that is why the base payroll went down. The performance with the three and three, we moved over the health insurance and then had an increase in operating expenses at 1,500 dollars. So we had a total increase of 19,000 dollars for a grand total of 575,000 dollars.

Representative Boehning: I move to amendment .01001

Representative Brandenburg: Second

Motion to Amend HB 1023 with .01001
Motion made by Representative Boehning.
Seconded by Representative Brandenburg
Voice Vote,
Motion Carries.

Representative Boehning: I move a motion for Do Pass As Amended HB 1023

Representative Thoreson: Second

Motion to Do Pass As Amended
Motion by Representative Boehning.
Seconded by Representative Thoreson.
Total Yes 19. No 4. Absent 0.
Motion Carries.
Floor assignment Representative Boehning.

ADD
2-20-15

Fiscal No. 1

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1023

Page 1, replace lines 12 through 17 with:

"Racing commission	\$551,862	\$23,376	\$575,238
Accrued leave payments	<u>3,789</u>	<u>(3,789)</u>	<u>0</u>
Total all funds	\$555,651	\$19,587	\$575,238
Less estimated income	<u>166,407</u>	<u>(7,677)</u>	<u>158,730</u>
Total general fund	\$389,244	\$27,264	\$416,508
Full-time equivalent positions	2.00	0.00	2.00"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1023 - Racing Commission - House Action

	Base Budget	House Changes	House Version
Racing commission	\$551,862	\$23,376	\$575,238
Accrued leave payments	<u>3,789</u>	<u>(3,789)</u>	
Total all funds	\$555,651	\$19,587	\$575,238
Less estimated income	<u>166,407</u>	<u>(7,677)</u>	<u>158,730</u>
General fund	\$389,244	\$27,264	\$416,508
FTE	2.00	0.00	2.00

Department No. 670 - Racing Commission - Detail of House Changes

	Adds Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Adjusts Funding for Operating Expenses ³	Total House Changes
Racing commission	(\$137)	\$22,013	\$1,500	\$23,376
Accrued leave payments	<u>(3,789)</u>			<u>(3,789)</u>
Total all funds	(\$3,926)	\$22,013	\$1,500	\$19,587
Less estimated income	<u>(9,177)</u>	<u>0</u>	<u>1,500</u>	<u>(7,677)</u>
General fund	\$5,251	\$22,013	\$0	\$27,264
FTE	0.00	0.00	0.00	0.00

¹ Funding is added for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes.

² The following funding is added for 2015-17 biennium performance salary adjustments of 2 to 4 percent per year and increases in monthly health insurance premiums:

	General Fund	Other Funds	Total
Salary increase - Performance	\$13,379		\$13,379
Health insurance increase	8,634		8,634
Total	\$22,013	\$0	\$22,013

³ Increases funding for operating expenses.

**2015 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. HB1023**

House Appropriations - Government Operations Divison 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 Representative Brandenburg Seconded By Representative Vigessa

Representatives	Yes	No	Representatives	Yes	No
Chairman Thoreson	X		Representative Hogan	X	
Vice Chairman Brandenburg	X		Representative Glassheim	x	
Representative Kempenich	x				
Representative Vigesaa	X				
Representative Boehning	X				
Representative Skarphol	X				

Total (Yes) 8 No 0

Absent 0

Floor Assignment Representative Boehning

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

Date: 2/19/15
 Roll Call Vote #: 1

**2015 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1023**

House Appropriations Committee

Subcommittee

Amendment LC# or Description: ,01001

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: Rep. Boening Seconded By: Rep. 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 Vigesaa							

Totals

(Yes)	
No	
Absent	
Grand Total	

*Carries
Voice Vote*

Floor Assignment: _____

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

Date: 2/19/15

Roll Call Vote #: 2

**2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1023**

House Appropriations Committee

Subcommittee

Amendment LC# or Description: 15. 8131.01001

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: Rep. Boehning Seconded By: Rep. Thoreson

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 Vigesaa	✓						

Totals

(Yes)	<u>19</u>
No	<u>4</u>
Absent	<u>0</u>
Grand Total	<u>23</u>

Floor Assignment: Rep. Boehning

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

REPORT OF STANDING COMMITTEE

HB 1023: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (19 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). HB 1023 was placed on the Sixth order on the calendar.

Page 1, replace lines 12 through 17 with:

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Less estimated income	<u>(9,177)</u>	<u>0</u>	<u>1,500</u>	<u>(7,677)</u>
General fund	\$5,251	\$22,013	\$0	\$27,264
FTE	0.00	0.00	0.00	0.00

¹ Funding is added for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes.

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³ Increases funding for operating expenses.

2015 SENATE APPROPRIATIONS

HB 1023

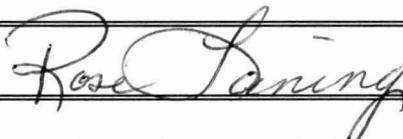
2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

HB 1023
3/4/2015
Job # 24331

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the North Dakota racing commission.

Minutes:

Attachment 1 - 2

Legislative Council - Chris Kadrmas
OMB - Becky Deichert

Chairman Holmberg called the committee to order on HB 1023.

Jim Ozbun, Chairman, North Dakota State Racing Commission: Introduced the Racing Commission Director, Gunner LaCour.

Gunner LaCour, Director, ND Racing Commission: Testimony - Attachment 1
North Dakota Horse Park Status Sheet - Attachment 2

(15:09) **Chairman Holmberg:** Your testimony said you liked the executive budget and it was good for you. The only difference between that and what we have before us now is the \$8,015 that was for the equity and the retirement. Otherwise, it is a clean budget from your position except for those two changes.

Senator Carlisle: On the increase in the account deposit wagering (ADW), you have just a few make up players from around the world? The top 5-10, what do they count for out of this \$300M?

Gunner LaCour: It would be hard to give a percentage. The amount of our wagering that is actually volume players is.... We do a lot more retail volume nowadays. Some of our increase has been in volume players, but I would say that we're still in excess of 75% retail. Retail would be just you and me going and wagering.

Senator Carlisle: But the big players, they're genius program people, and they put in millions, they've got some players that put in a lot of money, right? And they close just before, within a milli-second? Isn't that how they do it? It's off a program?

Gunner LaCour: Yes, there is some computer assisted wagering that gets done thru us.

Senator O'Connell: How many sites do you have now where you have simulcast where you moved in and where there was charitable gambling?

Gunner LaCour: We have 11 ADW sites currently listed on our website - those are the internet sites. Then we have two simulcast sites in the state. The number of simulcast sites have dropped and the number of ADW companies has increased.

Senator O'Connell: I've gotten a number of complaints where there is charitable gambling - if you have pull tabs in that spots and another charitable gaming cannot come into that site, but what's been happening is that racing has come in and set up sites and has basically ruined the charitable gambling. The charitable has been used by fire dept. and others, but now the simulcast has been coming into the same location and now there's basically no more pull tabs and they're going to this kind of racing.

Gunner LaCour: Sorry, I misunderstood your question. We have a kiosk system that runs off of an ADW type platform as well. Those kiosks have gone in and I was not made aware of any issue that these were violating any rules. But that's the Gaming Commission. The Gaming Commission has not come to me and said that there was an issue, nor has anyone called and said there's an issue with the bars having these kiosk type systems - self-service type systems.

Senator O'Connell: You should probably go up to the 17th floor and talk to the lady that's in charge of it. She's getting a lot of complaints too.

Senator G. Lee: You mentioned Belcourt and the other track being in West Fargo. That one has struggled over time. How is it doing today?

Gunner LaCour: It is not in the greatest state. We've looked at it, and it has significant debt of over \$2M which as of March 1, some of them became delinquent. As a result, we've been looking at whether we can even allow them to run for this coming year. If that were the case, then those race days would be transferred to Chippewa Downs and we would run up there. It wouldn't change anything in regard to our budget. It would simply be a different place where we ran. We've been working on this for the better part of a year to a year and a half, trying to find a way to deal with this problem. We went to the city of Fargo. We developed financial reports. We even introduced some legislation based on the recommendations of an advisory committee chaired by former Senator Grindberg. The Racing Commission has done a lot to try to help save this track, but the groups that are there, we haven't been able to get them out from under the debt load that they have. I have for you, a packet that provides all the relevant information on the status of the North Dakota Horse Park at this time. (North Dakota Horse Park Status Sheet - Attachment 2)

Senator G. Lee: How does that track affect your budget here if it folds?

Gunner LaCour: Most of our budget is salaries, so I spend the vast majority of my time working on account deposit wagering type issues; rules, regulations, making sure I'm keeping on top of all the ADW regulations. During the race season, I probably work 7 days a week during that time, but whether its up at Chippewa Downs or whether it's at Fargo, it

doesn't really affect our budget because I have to travel to Chippewa Downs and have people up there to take care of that racing or I have to go out to Fargo and do it, so it's essentially the same.

Senator O'Connell: Chippewa Downs has one or two races a year?

Gunner LaCour: They have four weekends, so a month of racing.

Senator O'Connell: Basically when Fargo put in theirs, it killed Bottineau and they don't have any races now at all. Most of the horsemen that are from that area have hard feelings and it's still out there.

Senator Sorvaag: What are your "other funds"? That's not the tax because that goes into the general fund. What's the other \$160,000?

Gunner LaCour: The tax is split 4 ways: the general fund, the promotion, the purse and the breeder's fund evenly. Then we take breakage which goes into the promotion fund. Breakage is essentially the odd cents that are rounded off when a payout is made, so they round it off to the nearest 5 or 10 cents.

Senator Mathern: Does any of the income from the tax on gaming go to the ND Horse Park?

Gunner LaCour: Yes. Last year, we provided them with \$240,000 to run the race meet. This year their request is \$300,000 so we provide the vast majority of the money to put on those race meets out of the promotion and purse funds.

Senator Mathern: Capital dollars for the horse park itself?

Gunner LaCour: They could apply for a grant to us and we could provide a grant in the amount of X number of dollars to fix the grandstands, for example. We can do that type of thing.

Senator Mathern: Anything in this budget that allows for grant money for the Horse Park?

Gunner LaCour: That's all from our continuing appropriations fund. So the promotion fund would be the type of place that it would come from.

Senator O'Connell: Are you receiving any income from the University for the rent of the buildings? At one time there was talk about having a joint partnership with the university.

Gunner LaCour: We don't receive any money from that because the Racing Commission does not own the Horse Park. That's owned by non-profit entities, other than ourselves. The partnership has not worked out like intended. They use the barn during the race season, but there hasn't been the development of a program or something like that related to racing that they first intended. At one point during the progress of the Horse Park, NDSU received information from their auditors that they had to start - originally nobody billed anybody. They just said, "well, you use it when you need to race and we'll use your

property when we need it when you're not racing." That wasn't ok with the auditors. They made NDSU start billing them. We've been telling the Horse Park for some time that they need to start billing NDSU for the use of their facilities as well, so that they can offset the costs. It was \$17,000 last year just to rent the barn and has been higher, but that has never come to fruition.

Chairman Holmberg closed the hearing on HB 1023.

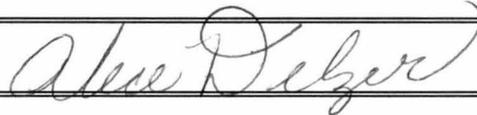
2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1023
4/8/2015
Job # 25932

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for Act to defray the expenses of the Racing Commission (Do pass as amended)

Minutes:

Amendment # 15.8131.02002

Chairman Holmberg called the committee to order on Wednesday, April 8, 2015 in regards to HB 1023. All committee members were present except V.Chairman Bowman. Alex Cronquist, Legislative Council and Tammy Dolan, OMB were also present.

Senator Sorvaag moved amendment # 15.8131.02002. The only thing is the amendment is adjusting the health insurance. 2nd is Senator Carlisle.

Chairman Holmberg: All in favor say aye. It carried.

Senator Sorvaag moved a Do Pass as Amended. 2nd by Senator Heckaman.

Chairman Holmberg: Call the roll on a do pass as amended on 1023.

A Roll Call vote was taken. Yea: 12; Nay: 1; Absent: 0.

Senator Sorvaag will carry the bill. The hearing was closed on HB 1023.

After the hearing V.Chairman Bowman came in and voted on this bill. No recording.

TD
 4/8/15

April 7, 2015

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1023

Page 1, replace lines 12 through 17 with:

"Racing commission	\$551,862	\$21,872	\$573,734
Accrued leave payments	<u>3,789</u>	<u>(3,789)</u>	<u>0</u>
Total all funds	\$555,651	\$18,083	\$573,734
Less estimated income	<u>166,407</u>	<u>(7,677)</u>	<u>158,730</u>
Total general fund	\$389,244	\$25,760	\$415,004
Full-time equivalent positions	2.00	0.00	2.00"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1023 - Racing Commission - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Racing commission	\$551,862	\$575,238	(\$1,504)	\$573,734
Accrued leave payments	<u>3,789</u>			
Total all funds	\$555,651	\$575,238	(\$1,504)	\$573,734
Less estimated income	<u>166,407</u>	<u>158,730</u>	0	<u>158,730</u>
General fund	\$389,244	\$416,508	(\$1,504)	\$415,004
FTE	2.00	2.00	0.00	2.00

Department No. 670 - Racing Commission - Detail of Senate Changes

	Adjusts Funding for Health Insurance Premium Increases ¹	Total Senate Changes
Racing commission	(\$1,504)	(\$1,504)
Accrued leave payments		
Total all funds	(\$1,504)	(\$1,504)
Less estimated income	<u>0</u>	<u>0</u>
General fund	(\$1,504)	(\$1,504)
FTE	0.00	0.00

¹ Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of \$1,130.22 per month.

Date: 2-8-15
Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. _____

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: 15.8131.02002

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 Sorvaag Seconded By Carlisle

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg			Senator Heckaman		
Senator Bowman			Senator Mathern		
Senator Krebsbach			Senator O'Connell		
Senator Carlisle			Senator Robinson		
Senator Sorvaag					
Senator G. Lee					
Senator Kilzer					
Senator Erbele					
Senator Wanzek					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Date: 4-8-15
 Roll Call Vote #: 2

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
 BILL/RESOLUTION NO. 1023

Senate 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 Bowaag Seconded By Heckaman

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Heckaman	✓	
Senator Bowman	✓		Senator Mathern	✓	
Senator Krebsbach	✓		Senator O'Connell	✓	✓
Senator Carlisle	✓		Senator Robinson	✓	
Senator Sorvaag	✓				
Senator G. Lee	✓				
Senator Kilzer	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 12 No 1

Absent 0

Floor Assignment Bowaag

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

REPORT OF STANDING COMMITTEE

HB 1023, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1023 was placed on the Sixth order on the calendar.

Page 1, replace lines 12 through 17 with:

"Racing commission	\$551,862	\$21,872	\$573,734
Accrued leave payments	<u>3,789</u>	<u>(3,789)</u>	<u>0</u>
Total all funds	\$555,651	\$18,083	\$573,734
Less estimated income	<u>166,407</u>	<u>(7,677)</u>	<u>158,730</u>
Total general fund	\$389,244	\$25,760	\$415,004
Full-time equivalent positions	2.00	0.00	2.00"

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1023 - Racing Commission - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Racing commission	\$551,862	\$575,238	(\$1,504)	\$573,734
Accrued leave payments	<u>3,789</u>			
Total all funds	\$555,651	\$575,238	(\$1,504)	\$573,734
Less estimated income	<u>166,407</u>	<u>158,730</u>	0	<u>158,730</u>
General fund	\$389,244	\$416,508	(\$1,504)	\$415,004
FTE	2.00	2.00	0.00	2.00

Department No. 670 - Racing Commission - Detail of Senate Changes

	Adjusts Funding for Health Insurance Premium Increases ¹	Total Senate Changes
Racing commission	(\$1,504)	(\$1,504)
Accrued leave payments		
Total all funds	(\$1,504)	(\$1,504)
Less estimated income	<u>0</u>	<u>0</u>
General fund	(\$1,504)	(\$1,504)
FTE	0.00	0.00

¹ Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of \$1,130.22 per month.

2015 TESTIMONY

HB 1023

**Department 670 - Racing Commission
 House Bill No. 1023**

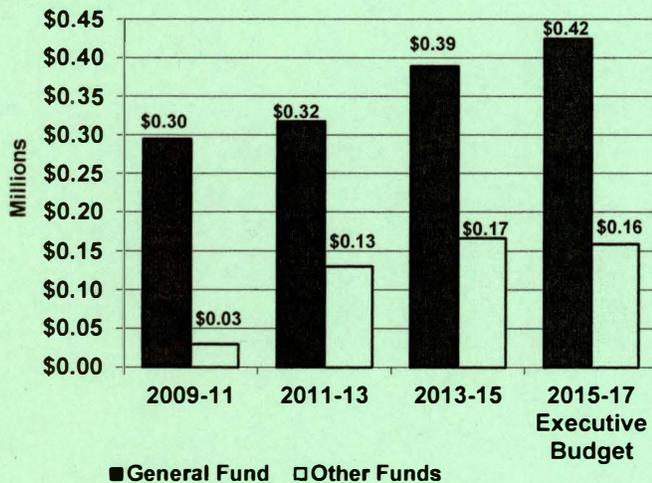
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2015-17 Executive Budget	2.00	\$424,523	\$158,730	\$583,253
2013-15 Legislative Appropriations	2.00	389,244	166,407	555,651
Increase (Decrease)	0.00	\$35,279	(\$7,677)	\$27,602

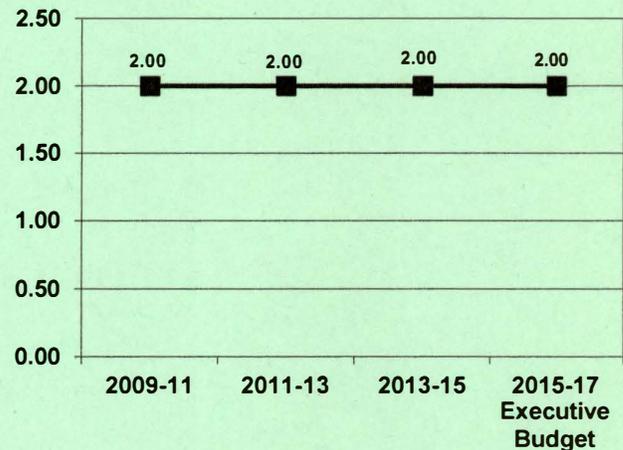
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2015-17 Executive Budget	\$424,523	\$0	\$424,523
2013-15 Legislative Appropriations	389,244	0	389,244
Increase (Decrease)	\$35,279	\$0	\$35,279

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2015-17 Executive Budget	\$424,523	\$158,730	\$583,253
2015-17 Base Level	389,244	166,407	555,651
Increase (Decrease)	\$35,279	(\$7,677)	\$27,602

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which \$1,653 relates to performance increases, \$17,899 is for market equity adjustments, \$8,634 is for health insurance increases, and \$1,842 is for retirement contribution increases	\$30,028	\$0	\$30,028
2. Increases operating expenses	\$0	\$1,500	\$1,500

Continuing Appropriations

Breeders' fund - North Dakota Century Code Section 53-06.2-11 - To financially reward breeders or owners of North Dakota-bred horses.

Promotion fund - Section 53-06.2-11 - To promote horse racing in North Dakota.

Purse fund - Section 53-06.2-11 - To increase the amount of purses at North Dakota racetracks.

Significant Audit Findings

The operational audit of the Racing Commission conducted by the State Auditor's office for the biennium ended June 30, 2013, included a significant audit finding related to the commission only receiving one bid to maintain and administer the North Dakota-bred horse registry.

Major Related Legislation

House Bill No. 1053 - Desktop Support Services - Requires select agencies to use centralized desktop support services provided by the Information Technology Department.

House Bill No. 1090 - Continuing Appropriation - Racetrack Infrastructure Fund - Establishes the racetrack infrastructure fund and grant program and provides a continuing appropriation. The purpose of the fund is to establish a grant program to assist racetracks in the state with infrastructure improvement and debt retirement. The bill results in a reduction of \$406,250 in general fund revenues for the 2015-17 biennium.

House Bill No. 1091 - North Dakota-Bred Horse Registry - Requires administrative costs to be paid from the breeders' fund.

Senate Bill No. 2071 - Letter of Credit - Allows North Dakota Racing Commission licensees to utilize letters of credit as security.

Senate Bill No. 2078 - Racing Commission Members Compensation - Changes the commission members compensation rate to match the Legislative Assembly's daily rate resulting in an estimated increase in expenditures of \$5,520 for the 2015-17 biennium.

Racing Commission - Budget No. 670
House Bill No. 1023
Base Level Funding Changes

	Executive Budget Recommendation			Total
	FTE Positions	General Fund	Other Funds	
2015-17 Biennium Base Level	2.00	\$389,244	\$166,407	\$555,651
2015-17 Ongoing Funding Changes				
Base payroll changes		\$5,251	(\$9,177)	(\$3,926)
Salary increase - Performance		1,653		1,653
Salary increase - Market equity		17,899		17,899
Retirement contribution increase		1,842		1,842
Health insurance increase		8,634		8,634
Increase operating expenses			1,500	1,500
Total ongoing funding changes	0.00	\$35,279	(\$7,677)	\$27,602
One-time funding items				
No executive recommendation of one-time items				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	0.00	\$35,279	(\$7,677)	\$27,602
2015-17 Total Funding	2.00	\$424,523	\$158,730	\$583,253

Department 670 - Racing Commission
 House Bill No. 1023

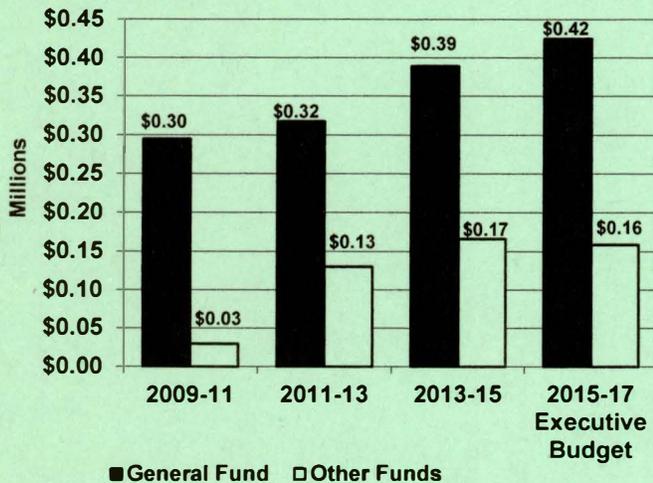
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2015-17 Executive Budget	2.00	\$424,523	\$158,730	\$583,253
2013-15 Legislative Appropriations	2.00	389,244	166,407	555,651
Increase (Decrease)	0.00	\$35,279	(\$7,677)	\$27,602

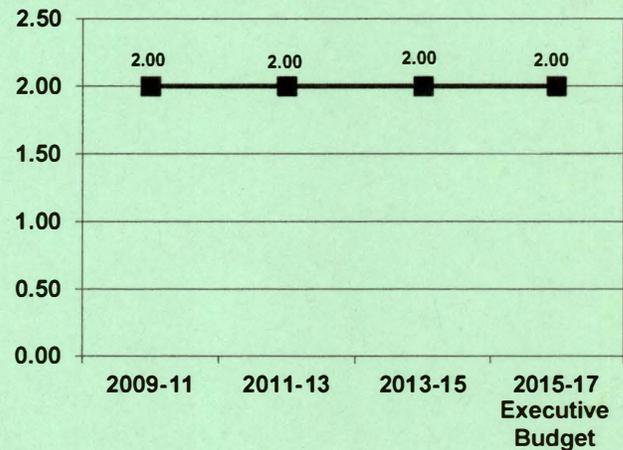
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2015-17 Executive Budget	\$424,523	\$0	\$424,523
2013-15 Legislative Appropriations	389,244	0	389,244
Increase (Decrease)	\$35,279	\$0	\$35,279

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2015-17 Executive Budget	\$424,523	\$158,730	\$583,253
2015-17 Base Level	389,244	166,407	555,651
Increase (Decrease)	\$35,279	(\$7,677)	\$27,602

First House Action

Attached is a comparison worksheet detailing first house changes to base level funding and the executive budget.

**Executive Budget Highlights
 (With First House Changes in Bold)**

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which \$1,653 relates to performance increases, \$17,899 is for market equity adjustments, \$8,634 is for health insurance increases, and \$1,842 is for retirement contribution increases. The House provided funding for performance salary increases of 2 to 4 percent per year and funding for health insurance increases but did not include funding for market equity increases or funding for retirement contribution increases.	\$30,028	\$0	\$30,028
2. Increases operating expenses	\$0	\$1,500	\$1,500

Continuing Appropriations

Breeders' fund - North Dakota Century Code Section 53-06.2-11 - To financially reward breeders or owners of North Dakota-bred horses.

Promotion fund - Section 53-06.2-11 - To promote horse racing in North Dakota.

Purse fund - Section 53-06.2-11 - To increase the amount of purses at North Dakota racetracks.

Significant Audit Findings

The operational audit of the Racing Commission conducted by the State Auditor's office for the biennium ended June 30, 2013, included a significant audit finding related to the commission only receiving one bid to maintain and administer the North Dakota-bred horse registry.

Major Related Legislation

House Bill No. 1053 - Desktop Support Services - Requires select agencies to use centralized desktop support services provided by the Information Technology Department.

House Bill No. 1091 - North Dakota-Bred Horse Registry - Requires administrative costs to be paid from the breeders' fund.

House Bill No. 1203 - Simulcast and Account Wagering - Provides a decreased tax cap for licensed simulcast/account deposit wagering companies that conduct a 12-day live horse racing meet.

Senate Bill No. 2071 - Letter of Credit - Allows North Dakota Racing Commission licensees to utilize letters of credit as security.

Racing Commission - Budget No. 670
House Bill No. 1023
Base Level Funding Changes

	Executive Budget Recommendation				House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2015-17 Biennium Base Level	2.00	\$389,244	\$166,407	\$555,651	2.00	\$389,244	\$166,407	\$555,651
2015-17 Ongoing Funding Changes								
Base payroll changes		\$5,251	(\$9,177)	(\$3,926)		\$5,251	(\$9,177)	(\$3,926)
Salary increase - Performance		17,899		17,899		13,379		13,379
Salary increase - Market equity		1,653		1,653				0
Retirement contribution increase		1,842		1,842				0
Health insurance increase		8,634		8,634		8,634		8,634
Operating expenses increase			1,500	1,500			1,500	1,500
Total ongoing funding changes	0.00	\$35,279	(\$7,677)	\$27,602	0.00	\$27,264	(\$7,677)	\$19,587
One-time funding items								
No one-time funding items				\$0				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	0.00	\$35,279	(\$7,677)	\$27,602	0.00	\$27,264	(\$7,677)	\$19,587
2015-17 Total Funding	2.00	\$424,523	\$158,730	\$583,253	2.00	\$416,508	\$158,730	\$575,238

Other Sections in House Bill No. 1023

	Executive Budget Recommendation				House Version			
	None				None			

House Bill 1023
ND Racing Commission – Budget No. 670
Gunner laCour, Director
January 15, 2015

64th Legislative Assembly
House Appropriations Committee
Representative Blair Thoreson, Chairman

The North Dakota Racing Commission has again experienced a biennium of significant revenue growth. This in turn has allowed the Commission to provide further financial support to our horse racing industry and horsemen as well as engaging in several new initiatives designed to support racing related activities in the state. The current pari-mutuel tax law which contains low tax rates on account deposit wagering, in addition to our national and international reputation as a leader in policy and regulation, has been attractive to a number of account deposit wagering companies (ADWs) driving the entry of new groups as well as increasing the profitability and tax generation of our existing ADWs.

The strength of our current ADW market is best presented by contrasting our 2014 fiscal year handle (the total amount wagered) against previous years:

2011	\$ 82 million
2012	\$151 million
2013	\$196 million
2014	\$323 million

The taxation on wagering is the primary source of revenue that fuels live horse racing and horse breeding within our state. The low tax rates on ADWs, providing a more competitive business atmosphere, have been critical to the recent increase in revenue. The tax rate is one-sixteenth of one percent to the State General Fund and one-sixteenth of one percent to each of the three racing funds: Purse, Breeders', and Promotion. This tax rate creates \$2,500 in taxes per million in handle. Due to the significant increases in handle over the 2014 fiscal year, the Commission produced approximately \$201,875 in taxes to the General Fund. This means that as of the end of the last fiscal year the Racing Commission had "paid back" half of its appropriation to the General Fund. Based on the performance of our ADWs thus far in this biennium and our current projections for FY 2015, the Commission believes it is in a position to generate tax revenue to the General Fund in excess of its appropriation (as of December the Commission had returned \$305,105 in taxes to the General Fund). While the Commission remains conservative in its estimates regarding continued handle growth, it is believed that tax generation at this or increased levels may begin to provide a solid footing on which to rebuild our once extensive racing industry.

The Racing Commission has a program based one line item budget. For the 2015-17 biennium we have requested:

	<u>2013 – 2015</u>	<u>2015 – 2017</u>	<u>Change</u>
General Fund request:	\$389,244	\$394,495	\$ 5,251
Special Fund request:	<u>\$166,408</u>	<u>\$158,730</u>	<u>\$(7,678)</u>
Total:	\$555,652	\$553,225	\$(2,427)

The total Executive Budget Recommendation is \$583,253, providing additional funding to allow for standard compensation increases over the coming biennium. The Commission does not receive any federal funding.

The budget request reflects the Commission's attempt to fulfill the Governors direction and maintain a flat budget for the next biennium. In fact, by maintaining flat expenses in all other areas, the Commission was able to reduce its total request to reflect the lower compensation of the new Administrative Assistant to the Director.

There are no significant changes to the Commission's base level budget. Our ongoing funding increase approved by the 2013 legislature was for compensation and benefits for a permanent Director position. As you can see in the detailed budget, compensation and benefits for the two FTE positions at

the Commission (Director and Administrative Assistant) are the major components of our base level budget with comparatively minimal funding in all other areas. As discussed previously, the increased ADW operations have offset the additional costs requested in 2013 and included in the base budget.

The Commission believes that the proposed budget, while lean in many ways, will provide the support necessary to continue the initiatives and positive improvements implemented over the last two bienniums. An increased level of oversight coupled with the Commission's expanding continuing appropriations has led to a quality of racing and financial return to the horsemen not seen for many years. Though both of our tracks face their own set of issues, the Commission has faced these head on in order to create a path towards financially stable, quality race meets.

Of primary importance is the Commission's impact on the horsemen and their communities. Over the last two fiscal years the Commission made direct contributions to the state's equine industry as follows:

Promotion:	\$532,000
Purse:	\$400,500
<u>Breeders:</u>	<u>\$218,000</u>
Total:	\$1,150,500

While this money has been provided in support of many different efforts, all funding directly benefited the horsemen and the broader equine industry of North Dakota. What is more difficult to quantify is the secondary effect of this funding. Specifically, the benefits to the local community of temporary and permanent employment created by a strong equine industry can be quite large, particularly in places such as Belcourt with a higher than average unemployment rate. A significant portion of this funding also makes its way to the larger state economy as each horsemen engages with numerous individuals and businesses throughout the remainder of the year to support their equine operations.

In addition to direct financial contributions, the Commission has also engaged in a number of non-financial initiatives designed to support the racing industry. This includes a complete revision to its medication rules and increased the level of testing for all live meets. Illegal medication in racing is the most serious problem facing the industry today. The Commission is now a leader on race-day medication policies, being one of only six jurisdictions in the country to have fully implemented the Medication Rules provided by our model rules body, the Association of Racing Commissioners International (ARCI). While we

are certainly one of the smallest racing jurisdictions, we are helping set an industry standard for the benefit of our equine athletes, spectators and horsemen alike.

The Commission has also looked beyond its racing and wagering regulatory functions to support problem gambling programs within our state. Over the past biennium the Commission has partnered with Lutheran Social Services (LSS) in a number of capacities: making available problem gambling materials and LSS staff members at our live race meets to promote awareness, Commission contributions directly funding 350 LSS problem gambling commercials, obtaining LSS input when drafting new regulations related to problem gambling, and a live TV appearance by the Director and LSS on the ND Today Show to further promote awareness. The Commission recognizes its responsibility to the broader North Dakota community and believes that the continuation of these efforts is a vital part of the Racing Commission's future.

As always, the Commission continues to implement regulatory procedures which meet or exceed industry standards and are effective in creating a more transparent and well regulated ADW industry. This includes the implementation of Thoroughbred Racing Protective Bureau and FBI background

checks on all ADW applicants as well as close coordination with and full review of all applications by the ND Attorney General during ADW licensing. Additionally, CHRIMS, the preeminent pari-mutuel auditing company, audits all ND licensed ADW activity for reconciliation with taxes remitted. The Commission is also currently engaged in an effort to modernize our administrative rules by adopting key aspects of the ARCI model rules. It is through these efforts that the Commission demonstrates its commitment to supporting the integrity of the sport of horse racing not only within North Dakota, but throughout the industry both nationally and internationally.

Finally, I would note that there was one finding during our most recent audit. This finding involved our independent contractor's administration of our Breeders' Fund. More specifically, due to the errors in administration of the Breeders' Fund, brought to the attention of the auditor by the Director, the auditor recommended considering having the Commission again administer the Breeders' Fund internally. The Commission is required by statute to use an independent third party to administer the Breeders' Fund; however, prior to the audit finding we were already planning to submit legislation to allow the Commission to again administer the fund due to these errors. Such legislation

would provide for the option of using in-house systems to reduce costs and increase accountability. The Commission hopes that such legislation will be passed during this session to support its efforts at ensuring best practices not only in its regulatory processes, but in its internal administrative functions as well.

North Dakota has been and will always be a state rich in horse culture. Unfortunately, horse racing has seen hard times for several years. Despite the success of the Commission in developing additional revenue and supporting programs, the future of racing in North Dakota is still tenuous. The Commission believes that the people of North Dakota, not to mention the numerous horsemen, want to see a vibrant racing culture again. With hard work, strong administration, thoughtful guidance and the support of the legislature, the Commission can build on these past successes to ensure a more stable future for this great sport in North Dakota.

ND Racing Commission Report
Lutheran Social Services Gamblers Choice
November 13, 2014

GAMBLERS CHOICE

- Serving problem gamblers since 1988
- Outpatient treatment with services offered primarily through group sessions for the gambler as well as family member/education groups.
- Presently serving the communities of Williston, Bismarck, Minot, Grand Forks and Fargo
- Five clinical counselors serving the state; all Nationally Certified Gambling Counselors. Recent loss of two counselors; retirement and a resignation to pursue more formal education
- Currently funded by contracts with ND Department of Human Services; lottery proceeds, ND Indian Gaming Association, Minot/Williston United Way and MN Department of Human Services.
- Served 108 gamblers in FY 2014.
 - 59% male
 - 49% female
 - 51% married
 - 15 % reported yearly income between \$30,000 and \$40,000
 - 14 % reported yearly income of over \$75,000
 - 20% reported personal debt of \$30,000 and higher due to gambling
 - 25% bachelors degree
 - 73% blue collar employment
 - 65% employed full time
 - 58% preferred casino games
 - 33% preferred charitable gambling
 - 1% off track betting
- Within 6 months of 2014, the increase in new clients has exceeded the last three years
- Nationally, 2-3% of people struggle with problem gambling. This means that 14,000-21,000 North Dakotans may be struggling with problem gambling

NORTH DAKOTA RACING COMMISSION

- Responsible Gambling materials placed at the Chippewa Downs live racing events Summer 2014.
- Presence of staff and responsible gambling materials at the live races at the Fargo Horse Park 2014.
- Grant of \$5000 for public awareness/marketing received April 29, 2014.
- 350 TV commercials aired in late July, August 2014 primarily in Western portion of state
- This campaign resulted in 10 specific calls for assistance where the caller identified the TV commercial as the reason for reaching out.
 - 8 of the callers were gamblers requesting services/information for themselves
 - 2 of the callers were requesting help for their elderly parents
- ND Today appearance in September 2014 highlighting the relationship between Gamblers Choice and the ND Racing Commission.

SHORT- TERM PLANNING AND NEEDS FOR GAMBLERS CHOICE

- \$5,000 to create a public awareness/marketing campaign for National Problem Gambling Awareness Month, March 2015.
- \$5,000 to provide client scholarships from January - March 2015, due to loss of Cass/Clay United Way funding.

LONG- TERM FUTURE PLANNING/NEEDS

- Completion of a Needs Assessment that would better define who and where problem gamblers are in the state and then design public awareness, prevention and treatment efforts in response to the findings. Approximate cost of the Needs Assessment would be \$30,000. The most recent prevalence study was completed in 2000.
- Payee Services within the Gamblers Choice program to help clients better manage their finances; daily spending, cash flow debt reduction and restitution.
- Increased state funding for treatment services and public awareness marketing efforts by increasing the monthly allocation from the lottery proceeds to the problem gambling awareness fund. This has not been increased since the lottery was legalized in 2004.

**Racing Commission - Budget No. 670
House Bill No. 1023
Base Level Funding Changes**

	Executive Budget Recommendation				House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2015-17 Biennium Base Level	2.00	\$389,244	\$166,407	\$555,651	2.00	\$389,244	\$166,407	\$555,651
2015-17 Ongoing Funding Changes								
Base payroll changes		\$5,251	(\$9,177)	(\$3,926)				\$0
Salary increase - Performance		1,653		1,653				0
Salary increase - Market equity		17,899		17,899				0
Retirement contribution increase		1,842		1,842				0
Health insurance increase		8,634		8,634				0
Increase operating expenses			1,500	1,500				0
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Other change				0				0
Total ongoing funding changes	0.00	\$35,279	(\$7,677)	\$27,602	0.00	\$0	\$0	\$0
One-time funding items								
No executive recommendation of one-time items				\$0				\$0
Other one-time funding item				0				0
Other one-time funding item				0				0
Other one-time funding item				0				0
Other one-time funding item				0				0
Other one-time funding item				0				0
Other one-time funding item				0				0
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	0.00	\$35,279	(\$7,677)	\$27,602	0.00	\$0	\$0	\$0
2015-17 Total Funding	2.00	\$424,523	\$158,730	\$583,253	2.00	\$389,244	\$166,407	\$555,651
Other Sections in House Bill No. 1023								
	Executive Budget Recommendation				House Version			

HB 1023

February 17, 2015

Hardant A

**Racing Commission - Budget No. 670
House Bill No. 1023
Base Level Funding Changes**

February 12th, 2015

	Executive Budget Recommendation				House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2015-17 Biennium Base Level	2.00	\$389,244	\$166,407	\$555,651	2.00	\$389,244	\$166,407	\$555,651
2015-17 Ongoing Funding Changes								
Base payroll changes		\$5,251	(\$9,177)	(\$3,926)		\$5,251	(\$9,177)	(\$3,926)
Salary increase - Performance		17,899		17,899		13,379		13,379
Salary increase - Market equity		1,653		1,653				0
Retirement contribution increase		1,842		1,842				0
Health insurance increase		8,634		8,634		8,634		8,634
Increase operating expenses			1,500	1,500			1,500	1,500
Total ongoing funding changes	0.00	\$35,279	(\$7,677)	\$27,602	0.00	\$27,264	(\$7,677)	\$19,587
One-time funding items								
No executive recommendation of one-time items				\$0				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	0.00	\$35,279	(\$7,677)	\$27,602	0.00	\$27,264	(\$7,677)	\$19,587
2015-17 Total Funding	2.00	\$424,523	\$158,730	\$583,253	2.00	\$416,508	\$158,730	\$575,238

Other Sections in House Bill No. 1023

Executive Budget Recommendation

House Version

House Bill 1023
ND Racing Commission – Budget No. 670
Gunner laCour, Director
March 4, 2015

BB 1023
3-4-15
#1

64th Legislative Assembly
Senate Appropriations Committee
Senator Ray Holmberg, Chairman

The North Dakota Racing Commission has again experienced a biennium of significant revenue growth. This in turn has allowed the Commission to provide further financial support to our horse racing industry and horsemen as well as engaging in several new initiatives designed to support racing related activities in the state. The current pari-mutuel tax law which contains low tax rates on account deposit wagering, in addition to our national and international reputation as a leader in policy and regulation, has been attractive to a number of account deposit wagering companies (ADWs) driving the entry of new groups as well as increasing the profitability and tax generation of our existing ADWs.

The strength of our current ADW market is best presented by contrasting our 2014 fiscal year handle (the total amount wagered) against previous years:

2011	\$ 82 million
2012	\$151 million
2013	\$196 million
2014	\$323 million

The taxation on wagering is the primary source of revenue that fuels live horse racing and horse breeding within our state. The low tax rates on ADWs, providing a more competitive business atmosphere, have been critical to the recent increase in revenue. The tax rate is one-sixteenth of one percent to the State General Fund and one-sixteenth of one percent to each of the three racing funds: Purse, Breeders', and Promotion. This tax rate creates \$2,500 in taxes per million in handle. Due to the significant increases in handle over the 2014 fiscal year, the Commission produced approximately \$201,875 in taxes to the General Fund. This means that as of the end of the last fiscal year the Racing Commission had "paid back" half of its appropriation to the General Fund. Based on the performance of our ADWs thus far in this biennium and our current projections for FY 2015, the Commission believes it is in a position to generate tax revenue to the General Fund in excess of its appropriation (as of December the Commission had returned \$305,105 in taxes to the General Fund). While the Commission remains conservative in its estimates regarding continued handle growth, it is believed that tax generation at this or increased levels may begin to provide a solid footing on which to rebuild our once extensive racing industry.

1.2

The Racing Commission has a program based one line item budget. For the 2015-17 biennium we have requested:

	<u>2013 – 2015</u>	<u>2015 – 2017</u>	<u>Change</u>
General Fund request:	\$389,244	\$394,495	\$ 5,251
Special Fund request:	<u>\$166,408</u>	<u>\$158,730</u>	<u>\$(7,678)</u>
Total:	\$555,652	\$553,225	\$(2,427)

The total Executive Budget Recommendation is \$583,253, providing additional funding to allow for standard compensation increases over the coming biennium. There were no differences in the requests made by the Racing Commission to those included in the executive recommendation nor are there any changes the Racing Commission is asking the committee to make to the executive recommendation. The Commission does not receive any federal funding.

The budget request reflects the Commission's attempt to fulfill the Governors direction and maintain a flat budget for the next biennium. In fact, by maintaining flat expenses in all other areas, the Commission was able to reduce its total request to reflect the lower compensation of the new Administrative Assistant to the Director.

There are no significant changes to the Commission's base level budget. Our ongoing funding increase approved by the 2013 legislature was for compensation and benefits for a permanent Director position. As you can see in the detailed budget, compensation and benefits for the two FTE positions at the Commission (Director and Administrative Assistant) are the major components of our base level budget with comparatively minimal funding in all other areas. As discussed previously, the increased ADW operations have offset the additional costs requested in 2013 and included in the base budget.

The Commission believes that the proposed budget, while lean in many ways, will provide the support necessary to continue the initiatives and positive improvements implemented over the last two bienniums. An increased level of oversight coupled with the Commission's expanding continuing appropriations has led to a quality of racing and financial return to the horsemen not seen for many years. Though both of our tracks face their own set of issues, the Commission has faced these head on in order to create a path towards financially stable, quality race meets.

Of primary importance is the Commission's impact on the horsemen and their communities. Over the last two fiscal years the Commission made direct contributions to the state's equine industry as follows:

Promotion:	\$532,000
Purse:	\$400,500
<u>Breeders:</u>	<u>\$218,000</u>
Total:	\$1,150,500

While this money has been provided in support of many different efforts, all funding directly benefited the horsemen and the broader equine industry of North Dakota. What is more difficult to quantify is the secondary effect of this funding. Specifically, the benefits to the local community of temporary and permanent employment created by a strong equine industry can be quite large, particularly in places such as Belcourt with a higher than average unemployment rate. A significant portion of this funding also makes its way to the larger state economy as each horsemen engages with numerous individuals and businesses throughout the remainder of the year to support their equine operations.

In addition to direct financial contributions, the Commission has also engaged in a number of non-financial initiatives designed to support the racing

industry. This includes a complete revision to its medication rules and increased the level of testing for all live meets. Illegal medication in racing is the most serious problem facing the industry today. The Commission is now a leader on race-day medication policies, being one of only six jurisdictions in the country to have fully implemented the Medication Rules provided by our model rules body, the Association of Racing Commissioners International (ARCI). While we are certainly one of the smallest racing jurisdictions, we are helping set an industry standard for the benefit of our equine athletes, spectators and horsemen alike.

The Commission has also looked beyond its racing and wagering regulatory functions to support problem gambling programs within our state. Over the past biennium the Commission has partnered with Lutheran Social Services (LSS) in a number of capacities: making available problem gambling materials and LSS staff members at our live race meets to promote awareness, Commission contributions directly funding 350 LSS problem gambling commercials, obtaining LSS input when drafting new regulations related to problem gambling, and a live TV appearance by the Director and LSS on the ND Today Show to further promote awareness. The Commission recognizes its

responsibility to the broader North Dakota community and believes that the continuation of these efforts is a vital part of the Racing Commission's future.

As always, the Commission continues to implement regulatory procedures which meet or exceed industry standards and are effective in creating a more transparent and well regulated ADW industry. This includes the implementation of Thoroughbred Racing Protective Bureau and FBI background checks on all ADW applicants as well as close coordination with and full review of all applications by the ND Attorney General during ADW licensing. Additionally, CHRIMS, the preeminent pari-mutuel auditing company, audits all ND licensed ADW activity for reconciliation with taxes remitted. The Commission is also currently engaged in an effort to modernize our administrative rules by adopting key aspects of the ARCI model rules. It is through these efforts that the Commission demonstrates its commitment to supporting the integrity of the sport of horse racing not only within North Dakota, but throughout the industry both nationally and internationally.

North Dakota has been and will always be a state rich in horse culture. Unfortunately, horse racing has seen hard times for several years. Despite the success of the Commission in developing additional revenue and supporting

programs, the future of racing in North Dakota is still tenuous. The Commission believes that the people of North Dakota, not to mention the numerous horsemen, want to see a vibrant racing culture again. With hard work, strong administration, thoughtful guidance and the support of the legislature, the Commission can build on these past successes to ensure a more stable future for this great sport in North Dakota.

North Dakota Horse Park Status Sheet

HB 1023

3-4-15

#2

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
 - HRND has stated that they can pay their property taxes and TIF on their parcel alone (not the entire Horse Park property).
- 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. The property will be in arrears as of March 1, taxes and penalties accruing in total as follows:
 - 2015: \$127,272
 - 2016: \$270,002
 - 2017: \$418,103

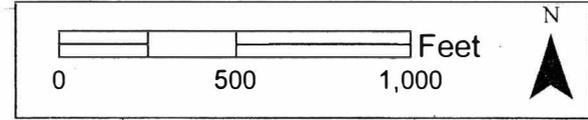
Advisory Committee

- 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.

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	O/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

2.2

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.

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;

- 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.

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

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.

2.7

Sixty-fourth
Legislative Assembly

- 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.

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

2.9

- 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.

2.10

- 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.

2.11

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

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

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.

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	1,006,469
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	1	0	15,547	0	27,323
State Gaming Tax	0	0	2,548	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	2,548	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	66,180	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	67,055	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%

EXHIBIT A

2.16

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	20,288
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	3,529	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															
Meals and Entertainment	0	0	49	0	231	100	100	100	0	100	100	100	100	0	979
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	480
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	179	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	365	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															
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	2,838	20,007	2,963	375	375	96,200	375	3,700	375	375	0	129,509
Payroll Expenses															
Payroll Expenses	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
Race Meet Payouts															
Purse Payments	0	1,252	0	0	0	0	0	0	223,587	0	0	0	0	0	224,849
Total Race Meet Payouts	0	1,252	0	0	0	0	0	0	223,587	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	16,602
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	1,016	2,076	1,152	2,164	2,250	1,529	1,500	1,500	0	1,500	1,500	1,500	2,900	0	20,587
Total Expense	83,125	87,782	84,363	90,925	103,735	97,798	84,372	84,372	538,258	86,872	100,272	84,372	105,819	0	1,632,083
Net Ordinary Income	15,840	4,538	(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	4,538	(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 - EOM											147,000	156,483	151,607		

Operating less Adv less
Blankets/Trophies plus Unbudgeted
less Program Printing

Notes:

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

2.17

Horse Race North 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	Sep 15	Oct 15	Nov 15	Dec 15	Adjust	TOTAL	
Handle									360,000							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/qtr 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/Pari-mutuel 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	0	11,775	0	15,547	0	39,097	Includes NDHFF 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 75.00%
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

2.18

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
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	100	100	100	100	100	100	100	100	0	100	100	100	100	0	1,200
Operations															
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
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
Interest Expense	375	375	375	375	375	375	375	375	0	375	375	375	375	0	4,500
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
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	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
Race Meet Payouts	0	0	0	0	0	0	0	0	225,000	0	0	0	0	0	225,000
Purse Payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
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
Conference, Convention, Meeting	0	0	0	0	0	0	0	0	0	0	0	0	500	0	500
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
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
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	84,372	101,097	97,225	100,222	106,347	116,398	120,322	128,047	539,950	140,206	159,722	154,297	186,074	0	2,034,279
Net Ordinary Income	2,778	(647)	16,425	25,028	263,003	5,552	5,728	8,703	(259,350)	3,844	(5,772)	10,253	(10,124)	0	63,421
Net Income	2,778	(647)	16,425	25,028	263,003	5,552	5,728	8,703	(259,350)	3,844	(5,772)	10,253	(10,124)	0	63,421
Other Items Affecting Cash flow:															
Stanton - Principal Payments (interest included above)	(425)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(6,420)
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	69,228	(58,397)	(42,517)	(23,429)	239,029	244,036	243,823	249,981	(9,369)	(6,070)	(17,783)	(8,075)	(18,744)		(170,351)
															Annual Net Cash Flow

Racing = Rent & Lease plus Utilities.
Gaming = increases at same rate as revenues

Racing = 75% x Program Sales. Pull tabs grow at same rate as revenues

Jockey Accident, GL, WC + D and O
Stanton mortgage (pmnt = \$910)

Operating less Adv less
Blankets/Trophies plus Unbudgeted
less Program Printing

Increases at 1/2 the rate of increase
in pull tab revenue; Dec includes
\$2,000 bonus; racing same as 2014

Travel to Simulcast Conference
Travel to Simulcast Conference

Travel to Simulcast Conference
Increases at 1/2 the rate of increase
of pull tab revenue

2.19

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 360,000	Sep 16	Oct 16	Nov 16	Dec 16	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)	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/qtr 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	5,214	0	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
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	

EXHIBIT C

2.20

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
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
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	97,850
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
Interest Expense	375	375	375	375	375	375	375	375	0	375	375	375	375	0	4,500
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
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	118,500	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
Purse Payments	0	0	0	0	0	0	0	0	225,000	0	0	0	0	0	225,000
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
Conference, Convention, Meeting	0	0	0	0	0	0	0	0	0	0	0	0	500	0	500
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
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
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	539,950	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	(259,350)	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	(259,350)	8,589	(972)	13,803	(10,358)	0	151,933
Other Items Affecting Cash flow:															
Starion - Principal Payments	(425)	(545)	(545)	(545)	(545)	(545)	(545)	(545)		(545)	(545)	(545)	(545)		(6,420)
EDC - Debt Service Payment	(5,396)			(5,396)			(5,396)				(5,396)				(21,584)
TIFF - Debt Service Payment, HRND		(55,673)													(55,673)
TIFF - Debt Service Payment, NDHPF		(90,759)													(90,759)
Cash - EOM	(10,762)	(145,712)	(120,668)	(90,806)	181,452	193,496	201,358	214,816	(44,734)	(36,690)	(43,603)	(30,345)	(41,248)		(22,503)
															Annual Net Cash Flow

Racing = Rent & Lease plus Utilities
Gaming = increases at same rate as revenues

Racing = 75% x Program Sales
Pul tabs grow at same rate as revenues

Jockey Accident, G/L, WC + D and O

Starion mortgage (pmnt = \$910)

Operating less Adv less Blankets/Trophies plus Unbudgeted less Program Printing

Increases at 1/2 the rate of increase in pul tab revenue, Dec includes \$2,000 bonus, racing same as 2014

Same as 2014

Travel to Simulcast Conference

Travel to Simulcast Conference

Travel to Simulcast Conference

Increases at 1/2 the rate of increase of pul tab revenues

Starion mortgage (pmnt = \$910)

2.21

EXHIBIT D

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

Handle	Actual 2014	Budget 2015-16	Comments
	Exec Director's	From	
	P&L	Cash Flow	
	Quicksheet	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		
Other		\$ 4,500	
	\$ 6,206	\$ 4,500	
Total Revenue	\$ 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	\$ 10,000	\$ 10,000	
Mutuel Department Tellers	\$ 1,200	\$ 1,200	
Money Room Clerk	\$ 840	\$ 840	
Clerical & Accounting	\$ 2,150	\$ 2,150	
Entrance Gate Personnel			
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 RACE MEET BUDGETS VS 2014 ACTUAL

	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	
	<u>\$ 41,743</u>	<u>\$ 40,000</u>	\$ 95,000.00
<u>Rent & Lease</u>			
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			
	<u>\$ 75,796</u>	<u>\$ 83,800</u>	
<u>Insurance</u>			
Jockey Insurance	\$ 17,280		
General Liability Insurance	\$ 7,005		
Workmen's Compensation	\$ 2,500		
	<u>\$ 26,785</u>	<u>\$ 28,000</u>	
<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	
	<u>\$ 7,649</u>	<u>\$ 9,200</u>	\$ 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			
	<u>\$ 97,084</u>	<u>\$ 91,750</u>	

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

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	
Pari-Mutuel Taxes - General Fund	\$ 1,779	\$ 1,800	0.50%
Pari-Mutuel Taxes - Purse Fund	\$ 1,779	\$ 1,800	0.50%
Pari-Mutuel Taxes - Breeders' Fund	\$ 1,779	\$ 1,800	0.50%
Pari-Mutuel Taxes - Promotion Fund	\$ 1,779	\$ 1,800	0.50%
Breakage	\$ 3,637		
Unclaimed Tickets	\$ 5,276		
	<u>\$ 16,029</u>	<u>\$ 7,200</u>	
Miscellaneous	\$ 12,754		
	<u>\$ 12,754</u>	<u>\$ -</u>	
Total Expenses	<u>\$ 555,536</u>	<u>\$ 539,950</u>	
Net Income	\$ 26,894	\$ (19,350)	
	\$ (50,000)		less: Contributed from HRND
	\$ (15,902)		Purses - HRND Charitable Gaming (Pull Tabs)
			Other Purse Money - Additional HRND (Shortage)
	<u>\$ (39,008)</u>	<u>\$ (19,350)</u>	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	466.25	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

↑
Annual payment

EXHIBIT E

2.25

**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	0.758	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: 368														
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	1,696.17	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	2,243.56	3,459.81	3,459.81	3,459.81
510300	2014	204.28	255.03	459.31	459.31	459.31

Date Printed: 11/12/2014 11:12 AM

Page: 1 of 2

Annual Payment

EXHIBIT F

2.26

EXHIBIT G



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.farqond.org

F:\share\John\2001 Letters\Horse Park Cmt Ltr.doc

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 25th Ave, Fargo, North Dakota 58102, ("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.

2.28

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.

- (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

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.

(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

BORROWER

FARGO-CASS COUNTY ECONOMIC
DEVELOPMENT CORPORATION

HORSE RACE NORTH DAKOTA

By: Richard W. Hart
Its: Chairman

By: Ken Pauluk
Its: pres

By: _____
Its: _____

By: [Signature]
Its: [Signature]

05877 Loan Agr - Horse Race ND

EXHIBIT 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, 2011.
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

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: Kerr Pauluk
Its: pres

By: [Signature]
Its: [Signature]

EXHIBIT B
Property

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

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	3,464.87	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	3,405.89	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	7,301.87	
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	

2.36

12/21/2001 Page 2

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	2,731.19	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	

2.37

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

2.38

EXHIBIT H

April 7, 2015

1
 4-8-15

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1023

Page 1, replace lines 12 through 17 with:

"Racing commission	\$551,862	\$21,872	\$573,734
Accrued leave payments	<u>3,789</u>	<u>(3,789)</u>	<u>0</u>
Total all funds	\$555,651	\$18,083	\$573,734
Less estimated income	<u>166,407</u>	<u>(7,677)</u>	<u>158,730</u>
Total general fund	\$389,244	\$25,760	\$415,004
Full-time equivalent positions	2.00	0.00	2.00"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1023 - Racing Commission - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Racing commission	\$551,862	\$575,238	(\$1,504)	\$573,734
Accrued leave payments	<u>3,789</u>			
Total all funds	\$555,651	\$575,238	(\$1,504)	\$573,734
Less estimated income	<u>166,407</u>	<u>158,730</u>	0	<u>158,730</u>
General fund	\$389,244	\$416,508	(\$1,504)	\$415,004
FTE	2.00	2.00	0.00	2.00

Department No. 670 - Racing Commission - Detail of Senate Changes

	Adjusts Funding for Health Insurance Premium Increases ¹	Total Senate Changes
Racing commission	(\$1,504)	(\$1,504)
Accrued leave payments		
Total all funds	(\$1,504)	(\$1,504)
Less estimated income	<u>0</u>	<u>0</u>
General fund	(\$1,504)	(\$1,504)
FTE	0.00	0.00

¹ Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of \$1,130.22 per month.