

FISCAL NOTE
Requested by Legislative Council
12/19/2014

Revised
 Bill/Resolution No.: HB 1090

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

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(406,250)	\$406,250	\$(437,500)	\$437,500
Expenditures				\$406,250		\$437,500
Appropriations				\$406,250		\$437,500

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

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

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

A measure to divert taxes collected and deposited into the General Fund during the 2015 and 2017 biennium by the Racing Commission into a new continuing appropriation, the Racing Infrastructure Fund, to provide grants for infrastructure improvements and debt repayment at racetracks.

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

The measure would cause a reduction in tax revenues currently received by the General Fund which would in turn be deposited into the Racing Infrastructure Fund. The tax revenues would again be deposited into the General Fund after the 2017-2019 biennium.

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

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

Taxes received by the Racing Commission are currently split evenly four ways between the General Fund and the Racing Commission's three continuing appropriations. A portion of the taxes anticipated for the 2015-2017 and 2017-2019 biennium would no longer be deposited into the General Fund, but diverted to the Racing Infrastructure Fund.

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

Expenditures from the Racing Infrastructure Fund would be based upon grant requests for infrastructure and debt repayment funding. The number and value of these grants are not known at this time.

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

The newly created continuing appropriation, the Racing Infrastructure Fund, would receive taxes currently deposited into the General Fund. The tax revenues would again be deposited into the General Fund after the 2017-2019 biennium.

Name: Gunner laCour

Agency: ND Racing Commission

Telephone: 701-328-4290

Date Prepared: 12/29/2014

FISCAL NOTE
Requested by Legislative Council
12/19/2014

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Name: Gunner laCour

Agency: ND Racing Commission

Telephone: 701-328-4290

Date Prepared: 12/29/2014

2015 HOUSE JUDICIARY

HB 1090

2015 HOUSE STANDING COMMITTEE MINUTES

House Judiciary Committee
Prairie Room, State Capitol

HB 1090
1/14/2015
21953

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to the establishment of the racetrack infrastructure fund and grant program; to provide a continuing appropriation; and to provide an expiration date.

Minutes:

Acting Chairman Kretchmar opened the hearing on HB 1090.

Rep. Maragos: I introduced HB 1090 on behalf of the ND Racing Commission. I recently served a six year term ending in July 2014. We are trying to improve the operation of the industry and keeping the industry as healthy as we possibly can. This bill if passed would set up an infrastructure fund and a means by which the executive director can more successfully facilitate his assistance to the race tracks being in Belcourt and Fargo.

There are a couple of issues currently being addressed by the city of Fargo and the racing commission and I talked to Chairman K.Koppelman about this bill and we decided to recess the hearing until those meetings are held with the city of Fargo which will directly impact what they hope to do with this bill.

Acting Chairman Kretchmar recessed this hearing.

2015 HOUSE STANDING COMMITTEE MINUTES

House Judiciary Committee

Prairie Room, State Capitol

#22544

HB 1090

1/26/2015

☐ Subcommittee

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to the establishment of the racetrack infrastructure fund and grant program; to provide a continuing appropriation; and to provide an expiration date.

Minutes:

Testimony #1, 2, 3

Chairman K.Koppelman: Reopened the hearing on HB 1090 with testimony in support.

Rep. Maragos: I introduced HB 1090 on behalf of the Racing Commission. Introduced him.

Gunner laCour: ND Racing Commission: (See Testimony 1, 2, & 3) (2:40-12:04)

Rep. G. Paur: The Racing Commission owns the horse park in Fargo and Chippewa Downs?

Gunner laCour: No we do not. We regulate that racing, but we provide a majority of the funding to put that racing on each year as well. The ND Horse Park, a nonprofit entity is the only ones that can operate race meets in the state and the Chippewa is owned by the tribe.

Rep. Brabandt: Are Fargo and Belcourt the only two tracks in the state?

Gunner laCour: Yes.

Rep. L. Klemin: The fiscal note shows \$406,000 for the next biennium coming from the infrastructure fund. That is really not even enough to pay debt service on that kind of debt that they have there in Fargo so what is the rest of the plan? If you took \$406,000 per biennium and split it between the two facilities that is about \$100,000 a year each and the debt service on \$1.7 million is a lot more than \$100,000 so this really isn't going to help that much?

Gunner laCour: It is not going to do it by itself. It would provide some additional funding and support. We did not include any anticipated amounts from this bill in the financial plan that was put together with the ND Horse Park. It is not going to reach the \$1.7 million total. That is why we are going to the city and saying we would like to continue this. That is why

we tried to move this bill back some to try to have that meeting in advance so we would have some information to provide you as to any agreements that were made. Unfortunately that meeting is being held until Wednesday.

Rep. L. Klemin: I noticed a couple of options being considered. One was like a sheriff's sale; course that would only happen after there was a foreclosure of a real estate mortgage and the mortgage is something like \$80,000?

Gunner laCour: There is a mortgage on the property of about \$80,000 in addition to the TIF funding. That statement was a worst case scenario if we weren't able to work anything out with the city or legislation or whatever.

Rep. L. Klemin: The majority of the debt is not secured by a mortgage then?

Gunner laCour: No it is under the TIF funding.

Rep. Brabandt: What are your total revenues?

Gunner laCour: \$205,000 to each fund annually and just taxes. We have some additional amounts that come into the promotion fund in the form of something called breakage; which is odd cents after you pay out a wager.

Rep. K. Wallman: The ND Racing Commission Advisory Committee wrote therefore it must be determined whether the horse park can be financial viable under any other set of circumstances in the future. I would feel more comfortable if the broader financial plan that you talked about in the meeting with other stakes holders could come before us before we commit to giving funds to a project that may or may not go forward.

Gunner laCour: That was our intent.

Chairman K.Koppelman: Do they know about our deadlines?

Gunner laCour: Yes I have been in contact with both the city and the commission. I am hoping they will have all the information necessary to set down and hash nuts and bolts at that time rather than just met and say we need to have a further meeting.

Rep. L. Klemin: The majority of the debt is in tax increment financing which I understand comes from tax payers; taxes paid on certain things. Does the city have the authority to write down debt that has been occurred through tax increment financing?

Gunner laCour: I believe they do. Mr. Zaveral had indicated a potential plan that would reduce the amount of interest that had accrued to this amount that they had given. I am not sure whether it was just interest.

Rep. P. Anderson: Who is your typical person who goes to the Fargo racetrack?

Gunner laCour: As far as I have seen it is a lot of instate people. At Chippewa Downs you would see the whole community there.

Rep. Brabandt: What is your average attendance and what do you charge? \$4 for adults and we average 2200 people a day.

Chairman K. Koppelman: I don't think we have the correct information on this bill so we will defer this until Wednesday, February 4. I am going to offer to recess this hearing one more time and open it again on Wednesday of next week. This will give you time to wrap up everything with the city of Fargo and then come back to us and report. The fiscal note shows that for the next two biennium in the 2015-2017 it is basically moving it from the general fund to a special funds; \$406,250 and in the 2017-2019 biennium \$437,500.

Mike Schmitz, General Manager of the ND Horse Park:

Rep. Brabandt: Are you making money or breaking even?

Mike Schmitz: We broke even. I will get you a breakdown of expenses.

Rep. G. Paur: What is the gross income for the park?

Mike Schmitz: Gate receipts we were at almost \$50,000. That is just one aspect of the revenue. There is revenue from the betting, gates and ticket sales, gazebos and concessions; retail and program sales. That packet will explain all of that for you.

Rep. G. Paur: But if you are running short maintain the part why don't you raise those gate fees?

Gunner laCour: We do look at it and did just raise the gate fees to \$4.

Rep. L. Klemin: You said you made \$10,000. Was that after payment of debt service on this debt or aren't you paying any?

Mike Schmitz: That hasn't started yet.

Rep. L. Klemin: The mortgage you referenced earlier obviously that gets paid monthly through our account.

Rep. L. Klemin: You are not paying enough on debt services and even with this bill paying maybe \$100,000 a year that is still not even going to take care of the debt service on this is it?

Mike Schmitz: We will find out more in a couple of days.

Rep. K. Hawken: Over the last several years this was political hot potato. Is there the potential to continue to grow as it moves forward?

Mike Schmitz: Track was shut down in 2010 and 2011. Then I stepped in as a volunteer to help bring this back. Everybody wants more racing days and this year we ran six and last year it was three so we want to continue to provide that.

Rep. Maragos: Do you remember what the cost to put on a race for one day?

Mike Schmitz: About \$90,000.

Rep. Brabandt: How many races are you anticipating having in Fargo this year? How many in Belcourt and is it a one day even and what normally are the hours?

Mike Schmitz: Belcourt averages only about 7-8 a day. We run Saturday and Sundays. My dates are the last two weekends in July and first weekend in August. We will run 8-10 races a day.

Opposition: None

Neutral: None

Recess until Wednesday, February 4th.

2015 HOUSE STANDING COMMITTEE MINUTES

House Judiciary Committee
Prairie Room, State Capitol

HB 1090
2/4/2015
23255

☐ Subcommittee

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to the establishment of the racetrack infrastructure fund and grant programs; to provide a continuing appropriation; and to provide an expiration date..

Minutes:

testimony #1

Chairman K. Koppelman: Reopened the hearing additional testimony.

Gunner laCour, Director, Racing Commission: (See testimony #1) (:26-3:12)

Rep. Lois Delmore: Is there any oversight for this funding?

Gunner laCour: I believe so. I have skimmed through all the minutes and I know the difficulties that were experienced there.

Rep. P. Anderson: I have two questions regarding Chippewa Downs. Is there any way they can help with financial support?

Gunner laCour: The tribe in the last two years will be contributing an additional \$65,000 to the races. They end up with \$20-\$40 thousand each met and that goes for upkeep which is sorely needed.

Rep. Lois Delmore: What else is there to do on the reservations?

Gunner laCour: They work on it all year and it is the biggest event there.

Rep. G. Paur: It appears the park has a lot of other options besides coming to the state.

Gunner laCour: This year we experienced one of the highest rates of attendance we have ever had. To be honest we are looking at \$1.7 million.

Hearing closed.

Rep. Lois Delmore: Are we going to reopen this to other people who might want to testify on Monday?

Chairman K. Koppelman: The reason for opening the hearing was to get additional financial information with regard to the city of Fargo and the report we have is nothing has happened. We will act on this bill Monday.

2015 HOUSE STANDING COMMITTEE MINUTES

Judiciary Committee Prairie Room, State Capitol

HB 1090
2/9/2015
23532

- ☐ Subcommittee
☐ Conference Committee

Annemola Muscha

Explanation or reason for introduction of bill/resolution:

Relating to the establishment of the racetrack infrastructure fund and grant programs; to provide a continuing appropriating; and to provide an effective date.

Minutes:

Chairman K. Koppelman: Opened the meeting on HB 1090. This is the horse racing or track bill from Fargo. We have to do something with it today. I talked to him recently and asked him what would happen if we would kill this bill and he said I think maybe it would make them get a little more serious because they know the money wasn't coming from the state but at the same time he wants to support the bill and get the money.

Rep. L. Klemin: Motioned a do not pass

Rep. D. Larson: Seconded

Discussion:

Rep. L. Klemin: I did that because it seems to me clear that we would be tossing money down the drain and that this is not adequate for paying part of the debt service much less the principle so I don't see us making use of money like this.

Representative Paur: Who owns the race tracks?

Rep. Maragos: There is the North Dakota Horse Park Foundation which is a 50C3 and the North Dakota Racing Association and ND Horse Foundation has ownership. There is a barn on the property that belongs to the ND state university equine part. It is basically two nonprofits that own it. The property was purchased and by moneys given to those two nonprofits by the racing commission through taxes on horse racing funded the purchase of the land. I would hope this committee rejects the do not pass and allows it to go down to appropriations. We need to keep this bill alive because I don't believe Representative Klemin is correct in his assertion that it is throwing money down the rat hole. He's probably right from the standpoint that these moneys won't totally pay off the city of Fargo, but this would encourage other people to pony up and help in the effort.

Rep. P. Anderson: I have been out to the Fargo horse park and it is fun. There are a lot of families out there and then the tribal reservation is a big deal. This is almost like a park bill. There are multiple people out there that treat this as their park.

Rep. Brabandt: This money is divvied up evenly between Belcourt and Fargo? What is the allocation there?

Rep. Maragos: The money will be allocated by the racing commissioner based on the needs of each of the tracks. The Chippewa Downs track is in need of some infrastructure with regards to safety. The park in Fargo has a substantial liability in the tax increment financing. There is a belief Fargo would be willing to work with the horse track to bring about the satisfaction of that liability. I hope this committee would be responsive to this.

Chairman K. Koppelman: This bill is an allocation formula, but I think the fiscal note shows it best when it says a measure to divert taxes collected and deposited into the general fund during the 2015-2017 biennium by the racing commission into a new continuing appropriation the racing infrastructure fund to provide grants for infrastructure improvements and debt repayments at racetracks and it says the measure would cause a reduction in tax revenues currently received by the general fund which would in turn be deposited into the racing infrastructure fund, the tax revenues would gain and again be deposited into the general fund after the 1017-2019 biennium. What it really does is it takes taxes being collected from racing and for a two biennium period puts them into this infrastructure and then it would change in Sunset of 2019.

Rep. L. Klemin: I asked Mr. LaCour is not enough to pay any of the debt services so this doesn't do anything.

Rep. Mary Johnson: It sounds like they are trying to skip over the general fund? The money goes into the general fund, is there force park money that comes out of the general fund?

Chairman K. Koppelman: Not force park money but there is money that goes into purses and all the rest if you look at page 3 of the bill it talks about the wagering and where the percentages go currently. The change is the establishment of this new infrastructure fund to actually pay for the physical facility. Right now they operate on non-general funding.

Rep. Mary Johnson: Perhaps it is a slippery slope? Does anyone seem we did not get an answer from Fargo? Maybe this is a play on a standoff thing here where they are waiting to see if they can get out of their tiff responsibilities and we are waiting for them to make a decision on tiff. It is tricky when the state that is going to fund something that it tiff that had been offered through a political sub.

Rep. Maragos: I agree. A small portion of the revenue raised from racing on racing goes into the general fund. This bill is asking that all the revenues generated from the tax on racing be reallocated from racing directly and then it gives them the ability to go back to Fargo and try to work this out. They may be willing to forgo the interest which would reduce the liability a great deal and then maybe bring it into a situation where not only these

revenues for the two biennium's plus the commitments that might be received by the horse park of north Dakota for some private funding to help them of people that are interest in keeping racing in Fargo; and they are there.

Rep. Brabandt: There are too many people in the state who need money for flood control so I can't support this bill.

Rep. K. Hawken: The whole start of this horse park in Fargo did not start right it was political and people in Mandan were furious because of where it went. As a result there hasn't been the support there should be after the decision was made. Then there was flooding and other things that caused some years with no racing at all and not doing new programming at NDSU made a difference. There is a long history to this and I don't know that answer either but I know the people that go enjoy it, the crowds have picked up each year, and so I don't think- the money that we are talking about in the general fund the tax price for them is not that great. It is not going to build highway 85. Where we are I would hate to see us stop.

Rep. L. Klemin: This may be a nice idea but we have gone over all these funds many times and now we are at the point of taking money out of the general fund and putting it into the race track. We are not actually putting it in the race track we are just putting it as a pay down on part of the interest that owes which will not even pay the debt service. It doesn't pay any of the principle and it doesn't do anything for the track. I don't even know if the city of Fargo can forgive any of the tax increment financing which is using tax dollars to and whether they can say ok you don't have to pay back the 1.7 million. This 200,000 a year doesn't pay the interest on that so we are taking money out of the general fund that is going to serve any real purpose for this race track in Fargo. It seems like the wrong thing to do with tax money.

Rep. K. Wallman: My personnel experience with the Shields Arena and other things that seem like a great idea that were promised private funding which tax payers ended up bailing out has left a taste in my mouth where I do not believe it is the job of this body to give money to this cause. There is no end in sight for the debt. The horses should have other local backers for this.

Rep. Mary Johnson: There has never been a public nickel in Shields Arena. We own it. It is a bail out.

Rep. Maragos: Who does own Shields Arena?

Rep. Brabandt: When oil is \$40/barrel and we need flood protection which is more important.

A Roll Call Vote Was Taken: Yes 7, No 6, Absent 0

Motion carries

Representative Klemin will carry the bill

Date: 2-9-15
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1090

House JUDICIARY Committee

☐ Subcommittee ☐ Conference Committee

Amendment LC# or Description: _____

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

Motion Made By Rep. L. Klemin Seconded By Rep. D. Larson

Representative	Yes	No	Representative	Yes	No
Chairman K. Koppelman	✓		Rep. Pamela Anderson		✓
Vice Chairman Karls	✓		Rep. Delmore		✓
Rep. Brabandt	✓		Rep. K. Wallman	✓	
Rep. Hawken		✓			
Rep. Mary Johnson		✓			
Rep. Klemin	✓				
Rep. Kretschmar	✓	✓			
Rep. D. Larson	✓				
Rep. Maragos		✓			
Rep. Paur	✓				

Total (Yes) 7 No 6

Absent 0

Floor Assignment Rep. L. Klemin

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

motion carries

REPORT OF STANDING COMMITTEE

HB 1090: Judiciary Committee (Rep. K. Koppelman, Chairman) recommends **DO NOT PASS** (7 YEAS, 6 NAYS, 0 ABSENT AND NOT VOTING). HB 1090 was placed on the Eleventh order on the calendar.

2015 TESTIMONY

HB 1090

House Bill 1090
ND Racing Commission
Gunner laCour, Director
January 26, 2015

#1
HB 1090
1-26-15
Pg 1

64th Legislative Assembly
House Judiciary Committee
Representative Kim Koppelman, Chairman

While the primary purpose of the Racing Commission is the regulation of live racing and wagering in North Dakota, the fiscal responsibilities of the Commission inherently require the support of state racing interests as a secondary focus. I refer primarily to the continuing appropriation funds for which the Commission has responsibility as evidence of this intent, namely the Breeders', Purse and Promotion Funds, the very purpose of which is the promotion of racing in this state. Therefore, the Commission must continually seek to determine how it can use the resources at its disposal to most fully support the continuation and growth of the racing industry.

The Commission has experienced a significant increase in revenue over the last biennium driven largely by tax reductions which have given our regulated companies an advantage in the national and international marketplace. Specifically, the Commission has seen a 65% increase in handle (the total amount wagered and taxed) in the past year alone, from \$196 million in FY2013 to \$323 million in FY2014. Despite this, the Commission has found its funds stretched to the limit simply to maintain a modest level of racing in the state. There is an inherent competition between states to draw horses

and jockeys, the quality of each commensurate with the incentives and purses offered. 172

The Commission has found itself in a situation where despite its best efforts to save (and some success in doing so), the competition to put on quality racing has required much of the Commission's resources, leaving relatively limited funding for initiatives outside of race meets.

The Commission has done what it can to put any additional funding to its best and highest use. However, the Commission finds itself facing issues which by their very nature require more resources than it can bring to bear and still provide basic support for racing. The two issues of highest importance to the Commission are the outstanding debt of the ND Horse Park in Fargo and the deteriorating infrastructure at Chippewa Downs on the Turtle Mountain reservation. The bill before you has been designed to address those very issues.

From the beginning of my tenure as Director over a year and a half ago, the Commission has been working on ways to alleviate the debt resulting from a failed TIF district originally designed to provide funding for the development of the ND Horse Park. It was anticipated that this TIF district would ultimately pay for itself; however, between a lack of development and reductions in tax rates, the original funding has compounded to an unmanageable level at around \$1.7 million owed. In an effort to find a resolution to this issue, the Commission convened an Advisory Committee to the ND

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1-26-15
17 3

Horse Park consisting of prominent members of the North Dakota community, including former Senator Tony Grindberg as chair, former United States Representative Rick Berg, former Fargo City Commissioner John Cosgriff, former Fargo Mayor Bruce Furness and Judge Pat Wier. After meetings with the Commission, interested parties and a review of all pertinent documentation, the Advisory Committee issued a list of recommended actions for the ND Horse Park. As part of the recommendations, the Advisory Committee proposed drafting the legislation before you today. While recognizing that the total revenue generated by this legislation could not fully address the debt issue on its own, such legislation was intended to be one aspect of a broader financial plan developed through negotiation with the City of Fargo.

Pursuant to the recommendations of the Advisory Committee, the ND Horse Park, with the support of the Commission, developed a financial report to determine under what, if any, circumstances the track could operate as a financially viable business while still making payments on its debt. The track is currently using this financial report in talks with the City in an attempt to develop a mutually agreeable plan to allow for continued operation of the track and repayment of as much of the original funding as possible. The bill before you would present a much-needed supplement to ensure that the track, again with the support of the Commission, can present a reasonable compromise to the City.

The Advisory Committee also understood that the health of the North Dakota racing industry was heavily dependent upon the success of both state tracks. The ND Horse Park cannot survive without a thriving Turtle Mountain Band of Chippewa horse community which provides a significant number of our in-state horses. The Advisory Committee therefore recommended that any legislation should also fund infrastructure improvements at Chippewa Downs in an effort to further solidify the health of the broader ND racing community. While the track has been able to continuously operate for some time, through the vast majority of the track's history there has been very little excess funding to make improvements. Most funds remaining at the end of a meet are used to repair the facilities, but over time some deterioration cannot be held at bay indefinitely.

Chippewa Downs is at a critical juncture. There are significant opportunities for the quality of racing to improve, but to achieve this, the facilities must follow suit. The kind of construction this would entail requires a level of funding neither the Commission nor the track can currently produce. However, these kinds of facilities are a crucial part of enticing new trainers and owners to attend the meet, ultimately helping improve the quantity and quality of the competition. This bill would provide the additional capital necessary to make some of these improvements possible and hopefully lead to further collaboration on improvement projects between the Commission and tribe.

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1-26-15
pg 5

The Commission assembled the Advisory Committee because it believes that they have and will continue to provide insight and direction to lead the Commission towards a new and more successful era of racing in North Dakota. The Commission intends to follow these recommendations accordingly. The Advisory Committee, while recognizing the Commission has been able to significantly increase its tax revenue generation through the success of its regulated companies, understood that the problems addressed by the bill before you still outpace the Commission's available resources. Looking to the future the Commission would be grateful for any additional resources that can be provided to redevelop what was once a thriving racing industry in the state. The Commission supports this bill as one of many steps that will hopefully make this goal a reality.

January 26, 2015

#2
HB 1090
1-26-15
Pg 1

Representative Kim Koppelman, Chairman
House Judiciary Committee, 64th Legislative Assembly
North Dakota State Capitol
600 East Blvd
Bismarck, ND 58501

Re: Support for House Bill 1090

Dear Chairman Koppelman:

In early 2014 the North Dakota Racing Commission approached several prominent members of both the Fargo and broader North Dakota communities in an effort to establish an Advisory Committee to the North Dakota Horse Park. The Racing Commission's primary objective in creating the Advisory Committee was to identify a financially viable way to address the significant debt the Horse Park had incurred as a part of its initial development. At the request of the Racing Commission, the following individuals have dedicated their time and efforts to the cause:

- Former Senator Tony Grindberg, Chairman
- Former U.S. Representative Rick Berg
- Former Fargo City Commissioner John Cosgriff
- Former Fargo Mayor Bruce Furness
- Judge Pat Weir

With the support of both the Racing Commission and Horse Park, the Advisory Committee reviewed all relevant documentation relating to the debt as well as the operations and management structure of the Horse Park. After this review and subsequent discussions with both the Horse Park and Racing Commission, the Advisory Committee issued its Recommendations, which are enclosed with this letter. The Advisory Committee Recommendations are a multi-step process by which the Horse Park and Racing Commission may determine if the Horse Park can be a financially viable business under any circumstances, and if so, it thereafter lays out a series of actions which will provide the best possible opportunity to achieve long term financial viability.

In part, the Advisory Committee recommended that legislation be submitted that would provide funding to help alleviate the Horse Park's debt. Based on the current rate of taxes remitted, the Advisory Committee was aware that this legislation alone was not a solution to the debt problem, but rather that it would be one aspect of the larger plan supporting any debt repayment commitments by the Horse Park. The Advisory Committee was also aware that due to the interdependence of the two tracks in North

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Dakota, the success of the Horse Park also required support for the operations of Chippewa Downs. This was achieved by including funding for infrastructure improvements, Chippewa Downs' most pressing need, in the recommended legislation.

The Advisory Committee and Racing Commission believe that the Recommendations present the most viable plan to alleviate the debt problem that has been plaguing the Horse Park since its inception. More importantly, however, the Advisory Committee and Racing Commission support this plan not only as a means to save the Horse Park, but also to ensure the continued health of the North Dakota racing industry. The Commission has therefore committed to following this plan and has already supported a full financial review of the Horse Park operations and helped initiate debt negotiations with the City of Fargo. By following the path laid out by the Recommendations and the support of the legislature in doing so, our horsemen may look forward to a sustainable future for racing in North Dakota.

Tony Grindberg, Chairman
Advisory Committee

Gunner LaCour, Director
North Dakota Racing Commission

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

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

Chairman Tony Grindberg
Bruce Furness
Rick Berg
John Cosgriff
Pat Weir

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

Financial Viability

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

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

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

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Professional Management

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

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

Consultant

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

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

Merger and Restructuring the Board

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

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

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

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

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

Negotiations with the City of Fargo

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

State Legislation

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

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Bankruptcy Proceedings

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

Sheriff's Sale (Foreclosure)

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

Agreed this 25th day of August 2014:

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

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LaCour, Gunner

From: sethdem@utma.com
Sent: Monday, January 26, 2015 8:16 AM
To: LaCour, Gunner
Subject: Re: hb 1090

On Monday 26/01/2015 at 8:11 am, sethdem@utma.com wrote:

>
> I am writing in support of house bill 1090. Chippewa Downs is in
> desperate need of funding for racing facility retrofit and upgrade.
> Our 40+ year old facility needs financial support to accomplish these
> necessary if not critical improvements. HB 1090 directs a small
> portion of the taxes generated by horse racing back into the
> infrastructure to generate some of these taxes. This would be so very
> helpful to Chippewa Downs and seems to be a very reasonable approach.
> Thank you for your support for this bill. Doug DeMontigny
>
>

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House Bill 1090
ND Racing Commission
Gunner laCour, Director
February 4, 2015

64th Legislative Assembly
House Judiciary Committee
Representative Kim Koppelman, Chairman

As was discussed at the hearing on January 26 before this Committee, the Commission attended a meeting between the City of Fargo and the North Dakota Horse Park. This meeting was intended to facilitate negotiations between the City and the Horse Park to reduce the TIF payments to a level such that the Horse Park could make these payments and remain a financially viable entity. However, at this time no agreement has been reached. As it now stands, the full yearly payment on the TIF will have to be made or risk default.

Per the financial review that has been provided, these payments are beyond the Horse Park's currently available resources. However, the Horse Park has diversified its operations to include charitable gaming which, as you can see from the financials, has created an anticipated trend towards positive annual net cash flow by the end of 2016. It is important to note that this calculation accounts for no increases in funding from the Commission for the race meet in the coming years despite an uptick in tax revenues which could make some increased support possible. With the additional four years of operation and cash on-hand provided through the support of the Racing Infrastructure

Fund, the Horse Park may be able to review its operations to find the needed savings or develop revenue further. This bill may hold the key to providing the time needed to meet these challenges while simultaneously allowing for the continued support of racing in the state.

I would also note that while this legislation was derived from efforts to support the Horse Park and most of the discussion has primarily been on that subject, this bill also provides critical support to Chippewa Downs. As indicated previously, racing in the state depends on the success of both tracks. Chippewa is in a constant battle to keep its aging facilities in the appropriate condition. As you can see from the additional handout provided, Chippewa has finished the last two race seasons with \$20 to \$40 thousand remaining. This amount must not only fund any necessary repairs, but also year-round upkeep and any additional costs. Whatever remains by the following season is usually directed to the meet.

With this additional funding Chippewa would be in a position to be a leader in the redevelopment of North Dakota racing. By providing a more competitive meet and facilities, Chippewa could pull in those horsemen who may have gone elsewhere, eventually driving many to the following Horse Park meet by virtue of ease and continuity. Thus, by supporting Chippewa, not only would additional professional

facilities be available in-state, but these could drive the very increase in revenues at the Horse Park that are needed for survival.

The Commission plans to continue to examine all viable options for moving forward with both tracks. This bill would prove an invaluable resource in our efforts to not only maintain the health of the North Dakota racing industry, but to save one of its most important facilities.

**OUTDOOR RECREATION DEVELOPMENT ASSOCIATION
CHIPPEWA DOWNS
ACTUAL INCOME & EXPENSE STATEMENT
2013**

INCOME:

STATE (Promotion Fund)				\$90,500.00
State (Purse Fund)				\$142,000.00
Global Wagering (Purse Funds)				\$7,500.00
Purse Funds-Nominations, Etc				\$16,878.00
Tribe				\$65,000.00
Handle				\$15,185.23
Sponsors				\$2,675.00
Beer				\$6,797.00
Concessions				\$17,195.75
Programs				\$3,678.70
Gate Income				\$4,416.55
Stalls				\$8,770.00
Training Fees (April/May)				\$1,300.00
Bookkeeping Fees				\$1,785.00
Gate Fees				\$7,230.00
Camper Fees				\$250.00
TOTAL				\$391,161.23

EXPENSES:

TOTAL PURSES				\$166,378.00
TRIDENT				\$5,760.00
INTERMOUNTAIN TOTE				\$13,600.00
JOCKEY INSURANCE				\$23,040.00
TRUFORM				\$2,920.00
HEAD STEWARD				\$7,500.00
VETERINARIAN				\$9,000.00
HORSEMENS BOOKKEEPER				\$2,800.00
MAINTENANCE WORKERS				\$9,232.00
NIGHT SECURITY				\$800.00
RACING SECRETARY				\$4,800.00
ASST RACE IMPUT RECORDER				\$2,000.00
INDUSTRIAL LAB				\$5,840.00
PORTA POTTIES				\$4,318.00
LADUCER SANITATION				\$3,200.00
SOLID WASTE DISPOSAL				\$118.44
QUEEN OF PEACE-CAROL ROOM				\$400.00
SKYDANCER-BUBBY HAAR ROOM				\$338.00
CAROL SIVAK MILEAGE				\$575.00
TRACK PERSONNEL				\$36,991.25
BUSINESS TOTE MANAGER				\$4,000.00
JOCKEY INCENTIVE				\$5,000.00
EVENT LIABILITY INSURANCE				\$1,445.87

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ADVERTISING				\$2,063.41
BEER & ICE				\$2,341.57
CONCESSIONS				\$6,471.71
LICENSES				\$400.00
FUEL				\$4,407.58
PARTS & PLUMBING SUPPLIES				\$4,055.89
WATER TRUCK (MARIONS)				\$650.00
SAND & GRAVEL (G. MARTIN)				\$850.00
SAND (C. DELORME)				\$130.00
MANURE DISPOSAL (P.DAVIS)				\$500.00
TELEPHONE				\$1,111.91
ELECTRICITY				\$3,767.45
AUDITOR				\$1,360.00
UNCLAIMED TICKETS				\$1,165.10
AMBULANCE				\$2,000.00
STATE LICENSES				\$510.00
OLD BILLS				\$1,782.78
OTHER				\$1,289.96
STATE FUNDS-BREAKAGE				\$479.63
STATE FUNDS				\$1,087.44
TOTAL				\$346,480.99

**OUTDOOR RECREATION DEVELOPMENT ASSOCIATION
CHIPPEWA DOWNS
ACTUAL INCOME & EXPENSE STATEMENT
2014**

INCOME:

STATE (Promotion Fund)				\$130,000.00
State (Purse Fund)				\$80,000.00
Other Purse funds				\$19,912.00
Tribe				\$65,000.00
Handle				\$15,522.95
Sponsors				\$3,950.00
Beer				\$5,946.00
Concessions				\$16,229.14
Programs				\$3,840.20
Gate Income				\$3,867.00
Stalls				\$6,510.00
Training Fees (April/May)				\$4,600.00
Bookkeeping Fees				\$1,425.00
Gate Fees				\$6,510.00
Camper Fees				\$900.00
TOTAL				\$364,212.29

EXPENSES:

TOTAL PURSES				\$164,912.00
TRIDENT				\$5,760.00
INTERMOUNTAIN TOTE				\$13,350.00
JOCKEY INSURANCE				\$24,192.00
TRUFORM				\$2,920.00
HORSEMENS BOOKKEEPER				\$2,900.00
MAINTENANCE WORKERS				\$10,182.75
NIGHT SECURITY				\$1,200.00
RACING SECRETARY				\$5,650.00
ASST RACE IMPUT RECORDER				\$2,500.00
PORTA POTTIES				\$3,900.00
SKYDANCER-CAROL SIVAK ROOM				\$1,792.50
SKYDANCER-BUBBY HAAR ROOM				\$335.00
CAROL SIVAK MILEAGE				\$695.75
STEVE BARHAM MILEAGE				\$1,698.96
SKYDANCER-STEVE BARHAM				\$1,610.00
STEVE BARHAM MEALS				\$1,085.00
ORDA STEWARD-STEVE BARHAM				\$2,500.00
TRACK PERSONNEL				\$43,757.50
BUSINESS TOTE MANAGER				\$4,500.00
JOCKEY INCENTIVE				\$5,000.00
EVENT LIABILITY INSURANCE				\$1,561.86
ADVERTISING				\$2,594.72
BEER & ICE				\$2,491.40

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CONCESSIONS				\$8,059.34
LICENSES				\$100.00
FUEL				\$4,200.30
HAULING GATES-PROUTY				\$600.00
LUMBER				\$853.86
PARTS & PLUMBING SUPPLIES				\$4,002.99
FARGO TRAINING				\$960.00
SAND & GRAVEL (G. MARTIN)				\$400.00
TRACK IMPROVEMENT-MIKE MALATERRE				\$9,604.00
MANURE DISPOSAL (P.DAVIS)				\$500.00
TELEPHONE				\$445.25
ELECTRICITY				\$3,850.52
LADUCER STORAGE				\$720.00
LADUCER SANITATION				\$200.00
PUBLIC WATER UTILITIES				\$2,899.00
AUDITOR				\$1,360.00
UNCLAIMED TICKETS				\$1,355.15
AMBULANCE				\$1,925.00
STATE LICENSES				\$625.00
OFFICE SUPPLIES				\$693.21
OTHER				\$1,738.88
STATE FUNDS-BREAKAGE				\$488.14
STATE FUNDS				\$912.03
TOTAL				\$353,582.11

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 Analysis
January 2014 - December 2014

	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Est Jul 14	Est Aug 14	Est Sep 14	Est Oct 14	Est Nov 14	Est Dec 14	Adjust	TOTAL
Handle														
Income														
Charitable Gaming Proceeds														
Poker	0	12,750	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	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	6,160
Total Charitable Gaming Proceeds	91,379	84,298	82,462	94,684	78,743	81,903	82,500	82,500	82,500	82,500	82,500	82,500	0	1,008,469
Direct Public Support														
Other Purse Monies	0	0	0	0	0	0	0	0	77,696	0	0	0	0	77,696
Corporate Contributions	0	0	0	0	0	0	0	0	5,315	0	0	0	0	5,315
Total Direct Public Support	0	0	0	0	0	0	0	0	83,011	0	0	0	0	83,011
Government Grants														
State Grants	0	0	0	103,500	120,500	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	16,000	0	240,000
Other Types of Income														
Inventory Sales	0	0	0	0	48	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	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	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	0	236,617
Program Income														
Event Admission Fees	0	0	0	0	470	0	0	0	46,883	0	0	0	0	47,353
Program Service Fees	0	0	0	0	130	0	0	0	13,403	0	0	0	0	13,533
Total Program Income	0	0	0	0	600	0	0	0	60,286	0	0	0	0	60,886
Simulcast/Pari-mutuel Proceeds	0	0	0	0	0	0	0	0	87,787	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	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	1,716,771
Expense														
Bank Charges	9	15	12	12	12	12	12	12	0	12	12	12	12	144
Business Expenses														
Background Investigation	0	15	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	2,585
Employee Gaming Permit	0	10	10	0	100	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	144
Taxes - Not UBIT														
Property Tax	0	0	0	0	0	0	0	0	0	11,775	0	15,547	0	27,323
State Gaming Tax	0	0	2,546	0	0	2,622	0	0	2,500	0	0	2,500	0	10,168
State Racing Taxes	0	0	0	0	0	0	0	0	16,029	0	0	0	0	16,029
Total Taxes - Not UBIT	0	0	2,546	0	0	2,622	0	0	16,029	2,500	11,775	18,047	0	53,519
Total Business Expenses	0	504	2,706	0	700	4,122	0	0	16,029	2,500	11,775	18,047	0	56,383
Cash Long/Short	0	0	0	0	(5)	0	0	0	0	0	0	0	0	(5)
Charitable Contributions	0	0	0	500	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	10,200
Pull Tabs (Machine)	69,146	55,077	62,570	66,180	59,360	62,275	61,875	61,875	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	875
Total Charitable Gaming Payouts	69,146	65,277	62,570	67,055	59,360	62,275	61,875	61,875	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	0	31,800
Legal Fees	0	228	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	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	0	39,293

75.37%

Cash Analysis
January 2014 - December 2014

	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14	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	0	20,288
Equipment Fuel	0	0	(1,078)	121	0	10	10	10	0	10	10	10	0	(887)
Property Insurance	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	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	0	152,927
Meals and Entertainment	0	0	49	0	231	100	100	100	0	100	100	100	0	979
Operations														
Computer and Internet	0	0	36	0	0	175	175	175	0	175	175	175	0	1,261
Contract Labor	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	0	450
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	0	58,036
Supplies	45	481	73	170	186	568	500	500	0	500	500	500	0	4,521
Telephone, Telecommunications	155	179	175	174	175	175	175	175	0	175	175	175	0	2,085
Total Operations	1,882	2,932	4,091	1,888	4,858	4,266	3,900	3,900	23,143	3,900	3,900	3,900	0	86,363
Other Types of Expenses														
Advertising Expenses	0	89	479	2,461	1,015	539	0	0	8,522	0	0	0	0	13,105
Awards/Plaques/Trophies	0	0	0	0	0	377	0	0	1,310	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	29,785
Interest Expense	385	382	351	377	363	372	375	375	0	375	375	375	0	4,480
Memberships and Dues	0	0	0	0	0	0	0	0	0	325	0	0	0	325
Other Costs	0	220	0	0	0	0	0	0	76,863	0	0	0	0	77,083
Uniforms	0	0	0	0	1,350	1,695	0	0	0	0	0	0	0	3,045
Total Other Types of Expenses	385	691	830	2,839	20,007	2,983	375	375	96,200	375	3,700	375	0	129,509
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	183,622
Race Meet Payouts														
Purse Payments	0	1,252	0	0	0	0	0	0	223,597	0	0	0	0	224,849
Total Race Meet Payouts	0	1,252	0	0	0	0	0	0	223,597	0	0	0	0	224,849
Travel and Meetings														
Airfare	0	338	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	500	0	683
Gasoline	32	210	161	654	97	0	0	0	0	0	0	0	0	1,155
Lodging	0	81	0	0	722	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	0	16,602
Parking	0	0	45	0	62	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
Total Travel and Meetings	1,016	2,076	1,152	2,164	2,290	1,529	1,500	1,500	0	1,500	1,500	2,900	0	20,587
Total Expense	83,125	87,782	84,383	90,925	103,735	97,798	84,372	84,372	538,256	86,872	100,272	84,372	105,819	1,632,083
Net Ordinary Income	15,840	4,538	(1,730)	170,739	115,006	5,701	10,028	10,028	(251,728)	7,528	(5,872)	10,028	4,581	84,687
Net Income	15,840	4,538	(1,730)	170,739	115,006	5,701	10,028	10,028	(251,728)	7,528	(5,872)	10,028	4,581	84,687

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

Other Items Affecting Cash flow:
Breakage & Unclaimed Tickets
Stallion - Principal Payments

(8,913)
(545)

Cash - EOM

147,000 156,483 151,607

Notes:

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

Horse Race Net Cash Flow Analysis
January 2015 - 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/qr by Q3 2015
Raffle	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1.07
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 NDHPF property taxes
State Gaming Tax	0	0	2,653	0	0	3,251	0	0	0	3,984	0	0	4,880	0	14,768	1% x Pull tab revenue, paid qtrly
State Racing Taxes	0	0	0	0	0	0	0	0	7,200	0	0	0	0	0	7,200	2% x handle
Total Taxes - Not UBIT	0	11,775	2,653	0	0	3,251	0	0	7,200	3,984	11,775	0	20,427	0	61,065	
Total Business Expenses	0	11,775	2,653	0	0	3,251	0	0	7,200	3,984	11,775	0	20,427	0	61,065	
Cash Long/Short	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Charitable Contributions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Charitable Gaming Payouts																
Poker	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Pull Tabs (Machine)	61,875	66,225	70,875	75,825	81,150	86,850	92,925	99,450	0	106,425	113,850	121,800	130,350	0	1,107,600	75% Payout
Raffle	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	75.00%
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	

Horse Race No. 10
January 2015 - December 2015

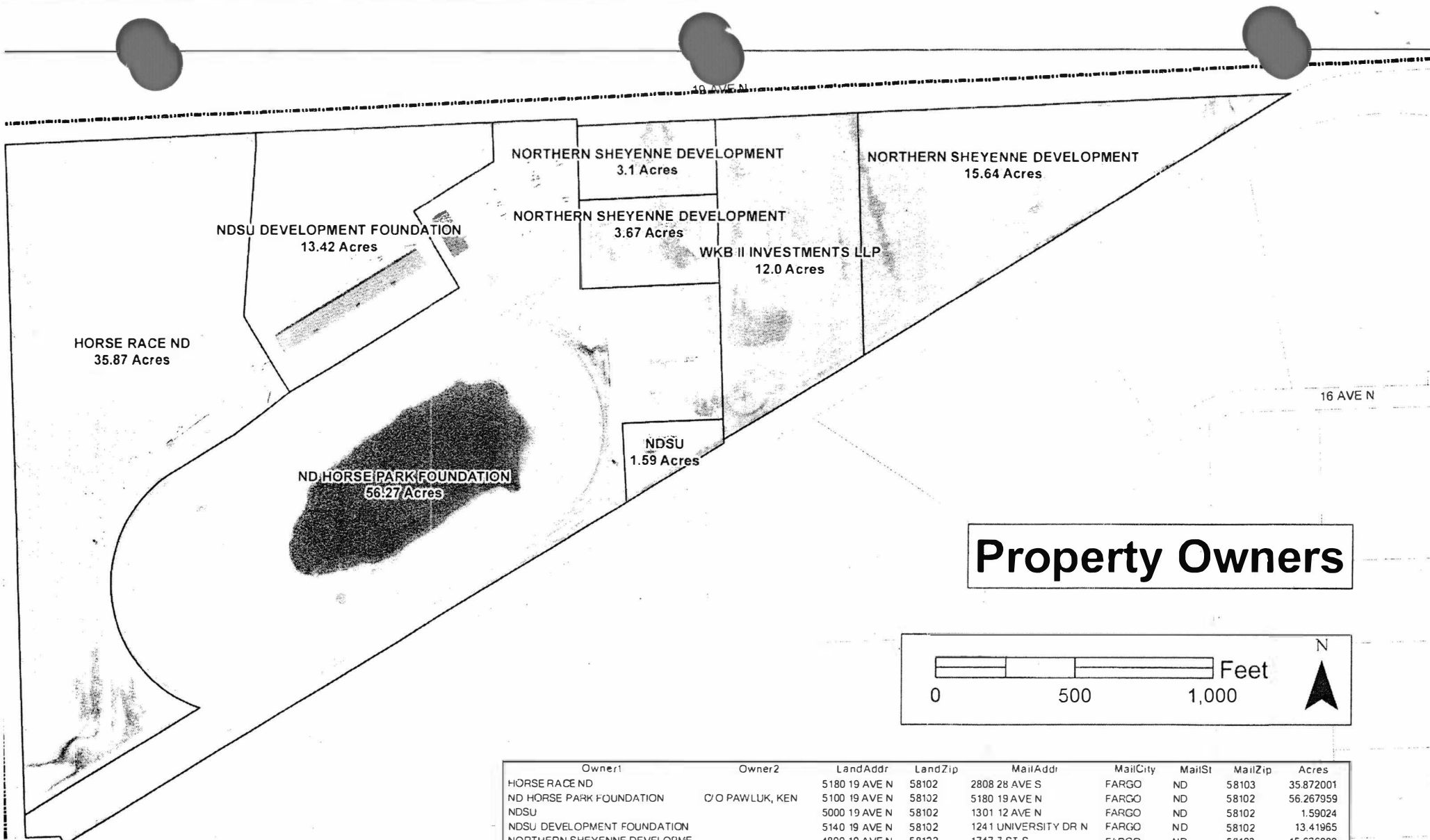
	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Racing	Sep 15	Oct 15	Nov 15	Dec 15	Adjust	TOTAL	
Facilities and Equipment																
Equip Rental and Maintenance	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	0	2,000	2,000	2,000	2,000	0	24,000	
Equipment Fuel	10	10	10	10	10	10	10	10	0	10	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	Racing = Rent & Lease plus Utilities. Gaming = increases at same rate as revenues
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	Racing = 75% x Program Sales. Pull tabs grow at same rate as revenues
Supplies	500	500	500	500	500	500	500	500	0	500	500	500	500	0	6,000	
Telephone, Telecommunications	175	175	175	175	175	175	175	175	0	175	175	175	175	0	2,100	
Total Operations	3,900	4,100	4,300	4,500	4,800	5,100	5,400	5,700	11,250	6,000	6,400	6,800	7,200	0	75,450	
Other Types of Expenses																
Advertising Expenses	0	0	0	0	0	0	0	0	10,000	0	0	0	0	0	10,000	
Awards/Plaques/Trophies	0	0	0	0	0	0	0	0	1,500	0	0	0	0	0	1,500	
Insurance - Liability, D and O	0	0	0	0	0	0	0	0	28,000	0	3,000	0	0	0	31,000	Jockey Accident, G/L, WC + D and O
Interest Expense	375	375	375	375	375	375	375	375	0	375	375	375	375	0	4,500	Starion mortgage (pmnt = \$910)
Memberships and Dues	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Other Costs	0	0	0	0	0	0	0	0	77,000	0	0	0	0	0	77,000	Operating less Adv less Blankets/Trophies plus Unbudgeted less Program Printing
Uniforms	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Other Types of Expenses	375	375	375	375	375	375	375	375	116,500	375	3,375	375	375	0	124,000	
Payroll Expenses	7,500	7,500	7,500	7,500	7,500	7,800	8,100	8,400	95,000	8,700	9,000	9,300	9,600	0	193,400	Increases at 1/2 the rate of increase in pull tab revenue; Dec includes \$2,000 bonus; racing same as 2014 1.035
Race Meet Payouts																
Purse Payments	0	0	0	0	0	0	0	0	225,000	0	0	0	0	0	225,000	Same as 2014
Total Race Meet Payouts	0	0	0	0	0	0	0	0	225,000	0	0	0	0	0	225,000	
Travel and Meetings																
Airfare	0	0	0	0	0	0	0	0	0	0	0	0	500	0	500	Travel to Simulcast Conference
Conference, Convention, Meeting	0	0	0	0	0	0	0	0	0	0	0	0	500	0	500	Travel to Simulcast Conference
Gasoline	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Lodging	0	0	0	0	0	0	0	0	0	0	0	0	400	0	400	Travel to Simulcast Conference
Mileage	1,500	1,600	1,700	1,800	1,900	2,000	2,100	2,200	0	2,300	2,400	2,500	2,600	0	24,600	Increases at 1/2 the rate of increase of pull tab revenues 1.035
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	1,900	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	188,074	0	2,034,279	
Net Ordinary Income	2,778	(647)	16,425	25,028	263,003	5,552	5,728	6,703	(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	6,703	(259,350)	3,844	(5,772)	10,253	(10,124)	0	63,421	
Other Items Affecting Cash flow:																
Starion - Principal Payments (interest included above)	(425)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)	(545)		(6,420)	Starion mortgage (pmnt = \$910)
EDC - Debt Service Payment	(64,731)			(5,396)			(5,396)				(5,396)				(80,919)	
THFF - Debt Service Payment, HRND		(55,673)													(55,673)	
THFF - Debt Service Payment, NDHPF		(90,759)													(90,759)	
Cash - EOM	89,228	(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

Horse Park North Dakota
Cash Analysis
January 2016 - 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	
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)	173,800	173,800	173,800	173,800	173,800	173,800	173,800	173,800	0	173,800	173,800	173,800	173,800	0	2,085,600	Increase to \$500,000/qr by Dec 1
Raffle	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Charitable Gaming Proceeds	173,800	173,800	173,800	173,800	173,800	173,800	173,800	173,800	0	173,800	173,800	173,800	173,800	0	2,085,600	
Direct Public Support																
Other Purse Monies	0	0	0	0	0	0	0	0	80,000	0	0	0	0	0	80,000	
Corporate Contributions	0	0	0	0	0	0	0	0	10,000	0	0	0	0	0	10,000	Increased from \$5,000 in 2014
Total Direct Public Support	0	0	0	0	0	0	0	0	90,000	0	0	0	0	0	90,000	
Government Grants																
State Grants	0	0	0	0	240,000	0	0	0	0	0	0	0	0	0	240,000	Same as 2014
Total Government Grants	0	0	0	0	240,000	0	0	0	0	0	0	0	0	0	240,000	
Other Types of Income																
Inventory Sales	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
ADW Contributions	2,150	12,150	19,150	24,150	21,150	6,150	2,150	2,150	0	2,150	2,150	2,150	2,150	0	97,800	
Miscellaneous Revenue	0	0	0	0	0	0	0	0	50,000	0	0	0	0	0	50,000	
Total Other Types of Income	2,150	12,150	19,150	24,150	21,150	6,150	2,150	2,150	50,000	2,150	2,150	2,150	2,150	0	147,800	
Program Income																
Event Admission Fees	0	0	0	0	0	0	0	0	50,000	0	0	0	0	0	50,000	
Program Service Fees	0	0	0	0	0	0	0	0	10,000	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	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	11,775	0	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 Pulltab 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	75.00%
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	

Horse Park North Dakota
Cash Analysis
January 2016 - December 2016

	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	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	0	24,000
Equipment Fuel	10	10	10	10	10	10	10	10	0	10	10	10	0	120
Property Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0
														Racing = Rent & Lease plus Utilities. Gaming = increases at same rate as revenues
Rent, Parking, Utilities	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	85,000	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	0	223,120
Meals and Entertainment Operations														
Computer and Internet	175	175	175	175	175	175	175	175	0	175	175	175	0	2,100
Contract Labor	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	0	600
														Racing = 75% x Program Sales. Pull tabs grow at same rate as revenues
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	0	66,850
Supplies	500	500	500	500	500	500	500	500	0	500	500	500	0	6,000
Telephone, Telecommunications	175	175	175	175	175	175	175	175	0	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	0	97,650
Other Types of Expenses														
Advertising Expenses	0	0	0	0	0	0	0	0	10,000	0	0	0	0	10,000
Awards/Plaques/Trophies	0	0	0	0	0	0	0	0	1,500	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	31,000
Interest Expense	375	375	375	375	375	375	375	375	0	375	375	375	0	4,500
Memberships and Dues	0	0	0	0	0	0	0	0	0	0	0	0	0	0
														Jockey Accident, G/L, WC + D and Starion mortgage (pmnt = \$910)
Other Costs	0	0	0	0	0	0	0	0	77,000	0	0	0	0	77,000
Uniforms	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	0	124,000
														Operating less Adv less Blankets/Trophies plus Unbudgeted less Program Printing
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	9,500	0	187,000
Purse Payments	0	0	0	0	0	0	0	0	225,000	0	0	0	0	225,000
Total Race Meet Payouts	0	0	0	0	0	0	0	0	225,000	0	0	0	0	225,000
														Increases at 1/2 the rate of increase in pull tab revenue; Dec includes \$2,000 bonus; racing same as 2014
Travel and Meetings														
Airfare	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	500	0	500
Gasoline	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	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	0	31,200
Parking	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
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	4,000	0	32,600
														Travel to Simulcast Conference Travel to Simulcast Conference Travel to Simulcast Conference Increases at 1/2 the rate of increase of pull tab revenues
Total Expense	162,147	173,922	167,361	162,147	162,147	167,361	162,147	162,147	539,950	167,361	176,922	182,147	186,308	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)	151,933
Net Income	13,803	12,028	25,589	35,803	272,803	12,589	13,803	13,803	(269,350)	8,589	(972)	13,803	(10,358)	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	214,616	(44,734)	(36,690)	(43,603)	(30,345)	(41,248)	(22,503)
														Annual Net Cash Flow



Property Owners

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

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