



Ohio State Racing Commission

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John Kasich
Governor

Robert K. Schmitz
Chairman

Minutes of the OSRC Meeting held June 27, 2018

1-The Ohio State Racing Commission (OSRC) held its monthly meeting June 27, 2018 at the Riffe Center, 77 South High Street, Columbus, Ohio, Room 1952, at 10 am.

2-OSRC Chairman Robert K. Schmitz called the meeting to order. Commissioners Todd Book, Gary Koch, Greg Simpson and Thomas Winters were present.

3-Commissioner Book moved to approve the minutes of the commission meeting held on May 22, 2018. Commissioner Winters seconded the motion and the motion was unanimously approved.

4-Commissioner Winters moved to approve the ratification of the Executive Director Bill Crawford's approvals. Commissioner Koch seconded the motion and the motion was unanimously approved.

5-Commissioner Koch moved to approve the Delaware County Agricultural Society's 2018 meet requests;

1. Request to conduct Future Win and Future Jugette/Jug Daily Double Future wagering on the 2018 Jugette and Little Brown Jug
2. Request to simulcast all races
3. Request to require any horses entered in the Little Brown Jug or Jugette to arrive on the grounds by 11:00 am two days prior to each race
4. Request to waive administrative rule 3769-15-31(B)(2) and apply the "preference rule" instead for all overnight races
5. Request for approval of wagering format

Commissioner Simpson seconded the motion and the motion was unanimously approved.

6-Commissioner Winters offered consideration of Resolution 2018-05 regarding the percentage of video lottery terminal gaming at Belterra Park to be used to benefit breeding and racing in Ohio. Commissioner Simpson seconded the consideration of Resolution 2018-05. Joseph Macneil of the Ohio Facilities Construction Commission (OFCC) spoke regarding the OFCC's updated audit of capital expenditures necessary to build Belterra Park. Mr. Macneil stated the updated and final total of capital expenditures are \$272,340,209 (two hundred and seventy-two million three hundred and forty thousand two hundred and nine dollars). The rate was established at 9.95%. The OSRC thanked Mr. Macneil for his exemplary work on this project. Commissioner Book moved to approve Resolution 2018-05 and Commissioner Winters seconded the motion. The motion was unanimously approved by roll call vote: Chairman Schmitz voted Yes; Commissioner Winters voted Yes; Commissioner Koch voted Yes; Commissioner Simpson voted Yes; Commissioner Book voted Yes.

7- Commissioner Simpson offered consideration of Resolution 2018-06, the change of ownership of Northfield Park Associates. Commissioner Koch seconded the consideration of Resolution 2018-06. Brock Millstein spoke on behalf of owner of Northfield Park. Andy Chen Chief Financial Officer and Patrick Madamba general counsel spoke on behalf of MGM Growth Properties. The purchase price for Northfield Park was \$1,062,500,000 (one billion sixty-two million 500 thousand dollars). MGM will keep the same personnel operating the racetrack since it is the first purchase of a racetrack by MGM. Commissioner Book moved to approve Resolution 2018-06 and Commissioner Simpson seconded the motion. The motion was unanimously approved by roll call vote:

Chairman Schmitz voted Yes; Commissioner Winters voted Yes; Commissioner Koch voted Yes; Commissioner Simpson voted Yes; Commissioner Book voted Yes.

8—Dr. James Robertson, OSRC consulting veterinarian, gave an update on catastrophic horse fatalities due to training or racing in 2018, stating there were a total of 28 catastrophic breakdowns through June 21 at Ohio racetracks: 24 Thoroughbred (19 racing & five training) and four Standardbred. During the month of June (through June 21, 2018) there were four Thoroughbred and zero Standardbred fatalities due to racing and/or training.

9-Sherry White, OSRC Fiscal Officer gave her monthly financial report, stating that fiscal year 2018 is shaping up better than expected, despite testing costs being higher this year. We are ahead of where we were this time last year. Ms. White explained some of our costs are due to DAS raising their rates slightly, but this will be offset by our lowered rent, which will be 65% less than in previous years.

10-Chairman Schmitz spoke about the recent Ohio Derby that was raced on June 23, 2018 at JACK Thistledown and about Lather Up, a 2018 Ohio Sires Stakes Leg winner, capturing the \$1 million North America Cup at Mohawk Woodbine Park on June 16, 2018.

11-There were no public comments.

12- Commissioner Winters moved to go into executive session to consider the hiring, promotion, discipline or compensation of public employees and any pending legal matters. Commissioner Simpson seconded the motion and the motion was approved via roll call vote: Chairman Schmitz voted Yes; Commissioner Book voted Yes; Commissioner Winters voted Yes; Commissioner Koch voted Yes; Commissioner Simpson voted Yes. Chairman Schmitz stated after executive session, the commission would only move to adjourn the meeting. Commissioner Winters moved to go out of executive session. Commissioner Simpson second the motion and the motion was unanimously approved via roll call vote; Chairman Schmitz voted Yes; Commissioner Book voted Yes; Commissioner Winters voted Yes; Commissioner Koch voted Yes; Commissioner Simpson voted Yes.

13-Commissioner Simpson moved to adjourn the meeting. Commissioner Book seconded the motion and the motion was unanimously approved.

The public meeting adjourned at 11:05 a.m.

Date, Time & Place of Next Meeting
July 24, 2018 @ 10:00 AM
77 South High Street, Room 1948
Columbus, Ohio 43215 - 6108

OHIO STATE RACING COMMISSION

RESOLUTION 2018-05

WHEREAS, Chapter 3769 of the Revised Code authorizes the Ohio State Racing Commission (“Commission”) to regulate and preserve the integrity of horse racing in Ohio;

WHEREAS, Revised Code 3769.087 (C) states unless otherwise agreed to by the video lottery sales agent and the applicable horsemen’s association recognized by the state racing commission to represent such persons, the Commission shall direct through rule that a percentage of the lottery sales agent’s commission as determined by the state lottery commission for conducting video lottery terminal gaming on behalf of the state be paid to the state racing commission for the benefit of breeding and racing in this state. The percentage so determined shall not be less than nine per cent or more than eleven per cent of the video lottery terminal income, and shall be a sliding scale based upon capital expenditures necessary to build the video lottery sales agent’s facility;

WHEREAS, in accordance with 3769.087 (C) the Commission promulgated rule OAC 3769-2-43. This rule requires the Ohio Facilities Construction Commission (OFCC) to determine the amount of allowable capital expenditures necessary to build the video lottery sales agent facility.;

WHEREAS, PNK (OHIO), LLC is a permit holder licensed by the Commission and is a video lottery sales agent licensed by the Ohio Lottery Commission. PNK (OHIO), LLC conducts thoroughbred horse racing at Belterra Park. The Ohio Horsemen’s Benevolent and Protective Association (OHBPA) is the Commission’s recognized horseman’s association for thoroughbreds. PNK (OHIO), LLC and the OHBPA could not agree on the percentage of PNK (OHIO), LLC commission for conducting video lottery terminal gaming on behalf of the state for the benefit breeding and racing in this state;

WHEREAS, the OFCC has completed its review of capital expenditures necessary to build PNK (OHIO), LLC video lottery terminal gaming facility. The OFCC final report states that PNK (OHIO), LLC spent \$ 272,340,209 (two hundred and seventy-two million three hundred and forty thousand two hundred and nine dollars) in allowable capital expenditures to build its video lottery sales agent facility. The final report is attached;

NOW, THEREFORE, BE IT RESOLVED the Commission accepts and approves the OFCC report. Based on the OFCC report and OAC 3769-2-43 the Commission determines the percentage of PNK (OHIO), LLC video lottery terminal income for the benefit of breeding and racing in Ohio is 9.95% .

Adopted: June 27, 2018



OHIO FACILITIES CONSTRUCTION COMMISSION

June 8, 2018

Mr. Robert K. Schmitz
Chairman
Ohio State Racing Commission
77 South High Street – 18th Floor
Columbus, Ohio 43215-6108

RE: Ohio Administrative Code 3769-2-43; Determination of allowable expenditures related to Belterra Park located at 6301 Kellogg Road, Cincinnati, Ohio

Dear Chairman Schmitz:

On April 24, 2018, OFCC provided the Ohio State Racing Commission our initial Determination of Costs Allowable under Ohio Administrative Code 3769-2-43. This followed a lengthy analysis of documentation submitted by the Owners of Belterra Park. At the April meeting of the OSRC, the numbers were presented to all interested parties and the OSRC stated that the numbers would be discussed at its May meeting so that all interested parties would be given a chance to review the submitted numbers. The matter has been continued to the June 26, 2018 meeting of the OSRC.

Subsequently, OFCC received information from PNK (Ohio) LLC/Pinnacle Entertainment ("Pinnacle") that claimed various costs were underrepresented. With over a thousand different vendors, over four thousand separate invoices, and over twelve thousand unique transactions, all of which occurred approximately three years ago, it was possible that certain information was overlooked or that certain information necessary for the appropriate determination was not provided. In an effort to ensure that OFCC arrived at an appropriate determination, OFCC re-examined the submitted data that supported our April 24, 2018 letter as well as any new information that was submitted, including directions by Pinnacle as to where certain information might be found. Below is a summary table followed by an explanation of our findings.

Table with 5 columns: Category, April 24, 2018, Additional Info, Accepted Change, Updated Totals. Rows include Permits and Fees, Architecture and Design, Construction Management, Construction, Furniture, Fixtures and Equipment, Gaming Equipment, Information Technology, and Base Stock.

<i>Category</i>	<i>April 24, 2018</i>	<i>Additional Info</i>	<i>Accepted Change</i>	<i>Updated Totals</i>
<i>Pre-Opening Expenses</i>	\$0	\$9,009,900	\$0	\$0
<i>Contingency</i>	\$0	\$0	\$0	\$0
<i>Other: Maintenance Capital</i>	\$1,247,947	\$0	\$0	\$1,247,514
<i>Maintenance Capital</i>	\$591,514	\$0	\$0	\$591,514
<i>Activity Tax</i>	\$0	\$0	\$0	\$0
<i>Sales Tax</i>	\$0	\$0	\$0	\$0
<i>Opening Bank</i>	\$0	\$5,100,000	\$0	\$0
<i>Operating Loss Pre-Opening</i>	\$0	\$6,000,000	\$0	\$0
<i>Capitalized Interest (Base Project)</i>	\$0	\$3,600,000	\$0	\$0
<i>Original Purchase Price</i>	\$25,000,000	\$20,000,000	\$0	\$25,000,000
<i>License Fee</i>	\$50,000,000	\$0	\$0	\$50,000,000
Totals	\$265,283,060	\$52,769,619	\$7,057,152	\$272,340,209.

Explanation of Additional Findings

Architecture and Design – Increased by \$873,950 – New Total \$9,197,127

Contracts for architecture and design had previously been included for \$8,323,177, which amount consisted of architecture, engineering and testing, but did not include reimbursable costs on the architecture contract. The reimbursable costs totaling \$873,950 have been justified and are now included in the updated amount. Reimbursable costs are the sum of all printing and travel costs over the length of the construction project.

Construction Management – Increased by \$457,325 - New Total \$2,390,331

Costs for insurance and construction management contract(s) had previously been included, but costs for the Owner's staffing had not been included. With supplemental justification from PNK (Ohio) LLC, an additional \$418,334 of staffing costs and \$38,991 of on-site office facilities are included in the updated amount. These costs are attributable to time spent by the Owner's staff hiring and managing, architects, contractors, construction managers etc. over the length of the construction project.

Construction – Increased by \$5,379,765 – New Total \$136,379,765

Originally, \$131,000,000 was included for the main construction contract and final payment, but such amount did not include some additional construction costs, as they appeared upon the initial review of the OFCC to be duplicative. Supplemental information from PNK (Ohio) LLC, however, demonstrated that those were not duplicative costs. As a result, the cost for the construction contract has been increased by \$5,379,765 to include the following invoices:

Build. Const. Other	\$1,073,922	Various costs associated with the construction of horse stalls
Misc. Build. Construction	\$1,401,280	Various costs associated with infrastructure repairs
CAFO Infrastructure	\$1,572,451	Various costs associated with civil and sanitary infrastructure
Terrace	\$1,332,112	Various costs associated with the Terrace build out.

Information Technology – Increased by \$346,112 – New total \$8,481,143

The previously asserted amount omitted in error \$346,112 of costs that should have been included in the April 24, 2018 letter. This error is now corrected.

Base Stock – No Change

The OFCC, in consultation with the Director of the Lottery Commission, determined these costs are not eligible under Ohio Administrative Code 3769-2-43.

Pre-Opening Expense – No Change

The OFCC, in consultation with the Director of the Lottery Commission, determined these costs are not eligible under Ohio Administrative Code 3769-2-43.

Opening Bank – No Change

The OFCC, in consultation with the Director of the Lottery Commission, determined these costs are not eligible under Ohio Administrative Code 3769-2-43.

Operating Loss/Pre-opening – No Change

The OFCC, in consultation with the Director of the Lottery Commission, determined these costs are not eligible under Ohio Administrative Code 3769-2-43.

Capitalized Interest – No Change

OFCC previously asserted that PNK (Ohio) LLC's failure to provide a contract, loan agreement or bank statement showing that it paid interest on its construction funding meant that no costs were included under this category. In response, PNK (Ohio) provided audited reports of Pinnacle Entertainment (reported parent company of PNK (Ohio)) in an effort to document that it paid capitalized interest. Those costs, however are blended with other projects and were incurred by an entity other than the license holder and the entity that held the construction agreements. As such, audited financials of Pinnacle Entertainment do not document that PNK (Ohio) LLC paid interest.

Original Purchase Price – No Change

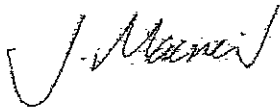
OAC 3769-2-43 states:

"The determination of the amount of the allowable expenditure under the master facility plan will be determined by the Ohio facilities construction commission"

The approved master facility plan (4/17/2014) considered only \$25,000,000, although \$45,000,000 had been expended. While we do not dispute that \$45,000,000 has been spent on the purchase, OAC 3769-2-43 restricts our determination to that amount already considered in the approved master facility plan, which set a maximum of \$25,000,000.

Based on new information, additional clarifications, and a correction, the Updated Determination of Costs Allowable under Ohio Administrative Code 3769-2-43 is **\$272,340,209**.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. Macneil".

Joseph Macneil
Planning Manager

OHIO STATE RACING COMMISSION

RESOLUTION 2018-06

WHEREAS, Chapter 3769 of the Revised Code authorizes the Ohio State Racing Commission (“Commission”) to regulate and preserve the integrity of horse racing in Ohio;

WHEREAS, Revised Code 3769.03 authorizes the Commission to issue, deny, suspend, diminish or revoke permits to conduct horse racing;

WHEREAS, the Commission has issued a permit for calendar year 2018 to Northfield Park Associates, LLC which is owned by Milstein Entertainment LLC to conduct horse racing meetings at 10705 Northfield Road, Northfield, Ohio 44067 known as Northfield Park;

NOW, THEREFORE, BE IT RESOLVED the Commission approves the change of ownership of Northfield Park Associates, LLC, and recognizes that Northfield Park Associates, LLC will be owned by MGP OH, Inc. who is owned by MGM Growth Properties Operating Partnership LP. The Commission’s approval of the change of ownership of Northfield Park Associates, LLC is contingent and will become effective upon MGP OH, Inc. acquiring the membership interests in Northfield Park Associates, LLC which includes ownership and control of all property located at 10705 Northfield Road, Northfield, Ohio 44067 including but not limited to all racing facilities used to conduct horse racing meetings by October 15, 2018;

MGP OH Inc. shall send a copy of all transactional documents to the Commission within three business days of the change of ownership for Northfield Park Associates, LLC;

The existing Northfield Park Associates, LLC permits to conduct horse racing meetings shall remain in effect until the change of Northfield Park Associates, LLC ownership. The Commission will then issue new permits to conduct horse racing meetings;

BE IT FURTHER RESOLVED MGP OH, Inc as a contingent owner and the current owner of Northfield Park Associates, LLC must file the Northfield Park Associates, LLC permit applications to conduct horse racing meeting for calendar year 2019 including proposed race dates and applicable fees by August 15, 2018.

Adopted: June 27, 2018