

Special Review

Minnesota Amateur Sports Commission



Financial Audit Division

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- Promote Accountability,
- Strengthen Legislative Oversight, and
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Minnesota Amateur Sports Commission

We have conducted a special review of the Minnesota Amateur Sports Commission’s use of funds appropriated in 1998 to purchase and develop land for athletic fields and to develop the National Children’s Golf Course.

We conducted this review in response to a request from a member of the Minnesota Legislature who alleged that the commission unlawfully used part of its appropriation for development of a National Children’s Golf Course to buy land for soccer fields. In response to this concern, we agreed to examine the land purchase and how the commission used its athletic fields and golf course appropriations.

In addition to providing information about the 1998 appropriations, our report reinforces the need for the Legislature to clearly define its expectations in the law. It also reinforces the need for agencies to give primary consideration to the “letter of the law” rather than perceptions of legislative intent.

This report was prepared for the information of the Legislative Audit Commission and the Minnesota Amateur Sports Commission. This restriction is not intended to limit the distribution of the report, which was released as a public document on February 13, 2003.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia J. Gudvangen, CPA

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: January 28, 2003

Report Signed On: February 12, 2003

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

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David Poliseno, CPA, CISA, CFE	Audit Manager
Marla Conroy, CPA, CISA	Director of Investigations
Laura Peterson, CPA	Team Leader
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Exit Conference

The following representatives from the Minnesota Amateur Sports Commission and the National Sports Center Foundation participated in the exit conference held on February 10, 2002.

Paul Erickson	Executive Director, MASC
Kris Bjerkness	Executive Director, NSCF
Wynn Babcock	Director of Finance, NSCF
Neil Ladd	Golf Programs Manager, NSCF

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Report Summary

We have conducted a special review of the Minnesota Amateur Sports Commission's use of funds appropriated in 1998 to purchase and develop land for use as athletic fields and to develop the National Children's Golf Course.

Our objective in conducting this special review was to identify how the commission spent a \$1.7 million appropriation for athletic fields and a \$3.1 million appropriation for development of the golf course and to determine whether those expenditures complied with appropriation laws and other legal requirements.

Key Conclusions

As of January 2003, the Amateur Sports Commission has expended virtually all of the state appropriations for athletic fields and the golf course. Determining whether those expenditures complied with appropriation laws depends on how broadly or strictly one reads the language and defines the specific words in the appropriation law. As auditors, our traditional approach in reviewing legal compliance relating to use of appropriated funds is to consider the "letter of the law." However, in the case of these appropriations, there was other evidence that brought into question the purpose or intent of the appropriation law, and we considered that evidence in making our judgments.

We have concluded that the commission's use of the \$1.7 million appropriation for the athletic fields did not comply with a strict reading of the appropriation language but did comply with the intent of the two legislative conference committee chairs who negotiated the final language in the conference committee.

We think a conclusion on whether the commission's expenditures from the golf course appropriation complied with legal requirements will ultimately depend on how the commission uses the land that it purchased with \$1.867 million from the appropriation. Although the commission has not yet built the golf course, current designs include a 9-hole learning center on the land in question. We think the appropriation language directing the commission to "develop" a golf course, as well as the commission's general authority to acquire real property, and the fact that the final appropriation language did not specifically prohibit the purchase of land, together, can support the commission's actions and its use of the appropriation.

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Special Review**

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Chapter 1. Introduction

In April 1998, the Minnesota Legislature appropriated to the Minnesota Amateur Sports Commission \$1.7 million to purchase and develop land for use as athletic fields and \$3.1 million to develop the National Children's Golf Course. As of January 2003, although the golf course appropriation has been expended, the golf course is not complete. This has raised various concerns and questions about the status of the project.

In December 2002, State Representative Philip Krinkie reported to our office a possible unlawful use of public funds by the Amateur Sports Commission. Specifically, he reported that the commission had apparently used a significant portion of the \$3.1 million appropriation designated for the golf course to purchase land for soccer fields (Attachment A).

In response to these concerns, we agreed to examine the land purchase and how the commission used its youth golf course appropriation. Our review did not evaluate the merits of constructing a golf course or the specific golf course design.

This special review went beyond the work conducted as a part of our financial audit of the Amateur Sports Commission for the three years ending June 30, 2001. Our report on the results of that audit was issued on August 22, 2002. While the audit reviewed commission expenditures generally, it did not focus specifically on these projects, and it did not include a detailed review of all National Sports Center Foundation accounting records and supporting documentation.

Objective and Methodology

Our objective in conducting this special review was to answer the following questions:

- How did the commission expend the \$1.7 million appropriation for athletic field land and the \$3.1 million appropriation for development of the National Children's Golf Course?
- Did the commission comply with applicable appropriation laws and other legal requirements in the use of funds appropriated for development of the National Children's Golf Course?

In conducting this review, we examined the Amateur Sports Commission and National Sports Center Foundation's accounting records related to expenditures from the \$1.7 million and \$3.1 million appropriations. We reviewed relevant supporting documents, including the purchase agreement for land acquisition. We interviewed staff of the Amateur Sports Commission and the National Sports Center Foundation. We obtained information from legislators involved in passage of the appropriation law. We also obtained information from representatives of the Office of the Attorney General, Senate Counsel, the Metropolitan Airports Commission (MAC), and the World Golf Foundation, Inc., a Florida not-for-profit corporation, through its division, The First Tee.

Chapter 2 provides an accounting of the use of 1998 appropriations to the Amateur Sports Commission for athletic fields and the golf course. It also provides a historical perspective on

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development of the athletic fields and golf course and our comments on legal compliance. In reaching conclusions on compliance, we considered the concept of “legislative intent.” We discuss this concept and our interpretation of the relevant legal requirements in the chapter.

As an overview, the following section provides background information on the Minnesota Amateur Sports Commission, the National Sports Center, and the National Sports Center Foundation.

Overview of Entities

The 1987 Legislature created the Minnesota Amateur Sports Commission, which operates under Minn. Stat. Chapter 240A. Its mission is to “evaluate the economic and social benefits of amateur sports to enrich the lives of Minnesotans.” The commission has provided financial support to programs and facilities located both in the Twin Cities area and in greater Minnesota, including the National Volleyball Center in Rochester, the National Hockey Center in St. Cloud and the Giants Ridge Golf and Ski Resort in Biwabik. The commission also administers the Mighty Ducks and Mighty Kids grant programs.

Pursuant to Minn. Stat. Section 240A.02 (2002), the commission consists of fourteen voting members and four nonvoting members. The Governor appoints ten voting members, the commission appoints two, and the Speaker of the House of Representatives and Senate Majority Leader each appoint one. The four nonvoting members are legislators, two from each house. (Also, historically, the two voting members appointed by the Speaker of the House and Senate Majority Leader have been legislators.) The commission holds monthly meetings that are open to the public.

Paul Erickson was appointed the commission’s first executive director in September 1987 and continues to serve in that capacity. The Legislature has provided General Fund appropriations for the Minnesota Amateur Sports Commission’s general operations. In addition, the commission has received funding for various capital projects.

The commission has statutory authority to acquire real or personal property by lease, purchase, or gift and to own, operate, construct, and repair or refurbish property for amateur sports facilities. The commission’s expanded contracting authority allows it to contract for materials, supplies, and equipment to perform the functions of architect, engineer, construction manager, project manager, or contractor for facility building or remodeling projects.

The Minnesota Amateur Sports Commission is housed at the National Sports Center campus in Blaine. The state owns the National Sports Center land and facilities. The National Sports Center campus is designed to support various athletic events including soccer, track and field, cycling, hockey, and golf. The commission contracts with the National Sports Center Foundation, a separate nonprofit organization, to operate the National Sports Center facilities.

The foundation also manages the construction of any new facilities. For facility development, the foundation receives charitable contributions and funding from the commission, as well as revenue from program and event registration fees, dormitory and facility rentals, and food and beverage sales.

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Chapter 2. Use of State Appropriations

On April 21, 1998, Governor Arne Carlson signed House File No. 3843, a bill that provided various appropriations for capital projects. As is the nature of capital appropriations, unless the law specified otherwise, the appropriations were available until the individual projects were completed or abandoned. (The availability of funds is limited somewhat by Minn. Stat. Section 16A.642, which provides for a biennial legislative review of unobligated funds for projects authorized more than four years prior to the year of the review.)

The appropriation bill, which became Laws of Minnesota 1998, Chapter 404, included various appropriations to the Amateur Sports Commission, in Section 15. Subd. 2 of that section provided the following:

\$1,700,000 is to purchase and develop land adjacent to the National Sports Center in Blaine for use as athletic fields.

\$3,100,000 is to develop the National Children's Golf Course. The primary purpose of the National Children's Golf Course is to serve youth of 18 years and younger. Market rates must be charged for adult golf.

As of January 2003, the Amateur Sports Commission had expended virtually all of the two appropriations. As discussed previously, the National Sports Center Foundation operates the Sports Center and manages the construction of new facilities. The foundation enters into contracts and initiates purchase transactions for various goods and services. The commission used the state appropriated funds to reimburse the National Sports Center Foundation for costs incurred for the two projects. In addition, the foundation may expend certain of its own revenues for other costs related to these state-funded projects. Tables 2-1 and 2-2 provide additional detail on the use of the appropriated funds by the National Sports Center Foundation.

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**Table 2-1
Expenditures from the \$1.7 Million Appropriation
Land Acquisition for Athletic Fields**

Uses of Funds	1999	2000	2001	2002	2003	Total
Land Purchase ⁽¹⁾	\$ 603,003		\$ 0			\$ 603,003
Land Improvement ⁽²⁾	639,373	\$252,882		\$ 2,662	\$10,383	905,300
Engineering ⁽³⁾	37,617	3,904		8,988	12,463	62,972
Environmental	8,847	9,126				17,973
Electrical		15,821				15,821
Taxes ⁽⁴⁾		67,337				67,337
Fee ⁽⁵⁾					11,564	11,564
Other ⁽⁶⁾	3,054	5,800	0	0	140	8,995
Total	\$1,291,895	\$354,870	\$ 0	\$11,650	\$34,550	\$1,692,964

Notes:

- (1) The National Sports Center Foundation (NSCF) entered into a \$2.5 million contract for deed to purchase approximately 75.2 acres. The 1999 land purchase expenditure represents earnest money, the first installment under the purchase agreement, and closing fees. The commission reimbursed the NSCF for the remaining installment from its golf appropriation.
- (2) Land improvements included excavation, parking lots, curb, gutter, drainage, picnic shelters, and bridge installation.
- (3) NSCF hired an engineering company as project managers for the land improvements.
- (4) These expenditures include the real estate, special assessment, and green acre taxes due as specified in the land purchase agreement.
- (5) These expenditures include permit, zoning, and conditional use application fees.
- (6) These expenditures include an appraisal of a right-of-way and legal and consulting services.

Source: National Sports Center Foundation Invoices.

**Table 2-2
\$3.1 Million Appropriation
National Children's Golf Course**

Uses of Funds	1999	2000	2001	2002	2003	Total
Land Purchase ⁽¹⁾		\$600,000	\$500,000	\$ 767,242		\$1,867,242
Construction ⁽²⁾	\$67,003	228,299	27,801	10,814	\$1,598	335,515
Engineering ⁽³⁾	39,185	64,100	8,317	19,850	21,710	153,162
Environmental	3,698					3,698
Equipment-Golf Carts		21,619		151,204		172,823
Equipment-Lawn Maintenance		15,543	7,781	399,043		422,367
Equipment-Other		5,560	5,099	28,867	2,265	41,791
Payroll		39,592	15,855	8,873		64,320
Supplies		13,592	5,971		472	20,035
Other ⁽⁴⁾	0	8,486	1,626	8,656	251	19,019
Total	\$109,886	\$996,791	\$572,450	\$1,394,549	\$26,296	\$3,099,972

Notes:

- (1) The National Sports Center Foundation (NSCF) entered into a \$2.5 million contract for deed to purchase approximately 75.2 acres. These expenditures represent the remaining installment under the purchase agreement. The commission reimbursed the NSCF for the first installment from its land acquisition appropriation. All together the commission reimbursed the foundation \$2.47 million for the land. In an amendment to the purchase agreement, the sellers agreed to reduce the purchase price by \$25,000 due to environmental cleanup costs. In addition, the foundation paid the last installment early and received a \$7,758 discount.
- (2) These expenditures include construction of the 18-hole putting course and clubhouse.
- (3) NSCF hired an engineering company as project managers for the National Youth Golf Center project.
- (4) These expenditures include fees, land improvements, travel, insurance, and professional/technical services.

Source: National Sports Center Foundation Invoices.

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As authorized by resolutions in December 1998 (Attachment B) and February 2002 (Attachment C), the commission used a portion of each of the appropriations to reimburse the foundation for the cost of a land purchase. In December 1998, the foundation entered into a purchase agreement for 75.2 acres of sod farmland at a cost of approximately \$2.5 million. The foundation closed on the land purchase in April 1999 and paid for the purchase in four installments from 1999 through 2002. Neither the commission nor the foundation obtained an appraisal of the property prior to the purchase. The commission's executive director stated the commission and foundation had knowledge of property values in the area based on previous acquisitions. Prior to purchasing the land, the commission obtained recent property sales information from the City of Blaine for comparison purposes. In response to the current criticism, the commission, in January 2003, obtained an independent appraisal of the 75.2-acre property, which was valued at \$3.4 million.

When reimbursing the foundation for the land purchase, the commission used \$600,000 from the athletic field appropriation and \$1.9 million from the golf course appropriation. The commission used 27 acres of the property for 12 soccer fields and allocated 48 acres to be developed for golf. The commission used the value of the acreage designated for athletic fields and golf when determining the share of land costs charged to each appropriation. Commission staff stated that, based on soil tests, the athletic field acreage contained more peat and was less valuable than the acres designated for golf activities.

Determining Legal Compliance

Reaching a conclusion on whether the commission's expenditures from these appropriations complied with appropriation laws is complicated. A conclusion on compliance depends on how broadly or strictly one reads the language and defines the specific words in the appropriation law. For the appropriations in question, there have been differing interpretations of the meaning of certain words (such as "to develop") and the amount of flexibility provided to the commission to achieve the ultimate purpose of the appropriation.

The commission and its supporters have taken a generally broad definition of the 1998 appropriation law and its authority. Others say the commission should be held to a stricter interpretation. As auditors, our traditional approach in reviewing legal compliance relating to use of appropriated funds is to consider the "letter of the law." However, in the case of these appropriations, there was other evidence that brought into question the purpose or intent of the appropriation law. For example, we received a letter (Attachment D) signed by Senator Keith Langseth, Chair of the Senate Capital Investment Committee in 1998 (and currently), and attested to by Bernie Omann, Chief of Staff to then-Governor Arne Carlson (and a current member of the Amateur Sports Commission), and Henry Kalis, Chair of the House Capital Investment Committee in 1998. The letter stated that their intent in developing the appropriation language was to provide maximum flexibility for the commission in developing the two projects.

From our research into the relevant legislative history, we learned that the language in Laws of Minnesota 1998, Chapter 404, related to the Amateur Sports Commission, differed from the

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language in the original appropriation bills introduced in the House of Representatives and the Senate. Changes were made as the two bills progressed through the two houses and, finally, through negotiations in the conference committee. Table 2-3 provides a comparison of House and Senate action on the bills.

It is interesting to note that the commission's use of appropriated funds was fairly consistent with the final language adopted by the House in House File No. 3843, which was referred to the conference committee. The bill, at that point, provided, in part:

\$1,800,000 from the general fund is for the purchase and development of land to expand the National Sports Center in Blaine and development of athletic fields.

\$2,000,000 from the general fund is for purchase and development of land for the National Children's Golf Course in Blaine.

The Senate position going into the conference committee included \$1.2 million for the athletic fields and no funding for the golf course. If the language from the House position had carried forward to the final bill adopted by the conference committee, there would be little basis to question the commission's actions. However, in addition to the appropriation dollar amounts changing, the specific language in the appropriation bill also changed. The reference to expanding the National Sports Center in Blaine was eliminated from the athletic fields' appropriation, and the reference to purchasing land was eliminated from the golf course appropriation. It is not necessarily surprising that there have been questions about legislative intent in making those changes.

We found little independent documentation or public record to explain the reason for the change in language as a result of conference committee action. It does not appear that there was public testimony relating to the final language adopted by the conference committee. Commission Executive Director Paul Erickson told us that, in conjunction with the conferees and Senate Counsel, he made suggestions regarding the specific language to be included in the appropriation law, and that his objective was to provide as much flexibility as possible for the commission. That explanation of legislative intent is consistent with the information received by our office in the letter from Senator Langseth.

We discuss the issue of compliance in more detail in the following sections, which describe the two projects.

The Athletic Fields

The final appropriation language relating to the athletic fields provided that the commission could "purchase and develop land adjacent to the National Sports Center" for use as athletic fields. A conclusion on the propriety of some of the land development expenditures from the athletic fields' appropriation depends on how literally one interprets the language of the appropriation law. A question could be raised whether all of the development had to occur on the newly purchased land. In actuality, the majority of expenditures made by the commission was for development on land adjacent to the new parcel and not on the specific land purchased in December 1998.

**Table 2-3
Legislative History
Land Acquisition and
National Children's Golf Course**

HF	Date	House of Representatives	SF	Date	Senate
2502	Introduced 1/22/1998	Bill did not provide funding for land acquisition or a children's golf course.	2183	Introduced 1/22/1998	Bill did not provide funding for land acquisition or a children's golf course. Bill referred to the Government Operations Affairs Committee where it apparently died without a vote.
2502	1 st Engrossment 2/9/1998	House Government Operations Committee amended the bill as follows: \$2 million from the General Fund is for purchase and development of land for the National Children's Golf Course in Blaine. \$1 million from the General Fund is for grants for development or improvement of facilities or programs to improve access to golf for economically disadvantaged youth. \$1.8 million from the General Fund is for the purchase and development of land to expand the National Sports Center in Blaine and development of athletic fields.	3374	Introduced 2/24/1998	Bill appropriated funds for building projects for several state agencies and provided the following: \$1.2 million is to purchase land adjacent to the National Sports Center in Blaine for use as athletic fields. \$2.5 million is to purchase land for the National Children's Golf Course in Blaine. The bill was referred to the State Government Finance Committee. No formal action was taken on the bill.
3843	Introduced 3/11/1998 1 st Engrossment 3/12/1998	HF 2502 combined with other capital improvement bills into HF 3843, the Omnibus Bonding Bill as follows: \$2 million from the General Fund is for purchase and development of land for the National Children's Golf Course in Blaine. \$1 million from the General Fund is for grants for development or improvement of facilities or programs to improve access to golf for economically disadvantaged youth. \$1.8 million from the General Fund is for the purchase and development of land to expand the National Sports Center in Blaine and development of athletic fields.	3388	Introduced 2/27/1998	Omnibus Buildings Bonding Appropriations Bill incorporated items from SF 3374 and other appropriations bills and provided the following: \$1.2 million is to purchase land adjacent to the National Sports Center in Blaine for use as athletic fields. No funds were provided for the children's golf course or golf programs for economically disadvantaged youths.
3843	Passed 3/12/1998	The bill passed the House on a vote 96-37 and was sent to the Senate for action.	3388	Passed 3/5/1998	The bill passed the Senate on a vote of 45-22.
				3/13/1998	Senate passed HF 3843 on a vote of 41-22 after deleting everything in the bill and replacing it with the title and text of SF 3388.

	3/16/1998	House does not concur with the Senate changes and requests a conference committee. House conferees included Representatives Kalis, Solberg, Trimble, K. Clark, and Bishop.		3/17/1998	Senate accedes to conference committee request. Senate conferees included Senators Langseth, Berglin, Cohen, Laidig, and Janezich.
	4/6/1998	Capital Budget Conference Committee reached agreements in areas where the House and Senate versions of H.F. 3843 differed, no funding provisions for the various projects were adopted. House language was adopted for the purchase and development of land for the National Children's Golf Course in Blaine. (Senate Briefly dated 4/15/1998.)		4/6/1998	Capital Budget Conference Committee reached agreements in areas where the House and Senate versions of H.F. 3843 differed, no funding provisions for the various projects were adopted. House language was adopted for the purchase and development of land for the National Children's Golf Course in Blaine. (Senate Briefly dated 4/15/1998.)
3843	4/9/1998 2 nd Engrossment	A request to return bill to conference committee failed. House adopted the conference committee report and passed the bill 86-47 as follows: \$1.7 million is to purchase and develop land adjacent to the National Sports Center in Blaine for use as athletic fields. \$3.1 million is to develop the National Children's Golf Course.	3843	4/9/1998 2 nd Engrossment	Senate adopted conference committee report and passed the bill 46-21, as follows: \$1.7 million is to purchase and develop land adjacent to the National Sports Center in Blaine for use as athletic fields. \$3.1 million is to develop the National Children's Golf Course.
3843	4/21/1998	Governor signed the bill.			

Note: The appropriation bills, as referenced in the table, exclude non-financial supplemental language.

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The commission spent \$1.1 million from the \$1.7 million land appropriation on land development. In June 1998, six months prior to entering into the land purchase agreement and ten months prior to closing on the purchase, the National Sports Center Foundation entered into a contract with Park Construction Company to complete various work on the Sports Center site. The foundation paid the construction company \$895,000. As of December 1998, when the foundation signed the purchase agreement for the new land, Park Construction had already completed over 70 percent of the work outlined in the contract. The majority of the work was done on existing soccer fields and areas around the ice arena. The contract identified the following work to be completed:

- construction of parking lots,
- installation of curbs and gutters,
- installation of drainage systems,
- construction of footbridges
- construction of picnic shelters,
- installation of a fence near the ice arena, and
- addition of fill and grading of area around the arena.

The commission bought the land adjacent to the existing soccer fields with the intent of joining the two properties. As a result, the commission spent \$757,000 of the \$895,000 on the combined property, rather than solely on the new fields. Prior to purchasing the sod farm, the commission performed soil samples and determined that it was more cost effective to enhance the existing soccer fields with parking, curbs and gutters, and picnic shelters. The commission believed this resulted in the best use of the two properties and allowed them to maximize the number of soccer fields. The commission constructed footbridges to join the two properties.

The commission believed it had the authority to use the land appropriation to enhance all property north of the original National Sports Center campus. Attachment E shows a map of the campus. The commission staff interpreted the phrase “land adjacent to the National Sports Center” to include all land located north of the original campus (i.e., the new purchase of 75.2 acres and an additional 80 acres purchased in the mid-1990’s). A strict reading of the appropriation language could lead to the conclusion that the appropriation was to be used to develop only the new land.

In addition, according to the project engineer, work with an estimated cost of \$138,000 was completed on property around the ice arena and adjacent fields, and not on the athletic fields north of the original campus. When the commission reimbursed the foundation for the Park Construction contract, it did not segregate the costs between work performed on the soccer fields from that conducted at the ice arena. The commission staff felt it was not cost effective to separately account for these costs. Rather, the commission explained that the foundation provided \$343,000 worth of equipment, irrigation systems, and administrative services related to the soccer fields that the commission did not reimburse. The commission asserts that the \$343,000 contribution by the foundation offset the \$138,000 worth of work completed around the ice arena. Although the commission believed that in the end it spent \$1.7 million for its

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intended purposes, we think that a proper accounting of costs is required. The commission should only have charged those expenditures to the designated appropriation that complied with the language of the law.

On the question of legislative intent, as the letter from Senator Langseth shows, those involved in final passage of the appropriation bill said:

“...we specifically intended that the improvements shall be on both the newly acquired property and existing NSC property in order to tie the new properties to the entire campus. (We have reviewed the NSC site plan – and have reviewed the 1.7 and 3.1 appropriation; the location of land acquisition and improvements are consistent with our intent.)”

While providing this flexibility was the intent of those legislators and of the commission, that intent was not clearly evident from a strict reading of the appropriation law.

The Golf Course

The commission has used the golf course appropriation to purchase land and equipment and to construct an 18-hole putting course. The putting course, which opened in 2000, is the only component of the golf facilities that is completed.

Purchase of Land

We think a conclusion on whether the commission’s expenditures from the golf course appropriation complied with legal requirements will ultimately depend on how the commission uses the land that it purchased with \$1.867 million from the appropriation. When the commission purchased the 75.2 acres of sod farmland in 1998, it allocated the cost for approximately 48 acres to the golf course appropriation. If the land is used for the golf course, we think it is reasonable to conclude that the expenditures comply with the appropriation law. (Although the commission has not yet built the golf course, current designs include a 9-hole learning center on the land in question. On January 27, 2003, the Amateur Sports Commission passed a resolution (Attachment F) that reaffirmed the delineation of sod farm land between the athletic fields and the golf course.) We think the appropriation language directing the commission to “develop” a golf course, as well as the commission’s general authority to acquire real property, and the fact that the final appropriation language did not specifically prohibit the purchase of land, together, can support the commission’s actions and its use of the appropriation.

We recognize that not everyone will reach the same conclusion on use of the golf course appropriation, and that our conclusion is based on a broader definition of the word “develop” than some would allow. Stating that the expenditures complied with the specific appropriation language does not necessarily mean that the expenditures were consistent with the understanding or intent of individual legislators or even specific legislative committees.

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There certainly is evidence that some individual legislators had different interpretations of the meaning and significance of the specific appropriation language as it related to the commission's flexibility. The letter from Senator Langseth states that the Legislature specifically used the words "to develop" for both the athletic fields and golf course projects in order to provide the agency "all the means necessary" to complete a sports facility, including land acquisition. However, Representative Krinkie has questioned whether the commission had authority to purchase land since the appropriation language did not specifically authorize such action. He references the fact that the language for the \$1.7 million appropriation authorized the commission to "purchase and develop land," while the language for the \$3.1 million appropriation authorized the commission to "develop" the golf course, inferring that there was different legislative intent. We agree that the differentiation in this language raises questions. In addition, the Office of the Attorney General (Attachment G) has said that the fact that the appropriation language changed during the legislative process may create a compelling argument that the Legislature intended to further limit use of the appropriation. Although these questions are raised, we found no evidence to support a conclusion that the Legislature had a common and well defined intent when identifying restrictions on use of these appropriations.

The Amateur Sports Commission must bear some responsibility for the controversy that has developed regarding use of these appropriations. This golf course project has taken much longer than anyone anticipated. The course completion date has been pushed back at least five times. In addition, the commission has made numerous changes in the golf course design and has not been consistent in its presentations and documentation regarding what the golf course will include and where it will be located.

The plans and designs for the golf course project have changed as the project has evolved. The final Capital Budget Plan for 1998-2003 (Attachment H), revised in the fall of 1997, included land acquisition and site development for the golf course. Similarly, a December 1997 press release from the office of former Governor Arne Carlson (Attachment I) announced plans for a 27-hole championship golf course and discussed a \$3 million proposal for land acquisition and site development. However, in February 1998, when testifying on an early version of the appropriation bill in the Senate, the commission's executive director said that the commission would not need to purchase land to build the golf course, because they anticipated that the Metropolitan Airports Commission (MAC) would provide sufficient land through a lease arrangement. In addition, some commission maps distributed to the Legislature showed the entire amount of purchased land used for soccer fields and a 27-hole golf course on the leased land (Attachment J). We think it would have been prudent for the commission to report back to the Legislature when its plans changed and it decided it needed to purchase additional land to complete the golf course project.

We think two events ultimately prompted the commission to use the golf course appropriation to purchase land. First, the property to be leased from MAC had wetland mitigation issues that limited the amount of available acreage and made it difficult for the commission to design the entire course on the leased property. In addition, the purchase price for the sod farm increased significantly from what the commission had anticipated paying. When the price escalated to \$2.5 million, the commission decided to fund a portion of the land purchase from the National Children's Golf Course appropriation.

Minnesota Amateur Sports Commission Special Review

Purchase of Equipment

Questions also have been raised about the commission's purchase of a significant amount of equipment from the golf course appropriation in 2002, even though the golf course has not yet been constructed. The commission expended \$636,981 on various equipment, including golf and utility carts, a beverage cart, mowers, and tractors.

Opening the 18-hole putting course in 2000 prompted acquisition of some of the equipment at that time. However, the National Sports Center Foundation purchased approximately 91 percent of the equipment, including 32 golf carts, in early 2002. Foundation staff said that they purchased the equipment because of significant discounts available through its contractual arrangement with The First Tee (Attachment K), entered into in February 2000. The foundation did not follow a formal Request for Bid process when purchasing equipment. For the golf carts, the foundation obtained The First Tee contract vendor's price and solicited one additional verbal bid from another vendor. In our August 2002 report (Report #02-54) on an audit of the commission, we recommended that the commission work with the National Sports Center Foundation to develop formal policies and procedures for procuring capital project contractors and materials.

The foundation did receive a substantial discount when it purchased the golf and utility carts in 2002. It is unknown whether the commission could have negotiated the same discounts at a later date.

Nearly all of the equipment purchased with the golf course appropriations has been used, even though the golf course facility is not completed. Executive Director Erickson explained that the golf carts were purchased primarily for golf course operations; however, they may be used for secondary purposes to gain operating efficiencies at the National Sports Center. The National Sports Center used the golf carts in July 2002 during the Schwans USA Cup, the nation's largest youth soccer tournament. National Sports Center personnel estimated 80 hours of use on each cart during the soccer tournament. Other golf utility vehicles, purchased in 2000, had approximately 800 hours of use. National Sports Center personnel said that they use these vehicles extensively on the 18-hole putting course for maintenance purposes. The mowers and tractors have also been used to maintain the putting course and the sod farm property.

We think it is reasonable that in a large facility like this, equipment would be shared among activities in order to save money and provide efficiencies. However, the primary use of equipment should relate to its funding source. In this case, equipment purchased from the golf course appropriation should be used primarily for golf course activities. By purchasing and using the equipment before the golf course facilities are constructed, the commission runs a risk that the equipment will be damaged or lose value by the time the golf course is operational.

Golf Course Delays

Probably the strongest criticism of this project relates to the fact that almost five years after the appropriation was authorized, the golf course facility is not completed. When the project was first discussed in a December 1997 press release, it was anticipated that construction would

Minnesota Amateur Sports Commission Special Review

begin in 1998 and that the course would open in 2000. However, there have been numerous project delays.

According to the representatives of the Metropolitan Airports Commission (MAC), the golf course construction was delayed by the approval and permitting process. Certain approvals were necessary for construction and use of the leased property, including the Federal Aviation Administration's (FAA) Concurrent Use of Property approval, an environmental assessment, and wetland mitigation.

MAC staff told us that the Amateur Sports Commission was not familiar with the various permit processes, especially those unique to aviation related property, and underestimated the time frame needed to obtain the necessary approvals. Although a lease for the land was executed in June 2002, the MAC is currently waiting for environmental approval from the FAA before it approves the project and construction of the golf course can begin. In January 2003, MAC officials estimated that the environmental assessment process would be completed in March 2003.

The commission has a three-phase plan for completing the project. During Phase I, the commission, using the \$3.1 million golf course appropriation, acquired the sod farmland and maintenance buildings, renovated the maintenance buildings, completed the 18-hole putting course, and established a preliminary range (general practice area). Phase II of the project, to be completed by 2005, includes the 18-hole course (partial opening scheduled in 2004), and the driving range. Phase III of the project, to be completed between 2004-2006, includes a clubhouse, learning center (9-hole short course), completion of the practice areas, and final landscaping.

In October 2002, the foundation published a Request for Qualifications (RFQ) for construction companies interested in constructing a golf facility at the National Sports Center. The foundation received nine responses and has prequalified four companies to submit proposals. The foundation plans to have a construction contract executed by spring 2003.

The commission currently estimates that the total cost of the National Children's Golf course will be approximately \$8.6 million. This total project cost includes the in-kind value of the land leased from the Metropolitan Airports Commission, estimated at \$2 million, and the value of the course design provided through The First Tee contract, estimated at \$1 million. The remaining costs will be funded from other commission or foundation revenues. Currently, the foundation has written cash commitments totaling \$1.3 million and verbal commitments of \$1.2 million. The foundation should ensure that any benefits provided to sponsors providing cash commitments comply with provisions of the appropriation law relating to access to the National Children's Golf Course. The sponsor contracts should stipulate that the primary purpose of the National Children's Golf Course is to serve youth, and that market rates must be charged for adult golf.

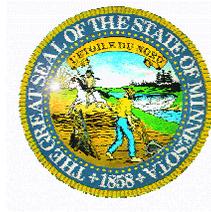
Minnesota Amateur Sports Commission Special Review

Recommendations

1. The Amateur Sports Commission should give greater weight to the “letter of the law” when implementing appropriations, and not rely on its perception of legislative intent.
2. When there are significant changes in the scope or timing of its projects, the Amateur Sports Commission should formally report back to the appropriate legislative committees and, when necessary, obtain approval for the changes by amending the law that originally authorized the project.
3. The Amateur Sports Commission should establish stronger accounting controls to ensure that costs paid from restricted appropriations are directly related to the project authorized by law and the conditions specified in law.

Philip Krinkie
State Representative

District 53A
Ramsey and Anoka Counties



Minnesota
House of
Representatives

December 18th, 2002

Mr. James Nobles
Legislative Auditor
1st Floor Centennial Office Building
658 Cedar St.
Saint Paul, MN 55155

Dear Mr. Nobles,

In accordance with Minnesota Statutes 609.456, subdivision 2, I am reporting to you that I have discovered evidence of possible unlawful use of public funds by a state agency.

Specifically, the Amateur Sports Commission has apparently used a significant portion of the \$3.1 million appropriated in Laws 1998 Chapter 404 that were designated for the National Children's Golf Course to purchase land for soccer fields.

The Legislative Auditor's Report on the Amateur Sports Commission dated August 22nd 2002 simply glosses over this apparent unlawful use of funds, and in fact compounds the issue by lumping together two legislative appropriations that were intended for different purposes.

But even more disturbing to me is that when your office was asked by a citizen to specifically look at the expenditure of the \$3.1 million your office "investigated" and found no problem with the way the funds had been spent, and closed by saying "we consider the matter closed."

Even a cursory examination by your staff would have raised questions about whether or not the "financial transactions and operations involving the public funds and property of the state comply with the spirit and purpose of the law," as required of your office under Minnesota Statutes 3.972. Those funds were designated by law for development of a golf course, not to make up the difference in another appropriation to buy land for soccer fields.

Thank you for your attention to this matter.

Sincerely,

/s/ Phil Krinkie

Phil Krinkie
Chairman, House State Government Finance Committee

**MINNESOTA AMATEUR SPORTS COMMISSION
December 21, 1998**

Resolution #2 – NSCF Land Purchase

WHEREAS, the 1998 Laws of Minnesota Chapter 404, Section 15, Subdivision 2, Paragraph 1 authorizes 1.7 million to purchase and develop land adjacent to the National Sports Center;

WHEREAS, the MASC authorized and has executed a contract with the National Sports Center Foundation to purchase and develop land contiguous to the National Sports Center; and

WHEREAS, the 1998 Laws of Minnesota Chapter 404, Section 15, Subdivision 2, Paragraph 2 authorizes 3.1 million to develop the National Children's Golf Course; and

WHEREAS, the Minnesota Amateur Sports Commission authorized and executed a contract with the National Sports Center Foundation to acquire and develop land for the purpose of developing the National Youth Children's Golf Course, and

THEREFORE, BE IT RESOLVED that the Minnesota Amateur Sports Commission authorize the purchase of land with \$700,000 from the 1998 Laws of Minnesota Chapter 404, Section 15, Subdivision 2, Paragraph 1 and \$1.3 million from the 1998 Laws of Minnesota Chapter 404, Section 15, Subdivision 2, Paragraph 2.

MINNESOTA AMATEUR SPORTS COMMISSION

1700 105th Avenue NE • Blaine, Minnesota 55449-4500 • 763-785-5630 • fax 763-785-5699 • tdd 800-627-3529
toll free 800-500-8766 • e-mail masc@citilink.com • www.masc.state.mn.us

MINNESOTA AMATEUR SPORTS COMMISSION
February 25, 2002

Resolution #1 – National Youth Golf Center/Land Acquisition

WHEREAS, the 1998 Laws of Minnesota Chapter 404, Section 15, Subdivision 2, Paragraph 2 authorizes \$3.1 million to develop the National Children's Golf Course; and

WHEREAS, the Minnesota Amateur Sports Commission authorized and executed a contract with the National Sports Center Foundation to acquire and develop land for the purpose of developing the National Youth Golf Course, and

THEREFORE, BE IT RESOLVED that the Minnesota Amateur Sports Commission authorize the purchase of land in the amount of \$800,000 from the 1998 Laws of Minnesota, Chapter 404, Section 15, Subdivision 2, Paragraph 2.

MINNESOTA AMATEUR SPORTS COMMISSION

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toll free 800-500-8766 • e-mail masc@citilink.com • www.masc.state.mn.us

KEITH LANGSETH

14043 – 70th Avenue South
Glyndon, MN 56547-9531
and
Room 122, State Capitol
75 Constitution Avenue
St. Paul, MN 55155-1606



Senate

State of Minnesota

December 27, 2002

Mr. Jim Nobles
Office of the Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
St. Paul, MN 55155-1603

Dear Mr. Nobles:

The purpose of this letter is to clarify the legislative intent for the 1998 Bonding Bill Appropriation for the following language (Chapter 404, Sec. 15, Subd. 2):

\$1,700,000 is to purchase and develop land adjacent to the National Sports Center in Blaine for use as athletic fields.

\$3,100,000 is to develop the National Children’s Golf Course. The primary purpose of the National Children’s Golf Course is to serve youth of 18 years and younger. Market rates must be charged for adult golf.

The final negotiations with the Governor’s office, house conferees and senate conferees and counsel intended to provide maximum flexibility for the MASC in developing the two projects. First, we specifically used the words “to develop” for both projects granting the agency “all the means necessary” to complete a sports facility, including land acquisition, site development, architectural, engineering, consultants, project staff, excavation, construction, renovation, access roads, parking, code requirements, lighting, walking pathway, buildings, sidewalks, curb and gutter, equipment, and furnishings, etc.

Second, we specifically intended that the improvements shall be on both the newly acquired property and existing NSC property in order to tie the new properties to the entire campus. (We have reviewed the NSC site plan - and have reviewed the 1.7 and 3.1 appropriation; the location of land acquisition and improvements are consistent with our intent.) Third, we changed the appropriation from bond funds to general fund dollars to specifically allow the agency to use the funds without the restrictions of bond funds.

Sincerely,

Attested by:

/s/ Keith Langseth

/s/ Bernie Omann

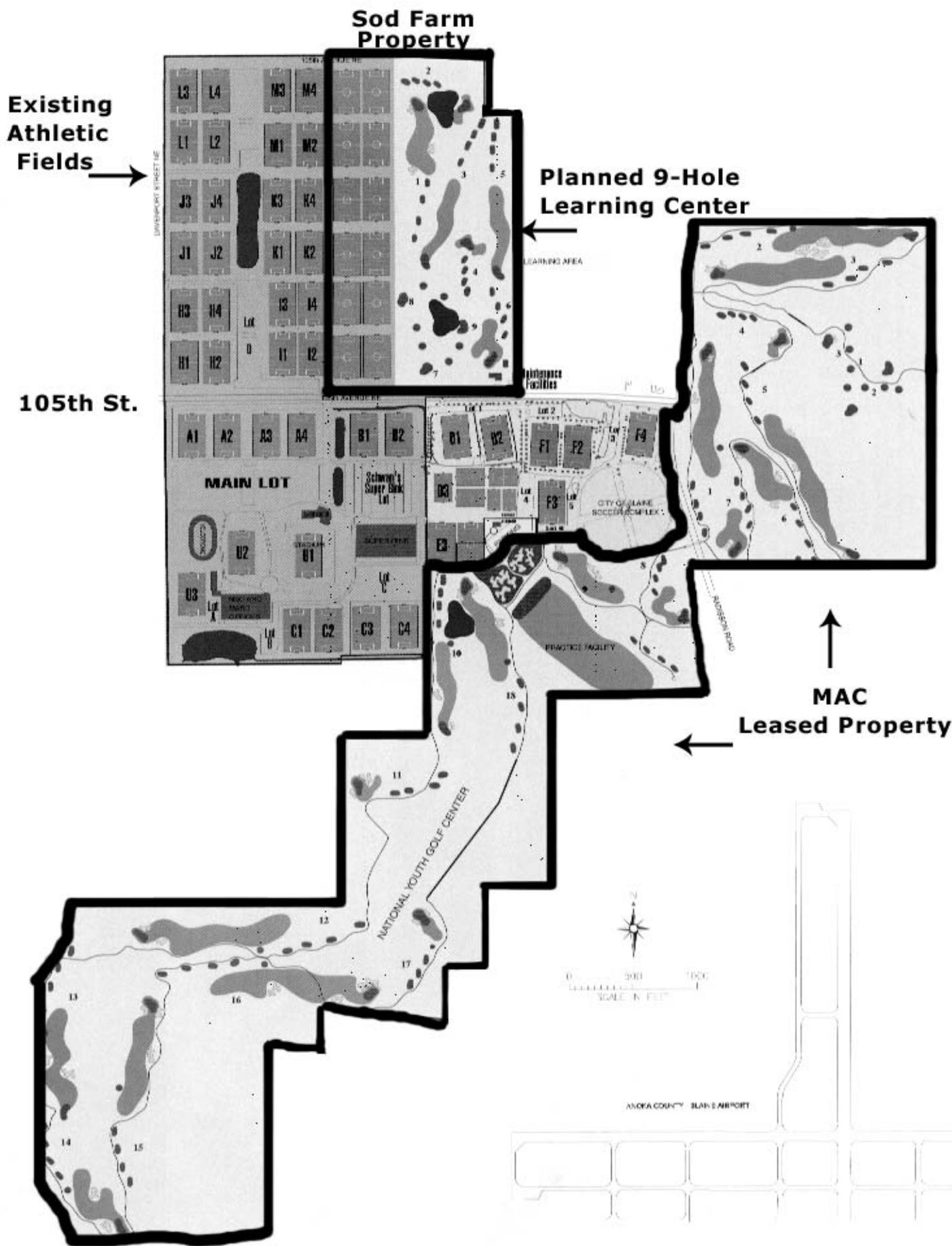
/s/ Henry Kalis

Senator Keith Langseth
Chair/Capital Investment 1998

Bernie Omann
Chief of Staff
Governor’s Office 1998
(MASC Member)

Henry Kalis
Chair/Capital
Investment 1998

NATIONAL SPORTS CENTER



MINNESOTA AMATEUR SPORTS COMMISSION
January 27, 2003

Delineation of Land Resolution

WHEREAS, the purchase of the Jordan property is now completed and is important to delineate the property between athletics and golf, and

WHEREAS, the MASC is finalizing plans for the property, and

WHEREAS, \$600,000 was applied from the 1998 Laws of Minnesota Chapter 404, Section 15 for athletic fields and \$1,900,000 was applied from golf funds as per 1998 Laws of Minnesota.

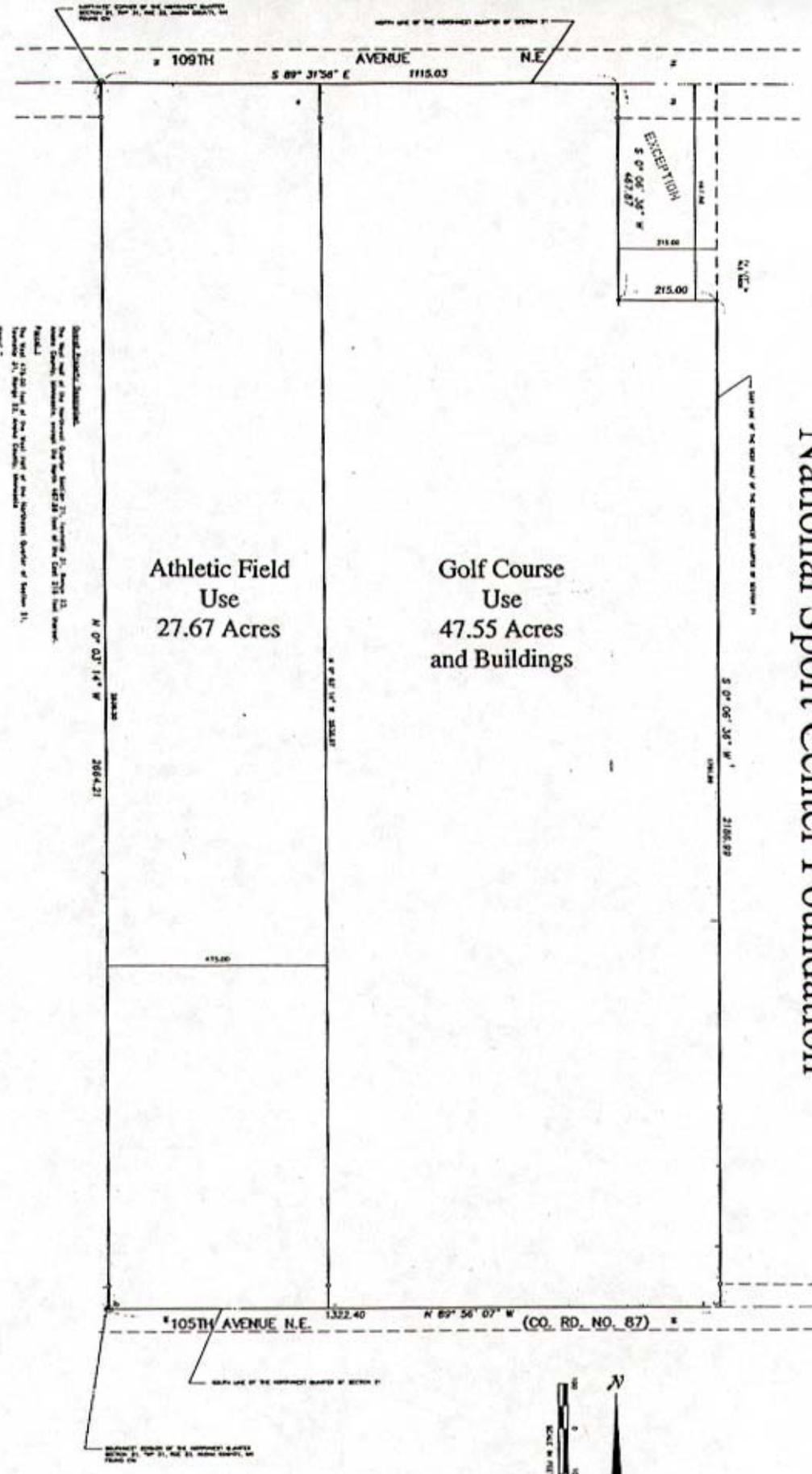
THEREFORE, BE IT RESOLVED that the MASC delineate the property as per the attached map for the purpose of planned athletic and golf use.

THEREFORE, BE IT FURTHER RESOLVED that the MASC reaffirm its December 21, 1998 resolution in respect to land plans.

MINNESOTA AMATEUR SPORTS COMMISSION

1700 105th Avenue NE • Blaine, Minnesota 55449-4500 • 763-785-5630 • fax 763-785-5699 • tdd 800-627-3529
toll free 800-500-8766 • e-mail masc@citilink.com • www.masc.state.mn.us

Boundary Survey For: National Sport Center Foundation



109TH AVENUE N.E.
 105TH AVENUE N.E.
 105TH AVENUE N.E. (CO. RD. NO. 87)
 105TH AVENUE N.E. (CO. RD. NO. 87)

109TH AVENUE N.E.
 105TH AVENUE N.E.
 105TH AVENUE N.E. (CO. RD. NO. 87)
 105TH AVENUE N.E. (CO. RD. NO. 87)





**STATE OF MINNESOTA
OFFICE OF THE ATTORNEY GENERAL**

MIKE HATCH
ATTORNEY GENERAL

January 23, 2003

102 STATE CAPITOL
ST. PAUL, MN 55155-1002
TELEPHONE: (651) 296-6196

Ms. Marla Conroy
Director of Investigation
Financial Audit Division
Office of the Legislative Auditor
658 Cedar Street, 100 Centennial Office
St. Paul, MN 55155

***VIA FACSIMILE
AND U.S. MAIL***

Dear Ms. Conroy:

You have asked us for our analysis concerning the legality of the expenditures by the Minnesota Amateur Sports Commission ("MASC") of money appropriated "to develop the National Children's Golf Course," toward the purchase of certain property. The relevant facts and our analysis are set forth below.¹

FACTS AND BACKGROUND

In the 1998 legislative session, legislation was introduced to provide funding for the purchase and development of land for a National Children's Golf Course and also for expansion of the National Sports Center athletic fields. *See, e.g.* HF 2502, § 3, HF 3843 first engrossment, § 14 (1998). SF 3388 (1998), the companion to HF3843 (copy attached), contained proposed funding to purchase land for use as athletic fields, but no funding for the golf course.

In committee testimony and discussions, proponents of the golf course appropriation stated that the MASC had previously believed that substantial funds would be needed to acquire land for the course and that assumption was reflected in some of the written materials presented. However, as a result of an agreement then-pending with the Metropolitan Airports Commission ("MAC"), it appeared that funds would not be needed for land acquisition and all of the requested money could be used to "develop" the course. At a February 24, 1998 meeting of the Senate State Government Financial Committee, MASC Executive Director, Paul Erickson, stated:

Mr. Chairman, we're fortunate that the Metropolitan Airports Commission is going to essentially access through a lease agreement all the land required so that 3 million is 100% development of actually moving the dirt and making the course.

¹ It should be noted that the relevant facts of which the Office is aware are discussed herein. The Attorney General's Office has not reviewed all the legislative history regarding the appropriation at issue, and there may be other documents and materials relevant to the issue which have not been provided to or reviewed by the Office.

Again, at the time Dept. of Finance printed the book, we were in negotiation with the Metropolitan Airports Commission and the last couple of months that's been more defined. We thought we might have to acquire a small parcel to accompany the MAC, but it looks like we can develop the entire course on the MAC property. So it can all go into developing the course.

Ultimately, the legislature passed 1998 Minn. Laws 404 § 15 which provided appropriations as follows:

Subd. 2. National Sports Center \$4,800,000

\$1,700,000 is to purchase and develop land adjacent to the National Sports Center in Blaine for use as athletic fields.

\$3,100,000 is to develop the National Children's Golf Course. The primary purpose of the National Children's Golf Course is to serve youth of 18 years and younger. Market rates must be charged for adult golf.

In June of 1998, the MASC entered into a contract amendment with the National Sports Center Foundation ("NSCF") which provided that the foundation would purchase and improve land contiguous to the Sports Center with the \$1,700,000 appropriated for athletic fields. \$650,000 was the estimated amount to be used for land purchase. *See* Attachment A to June 1998 Amendment to contract between MASC and NSCF (copy attached).

In December 1998, MASC entered into a contract amendment with NSCF which provided that NSCF would "purchase and/or develop land contiguous to the Sports Center for construction of the National Children's Golf Course." *See* December 1998 Amendment to Contract between MASC and NSCF (copy attached).

On December 21 1998, the MASC approved by resolution the use of \$700,000 from the 1998 Minn. Laws, ch. 404 § 15, subd. 2, ¶ 1, athletic field appropriation and \$1,300,000 from the Chapter 404 § 155, subd. 2, ¶ 2 golf course appropriation for the purchase of land (copy attached).

On December 31, 1998, NSCF entered a purchase agreement with Ray Jordon & Sons, Inc. for purchase of approximately 75.2 acres of land next to the Sports Center for \$2,500,000 (copy attached).

By resolution dated February 25, 2002, the MASC authorized use of an additional \$800,000 from the Chapter 404 §15, subd. 2, ¶ 2 golf course appropriation for purchase of land (copy attached).

You ask whether the use of the golf course appropriation for the land acquisition was appropriate under the law.

LAW AND ANALYSIS

Minn. Const. Art. XI, §2, provides:

No money shall be paid out of the treasury of this state except in pursuance of an appropriation by law.

In furtherance of that provision, Minn. Stat. § 16A.138 provides:

When there has been an appropriation for any purpose it shall be unlawful for any state board or official to incur indebtedness on behalf of the board, the official, or the state in excess of the appropriation made for such purpose. It is hereby made unlawful for any state board or official to incur any indebtedness in behalf of the board, the official, or the state of any nature until after an appropriation therefor has been made by the legislature. Any official violating these provisions shall be guilty of a misdemeanor and the governor is hereby authorized and empowered to remove any such official from office.

In addition, Minn. Stat. § 16A.139 provides:

It is illegal for any official or head of any state department, or any employee thereof, to use moneys appropriated by law, or fees collected for any other purpose than the purpose for which the moneys have been appropriated, and any such act by any head of a department, or any state official, is cause for immediate removal of the official or head of a state department from the position held with the government of this state.

Thus, if the 1998 appropriation of \$3,100,000 to the MASC to “develop” the Children’s Golf Course did not authorize the use of those funds for acquisition of any of the land in question, the MASC’s action would be contrary to both of the statutes quoted above.

An analysis of the transaction involves two issues. The first issue is whether the use of the term “develop” with reference to the National Children’s Golf Course could authorize the purchase of land. If it does, a second determination must be made as to whether any of the land purchased is actually part of the National Children’s Golf Course. Because these determinations involve questions of fact which are beyond the scope of the opinion function of this Office, we are unable to render a formal opinion. *See, Atty. Gen. Op. 629-a, May 9, 1975.*

Previous Attorney General opinions have, however, stated that appropriations made for a specific purpose may not be used for another purpose. In that regard, this Office has opined that an appropriation made to the Soldiers’ Home for maintenance could not be used for the payment of salaries. *Atty. Gen. Op., 9A-34, June 3, 1955.* Similarly, Attorney General’s Office has opined that the Industrial Commission could not pay the expenditures of the Tri-City

Employment Stabilization Committee when no legislative appropriations had been made for that purpose. *Atty. Gen. Op.* 1934, No. 523, p. 794.

Accordingly, if the term “develop” as used in the golf course appropriation is defined to include land purchase, then the use of the appropriation for that purpose would likely be permissible. However, the scope of the term “develop” or “development” can differ in various contexts. In some circumstances, the term may include the acquisition of property. *See, e.g., Lake Superior Paper Industries v. State*, 624 N.W.2d 259, 260 (Minn. 2001) where the court held that “the term ‘development’ is broader than ‘construction of improvements’ and encompasses such things as land acquisition and transfer.” In other contexts, the term “develop” does not include land acquisition. *See, e.g., Black’s Law Dictionary* (7th Ed. 1999) which defines development as follows:

1. A human-created change to improved or unimproved real estate, including buildings or other structures, mining, dredging, filling, grading, paving, excavating, and drilling.
2. an activity, action or alteration that changes undeveloped property into developed property.

See also, Sierra Club v. Marsh, 692 F. Supp. 1210 (S.D. Cal 1988) (acquisition of land to be used as wild life refuge did not constitute “development’ under California statute.)

It appears that, at the time of the legislative hearings, the MASC director did not anticipate the need to spend the golf course money for land acquisition. Further, at some stage of the legislative process, the phrase “purchase and development” relating to the golf course was changed to simply “develop”, while the appropriation to “purchase and develop” land for athletic fields remained. *Compare* 1998 HF 3843 First Engrossment § 14, subd. 2 *with* 1998 Minn. Laws Ch. 404, § 15, subd. 2. While our review of legislative history has not revealed the context in which that language change occurred, the difference in the language creates a compelling argument that the authorization to “develop” does not include authority to purchase the property. This is particularly the case where the appropriation was made at a time that it was apparently assumed that no further golf course property needed to be purchased. Once again, we would need to review all legislative history to determine whether this assumption is accurate.

If the term “develop” as used in the statute is found to include the authority to “purchase land,” the second issue is whether the land which was purchased is part of the National Children’s Golf Course. This is a question of fact, the resolution of which is beyond the opinion function of this Office. *See Atty. Gen. Op.* 629-a, May 9, 1975.

Ms. Marla Conroy
February 11, 2003
Page 5

I hope the above comments are helpful to you. If you have any questions or would like to discuss this matter further, please call me.

Very truly yours,

/s/ Kristine L. Eiden

KRISTINE L. EIDEN
Chief Deputy Attorney General

Enclosures

KLE/ab
AG: #789931-v1

PROJECT LOCATION: Blaine, MN

AGENCY PROJECT PRIORITY: 2 of 8

1998 STATE APPROPRIATION REQUEST: \$9,685

PROJECT DESCRIPTION:

The National Sports Center (NSC) Expansion project includes 3 components:

- NSC Land Acquisition and Site Development - \$2.185 million

This parcel is the only remaining contiguous piece of land available to the NSC. It is the best option for any further expansion. The site development would bring the parcel up to codes required by the city of Blaine (lighting, access roads, curbs and gutter and soil correction). The parcel would be initially developed into 15 athletic fields for soccer and other sports.

- Stadium Expansion - \$4.5 million

This project would expand the stadium from 5,500 permanent seats to 10,000. The stadium, built in 1990, was designed with this expansion in mind. This proposed expanded seating would be identical to what already exists.

- National Children's Golf Course - \$3 million

This project will purchase and develop land for the National Children's Golf Course. The course will be located across the highway from the NSC and adjacent to the new TPC (Tournament Players Course) Golf course currently under development. At least part of the land will be provided by the City of Blaine and the Metropolitan Airports Commission. The course will be designed at no cost by the PGA (Professional Golfers Association). The course will be modified for youth players. Tee distances will be set for children as well as for adults, enabling entire families to golf together. Children will have priority for tee times and will be the largest user group. Currently, it is difficult for children to get a tee time at courses within the Twin Cities area. The PGA is expected to support this course as a national model project.

PROJECT RATIONALE AND RELATIONSHIP TO AGENCY LONG-RANGE STRATEGIC PLAN AND CAPITAL PLAN:

The NSC Expansion project relates directly to the Minnesota Amateur Sports Commission (MASC) strategic plan of creating increased economic benefit and amateur sport opportunity. The NSC is the state's flagship amateur sports facility. It has a proven track record of hosting over 50 national caliber amateur sports events,

creating \$140.5 million in new economic impact to Minnesota and has hosted 7,587,271 visitors since 1990.

The 3 dimensions of the NSC expansion, the land acquisition, site improvements and additional stadium seating and National Children's Golf Course will increase: 1) number of national events; 2) economic impact; and 3) number of visitors.

- Land Acquisition: The additional land will enable the NSC to host larger and more simultaneous events. The additional athletic fields will enable the NSC USA Cup, the state's largest annual tourism event, to expand from 12,000 (800 teams) to 16,000 participants (1,100 teams). Five additional soccer events will also grow to higher participation levels.
- Site Improvement/Code Requirements: The land acquisition will require improvements that tie the site together and meet code requirements in order to utilize the site.
- Stadium Expansion: The NSC Stadium was built in 1990 with 5,500 permanent seats and 5,000 portable aluminum bleachers. The site was designed to eventually expand to 30,000 seats. The NSC would benefit greatly from an expanded stadium through increased revenues. This additional seating would increase the number of national events the NSC could host and would allow the MN Thunder Soccer Team to compete at the highest level of professional soccer.
- Golf Course Land Acquisition and Site Development: The construction of a golf center specifically for children will increase children's opportunity to participate in the sport of golf. Children's participation is currently difficult because of the lack of course time available to children in the Twin Cities area. Also, the course is planned to host major national children's events.

IMPACT ON AGENCY OPERATING BUDGETS (FACILITIES NOTE):

The NSC expansion project will have no impact on the MASC operating budget. The NSC has a proven track record to operate on a self sufficient basis.

PROJECT CONTACT PERSON, TITLE, ADDRESS, PHONE, FAX, AND E-MAIL:

Paul Erickson, Executive Director,
Minnesota Amateur Sports Commission, (612)785-5632

OFFICIAL COMMUNICATION
FROM THE OFFICE OF THE GOVERNOR OF THE STATE OF MINNESOTA

ARNE H. CARLSON
GOVERNOR

JOANNE E. BENSON
LT. GOVERNOR

FOR IMMEDIATE RELEASE
December 9, 1997

CONTACT: **Jackie Renner**
(0) 296-0001

GOVERNOR CARLSON ANNOUNCES PLANS FOR YOUTH GOLF COURSE

Governor Arne H. Carlson today announced plans for a new youth golf center in Blaine, Minnesota. The "Mighty Kids" National Youth Golf Center will be a 27-hole championship golf course designed for youth and family golf.

"We should never underestimate the positive role sports can play in young people's lives," said Governor Carlson. According to the Minnesota Amateur Sports Commission, most youth golfers do not have access to courses after school and on the weekend, because adults are generally given priority for tee times and the cost of golfing can be prohibitive. "This course will be uniquely designed for and uniquely accessible to young golfers," the Governor said.

The course will be modified especially for youth players. It will include tee distances for children, as well as for adult men and women, enabling entire families to golf together. However, children will be given priority for tee times and will be the largest user group of the course. In addition, the course will be a site for youth training, coaching, state and local competitions, and major tournaments.

The Governor will propose \$3 million in one-time bonding money (for land acquisition and site development) to help fund the project as part of the 1998 capital budget request. Construction is slated to begin in 1998 and the course will open in 2000, pending legislative approval. The total cost of the project is expected to be under \$9 million and will be a combination of public and private funding.

The course will be adjacent to the National Sports Center in Blaine. The addition of the youth golf course will make the National Sports Center the largest amateur sports complex in the world. The site currently boasts 51 soccer fields, an outdoor sports stadium, indoor track and field house, a cycling venue, and an indoor ice sport facility with four Olympic size ice sheets under one roof.

The Minnesota Amateur Sports Commission (MASC) will be the owner and operator of all golf programs, events and tournaments at the new course. The PGA Tour will design the course at no cost and assist in the management and promotion of youth programs. The PGA Tour Golf Properties will operate and maintain the National Youth Golf Center on a net-cost basis, making no profit. The World Golf Foundation and Burnet Senior Classic will support the project through youth programs, and the Minnesota Fairway Foundation has pledged to introduce the programs to inner city youth.

- more-

Communications
(612) 296-3391

130 State Capitol, St. Paul, Minnesota 55155

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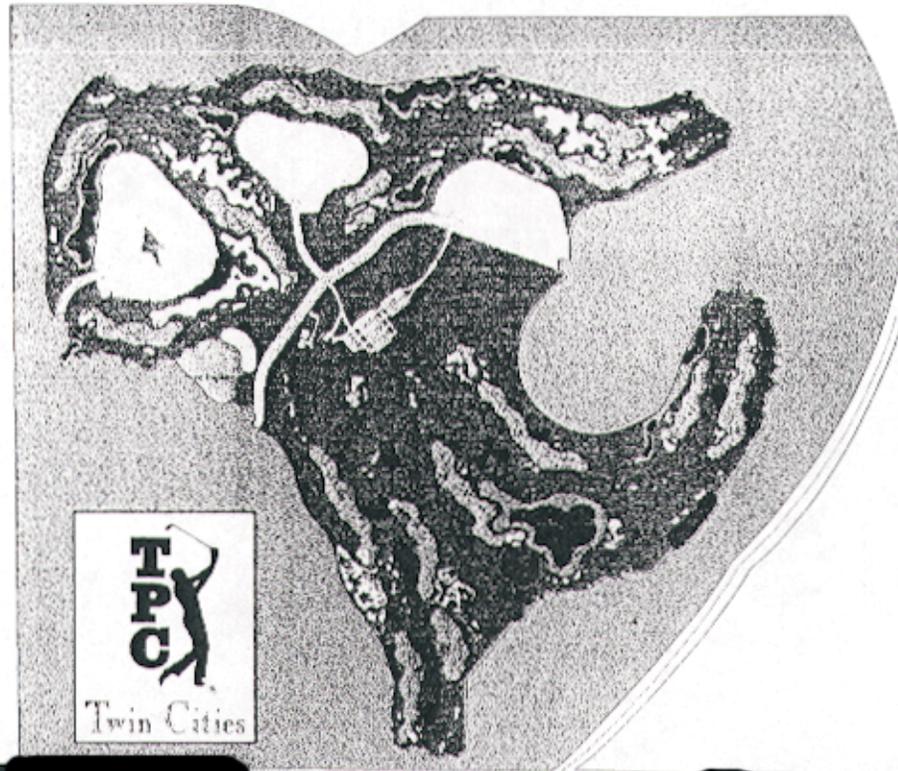
As an extension of the “Mighty Kids” project, plans are underway through the MASC for a statewide, youth golf outreach effort, including reduced or free golfing for children at courses throughout the state, and an annual, statewide, youth golf tournament. “Tiger Woods has brought the sport of golf to a wider audience than ever before,” said Tom Duffy, chair of the MASC, appointed by Governor Carlson. “Our goal is to help golf in the way the Mighty Ducks helped hockey – by making the sport easily accessible to as many Minnesota kids as possible.”

The Governor’s announcement was made on the heels of a national event held November 13 in New York City’s Central Park. At that event, the PGA and the newly-founded World Golf Foundation pledged to support a national youth golf initiative through the “Mighty Kids” project in Minnesota, and smaller youth projects in New York City, Detroit and Houston. Former President Bush, Mayor Rudolph Giuliani, Tiger Woods’ father Earl Woods and Tom Watson were on hand for the New York announcement.

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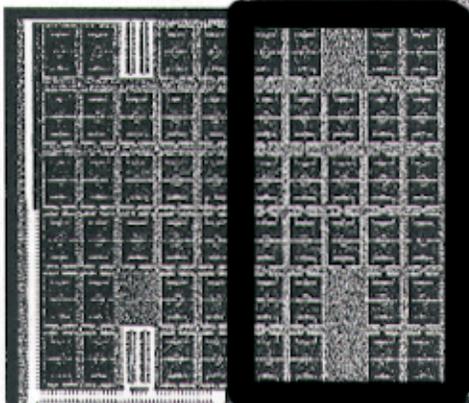
Release also available on the World Wide Web at: www.state.mn.us/ebranch/governor/index.html
This information can be made available in an alternate format such as braille, large print, audio tape or computer disk.

National Sports Center Site Map



Sod Farm Property

Existing Athletic Fields

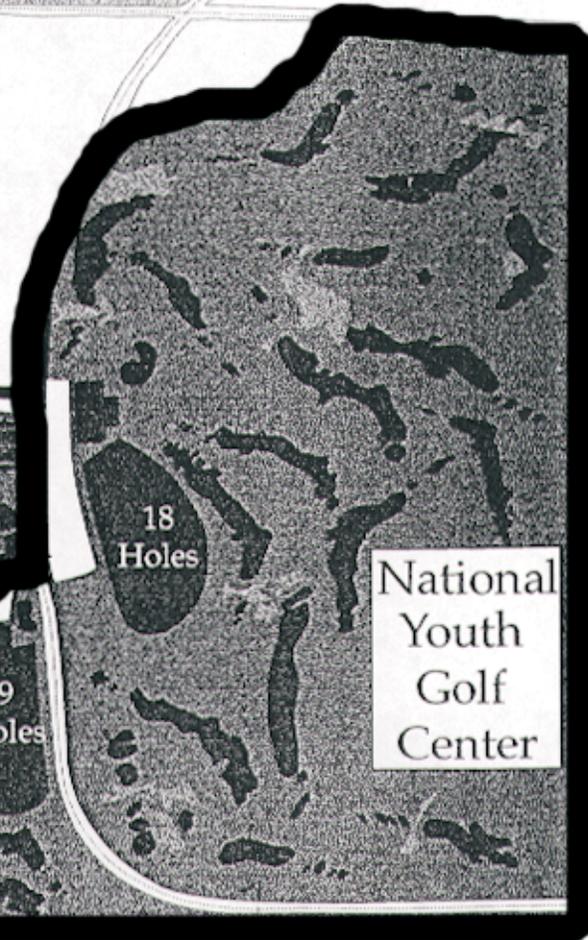


105th St.



National Sports Center

Practice Holes and Future Expansion



National Youth Golf Center

MAC Leased Property

**THE FIRST TEE
FACILITIES AGREEMENT**

THIS FACILITIES AGREEMENT (the “Agreement”) is executed as of this 23 day of February, 2000, by and between **WORLD GOLF FOUNDATION, INC.**, a Florida not-for-profit corporation, by and through its division, **THE FIRST TEE** (“The First Tee”), and **THE NATIONAL SPORTS CENTER FOUNDATION**, a Minnesota not-for-profit corporation (the “Chapter”).

PREAMBLE: The purpose of The First Tee is to create facilities and programs at selected sites nationally and internationally to make golf more accessible to people of all diversities and social strata, particularly young people who otherwise may not have an opportunity to learn and play the game (the “Purpose”). The mission of The First Tee will be accomplished by combining affordable access, with golf’s unique ability instill and develop essential values, such as honesty, integrity, respect for tradition, etiquette, sportsmanship, self-esteem, self-discipline, confidence and a solid work ethic in young people who are introduced to the game (the “Mission”). Because the Chapter shares the Purpose and Mission of The First Tee, the parties desire to enter into this Agreement. In so doing, The First Tee acknowledges that the Chapter is an agent of a state agency of Minnesota and is subject to all current and future laws of Minnesota, and that the Chapter will make the Facility accessible to all Minnesotans irregardless of race, creed or socioeconomic background.

1. **TERM**: This Agreement shall be coterminous with the Dedication (the “Term”).

2. **DESCRIPTION OF FACILITY; PROJECT PARAMETERS**:

2.1 **Land**: In advance of opening the Facility golf course, the Chapter will have entered into a long term lease with the Metropolitan Airports Commission (“MAC”), for land owned by the MAC upon which the Facility will be located. A portion of the land that may be used for the Facility is owned by the Chapter. Whether constructed on real property owned or leased by the Chapter, the Chapter will dedicate the use of the property as The First Tee facility for an initial term of not less than fifteen (15) years, with options to renew totaling an additional five (5) years, and shall terminate upon any termination of this Agreement pursuant to the terms hereof (the “Dedication”). The Chapter has or will obtain all approvals necessary to permit the renovation, construction and operation of the Facility and will comply with all applicable laws and regulations.

2.2 **The Facility**: The Chapter shall develop, construct, renovate, enhance, operate, and maintain an 18 hole golf course, together with related facilities, including a driving range, 3 hole practice area, clubhouse and teaching center, substantially in accordance with plans reviewed by The First Tee (the “Facility”), as part of The First Tee’s national program (“the First Tee Program”). Development of the Facility shall proceed in phases over a period of three (3) years at a total budgeted cost of approximately \$3,100,000 together with the value of the land and in-kind contributions.

The First Tee will provide the design services for the Facility through PGA TOUR Golf Course Properties, Inc., (“GCP”), through its affiliate PGA TOUR Design Services, Inc. (“DS*”), which as agreed to provide all time, work and services necessary for the design of the Facility, at no

cost of fees, with The First Tee paying all out-of-pocket “hard” costs associated with the design of the Facility, not to exceed a total amount of \$25,000.00, which shall be paid out of The First Tee funds granted to the Chapter pursuant to Exhibit “B” hereto. By execution hereof, GCP confirms its agreement to donate the design services associated with the Facility through SDI, and to limit the hard costs to be borne by The First Tee relating thereto to a maximum of \$25,000.00.

In addition, by execution hereof, GCP confirms that its affiliate, TPC of Twin Cities (“TPC”) will provide agronomy and golf course maintenance services for the Facility in accordance with that certain four (4) year Maintenance Agreement to be promptly executed by and between the Chapter and TPC (“Maintenance Agreement”). Pursuant to the Maintenance Agreement, TPC will: 1) provide hiring and supervisory services for the maintenance staff of the Facility; 2) provide limited equipment for maintenance; 3) maintain all equipment jointly provided by TPC and the Chapter; 4) provide building specifications for a standard Tournament Players Club maintenance facility which shall include offices, employee areas, restrooms, workshop, parts and equipment storage areas, mix/load bays, fuel island, material storage bins and parking areas (“Standard TPC Maintenance Facility”); and 5) provide a complete list of all maintenance equipment needed for the Facility. The Chapter will: 1) construct The Standard TPC Maintenance Facility, or if an existing building at the Facility is accepted in writing by both GCP and DSI for the Maintenance Facility, the Chapter will provide that building and needed improvements to make the existing building a Standard TPC Maintenance Facility; and 2) provide the majority of the maintenance equipment. The Chapter and TPC agree the salaries, benefits, etc. of all employees (other than TPC management and supervisory staff) will be payrolled through the Chapter and will report directly to TPC management and supervisory staff. Further, the Chapter will promptly reimburse TPC for the management and supervisory staff performing services at the Facility or with respect to the Chapter.

As soon as reasonably practicable and sufficiently in advance of the expiration of the Maintenance Agreement to insure proper transition, the Chapter and TPC agree to negotiate, in good faith, a technical services agreement pursuant to which TPC will thereafter agree to serve in consulting capacity to the Chapter.

In addition to the design services described herein, The First Tee will provide \$75,000.00 toward development of the Facility’s 3 hole practice area, which such funds shall be paid out of The First Tee’s funds granted to the Chapter pursuant to Paragraph 3.1 hereof.

The First Tee acknowledges that The First Tee’s capital contribution represents a percentage of the total costs to develop and construct the Facility, and that, for purposes of determining the performance or breach of this agreement, access to the Facility for The First Tee programming may directly correlate to the percentage of total development and construction costs of the Facility contributed, directly and indirectly, by The First Tee, which contributions include, but are not limited to, design and maintenance services, cash contributions, supplier discounts and fundraising services. Notwithstanding the foregoing, to the extent this paragraph and the Access Policy attached as Exhibit “C” conflict, the Access Policy will control.

2.3 Development and Operational Documentation: Not later than the Facility opening, the Chapter shall submit to The First Tee for review and approval copies of its: (i) renovation, construction and operating plans and specifications, budgets and funding sources; (ii) a detailed

program curriculum, if different from that promulgated by The First Tee; (iii) access, safety, security, disabled, environmental and conservation policies and plans; (iv) the Lease, Dedication, or Use Agreement, as applicable; (v) copies of the Chapter's corporate documents (including Articles of Incorporation, Bylaws and the names and qualifications of its current Directors), filings and IRS tax exempt application and determination letter; and (vi) all other material documents, agreements, and information relating to the Facility, the program, or the development or operation thereof (collectively, the "Facility Plans"). Upon mutual approval with The First Tee, the Facility Plans shall be attached hereto as Composite Exhibit "A." The Chapter shall develop, operate, manage, maintain and fund the Facility in accordance with the Facility Plans and shall act in good faith to adhere to the Facility Plans, subject to a budgetary line item for contingencies.

2.4 Material Departure: The Chapter will promptly notify The First Tee of any new or revised Facility Plans and submit the same for review and approval by The First Tee. In the event the Chapter materially departs from the Facility Plans submitted to and approved by The First Tee ("Material Departure"), The First Tee may, at its option, upon sixty (60) days prior written notice during which the Chapter shall have the opportunity to cure or to diligently implement a cure if such cure cannot reasonably be completed within sixty (60) days, decertify the Chapter pursuant to Section 5.3 below.

3. **THE FIRST TEE NATIONAL ASSOCIATION; BENEFITS TO THE CHAPTER:** Upon "Association"), comprised of all chapters of The First Tee Program. The Association will meet on a periodic basis to further develop and enhance The First Tee Program. As a member of execution of this Agreement, the Chapter shall become a member of The First Tee National Association (the Association, the Chapter will be entitled to the benefits listed on Exhibit "B", as amended from time to time.

4. **OPERATIONAL TERMS, CONDITIONS AND REQUIREMENTS:**

4.1 Corporate Status: The Chapter is, or within ninety (90) days will become, a 501(c)(3) not for profit corporation in good standing in the State of Minnesota. The Chapter shall have a stated corporate purpose consistent with an encompassing the Purpose and Mission of The First Tee, and shall continuously maintain its tax exempt status throughout the Term. The First Tee shall have the right to review any and all appropriate corporate documents and tax-exempt filings of, or relating to, the Chapter.

4.2 Curriculum; Access Policy; Certification Criteria: The Chapter shall adopt and implement The First Tee Program Curriculum or a comparable program approved by The First Tee as part of the Facility Plans. The Chapter shall also adopt and implement The First Tee Minimum Access Policy attached hereto as Exhibit "C" or shall submit a substitute access policy to The First Tee for its review and approval. Upon approval, such substitute access policy shall be attached hereto as Exhibit "C." The Chapter shall adopt and implement The First Tee's Certification Process attached hereto as Exhibit "D."

4.3 General Duties of the Chapter: In accordance with this Agreement and the License Agreement, the Chapter shall diligently develop, operate, maintain and fund The Facility and program as part of The First Tee Program. The Chapter shall: (i) comply with any applicable law,

ordinance, rule, regulation, order or other legal or governmental requirement with respect to the Facility, or its renovation, construction, operation or maintenance, including, but not limited to, federal and state labor and tax laws, OSHA, ADA, workers' compensation, environmental, social security, unemployment insurance, hours of labor, wages, working conditions and other employer-employee related matters; (ii) advise The First Tee promptly in writing of any substantial property damage to the Facility, any bodily injuries sustained by any person at the Facility, service upon or receipt by the Chapter of any summons, subpoena or other similar legal documents, including notices, letters, communications or claims of any actual or alleged defaults by, claims or actions against, or potential liabilities of or relating to the Chapter, the Facility and/or The First Tee; (iii) timely pay any operating expenses, taxes, assessments and charges relating to the Facility; (iv) timely apply for an obtain and/or renew any approvals, licenses, permits, consents, authorizations, certificates or similar documents or actions required in connection with the program or the development or operation of the Facility; (v) hire, discharge, supervise, and carefully monitor the work of the personnel employed, and all agents, contractors, subcontractors or volunteers performing services in or about the Facility, provided that the Chapter shall only engage qualified, competent and experienced personnel and volunteers (exercising an increased level of care at all stages, recognizing that many of the participants are young people); (vi) provide effective safety and security programs; (vii) implement conscientious environmental and conservation planning; (viii) establish and maintain a diverse and effective Advisory Committee of the golf program, as a subcommittee of the NSCF Board of Directors, recognizing the goals and objectives of The First Tee Program; (ix) keep, supervise and/or direct the keeping of, full, separate and adequate books of account, as well as records reflecting gross revenues and operating expenses of the Facility, achievement of program goals and realization rates, tracking of program participants, development of off-site teaching programs and relationships with area schools and golf courses, and other data relevant to the long term assessment of the success of The First Tee Program; and (x) deliver to The First Tee within sixty (60) days after the end of each calendar year, annual financial statements (audited, upon request) including a balance sheet and statement of profit and loss showing the operational results of the Facility during the preceding calendar year.

4.4 Entry and Inspection Rights of The First Tee: Although the Chapter will exercise full control over the Facility's and program's administration, management and operation, The First Tee's role will include reasonable oversight to allow for proper evaluation of the Facility and program. In connection therewith, the Chapter agrees to permit, upon prior notice to the Chapter, The First Tee, its accountants, representatives, attorneys and agents to have reasonable access to all files, records, materials, information or personnel, or to enter the Facility at any reasonable time, without material disruption, to: (i) examine and inspect the Facility and its maintenance and operations, only as relating to The First Tee Program; and (ii) examine, inspect and/or copy the books, records and other materials of or relating to the Facility, only as relating to The First Tee Program. In the event The First Tee determines that the Chapter is not in substantial compliance with this Agreement or the License Agreement, The First Tee may decertify the Chapter pursuant to Section 5.3 below.

5. INDEMNIFICATION, INSURANCE AND LIABILITY:

5.1 Indemnification: To the extent not covered by proceeds arising from the insurance maintained by the Chapter, the Chapter shall indemnify and hold The First Tee, World Golf

Foundation, Inc., and their respective officers, directors, employees, representatives and agents harmless from and against, without limitation, all claims, losses, suits, actions, causes of action, disputes, damages, liabilities, obligations or penalties, including, without limitation, all costs, charges, expenses and reasonable attorneys' fees (whether incurred in pre-suit negotiation, in preparation for or at trial, on appeal, in any insolvency or bankruptcy proceeding or otherwise), arising out of: (i) any damage to property, or injury to, or death of persons (including the property and persons of the parties hereto, and their agents, representatives, licensees, invitees, volunteers, employees, contractors, subcontractors, officers and directors) occasioned by or in connection with the tortuous acts, malfeasance, negligence or willful acts or omissions of the Chapter (or its agents, representatives, licensees, invitees, volunteers, employees, contractors, subcontractors, officers or directors); or (ii) the Chapter's (or its agents, representatives, licensees, invitees, volunteers, employees, contractors, subcontractors, officers or directors) use, occupancy or operation of the Facility, or breach of its or their material duties and obligations under this Agreement. The obligations of the Chapter hereunder shall survive the expiration or earlier termination of this Agreement. These indemnification obligations shall not apply to any claims, losses, damages, obligations, penalties or liabilities which may result or arise from The First Tee's (or its agents, representatives, licensees, invitees, volunteers, employees, contractors, subcontractors, officers or directors) malfeasance, negligence or willful acts or omissions.

5.2 Insurance: The Chapter shall maintain, as Facility expense, the following policies of insurance: (i) insurance against loss or damage by fire or other casualties, including, but not limited to, vandalism and malicious mischief, within the meaning of "extended coverage", covering the Facility in an amount sufficient to prevent The First Tee or the Chapter from becoming a coinsurer under the terms of the applicable policy, but in any event not less than one hundred percent (100%) of the full insurable value of the Facility; (ii) general comprehensive "all-risk" or "public liability" insurance for bodily injury, death or property damage occurring upon, in or about injury or death for any one occurrence or accident, and \$1,000,000 for property damage for any one occurrence or accident (said coverage to be in addition to the Chapter's participation in a self insurance program under the State Tort Liability Claims Act); (iii) workers' compensation insurance for the Facility's employees in accordance with applicable law; and (iv) such other insurance in such amounts as The First Tee may reasonably specify, except that the cost of such other insurance shall be borne by The First Tee, unless approved by the Chapter, in which case such cost shall be a Facility expense. Each policy of insurance shall be in a form and amount and from a carrier acceptable to The First Tee and shall name The First Tee and World Golf Foundation, Inc. as additional insureds. The Chapter shall also contractually require all of its contractors, subcontractors, or any others performing any work at the Facility, to secure and maintain sufficient insurance of types and with the limits set forth above, as reasonably required by The First Tee and to name The First Tee and World Golf Foundation, Inc. as additional insureds. The Chapter shall provide The First Tee with copies of all insurance endorsements, certificates and policies (and all renewals thereof) evidencing the coverage required pursuant to this Agreement, and all paid receipts for such insurance from the insurers thereof.

5.3 Decertification: Upon a default by the Chapter under this Agreement or the License Agreement, disapproval by The First Tee of any Facility Plans (if submitted after the execution hereof) an uncured Material Departure not approved by The First Tee, or the expiration or earlier termination of this Agreement or the License Agreement, at The First Tee's option and upon written notice to the Chapter: (i) the Chapter shall be decertified as a member of the Association and shall

no longer operate as a Facility in The First Tee Program; (ii) this Agreement and the License Agreement and all other rights and licenses granted to the Chapter by The First Tee shall terminate; and (iii) except in the event of termination by the Chapter due to a material default by The First Tee, (a) if this Agreement is terminated for any reason within the first five (5) years, the Chapter shall, within thirty (30) days of such termination, pay to The First Tee 100% of The First Tee funds, including grants, directly or indirectly invested in the Facility, together with 100% of the reasonable book value of any benefits received from or through The First Tee or the Association, or (b) if this Agreement is terminated for any reason in years six (6) through fifteen (15), the Chapter shall pay to The First Tee a prorata portion of The First Tee funds, including grants, directly or indirectly invested in the Facility, and a prorata amount of the reasonable book value of any benefits received from or through The First Tee or the Association in equal monthly installments over a five (5) year period. The amount of funds to be repaid to The First Tee as set forth in clause (iii)(b) shall be equal to the total amount of such funds and benefits, divided by ten (10) multiplied by the number of years remaining in the first fifteen (15) years of the term. For purposes of the repayment calculation, any portion of a year shall count as a full year.

6. **ADDITIONAL PROVISIONS:** This Agreement incorporates herein by this reference the following provisions of the License Agreement as if the same were set forth fully herein and applicable to the terms and conditions of this Agreement: (i) Paragraph 1.0, "Representations and Warranties;" (ii) Subparagraph 4.2, "Events of Default;" (iii) Subparagraph 4.3, "Remedies;" and (iv) Paragraph 6.0, "General Provisions." To the extent that any incorporated provision conflicts with a provision of this Agreement, this Agreement shall control.

**"THE FIRST TEE"
WORLD GOLF FOUNDATION, INC.**

**THE "CHAPTER"
NATIONAL SPORTS
CENTER FOUNDATION, INC.**

By: /s/ Len Stachitas
Len Stachitas
Interim Executive Director

By: /s/ Kris Bjorkness
Name: Kris Bjorkness
Title: Executive Director

**Agreed and accepted:
PGA TOUR GOLF COURSE PROPERTIES, INC.**

By: /s/ Peter S. Davisard
Name: Peter S. Davisard
Title: Chief Operating Officer

EXHIBIT "A"
FACILITY PLANS

*** To be provided by the Chapter as provided in Section 2.3 ***

EXHIBIT "B"
BENEFITS TO THE CHAPTER

The First Tee Grant; Other Funding Assistance: Upon execution of this Agreement, the Chapter will become eligible for a grant from The First Tee. The Chapter will not be considered for such grant until: (i) the Chapter has applied for, or has received, an IRS determination letter approving the Chapter's status as a 501(c)(3) not-for-profit tax exempt entity; and (ii) the Chapter has complied with this Agreement (including the provisions of section 2.3 requiring the production of the Chapter's Facility Plans), the License Agreement and any other applicable agreements between the parties. In addition to the foregoing, The First Tee reserves the sole right to determine the amount and the timing of the disbursement of any grant awarded to the Chapter. The grant shall be restricted to the purposes specified in the grant award letter, and shall be spent in accordance with the approved budget. Any part of the grant funds not so used shall be promptly returned to The First Tee.

Execution of the License Agreement: The Chapter shall be entitled to use The First Tee's name, logo and marks pursuant to the License Agreement being executed concurrently herewith.

Design and Development Oversight: Where requested or appropriate, The First Tee will coordinate the participation of leading golf course architects and organizations for golf course design, planning, oversight and assistance, through alliances with associations such as PGA TOUR Design Services, Inc. And The American Society of Golf Course Architects. The First Tee will also assist, coordinate, advise and consult with the Chapter in planning, designing and developing the Facility, in developing and implementing youth golf programs, and in monitoring the quality and progress thereof.

Facility Marketing, Public Relations and Other Benefits: The First Tee will utilize reasonable efforts to provide the Chapter with marketing and public relations assistance and support. The First Tee will also use reasonable efforts to make all benefits of The First Tee Program and its supporting golf associations and sponsors available to the Chapter and to coordinate these available benefits with the needs of the Chapter.

National Supply Contracts; Commercial Sponsorships: The Chapter shall be entitled, but not required, to avail itself of the benefits and discounts of The First Tee's national supply contracts with construction suppliers, operational equipment suppliers, golf equipment manufacturers and other which have been secured for the benefit of The First Tee Program. Although the contracting parties will be designed The First Tee's official suppliers nationwide, the Chapter may also enter into arrangements with local or other suppliers and sponsors, provided that such suppliers and sponsors receive only on-site recognition and promotion at the Facility. Each local or other supplier and sponsor shall require the prior written approval of The First Tee, which in no event shall include tobacco, alcohol or other sponsors deemed inappropriate by The First Tee. In all cases, vendors and suppliers under The First Tee's national supply contracts will have final authority to determine the amount of equipment and discounts to be supplied to the Chapter based upon the scope of the Chapter's project as defined in The First Tee Facilities Agreement.

The First Tee Links: The First Tee will deliver to the Chapter, as it becomes available, the computer hardware and software necessary to access and participate in The First Tee Links, a planned computer network linking the facilities within The First Tee Program with each other and with The First Tee.

Golf Course Financial Model. The First Tee has access to the Golf Course Builders Association of America's ("GCBA") guide and software for Estimating the Cost of Golf Course Construction. The First Tee will provide these materials as an aid to assist the Chapter in preparing its construction budgets and to assist in determining the viability of the plans for the Facility.

PGA of America Career Links: The PGA of America is making available to First Tee Chapters its new employment service, Career Links. Chapters seeking to fill Executive Director of other management positions at the Facility may utilize this service to obtain resumes of PGA members meeting the Chapter's job requirements and to obtain additional assistance regarding the hiring process.

EXHIBIT "C"
THE FIRST TEE MINIMUM ACCESS POLICY

The Chapter shall provide extraordinary access to golf for young people who are registered participants in The First Tee Program at the Facility. This will include on-site instruction and dedicated access to the driving range, short game and practice areas. The Chapter shall also use its best efforts to develop off-site teaching programs and to provide access to other area golf facilities ("Affiliated Training Facilities") and will encourage such Affiliated Training Facilities to provide reduced rates for graduates of The First Tee Program. Specifically, the Chapter shall provide the following as part of The First Tee Program:

For Registered Participants in The First Tee Program: The Chapter shall provide no less than 12 hours per week of junior programming at the Facility, which shall include free group instruction, both on the driving range and in a classroom setting. Classes shall include beginning, intermediate and advanced group instruction over a 4 month period. The Chapter shall also provide for each registered First Tee participant access to 4 rounds of golf per month at the Facility or, alternatively, may provide such access at an Affiliated Training Facility, at no cost or at low or discounted rates. Use of the driving range, short game and practice areas shall also be provided at rates affordable to the participants.

For Registered Participants in The First Tee Program Seeking Certification: In addition to the requirements stated immediately above, the Chapter shall provide additional access, which shall include 16 free rounds of golf at the Facility and/or at an Affiliated Training Facility during the season in which the participant is seeking certification.

In addition to The First Tee Program Curriculum, the Chapter shall use its best efforts to plan, develop and implement programs and initiatives: (i) for pre-teen youths; (ii) for the disabled, including physically and mentally challenged participants; (iii) for the deaf; (iv) for disadvantaged inner-city groups and youths, particularly minorities; (v) with local not for profit groups, such as the YMCA, YWCA, Boy's and Girl's Clubs, etc.; (vi) with area elementary and/or middle schools, high schools and community colleges; and (vii) as the parties mutually designate.

February 12, 2003

Mr. James Nobles
Office of the Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
St. Paul, MN 55155-1603

Dear Mr. Nobles,

The following is our response to the Legislative Audit that was performed regarding 1998 appropriations for Athletic Fields and Golf Course.

The MASC accepts the findings and recommendations of the Special Audit report, confirming that the agency did reasonably comply with legislative intent for both the golf and athletic field appropriations. Moreover, the agency accomplished the spirit and intent of the appropriations to develop high quality amateur sports facilities.

- 1) As with the two previous Legislative Audits and an Attorney General inquiry, we are pleased that this audit confirmed that the agency expenditures were lawful and appropriate.
- 2) The MASC is proud of its entrepreneurial tradition, resulting in added value for the state through its projects. While neither project had a matching requirement, the MASC working with the NSCF successfully leveraged other non-state sources for development:
 - a) The NSCF contributed \$343,000 to the athletic fields project (less \$138,000) making a net contribution of \$205,000 to the project, increasing the 1.7 million investment into a **1.9 million State Asset**. In addition, future plans include additional non-state sources for development.
 - b) Planned contributions of an additional \$2.5 million in cash and \$3.0 million in in-kind will augment the state's original \$3.1 million investment, and will result in an **\$8.6 million Asset for Minnesota**.
- 3) It is apparent that the MASC, whose members are appointed by the Governor and Speaker of the House and Senate Majority leader, has made reasonable interpretations of legislative intent. As many changes were made to improve the projects, the MASC board, including its legislators, was able to provide leadership and direction over the five-year period.
- 4) In accordance with the audit recommendations, the MASC is committed to:
 - a) working with the legislature on clearer appropriation language
 - b) reporting significant changes in project development to the legislature
 - c) strengthening accounting controls

Thank you for a complete, fair and accurate review of the appropriations.

Sincerely,

/s/ Tom Duffy

Tom Duffy
Chair, Minnesota Amateur Sports Commission

MINNESOTA AMATEUR SPORTS COMMISSION

1700 105th Avenue NE • Blaine, Minnesota 55449-4500 • 763-785-5630 • fax 763-785-5699 • tdd 800-627-3529
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