

KANSAS RACING AND GAMING COMMISSION

MINUTES – JULY 13, 2023

CALL TO ORDER (A.)

Chairman David Moses called the July 13, 2023, meeting to order at 9:00 a.m. The meeting was held at the Drury Inn Broadview Conference Center in Wichita, Kansas. Notice of this meeting was given to the public via the KRGC and Public Square websites. Commissioners Brandon Jones, Larry Turnquist, and Sheryl Spalding were also present. Others present included Executive Director Don Brownlee, General Counsel Judith Taylor, Director of Administration, Audit, and Finance Brandi White, Director of Sports Wagering and Licensing DJ Lopez, and other staff.

MOTION, APPROVE AGENDA (B.)

Executive Director Brownlee stated that staff did not have any changes to the agenda and clarified that the previous agenda amendments to move the applicant background review executive session forward means the first agenda item for July 13, 2023, are Golden Circle's closing arguments.

Commissioner Turnquist (Jones) moved to approve the agenda as amended on July 12, 2023. Motion carried 4-0.

APPLICANT CLOSING COMMENTS & QUESTIONS FROM COMMISSIONERS; GOLDEN CIRCLE (C.1)

Chairman Moses requested that during his closing presentation, Mr. Beeler explain the different legal entities involved with this project, keeping in mind that the commission's reference to Golden Circle was in terms of the commonly known project by that name and not the separate legal entity. Chairman Moses also requested that Mr. Beeler confirm that the license being considered today is the license for Wichita GC Charities, Inc.

On behalf the applicant, Wichita GC Charities Inc., R. Scott Beeler presented his closing remarks:

- Mr. Beeler thanked Executive Director Brownlee and the KRGC staff for their efforts, and thanked the commission for the opportunity.
- Mr. Beeler has been involved with Kansas gaming legislation since 1986. The constitutional amendment that allowed parimutuel wagering in Kansas contained a provision that required the involvement of a not-for-profit in the operation of a parimutuel facility. In this case, the not-for-profit is the 501(c)3 Wichita GC Charities, Inc. and if granted, they will hold the organization license. Their primary focus is to collect and distribute charitable funds. Wichita GC Charities, Inc. will contract out the operation of the facility. In practicality, there are two licensees: the not-for-profit organization licensee and the managerial licensee. The legal entity Golden Circle would be the managerial licensee and Wichita GC Charities, Inc. the organization licensee. If Wichita GC Charities, Inc. selects Golden Circle as their contracted managerial entity, Golden

Circle will then submit to the commission for consideration of a managerial license.

- Commissioner Turnquist asked if the board for Wichita GC Charities, Inc. can add additional persons to the board. Mr. Beeler responded that the bylaws of the 501(c)3 allows for up to five board members, so they could add two more members. Commissioner Turnquist commented that he thought five would be the appropriate amount, especially if there is disagreement on who might receive charity donations. He also noted that there are no women on the board. Jeff Longwell, Board Chair, responded that Mr. Ruffin Sr. initially appointed members to the board. Should the applicant be granted the license, the board will become solely independent, and Mr. Ruffin Sr. will no longer be able to appoint or remove any board members. At that point, the independent board may choose to expand to five and who those new members will be. Once granted an organization license, the only entities with the ability to remove board members will be the KRGC and the board itself.
- Chairman Moses noted that if granted the license, any additions to the board will need to seek licensing approval from KRGC prior to joining the board. Board Chair Longwell confirmed he was aware of this requirement.
- Chairman Moses noted KRGC has a significant oversight obligation regarding gaming and the charities. The grants the charity board may award are subject to oversight, and before charitable grants can be awarded, they require KRGC approval. Board Chair Longwell confirmed he was aware of this requirement and that the board wants to make sure there is no conflict of interest on anyone's part.
 - Chairman Moses noted that he may show up on the political contribution list for Board Chair Longwell's mayoral campaign. Chairman Moses stated that if that is the case, nothing about that causes concern he cannot act in an objective way in this decision.
- Chairman Moses stated that the license being considered today is for Wichita GC Charities, Inc. which is a part of the overall Golden Circle project. Chairman Moses asked Mr. Beeler if he agrees to that summation. Mr. Beeler affirmed he did. Chairman Moses followed up saying that this is the start of the process and not the end, as there is still a managerial license to be granted. In other words, the awarding of this

license is not necessarily the awarding of a license to who the Wichita GC Charities, Inc. select to contract as their manager. Mr. Beeler affirmed that was accurate, and that Golden Circle certainly hopes to be awarded the managerial license. Chairman Moses asked if everyone is aware that there are licensing requirements for key employees of the manager and those issues are not being addressed today. Mr. Beeler stated that was correct.

- The Ruffin involvement in the site before the commission is long and dedicated. When slots and casino gaming came along, it was no longer financially sensible to continue the operation of the dog park. During this time, Mr. Ruffin Sr. purchased the real estate from the county at a time when he had no ability to operate the facility. Sixteen years later, Golden Circle is an applicant asking to be allowed to refurbish and resurrect a growing business, developing something that will be an asset locally and for the state and allow Phil Ruffin Sr. to invest over \$127 million in the project. It's an enormous financial commitment on the part of this businessman. This commitment includes a class A gaming facility, a world class entertainment facility in the form of a Gilley's Dance Hall and Saloon, and a flagged 110 room hotel, 300 new construction jobs, followed by 295 permanent jobs, 45 Gilley's jobs, 78 permanent hotel jobs, to bring back some semblance of parimutuel horse racing in the form of a simulcast facility.
 - Commissioner Spalding asked if there was a projected date that facility construction would begin and when the facility would open. Mr. Beeler responded that the construction beginning is contingent upon being granted the managerial license. At this point, Golden Circle is hoping to open by the late winter of 2024 or the early spring of 2025. It will be about a 14-month construction period.
- Jeff Longwell asked Mr. Beeler to state the following on their behalf, Wichita GC Charities, Inc. intends to be a diverse and broad-based charity-giving entity without any singular focus, but to focus everywhere from the underprivileged, to veteran organizations, to education related interests, and to do so without political or any other prejudice or leanings.
 - Commissioner Spalding asked if there was any interest from the board in donating to organizations such as Vets for Kansas. Board Chair Longwell responded that the board's goal is to impact the entire metro area and that this is not a Park City centered charity board. Fellow board member Mr.

Newman mentioned yesterday to not forget about the veterans.

- Chairman Moses asked if the board has decided if it will be inviting requests for donations or if donation decisions will be made internally. Board Chair Longwell responded that the board has not had a formal meeting yet and that if granted the organization license the board will meet immediately and begin determining those parameters. The board is aware that would-be recipients may have a tough time finding them through advertisement and social media and so Board Chair Longwell does anticipate going to some groups and suggesting they submit an application for donation.
- Mayor Lehnher said yesterday Park City is anticipating growth. He confirmed the economic cluster theory that the high tide does raise all boats, not only the boats of the two gaming institutions but rather the city itself. He talked about how having more jobs means more people moving to Park City and the surrounding communities. He said that the city is already planning enhancement of their infrastructure, including the street system. He confirmed the consent annexation arrangement described on the first day.
- This proposal has received many endorsements, Mr. Beeler emphasized the gamut and range of these endorsements. Endorsements came from local individual citizens all the way to one of the city's largest employers. Outside the business world, the Kansas Speaker of the House endorsed the proposal. Having the endorsement of Visitor and Tourism Association in Park City as well as the City Council, is a huge feather in the bonnet.
- Mr. Beeler said that he wanted to tell the commission that Golden Circle is going to give every look at building an amphitheater as a potential amenity that makes economic sense to do. The bottom line is that Golden Circle is going to investigate the business case for having an amphitheater, but that investigation has not been completed. Golden Circle is not certain what type of theater it would be, as they would like to open the HHR facility first and gauge the market.
- Mr. Beeler reminded those who may have visited the Wichita Greyhound Park during its heyday and seen some traffic, that those were race meets, meaning that everyone shows up at the same time and everyone leaves at the same time. That is not the traffic pattern of a HHR casino gaming facility where people come and go at their leisure. Golden Circle does not expect those kind of traffic issues but

will be working with local government and law enforcement to deal with any traffic issues.

- Chairman Moses asked if Mr. Beeler's comments regarding traffic congestion were based upon the old congestion or anticipated new congestion. Mr. Beeler confirmed his comments were regarding the old congestion.
- Regarding a question that was asked yesterday about greyhound racing, something that was not said was that a bill that did not pass last legislative session that the Golden Circle team was involved with drafting was a bill to ban dog racing in Kansas. Phil Ruffin Sr. sponsored a bill on dog racing; however, that bill did not end up passing. Senate Bill 84 did pass, and that legislation says there will not be live dog racing at the HHR facility. Golden Circle has gone farther and committed to not simulcast dog racing. The Humane Society and three of the four state lottery gaming facility managers were supporters of Senate Bill 84 in its final form.
 - Chairman Moses asked that Mr. Beeler address the economic impact with respect to horse breeding. Mr. Beeler responded that he is unaware of any existing breeding program that would create a binding impact on a managerial licensee. However, it is the applicant's full intent to follow the law.
 - Chairman Moses stated his recollection was that the track at the Wichita Greyhound Park was not designed for and was not capable of hosting live horse racing. Mr. Beeler commented saying that the Chair's recollection is accurate. Chairman Moses then asked if there is any consideration for renovating the track to allow for live horse racing. Mr. Beeler responded saying that the legislation indicates that there will not be live racing at this site. Mr. Beeler further explained that to have a true horse track, the existing facility would need to be moved. Mr. Beeler summarized that there are no plans, the site is not set up for it, and the legislation would not allow it. Chairman Moses asked if the existing area is capable of housing quarter horses and straight aways. Mr. Beeler responded that it would not be able to fit in the area suggested for an amphitheater and there would be nowhere to build the stands.
- Previously there was a question regarding legacy. Phil Ruffin Sr. is healthy, active, and engaged. Phil Ruffin Jr. is his father's apprentice, is fifty years old, has worked for his father since his early teens, and has been involved with this project at every step. Moreover, the asset in question is not a Phil Ruffin Sr. asset it is a Ruffin Holding asset.

Should the inevitable occur sooner rather than later, the company will go nowhere and will continue to operate. The Ruffin children are the benefactors and are just as committed to this project.

- Previously, there was a question regarding when the traffic count presented on the first day took place. After reaching out to Wichita.org and Park City, they confirmed that the downtown traffic is 65,000 to 85,000 cars a day.

MOTION, EXECUTIVE SESSION; ATTORNEY-CLIENT PRIVILEGE
(D.1)

Commissioner Jones (Turnquist) moved that the Commission go into executive session for the purpose of consulting with the agency's attorney on attorney-client privileged communications. In addition to the commissioners, the attorney-client privileged communications will include the executive director and general counsel. After discussion, the total time for the executive session was anticipated to be seventy-five (75) minutes until 11:10 a.m. No action is to be taken in executive session, and the subjects discussed are to be limited as previously described. A full record of this motion is to be maintained as part of the permanent record of the Kansas Racing and Gaming Commission. At the conclusion of the executive session, the meeting is to be continued in open session. The motion carried 4-0, and the meeting was adjourned to executive session at 9:55 a.m.

RECONVENE
(D.2.)

The commission meeting returned to open session at 11:10 a.m. with Chairman Moses, Commissioner Jones, Commissioner Turnquist, and Commissioner Spalding present.

MOTION, EXECUTIVE SESSION;
DELIBERATIONS
(E.1)

Commissioner Spalding (Jones) moved that the Commission adjourn into an executive session for the purpose of deliberating on the organization license application of Wichita GC Charities, Inc. and whether the applicant fulfills the statutory criteria set forth in K.S.A. 74-8813 to receive the historical horse racing organization license in Sedgwick County. In addition to the commissioners, the deliberation executive session will include commissioners only with the agency's executive director and general counsel available to answer questions or give legal advice, if needed. After discussion, the total time for the executive session was anticipated to be thirty (30) minutes until 11:40 a.m. No action is to be taken in executive session, and the subjects discussed are to be limited as previously described. A full record of this motion is to be maintained as part of the permanent record of the Kansas Racing and Gaming Commission. At the conclusion of the executive session, the meeting is to be continued in open session. The motion carried 4-0, and the meeting was adjourned to executive session at 11:10 a.m.

RECONVENE
(E.2.)

The commission meeting returned to open session at 11:40 a.m. with Chairman Moses, Commissioner Jones, Commissioner Turnquist, and Commissioner Spalding present.

INSTRUCTION FROM
KRGC GENERAL
COUNSEL
(F.)

KRGC General Counsel Judith Taylor provided the following instruction to the commission:

- The selection of the best candidate for the sole historical horse racing facility in Kansas, to be located in Sedgwick County, will be made in accordance with standards set forth in the Kansas parimutuel racing act. To qualify for an organization license to conduct horse races, or in this case, to conduct historical horse races, an applicant must be a bona fide, non-profit organization, distribute all of its net earnings from the conduct of horse races, other than allowable deductions, to 501(c)3's other than itself, that are domiciled in Kansas and expend the distributed money only within Kansas. The applicant shall also have, either by itself or through contractual relationships with other persons or businesses approved by the commission, the financial capability, manpower, and technical expertise as determined by the commission to properly conduct horse races, or in this case historical horse races through HHR machines, and to operate a parimutuel wagering system. There are other requirements related to the racetrack facility, not relevant to this process, and background considerations that have already been vetted through the background process.
- When there are two or more candidates competing for an organization license, the commission must give consideration to certain factors. These factors are found in KSA 74-8813. Of course, there is now only one candidate, but we still must consider the same factors. If the remaining candidate is not the best candidate when the factors are considered, the commission has no choice but to decline the candidate and reopen the application process to seek new candidates. The factors the commission must consider are:
 1. The character, reputation, experience, and financial stability of those persons within the applicant organizations who will be supervising the conduct of the races and parimutuel wagering for the organization;
 2. The quality of the racing facilities and adjoining accommodations;
 3. The amount of revenue that can reasonably be expected to be generated from state and local taxes;

4. The economic impact for the respective horse breeding industries in Kansas;
5. The indirect economic benefit to the surrounding area;
6. The location of the race meetings in relation to the principal centers of population and the effect of such centers on the ability of the organizations to sustain a financially sound racing operation; and
7. Testimony from interested parties at public hearings to be conducted in the geographic areas where the applicants would be conducting their race meetings.

- Historical Horse Racing in the form of HHR machines is considered whenever “race meetings” is referred to in the criteria just mentioned.

MOTION, AWARDING
OF THE HHR
ORGANIZATION
LICENSE
(G.)

Commissioner Jones (Turnquist) moved that the commission award the Historical Horse Racing organization license to Wichita GC. Charities, Inc.

Commissioner Spalding stated that the criteria she considers is the first and last criteria as the most important. The first being the character, reputation, and financial stability of those persons; those who have spoken to us, and we have received letters about. It is really good to have letters from people who have been in the area for a number of years and have known the people for a number of years right here in this area and have spoken highly of these people. The individuals who are going to be running specifically the Wichita GC Charities, Inc. They spoke well and were spoken well of.

Commissioner Turnquist commented that there are seven statutory standards that commissioners are to be evaluating. As Commissioner Spalding said, I believe the first criteria has been met not only by the applicants who appeared but also by staff. The quality of the racing facility and the adjoining accommodations were shown during the presentation to meet the criteria. The amount of revenue that can expect to be raised, though KRGC staff and the applicant have differing projected revenues, but both show a positive impact on the state and local community. Commissioner Turnquist thanked everyone for their participation and noted that it appears that the local community is fairly united in that the local city or municipalities will benefit from this application.

Commissioner Jones stated that as the movant he would like to explain his reasoning. Commissioner Jones joined the previous two commissioners' comments; stating he also considered the seven statutory factors. The character, reputation, and financial stability of those persons within the applicant organization, clearly the applicant has the financial backing as

demonstrated in the presentation. Commissioner Jones thanked Director of Licensing and Sports Wagering DJ Lopez and his staff for confirming the character and reputation of the applicant. Commissioner Jones noted that the people who are expected to be running this facility have extensive experience in the gaming industry. Also, with the financial stability the applicant has, the ability to pay any possible privilege fee that might be required to be paid with the granting of this license. Second, the quality of the racing facility and adjoining accommodations. Commissioner Jones stated he was impressed with the renderings and the anticipated plan; it looks like it is going to be a high-quality facility. He further said that Gilley's Bar Hall and Saloon is interesting and will bring an interesting crowd, and that the hotel will be great for those going to events at the Hartman Arena. Commissioner Jones echoed Commissioner Turnquists comments and thanked KRGC staff member Todd Allen for his financial report, noting the numbers were a little different but overall, it looks like it is going to generate good money for the state and local tax base. Number four, this is the one thing that Commissioner Jones felt was not completely touched on during the presentation and was asked this morning; the economic impact for horse breeding programs in Kansas. Mr. Beeler did indicate that the applicant fully intends to follow state statute, and state statute does require that a portion of simulcasting funds go to the Horse Breeding fund for Kansas horse breeders. So, knowing you will of course be held to state statute, Commissioner Jones stated he believes the applicants simulcasting plan will produce revenue that will help the horse breeders of the state of Kansas. Number five, the indirect economic impact of the surrounding area. Commissioners heard from leaders from Park City and received the letter from the Park City Visitor and Tourism Association and it does appear that this will have a very strong positive impact in the area. Again, location within centers of population. This is right in the greater metropolitan-Wichita area, population around 650,000 people probably one of the highest concentrations of population in Kansas. So, this is certainly a place where the proposed project has the best chance to succeed. Considering the testimony from interested parties at the public hearing, with one exception, all of the testimony was positive. From businesses leader from Park City that made Commissioner Jones feel that this proposal was supported locally and that it will have a positive impact. Given those seven factors, Commissioner Jones felt compelled to make the motion to approve this license.

Chairman Moses stated that he adopts and agrees with the more detailed descriptions provided by the other commissioners and added that as someone who is a lifelong resident of Sedgwick County that he is excited. Chairman Moses remembered the excitement of having a facility like the Wichita

Greyhound Park and the people attending and is looking forward to many years of success with this project that has been commonly called Golden Circle. As discussed, this morning, this is really the start of a process, it is not the end of a process, and the first step is the granting of an organization license to a charity, and there are many more steps involving oversight by the commission where the commission will be working very closely with the charities as well as who they identify as the managing team and there will be licensing requirements for them as well. The mandate from the legislature that this commission continue to provide oversight will not be ignored. Chairman Moses assured that the commission will be working closely with the licensee and future licensees to have a successful project down at the old Greyhound Park. Chairman Moses concluded by noting that this was a three-day hearing but that is not all the work that was put to get to this point, KRGC staff have been working tirelessly since Senate Bill 84 passed. Chairman Moses thanked staff for how hard they have worked during this entire process, specifically highlighting General Counsel Judith Taylor's tireless efforts and those of Executive Director Don Brownlee. Chairman Moses reiterated that this is a starting point, not an ending point. Chairman Moses was confident that the motion should be supported and that this will be a long, successful partnership.

Chairman Moses called the question, ending discussion. A roll-call vote was taken. Motion to grant the HHR organization license carried 4-0.

Chairman Moses congratulated the Golden Circle team. It has been a long time coming. Next steps involve executing contracts, paying the privilege fee, and there will be the processes of applying for a facility license and a facility manager license. Chairman Moses thanked the other applicants who, for reasons not based on merit, are no longer involved in the process.

Executive Director Brownlee thanked the commissioners for their patience through this process. We have put a lot of plans together and planned for this a long time, and as you all have sat through here, our plans change daily. Executive Director Brownlee also stated he appreciates the staff he works with and could not begin to mention all the staff members that deserve thanks. Executive Director Brownlee echoed Chairman Moses appreciation for the cooperation from the applicants and interested parties.

ADJOURNMENT
(H.)

Chairman Moses announced that this completes the HHR organization licensee selection process. Chairman Moses stated that the August 11, 2023, commission meeting will begin at 10:00 a.m. for an in-person meeting at the Eisenhower State Office Building in Topeka, Kansas.

Commissioner Turnquist (Jones) moved to adjourn the meeting. Motion passed 4-0. The meeting was adjourned at 11:41 a.m.

SUBMITTED BY:



Larry Turnquist

Secretary

APPROVED BY:



David Moses

Chairman

