

Approved: January 22, 1996  
Date

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL AND STATE AFFAIRS.

The meeting was called to order by Chairperson Garry Boston at 1:30 p.m. on January 17, 1996 in Room 519-S of the Capitol.

All members were present except: Representative David Adkins, Excused  
Representative Danny Jones, Excused

Committee staff present: Mary Galligan, Legislative Research Department  
June Evans, Committee Secretary

Conferees appearing before the committee: John Berberich, Berberich, Trahan & Co., P.A.  
Bob Lock, McBride, Lock and Associates

Others attending: See attached list

The Chairman called attention to a letter from the Department of Wildlife and Parks dated March 23, 1995 that was distributed regarding **HB 2570**. (See Attachment #1)

The Chairman stated that audits were requested on Camptown Greyhound Park and Wichita Greyhound Park and those would be reviewed today.

John Berberich, Berberich, Trahan & Co., P. A., reviewed the performance audit of Camptown Greyhound Park, Frontenac, Kansas. The questions requested were: (1.) What organizations or individuals have been involved in the race track's operations and how have they benefitted financially from transactions related to the race track and, (2.) has the track complied with the applicable requirements for its operations?

Mr. Berberich stated there was a review of controls over revenues (except betting) and expenditures and identification of organization and related party transactions and compliance with state regulations of the Kansas Racing Commission.

The audit revealed the following: Three contracts were not on file with the Racing Commission. Camptown Caterers contract was amended but not submitted. One board member of Track Southeast may have violated Kansas statutes when company opened a bank account at bank in which board member is an officer. Five payments totalling \$22,303 and one wire transfer of \$2,017 did not have adequate supporting documentation. Executive compensation seemed in line for responsibility. There were related party expenditures which are allowable for facility owner/manager. They are listed in Exhibit 3. Noted five related parties employed by track. Compensation rates did not appear out of line. (See Attachment #2)

Bob Lock, McBride, Lock and Associates, reviewed the performance audit on Wichita Greyhound Park, Wichita. The questions requested were: (1) What entities or individuals have had significant involvement in Wichita Greyhound Parks' operations, and have they benefitted financially and (2) has Wichita Greyhound Park complied with applicable requirements for its operations?

The following conclusion was found regarding question 1: The current and former stockholders of Wichita Greyhound Park have been the primary financial beneficiaries of the track. The date, the track has paid these stockholders and their related companies over \$15 million through consulting fees, loan guarantee fees, treasury stock purchases and other various payments. In addition, former stockholders realized profits of almost \$8.5 million through their sale of stock to current owners.

However, the current owners are personally obligated for the race track's debt, whose outstanding loan balance is approximately \$12.4 million. The owners stand to lose the most should the track cease operations. Our trend analysis does show that track attendance, revenue and profitability have been in decline for several years, and that these decreases are accelerating.

No evidence was found to suggest that the decline in Wichita Greyhound Park's profits were the result of misrepresentations of the track's finances. The deterioration of the track's profitability has been consistent

## CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE FEDERAL AND STATE AFFAIRS, Room 519-S  
Statehouse, at 1:30 p.m. on January 17, 1996.

with the downturn in attendance and wagers. The track is paying vendors (including related parties) at comparable market rates for goods and services.

The following recommendation was made: To ensure that charity contributions by Wichita Greyhound Charities, Inc. are maximized, the nonprofit licensee should review its administrative expenses and determine whether any reductions can be made as a result of the declining revenues.

The following conclusion was found regarding question 2: Wichita Greyhound Park appears to be in compliance with most of the laws and regulations that were reviewed. The only area where instances of noncompliance was the requirement to submit contracts and agreements to the Kansas Racing Commission.

The following recommendation was made: To ensure that it is in compliance with State laws requiring contracts to be submitted to the Kansas Racing Commission, Wichita Greyhound Park should strengthen its procedures for identifying contracts and agreements for goods or services requiring submission, especially those relating to oral agreements and modifications of existing contracts.

The Chairman asked if anyone in the audience associated with the tracks would like to comment or answer questions.

Jim Allen stated the advertising promotion for Camptown Greyhound Park was poor as there was barely enough money to pay expenses and salary and they could not reach out and touch somebody was probably one of the greatest downfalls. The license which Camptown has was given in 1988 and went through many different fingers until finally started in 1992. In 93 a package was put together and it was tough to get money for racetracks. In 1994 the contractors pulled off the job and left a skeleton crew which drug the job out and a loan was obtained from two casino companies of \$3.2 million then the construction continued and the track opened May 19, 1995 and had a tremendous opening and was great for five or six weeks. With no promotion it wore off and the big bettors were not there and it went right on down and the last six weeks one individual put in about \$50,000 a week of his own money. The question then became, would bankruptcy have to be declared and that took place the week of January 8. The Park is in Chapter 11 and hope to see some form of a slots bill which may or may not save them and are in a holding patterns right now.

Roy Berger stated in regard to Wichita Greyhound Park, they did reach out an advertise and spent \$600,000 in 1995 on advertising. Mr. Berger stated that 10% of the license plates at the Riverboat casinos are from Sedgwick County plus two busses per day. A study done by Solomon Brothers estimates that \$184 million will leave Kansas and go to other gambling locations. Parimutuel is a stale product and gaming needs to be expanded.

The meeting adjourned at 2:50 p.m.

The next meeting is scheduled for January 18, 1996.

# FEDERAL & STATE AFFAIRS COMMITTEE GUEST LIST

DATE: January 17, 1996

NAME	REPRESENTING
Glenn D. Thompson	Stand Up For Us.
Bettie M. Thompson	" " "
Jim Allen	Camp town
CHUCK DIBB'S	LIMITED LEAGUE OF JO. ca. T. P.
DAVID SCHLOSSER	PETE McGILL & ASSOC
JAKE FISHER	
Brad T. Koehn	Berberich Trahan & Co., P.A.
John Berberich	Berberich Trahan & Co. P.A.
Robert J. Lock	McBride, Lock & Associates
T. Nick Nocita	McBride, Lock + Associates
Les HAFNER	Legislative Post Audit
Cindy Lash	" "
Roger Frawley	KGC
Kay BERGER	Wichita Greyhounds Park
J B	Sun-flaw
Teal Clark	KBI
Pet Duhill	WGP
Ralph Snyder	American Legion
Earl Mcintosh	American Legion

# FEDERAL & STATE AFFAIRS COMMITTEE GUEST LIST

DATE: Jan 17, 1986

NAME	REPRESENTING
Bernie Koch	Wichita Area Chamber
Steve Montgomery	Ks. Greyhound Kennel Owners Assn.
Carl McDowell	Kansas Gaming Partners

STATE OF KANSAS



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DEPARTMENT OF WILDLIFE & PARKS

**OFFICE OF THE SECRETARY**

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(913) 296-2281 / FAX (913) 296-6953

H.B. 2570

Testimony Presented To: House Federal and State Affairs Committee

Provided By: Kansas Department of Wildlife and Parks

March 23, 1995

HB 2570 would require the Department of Wildlife and Parks and Wildlife and Parks Commission to adopt "generally accepted operation practices" for shooting ranges as established by a national recognized nonprofit organization. There are an estimated 200 public and private shooting ranges in Kansas. Under the proposed definition of "sport shooting range," this requirement appears to entail law enforcement and military training ranges.

The adoption of such standards is only feasible in a general sense, because the demands for development and operation of ranges vary greatly with variations in terrain, demographics, and other local conditions. The most widely utilized standards for range development and operation are offered by the National Rifle Association's "Range Manual." The department currently utilizes this resource as a reference in evaluating potential and existing shooting range projects of the department.

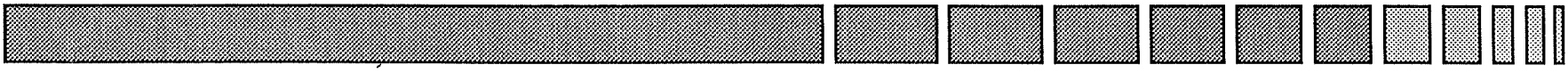
HB 2570 does not require the department to monitor or enforce compliance with adopted "generally accepted operation practices;" nor does it set forth penalties for non-compliance. It, therefore, entails no significant fiscal impact in it's current form and scope.

If, however, the department were required to monitor and enforce compliance with adopted standards, it would result in significant operational and financial obligations. In addition, if the department were to be involved in litigation regarding shooting range operation and liability issues, further costs would be incurred.

*Fed + State Aff*  
*1-17-95*  
*Atch #1*

Fed. Stat. At  
1-17-96  
Atch #2

 **Berberich Trahan & Co., P.A.**



**Report**

*on Performance Audit of*

**Camptown Greyhound Park**

*January 17, 1996*

# Camptown Greyhound Park

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## ◆ Objective of Work was to address the following questions:

- ❖ What organizations or individuals have been involved in the race track's operations and how have they benefited financially from transactions related to the race track?
- ❖ Has the track complied with the applicable requirements for its operations?

## ◆ Scope of Work

- ❖ Review of controls over revenues (except betting) and expenditures and identification of organization and related party transactions
- ❖ Review of compliance with state regulations - Kansas Racing Commission

# Camptown Greyhound Park

## ◆ Investment in Track (Pages 10 to 12)

- ❖ Stock (27 individuals) \$ 4.0 million (Page 18)
  - ❖ Debt (10 individuals) 4.6 million (Page 10)
  - ❖ Line of credit provided (2 individuals) 2.0 million (Page 10)
  - ❖ Bank loan (guaranteed) 3.2 million (Page 10)
- \$ 13.8 million

Bank loan is guaranteed by an affiliate of joint venture of Casino Magic Corp. and United Gaming, Inc. In return, receive certain rights for Casino operations along with two other individuals (Page 12).

## ◆ Conclusion to Question One (Page 12)

- ❖ Certain individuals have received interest payments on debt. Interest rates did not appear out of line.
- ❖ Stock and debt investors could lose investment (\$ 10.6 million) if track would fold.
- ❖ Guarantors of bank debt (\$ 3.2 million) could also lose if track would fold.
- ❖ Guarantors of bank debt as well as 2 individuals could potentially benefit from successful casino operations (if legislation approved).



# Camptown Greyhound Park

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## ◆ Findings

- ❖ Three contracts not on file with Racing Commission (Page 13)
- ❖ Camptown Caterers contract was amended but not submitted (Page 8)
- ❖ One board member of Track Southeast may have violated Kansas statutes when company opened a bank account at bank in which board member is an officer. (Page 14)
- ❖ Five payments totalling \$ 22,303 and one wire transfer of \$ 2,017 did not have adequate supporting documentation (Page 15)
- ❖ Executive compensation seemed in line for responsibility (Page 15)
- ❖ There were related party expenditures which are allowable for facility owner/manager. They are listed in Exhibit 3 (Page 19)
- ❖ Noted five related parties employed by track. Compensation rates did not appear out of line (Page 16)

# Camptown Greyhound Park

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## ◆ Conclusion to Question 2 (Pages 14 and 16)

- ❖ There appears to be compliance with regulations and controls over revenues and expenditures appear to be in place.

## ◆ Financial Condition

- ❖ Track has been closed and good part of personnel laid off.
- ❖ Understand that considering bankruptcy
- ❖ Forecasts were made in prior years (Page 5):

	<u>Forecasted</u>	<u>Actual</u>
Average attendance per performance	1,450	774
Average per capita wagers	\$ <u>    90</u>	\$ <u>    77</u>
Average handle per performance	\$ 130,500	\$ 59,598