

**IOWA RACING AND GAMING COMMISSION
MINUTES
JANUARY 25, 2005**

The Iowa Racing and Gaming Commission (IRGC) met on Tuesday, January 25, 2005 at Stoney Creek Inn, 5291 Stoney Creek Court, Johnston, Iowa. Commission members present were: Diane Hamilton, Chair; Kate Cutler, Vice Chair; and members Joyce Jarding and Gerald Bair. Commissioner Mike Mahaffey was absent.

Chair Hamilton called the meeting to order at 8:30 AM and requested a motion to approve the agenda. Commissioner Cutler so moved. Commissioner Jarding seconded the motion, which carried unanimously.

Chair Hamilton requested a motion to go into Executive Session. Commissioner Cutler moved to go into Executive Session pursuant to Iowa Code Section 21.5(1)i for the purpose of discussing personnel matters. Commissioner Jarding seconded the motion, which carried unanimously on a roll call vote. (See Order No. 05-01)

Upon reconvening the meeting in Open Session, Chair Hamilton called for a motion to return to regular session. Commissioner Cutler so moved. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-02)

Chair Hamilton called for a motion regarding the minutes from the November 18, 2004 Commission meeting. Commissioner Bair moved to approve the minutes as submitted. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-03)

Chair Hamilton called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer provided the following information concerning upcoming meetings:

- February – No Meeting
- March 3, 2005 – Stoney Creek Inn, Johnston, Iowa (Submissions due by February 17, 2005)
- March 22-23, 2005 – Stoney Creek Inn, Johnston, Iowa - Excursion Gambling Boat Applicant Presentations
- April 6-7, 2005 - Commissioners and Staff Visit Proposed Sites
- April 20-21, 2005 – Ameristar Casino, Council Bluffs, Iowa (Submissions due by April 7, 2005) Executive Session will begin at noon on April 20, 2005.
- May 4, 2005 Commission Meeting – Stoney Creek Inn, Johnston, Iowa – Commission will receive Public Input and Question Excursion Gambling Boat Applicants

- May 11, 2005 Commission Meeting – Stoney Creek Inn, Johnston, Iowa – Commission will vote on Excursion Gambling Boat Applications

He also advised that staff would be taking a preliminary run to visit all of the proposed sites in preparation for the Commissioners' trip on April 6-7. Mr. Ketterer indicated that he would be contacting the applicants this week to make arrangements.

Mr. Ketterer thanked the Commission members, staff and industry members for their expressions of sympathy upon the loss of his father. He stated that he and his family appreciated everyone's thoughtfulness.

Chair Hamilton moved to the rules submitted under Notice of Intended Action, and called on Mr. Ketterer for a summary. Mr. Ketterer stated they are primarily "housekeeping". Items 1-4 have to do with licensing requirements to include stable name partnerships, and corporations; items 5-8 address jockeys and drivers. Mr. Ketterer stated that the age limit was 16 for a number of years, and then was changed to 18. Most jurisdictions have changed back to allow 16 year olds to be licensed as jockeys or drivers with the consent of a parent or guardian. He noted there have been situations where the Commission has exercised the right to waive the age rule. The rule is being changed to more accurately reflect what the Commission is currently allowing. The final item, 8, is a clarification of a rule that was the subject of controversy concerning thoroughbred racing. Mr. Ketterer recommended approval of the Notice of Intended Action.

Hearing no discussion concerning the proposed rules, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the Notice of Intended Action. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-04)

Chair Hamilton moved to the contract approval section of the agenda, and called on Rhythm City Casino. Mo Hyder, Director of Finance, presented a contract with Kuhlman Design Group, Inc. for the remodel of the second deck, high limit area, the bar, etc.

Commissioner Jarding asked Mr. Hyder if Rhythm City had checked for Iowa vendors. Mr. Hyder advised that this company has been used on previous projects, and was selected in order to continue the branding of the facility. He stated that in the future Rhythm City will have more flexibility in being able to use Iowa vendors.

Hearing no further discussion, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contract as submitted by Rhythm City Casino. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-05)

Chair Hamilton called on IOC Bettendorf (IOCB). Mr. Hyder presented a contract with Creative Surfaces for the remodel of the second deck, high limit area, bar, etc.

Commissioner Jarding again asked about the use of Iowa vendors. Mr. Hyder stated that

they have attempted to work with certain vendors on signs, and would like to be able to continue doing so. Commissioner Jarding asked the cost of shipping a sign to Iowa. Mr. Hyder indicated that he did not know. Commissioner Jarding asked if someone comes out from Las Vegas to install the sign or if a local company is used. Mr. Hyder stated that IOCB uses local companies to install, depending on the project.

Hearing no further discussion, Chair Hamilton called for a motion. Commissioner Jarding moved to approve the contract as submitted by IOCB. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-06)

Chair Hamilton called on Harrah's. Mike Rich, Assistant General Manager, presented the following contracts for Commission approval:

- Bluejay Lawn & Landscape, LLC – Landscape Maintenance & Snow Control Services
- On Command Video Corp. – Provide Movies & Short Feature Programming for Hotel Rooms
- The Entertainment Collaborative – Entertainment Programming Services

Commissioner Cutler questioned the contract with Bluejay Lawn & Landscape, noting that the company has set up an office in a business park setting, but when she called the number provided, it rolled to an out-of-state phone number. She expressed concern that this set up does not meet the intent of the rule. She noted there are many companies and/or individuals in the Council Bluffs area that provide the same services.

Gaye Gullo, General Manager, stated that Bluejay does have an address in Council Bluffs, and noted that Harrah's has contracted with them for many years. She noted that Harrah's advised Bluejay that in order for Harrah's to continue to contract with them, it would be necessary for Bluejay to move their office back to Council Bluffs, and resolve any other Iowa vendor issues. Bluejay had previously provided another address in Iowa, which Harrah's determined to be unacceptable.

Commissioner Bair asked whether the employees were residents of Nebraska or Iowa. Ms. Gullo stated that she did not know the answer, but would look into the matter. She noted that a manager had left Harrah's employment to go to work for Bluejay, and he is an Iowa resident. Commissioner Bair stated that he would appreciate the follow-up.

Chair Hamilton advised the other licensees to beware; that the Commission will be addressing this issue. Commissioner Cutler stated the Commission has not asked in-depth questions as to whether a company is really an Iowa company if that is what is marked on the Request for Transaction Approval form. The Commission is now getting information from Iowa vendors indicating that they did not get an opportunity to bid. She noted that most of the Commissioners are relatively new. Commissioner Cutler stated that it is important that the jobs stay in Iowa to help economic growth and opportunities

in Iowa. She requested that this contract be deferred until additional information is received.

Ms. Gullo stated that she would seek additional bids to submit.

Hearing no further discussion, Chair Hamilton requested a motion. Commissioner Cutler moved to defer the contract with Bluejay until the March Commission meeting, and approve the other contracts as submitted by Harrah's. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-07)

Chair Hamilton called Argosy Casino Sioux City. Jesus Aviles, General Manager, presented the following contracts for Commission approval:

- Missouri River Historical Development, Inc. – Amendment to Management Agreement
- Holtze Construction Company – Various Construction Projects Including Finishing 1st Floor Deck and Additional Parking Areas

Commissioner Cutler asked if Holtze was really an Iowa-based company. Mr. Aviles answered in the affirmative. He noted that South Dakota has no state income tax.

Hearing no further discussion, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Argosy Casino Sioux City. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-08)

Chair Hamilton called on Ameristar Casino. Jane Bell, Government Relations Manager, presented the following contracts for Commission approval:

- Hawkins Construction Company – Change Order for Hotel Retrofit (Increase)
- Graphic Controls – Ticket In/Ticket Out Paper for Slot System
- Pinnacle Sports – Broadcast of College and Professional Sporting Events
- Metropolitan Entertainment & Convention Authority – Suite Lease

Commissioner Cutler asked Ms. Bell about the Hawkins contract. Ms. Bell stated that the original contract was approved about four months prior, noting that there was an Iowa bidder. Commissioner Bair asked about competitive bids. Ms. Bell stated that a majority of the contracts are open to competitive bids, and most certainly anything of a construction nature.

Hearing no further discussion, Chair Hamilton called for a motion. Commissioner Cutler moved to approve the contracts as submitted by Ameristar. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-09)

Chair Hamilton called on Catfish Bend Casino (CBC). Joe Massa, General Manager, presented the following contracts for Commission approval:

- Pepsi-Cola Fountain Co., Inc. – Purchase of Soda & Other Beverages
- Seabury & Smith – Premiums for Marine, Liability, Etc. Insurance

Hearing no discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by CBC. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-10)

Chair Hamilton called on HGI - Lakeside Casino (Lakeside Casino). Kevin Preston, General Manger, presented the following contracts for Commission approval:

- Alliant Energy - Gas & Electric Service
- Aristocrat Technologies, Inc. - Purchase of 106 Slot Machines & Software
- Blue Cross/Blue Shield of KC - Insurance for Employees
- Holmes Murphy - Property/Casualty/Liability & Workers Comp. Insurance
- IGT - Purchase 400 New Slot Machines
- IGT - Lease of Slot Machines
- IGT/IA Trust Fund - Lease of Slot Machines
- Martin Brothers Distributing - Food & Supplies for Kitchen
- Mikohn - Signs
- Sysco Food Service of Iowa - Food, Supplies & Equipment for Kitchen
- WMS Gaming, Inc. - Lease of Slot Machines
- WMS Gaming, Inc. - Purchase of 60 New Slot Machines
- Western Money Systems - Slot Ticket Redemption Machines
- Midwest Casino Supply - Chairs
- Cummins-Allison Corp. - Currency Machines/Ticket Sorters

Hearing no discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by Lakeside Casino. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-11)

Mr. Preston advised that the sale of Lakeside Casino Resort to Herbst Gaming would close on January 31, 2005. The facility will shut down at 6:00 PM for accounting purposes, and reopen at 8:00 AM on February 1, 2005.

Chair Hamilton called on Dubuque Greyhound Park & Casino. Bruce Wentworth, General Manager, presented the following contracts for Commission approval:

- Sport View Technologies – Casino Surveillance System Lease
- Sport View Technologies – Television Services for Live and Simulcast Racing

- American Trust & Savings Bank – Expansion Loan Agreement
- Opening Specialists – Casino Expansion Phase 4 – Doors
- Myers-Cox – Food Items and Supplies
- Midwest Auto Sprinkler – Casino Expansion Phase 4 – Sprinkler
- Johnson Controls – Casino Expansion Phase 4 – HVAC Controls
- Giese Sheet Metal – Casino Expansion Phase 4 – HVAC
- Epic Construction – Casino Expansion Phase 4 – General Construction
- Commercial Flooring – Casino Expansion Phase 4 – Floor Covering
- Morse Electric – Casino Expansion Phase 4 – Electrical
- Portzen Construction – Casino Expansion Phase 4 – Plumbing
- Myers-Cox – Food Items and Supplies
- O’Connor & Thomas – Legal Services
- Floor Systems Midwest – Casino Expansion - Access Flooring
- American Teletimer – Photo Finish Equipment & Services
- Spielo Manufacturing – Additional Slot Machines for Expansion Project
- MTC – Phone System & 5-Year Service Contract
- Lange Sign Group – Outdoor Sign and Message Center

Mr. Wentworth advised that most of the contracts were construction related. He further noted that the Durant Group has a dual role in this project - architect and project manager. They elected to bid the project in four phases. Mr. Wentworth noted that a majority of the project has been let to Iowa vendors. He stated that the project is on track to open on Memorial Day.

Hearing no discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Bair moved to approve the contracts as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-12)

Chair Hamilton called on Bluffs Run Casino. Ms. Gullo presented the following contracts for Commission approval:

- Bluejay Lawn & Landscape, LLC – Landscape Maintenance & Snow Control Services
- Cassidy Industrial Sales, Inc. – Purchase of Surveillance Equipment
- C Rallo Contracting Co., Inc. – Expansion & Renovation Work
- Cummins-Allison Corp. – Purchase of New MPS and Service Contract
- E-GADS! – Slot Signage for Expansion & Renovation
- Hnedak Bobo Group – Expansion & Renovation Design & Consulting Services
- RPM Advertising, Inc. – Advertising & Marketing for the Expansion & Conversion
- TransAct Technological Corp. – Printers & Repair Parts for Slot Machines for Fast Cash

Commissioner Cutler requested that the contract with Bluejay Lawn & Landscape be deferred until the March meeting. She also had questions concerning the contract with C Rallo as to whether or not they are an Iowa vendor. Ms. Gullo stated that she would start, and that David McAfee from C Rallo was also present.

Ms. Gullo advised that C Rallo has been involved in numerous projects in Iowa for Harrah's and Harveys Corporation for approximately seven years. About two years ago, C Rallo applied for Iowa vendor status and rented office space in Council Bluffs. She assured the Commission that they do have a working phone and a receptionist at the facility. Ms. Gullo stated that C Rallo takes the Iowa vendor rules very seriously.

With regard to this project, Ms. Gullo stated that Harrah's could have taken the time to bid the project to other contractors with casino experience, however, because of C Rallo's vendor status and subsequent experience at many other Harrah's and Harveys' properties, as well as other operations, Harrah's elected to proceed with C Rallo. Other reasons for doing so are the recent completion of a project on the Kanesville Queen that was done on time and under budget.

Ms. Gullo turned the floor over to Mr. McAfee. Commissioner Bair asked if the company was dedicated to casino construction. Mr. McAfee answered in the negative, stating that they do all types of construction, and are currently working on the stadium in St. Louis. He noted that C Rallo has offices in St. Louis and New York, as well as Council Bluffs. Mr. McAfee stated that C Rallo is committed to Iowa.

Mr. McAfee stated that he is the project manager for the Bluffs Run project, and it is his job to obtain as many Iowa subcontractors as possible. He stated that Iowa vendors will receive some preferential treatment; however, the decision will be based on the bids. On this project, C Rallo is acting as the construction manager for Harrah's, and their contract stipulates that they will submit three bids in each area to Harrah's for review and approval prior to proceeding to subcontract a vendor. He noted that to date, C Rallo has two subcontractors on the project that are Iowa vendors.

Commissioner Cutler asked if the above mentioned bids would come before the Commission. Mr. Ketterer advised that it would depend on who the contract was with. Mr. McAfee advised that the contracts would be with C Rallo, but expressed a willingness to have them come before the Commission.

Ms. Gullo advised that Harrah's has asked C Rallo to submit every bid so that Harrah's can maintain a spreadsheet setting out who has bid on what for this project to insure that as much of the project is let to Iowa vendors as possible. She stated that C Rallo is to send out Requests for Proposals based on lists from the Chamber of Commerce and other sources to insure that Iowa has been blanketed in an attempt to utilize as many Iowa vendors as possible.

Ms. Gullo stated that C Rallo's contract for this project is \$67 million, and C Rallo hopes to realize a profit of \$6 million on this project. The majority of the \$67 million will be spent on the project itself, and subsequently the subcontractors.

Commissioner Cutler asked if there were any incentives built into C Rallo's contract to allow them to receive additional funds if they keep the costs down. Ms. Gullo stated there are penalties built into the contract in the event the project is not completed on time. Commissioner Cutler stated that she was trying to determine if an Iowa vendor's bid is more than a Missouri bid if C Rallo would receive more money.

Mr. McAfee answered in the negative. He stated that Harrah's will determine which subcontractors are used based on the information set out on the spread sheet. He stated that he has already done some solicitation and found some contractors that are not interested in bidding on the project.

Ms. Gullo stated that a \$1,000 difference in bids between an Iowa vendor and out-of-state vendor would meet the litmus test of which vendor would get the bid; however, a difference of \$100,000 might not. Commissioner Cutler stated that she was aware of that, but noted that she had received calls from several contractors. Ms. Gullo stated that she had also received several calls from contractors, who did not realize that the project was not to the point of accepting proposals.

Chair Hamilton asked if the Chamber of Commerce keeps their members current for projects that will be coming up. Ms. Gullo stated that Harrah's had asked the Chamber for the names of various contractors, but it will then be necessary to narrow the field to Iowa vendors. Once that is done, the request for bids will be sent out. Upon receipt, all bids will be evaluated to determine what is best for the company and project in order to get it completed on time and on budget, utilizing qualified vendors.

Commissioner Cutler asked how the vendors that would receive the request for proposals were being selected. Mr. McAfee advised that the area would be blanketed by fax to determine a company's interest in bidding on the project. If the vendor is interested, they will need to provide the necessary documentation showing they have the necessary insurance and meet other industry guidelines. When C Rallo is ready to accept bids, those companies expressing an interest in bidding on the project will receive a request for proposal. At this point, C Rallo is just trying to get the site ready.

Commissioner Cutler asked who a contractor should call if they are interested in bidding on the project. Mr. McAfee indicated they could contact him via his cell phone; that he is available 24-hours a day. Commissioner Cutler encouraged C Rallo and Harrah's to make this a really open process. Mr. McAfee advised that anyone with any interest in bidding on the project will have an opportunity to do so.

Commissioner Bair asked if any of the partners of C Rallo were located in Iowa. Mr. McAfee indicated that all of them were in St. Louis.

Commissioner Bair stated that he appreciated the bid process concerning the sub-contractors, but still had some concerns regarding the original contract with C Rallo, noting that the Commission has a responsibility to make sure that Iowa vendors are being utilized in order to provide an economic benefit to Iowa.

Mr. McAfee advised that C Rallo has been in Iowa since 1997/1998, and has an office with employees. He noted that C Rallo has supplied the Commission with payroll information on the Iowa employees. Commissioner Cutler asked if the employees were actually Iowa employees or employees who received wages while working here. Mr. McAfee advised they were employees who live here. Mr. McAfee noted that C Rallo does pay Iowa income taxes.

Chair Hamilton called for any further discussion. Commissioner Cutler stated that at some point in the future she would like to know the percentage of Iowa sub-contractors or vendors for the project. Ms. Gullo stated Harrah's would be happy to provide the information.

Hearing no further discussion, Chair Hamilton called for a motion concerning BRC's contracts, except for Bluejay Lawn & Landscape, LLC (Bluejay), which is being deferred. Commissioner Cutler moved to approve the contracts, except for Bluejay, as submitted by BRC. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-13)

Chair Hamilton called on Isle of Capri Casinos, Inc. (IOC) regarding the third amended and restated credit agreement. Curt Beason, legal counsel, stated that IOC had elected to refinance the current credit facility as they were able to obtain better economic terms, and increase the amount from \$500 million to \$650 million. He indicated there are no changes to the existing accounting terms other than the previously mentioned changes. He stressed that this is only a line of credit; that there is no intent on IOC's part to draw it down except to use it to finance projects.

Mr. Beason stated that the necessary guarantee/security documents for each of the Iowa facilities are attached, as well as the Amended and Restated Mortgage and Ship Mortgage. The revised credit facility is also attached for the Commission's review.

Mr. Ketterer asked if IOC's total debt was \$1.3 billion. Mr. Beason answered in the affirmative. Mr. Ketterer asked if IOC was still involved in the joint venture in the United Kingdom, and if the Pompano, Florida project was still waiting for a referendum to determine whether or not slots could be added to the facility. Mr. Beason indicated that was correct. Mr. Ketterer asked about the Chicago project. Mr. Beason stated that Chicago had its own credit facility.

Mr. Ketterer asked about the financing for the various IOC projects. Mr. Beason indicated there was a list set out in the Credit Agreement.

Hearing no further discussion, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the amendment to the existing credit facility. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-14)

Commissioner Bair stated that in the future he would appreciate receiving a summary along with the documents.

Following a short break, Chair Hamilton called on the Iowa Harness Horsemen's Association (IHHA). Laverne Schroeder, lobbyist for the IHHA, addressed the Petition for Rulemaking that was submitted seeking to amend the administrative rule establishing a minimum purse of 16% for each breed, with the balance of the funds to be negotiated. He indicated that the minimum purse could be implemented for 2006 without any breed receiving less in purse money than they currently receive. Mr. Schroeder pointed out that the thoroughbred purses were more than the quarter horse and standard-breds receive for their yearly racing schedule. He noted that most of the money paid to the standard-breds stays in Iowa.

Chair Hamilton noted that most of the Commissioners had reservations concerning this request, and clarified that it would be for calendar year 2006. Mr. Schroeder indicated that was correct.

Commissioner Cutler asked if the Racing Association of Central Iowa (RACI) Board supported this request. Bob Farinella, General Manager, stated that they did not at this time as they are still within the framework of a three-year contract that runs through 2005. He stated that the RACI Board will be making decisions regarding the allocations of resources, and that to do so prior to their analysis of the business would be premature.

Commissioner Bair asked if RACI went through this process three years ago. Mr. Schroeder answered in the affirmative, noting that the standard bred and quarter horses receive \$1.8 million in purses versus \$1.3 million for the thoroughbreds. He stated that the powers and duties of IRGC give them the authority to establish a minimum purse. He indicated it is the IHHA's hope that if they do well enough with the 16%, they will be able to seek an increase to 22%, which could allow them to raise the minimum purse from \$6,000 to \$9,000. Mr. Schroeder indicated this is an attempt by the harness association to give the members an idea of what to expect with regard to purses and for breeding purposes.

Commissioner Bair asked Mr. Farinella about a time frame. Mr. Farinella stated that normally negotiations would start in the latter part of the year, but prior to RACI finalizing their conceptual planning for future years, which comes before the Commission in the fall.

Commissioner Bair asked Mr. Ketterer if when the Commission sees RACI's proposal they would need the rulemaking petition to seek change. Mr. Ketterer indicated it was

not required. Commissioner Bair stated his understanding that if the Commission agrees with Mr. Schroeder, they can set purses.

Commissioner Jarding asked if representatives from each breed are part of the process in determining how much purse money will go to each breed. Mr. Farinella stated there are different contracts, with the thoroughbreds and quarter horses covered under one contract with the IAHBPA and the standard-breds under a separate contract.

Chair Hamilton asked Mr. Schroeder if representatives of the other breeds are in agreement with what he is attempting to do. Mr. Schroeder stated that they would prefer the status quo as the thoroughbreds receive 75% of the funds and quarter horses receive 10-11% of the funds, the same amount as the standard-breds. He stated that the issue becomes a division of how the industry is rewarded for growth from the agricultural and economic standpoints. Mr. Schroeder reiterated that the goal is to have a minimum purse established as required by Code so that standard-bred owners and breeders will know how much money will be available to them. He noted that when standard-bred racing started, and they had several members on the RACI Board, they were allocated \$600,000, and that it has been a hard fight to reach \$1.8 million. He noted that with the amount of money generated by the industry, and with what the legislature passed last year, there is sufficient money for every group to receive the amount of money the 16% would raise, and no group would receive less money than they received in 2005. Mr. Schroeder stated the thoroughbreds would receive \$1.25 million more than they are currently receiving and the quarter horses and standard-breds would receive approximately \$3.3 million. He noted that approximately 85% of the purse money paid for the standard-breds stays in Iowa, which is probably the highest percentage of purse money in any of the groups that stays in Iowa.

Commissioner Cutler stated her understanding that Mr. Schroeder was requesting the rule change as RACI has not supported the standard-breds in the past, and does not appear willing to support them in the future. Mr. Schroeder indicated that was correct, and also because the Commission has the authority to set a minimum purse, which previous Commissions have not implemented that section of the Code. Commissioner Cutler asked if there have been previous requests made to RACI for a minimum purse. Mr. Schroeder indicated this was the first time IHHA had requested a minimum purse.

Commissioner Bair asked Mr. Farinella if RACI was putting together a three-year contract. Mr. Farinella stated that RACI has not yet determined the length for the new contracts as they have not reviewed the upcoming years' racing program, but will be reviewing all aspects of the racing program - number of racing days, purses, days on which racing will occur - in order to provide a good balance between horses in the racing program, but also fan participation. He noted there are many dynamics in the racing program, not just the number of foals that are born; and those dynamics play a significant role in the structure of purses and how they relate to national purses, competitive purses and all breeds at Prairie Meadows Racetrack & Casino. Mr. Farinella stated that purses are negotiated in good faith.

Chair Hamilton asked Mr. Farinella if he had any comments regarding the information Mr. Schroeder had provided to the Commission. Mr. Farinella stated that he did not believe purses should be allocated on the number of foals that are born. He indicated there are many reasons why that would not be in the best interest of RACI as a business operator or for racing in Iowa. He stated there are many dynamics involved in racing and in operating the racing program at PMR&C, and having the ability to negotiate purses is an important part of the process.

Judy Roland, a Director of the United States Trotting Association representing nine states in her district, advised that one of the basic reasons in submitting the proposal was to provide the horsemen of Iowa a basis of knowing how much they might be allotted for their particular breed in order to plan on expanding their breeding operations or racing program. Under the current situation, they are unable to plan for the future. She noted that any business needs more than three years on which to base their business plan. Ms. Roland stated that the 16% minimum would assure them of a certain amount of income. She stated that she felt a minimum would be good for any of the breeds to have a minimum purse.

Commissioner Jarding asked about the number of racing opportunities for the standard breds. Mr. Schroeder advised that they race at 14 county fairgrounds and then have 17 days at PMR&C.

Commissioner Jarding stated that she understood the importance of attendance at PMR&C, but noted that Iowa is based on small towns. In most of the smaller communities, individuals will go to the county fairs and see harness racing. She advised that PMR&C needed to keep the economic benefit to the smaller communities in mind when making decisions. Mr. Farinella stated those factors were taken into consideration during the negotiations for the current three-year contract.

Scott Pope, President of the Iowa Thoroughbred Breeders and Owners Association (ITBOA), advised that the thoroughbreds and quarter horses took a 25% purse reduction about three years ago to help Polk County facilitate construction of the Iowa Events Center, while the purses for the standard breds were increased. He noted that during the early stages at PMR&C, a harness meet was run during the summer, with the quarter horse and thoroughbreds racing in the fall. He stated that the track was forced to close down because of a lack of attendance during the harness meet. Mr. Pope stated that the issue raised by Mr. Schroeder was heavily debated by the Legislature last year during debate over the gambling bill, noting that two amendments were filed to do exactly what Mr. Schroeder is requesting in his Petition. Both were defeated by the Legislature on a roll call vote. Mr. Pope stated that while there is legislative precedent and that purses would receive Code protection from the legislation passed, they did not feel it was necessary to go this far. He stated that the thoroughbred association does not feel it is necessary, and that the quarter horse association also agrees that this action is not necessary.

Tom Flynn, legal counsel for RACI, stated that from a conceptual and philosophical standpoint, RACI would like to be able to bring the negotiated agreements to the Commission on an annual, bi-annual, or three-year basis, seeking the Commission's approval the agreements with the different horse breeds versus having a permanent rule. He stated there was nothing against the standard breeds; that if the thoroughbreds or standard breeds were before the Commission asking for the same thing, RACI would still be opposed. RACI would like to have the ability to negotiate the various purse structures and race days split based on the quality of the product and fan support that they bring to the table. A permanent rule on the division of purses without regard to the quality and fan support would affect the overall product that RACI can produce and make available to the public.

Royal Roland, President of the IHHA, stated that the Association is asking the Commission to establish a framework, not an absolute amount. He stated that if the Commission adopts this rule, PMR&C's hands will not be tied as far as their ability to negotiate purses. The rule would just establish a minimum for each breed, with sufficient funds still available for all of the breeds in order to provide a quality product for racing at PMR&C. He likened this request to the Commission's request of the licensee's to utilize Iowa vendors; they are just requesting some framework as far as purses.

Chair Hamilton called for any other comments on this issue. Hearing none, she requested comments from the Commissioners. Commissioner Bair stated that he would like to see the process work; noting that the Commission does have an opportunity when RACI brings their plan forward to determine whether or not they have done a good job in looking down the road as to what should happen in the division of purses. If the Commission is not satisfied at that point, then they can take action. Commissioner Bair stated that he understands the position of the IHHA, but feels the Commission needs to let the process work.

Commissioner Cutler stated that it is her understanding that the process has not worked over the last few years; and feels the Commission should act on the IHHA's request to establish a minimum purse percentage.

Hearing no further discussion, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the Petition for Rulemaking. Commissioner Jarding seconded the motion. The motion failed a on a 1-3 vote - Commissioner Cutler voting aye, and Chair Hamilton, and Commissioners Jarding and Bair voting nay. (See Order No. 05-15)

Mr. Ketterer stated that he was pretty much in agreement with most of the individuals that came to the podium, and does not have any issue with what Mr. Schroeder presented. He stated that he would side with the majority of the Commission in terms of the mechanism and the inflexibility that was raised. Mr. Ketterer indicated that he would lay any blame on this matter at PMR&C's feet as in the past the Commission has been faced with Polk County and the horsemen pulling on each side of PMR&C to see which group can receive the most money, meaning PMR&C has never set any benchmarks for the

racing program as there was no way to determine how much would be available for the racing program. Due to the legislation, there is some certainty as to the amount that will be available for all purses - 11% of the adjusted gross revenue up to \$200 million at PMR&C and 6% above that. As there is now some certainty as to the amount available for purses, Mr. Ketterer suggested that it would behoove PMR&C to bring the purse agreements to the Commission when they submit their license renewal and request for race dates. He suggested that PMR&C solicit input from the public, as well as the horse breeders, in order to establish some benchmarks that they expect the races to provide for the facility and the state in terms of economic development. Mr. Ketterer stated that it is possible that some or all of the horsemen will not agree with RACI's decision, but it can be brought before the Commission.

Mr. Ketterer stated that by allowing RACI to negotiate with the breeds, rather than by the Petition for Rulemaking, there are things that happen in other states that are beyond RACI's control, such as racing dates, purses, whether or not they get slot machines that affect purses, which require RACI to react, and allowing them the ability to do on a yearly basis is more responsive than a rule. He encouraged PMR&C to start formulating a plan that establishes some benchmarks that everyone can understand, and back them up with available facts. Otherwise, it can be argued that thoroughbreds attract the most fans and wagering handle, Iowa has the fewest race dates, race during the least productive time of the year, and the least purses.

Chair Hamilton moved to the next agenda item - Iowa Horsemen's Benevolent and Protective Association, Inc. (IAHBPA). Leroy Gessman, President, noted that the 2005 Ancillary Agreement between RACI and IAHBPA is coming up for negotiation. He stated there was discussion on four issues; and they felt there was an agreement on all issues. Mr. Gessman stated paragraph 25 of the agreement pertains to leasehold improvements; and that is where the problem arises. He advised that in 1997, the horsemen signed a contract with PMR&C that by the year 2005 there would be a turf track, new jockey quarters, new paddock with walking ring, and new dormitories. Due to escalating taxes and the referendum, the horsemen relaxed the deadlines for those items, but it was never the intent of the horsemen to delay these items forever. In the initial agreement sent to Mr. Gessman by PMR&C, paragraph 25 stated that prior to the start of the 2007 racing season, PMR&C would construct the paddock and walking ring, and two barns (100 new stalls). This proposal left out the dormitories to provide additional housing for those individuals caring for the additional 100 horses, and the turf track. During negotiations, PMR&C showed the horsemen that they felt there was sufficient dormitory space to accommodate the additional people, and that they did not want the turf track to be built in Phase 1 of the expansion project, to which the horsemen agreed. When it came time to sign the final draft, not only were the dormitories and turf track gone, so were the additional stalls. Mr. Gessman stated that the horsemen have taken purse cuts over the years in order to allow PMR&C to stay functional, have the funds available to support the Events Center, Polk County, and other demands on their funds.

Mr. Gessman noted these items were in the first agreement presented to the horsemen, were agreed to verbally in the final negotiations, but were not in the final contract presented to the horsemen. He noted the horsemen would like to have the turf track in future phases of the expansion project, and PMR&C agreed. He stated the horsemen were seeking the Commission's guidance on this issue, and are prepared to present any documentation or other historical information on this particular issue. Mr. Gessman stated that it has always been the intent of the horsemen to work with PMR&C to make it the best that it can be for horse racing and the horse industry.

Chair Hamilton, noting that she has more tenure on the Commission than anyone else in attendance, stated that she remembers how long the horsemen and PMR&C have been talking about a walking ring, jockeys' quarters, and turf track. She noted there have been numerous times that these items have been presented to the Commission, and then they don't get done. Chair Hamilton stated that she would like to hear from either Mr. Farinella or Mr. Flynn on this matter.

Mr. Flynn stated that he agreed with everything Mr. Gessman just stated. With regard to the leasehold improvements and the two issues discussed, Mr. Flynn stated that the initial draft submitted did contain a provision for two additional barns with 100 additional stalls. He stated that he was the one who said an asterisk should be placed beside that item so that the Commission, nor anyone, would be misled as when the expansion plans before the Commission today were put together, it included the jockey quarters and the other items mentioned, but did not include the additional barns. Similarly, when the capital expansion plan was submitted to Polk County for approval, the barns were not included, which is why the language was revised. Mr. Flynn stated that the barns are included in the long range plans for the capital improvements at the end of the 2006 live racing season, with the goal that they be completed prior to the start of the 2007 live racing season. He noted that the barns have not been submitted to the Board, or Polk County, for approval at this time. If it is determined there is a need for the barns, they anticipate no problem in receiving the necessary approvals.

Chair Hamilton asked for clarification as to which phase of the expansion the barns would be completed. Mr. Flynn stated that any horse-related commitments would be completed before the live racing season started in 2007. He noted that the two barns are included in the management staff's radar; however, it would be necessary for them to advise the Board of the necessity of adding the barns. Mr. Flynn stated the question at this time is whether or not the two barns are actually needed. Chair Hamilton again asked when the barns would be completed. Mr. Flynn advised that they would be included in the 2006 capital improvement plan to be started at the end of the live racing season in 2006, and completed prior to the start of live racing in 2007.

Commissioner Cutler stated that she has listened to all the rhetoric, and questioned why the barns were not included in capital expansion materials submitted for approval to the RACI Board and Polk County if it is likely they will be built. Mr. Flynn stated that there are apparently questions as to whether there is a real need for the two additional barns.

He noted that as the programs in other states are developing, they may pull horsemen from PMR&C's venue. If that should that happen, it would negate the need for the additional barns.

Chair Hamilton asked if the barns were just for the horses, or if it would include the dormitories to house the people that take care of the horses. Mr. Flynn stated they are just talking about the two barns with an additional 100 stalls.

Mr. Gessman stated that the barns are needed. Commissioner Cutler asked if the parties had been in discussions on this issue for some time. Mr. Gessman concurred that discussions had been ongoing, and that the barns were included in the initial contract. Commissioner Cutler noted that the matter was before the Commission as the final contract submitted to the thoroughbred horsemen had been changed from what was originally agreed to.

Mr. Farinella stated that the dynamics of the racing industry continue to change, and is one of the reasons that RACI will be re-evaluating their racing program for 2006 and beyond, and the investment and the approximate cost of \$1 million, needs to be evaluated as to whether or not the capacity is really needed. He noted that PMR&C has had extra stalls in past years.

Commissioner Cutler stated that this is a development that keeps changing all the time. She wondered how the horsemen rely on anything when the parties have presumably reached an agreement, and than RACI comes in says, "Oh, things are changing." She noted that circumstances are always changing everyday, but that it does not prevent business people from making decisions and going forward.

Mr. Farinella stated that when reviewing stall capacity and availability, there is sufficient stall space available for PMR&C's existing race program. He indicated that staff needs to evaluate the situation. He stated that at this time, there are no races at PMR&C that will run short, nor are horsemen coming up short on stalls.

Chair Hamilton referred to an article that ran in the Des Moines Register last year that indicated one horsemen's group was upset as they could not get their horses into the barns because another group had not yet vacated the barns, indicating some capacity issues.

Mr. Farinella stated that her recollection was correct, and noted that based on the structure of the race meets PMR&C is currently running, that issue always arises with horses leaving and arriving. The process will be re-evaluated again this year; noting that as they prepare for the 2006 program and beyond, there may be changes in the structure which may necessitate the need for the additional stalls, or alleviate the need for those stalls. Mr. Farinella stated that it would be premature to include the barns in the current year's capital expenditures.

Commissioner Bair asked about stall capacity, and what percentage of capacity these 100 stalls would represent. He wondered if there was any growth at all at PMR&C, if problems would arise relating to stall capacity. Mr. Farinella advised that there are currently 1,350 stalls at PMR&C. Commissioner Bair asked about normal capacity. Mr. Farinella indicated it has been running around 1,200.

Mr. Gessman stated that during the meet last year, there were several quarter horse trainers that came to PMR&C and could not obtain enough stalls for their horses, so they left and went to Canterbury Park. The problem occurred when the trainers wanted to have all of their horses located in one barn, but the stalls were scattered between the different barns.

Mr. Farinella stated that PMR&C had restructured the stall application and allocation plan so that when horsemen come in, there will be stalls allocated in specific barns for the transition between the thoroughbred only and mixed meet. The horsemen that are in those stalls will sign an agreement indicating that they will be out by a specific date. Mr. Farinella stated that PMR&C is working to insure that the stall issue does not arise this year.

Mr. Ketterer asked Mr. Farinella how long it takes to build a barn. Mr. Farinella stated that including the design process, it takes about a year. Mr. Ketterer asked Mr. Farinella what evaluation process RACI/PMR&C would use to determine if additional stall space was needed. Mr. Farinella stated that the Racing Director would be involved, and will be part of the process in determining how this year's meet will be structured. He indicated the horsemen groups would be involved, as well as various benchmarks on the various breeds for the number of races scheduled.

Mr. Ketterer asked how a track determines if additional stall space is needed. Mr. Farinella stated that the basic formula is the number of days that will be run for a specific meet, the anticipated fill on races, adequate number of starters for each race, number of days in a week that races are held, and the relaxation plan between races for the animals. This determines the amount of inventory needed to run a race meet for the number of days per week that racing is held.

Commissioner Cutler asked whether PMR&C had done that analysis in order to indicate at this time that no additional stalls are needed. Mr. Farinella advised that at this time, PMR&C is satisfied with the capacity based upon the above facts.

Mr. Ketterer suggested that the representatives of the various horsemen groups and PMR&C get together to determine what percentage of the current stall capacity should be filled and what the goal is for field size per race, and then during the race meet, make weekly or bi-weekly inspections to inventory the number of horses on the grounds, the number of empty stalls, and at the end of the racing season, make a report to the RACI Board. If the parties can not reach an agreement at that time, then bring the issue back before the Commission. Based on Mr. Farinella's earlier comments that it takes a year to

build a barn, there would still be sufficient time to build a barn to have it ready for the 2007 racing season.

Mr. Farinella indicated that was agreeable to him. Mr. Flynn stated that PMR&C does not have a problem building the barns if there is a need for them. He noted that the cost of \$1 million in the overall scheme of expenses and capital improvements is doable. Mr. Flynn noted that the current agreement is for 2005, and nothing is scheduled for 2005 as far as building any barns. He also agreed that this is an issue the horsemen and PMR&C could work on during the 2005 racing season and that the appropriate time for this issue is when PMR&C brings their plans to the Commission for the 2006 live race meet.

Commissioner Bair asked if data on this issue was available from previous years, and questioned whether one year would make that much difference in the end results. Mr. Farinella stated that the new stall allocation plan should result in the most accurate benchmark as to whether additional stalls are needed. He feels the new plan should put them ahead of the curve, and allow for a smooth transition between meets.

Mr. Gessman stated that he disagreed with the previous statements, noting that in 2001-2002, there was a stall problem when the quarter horses were running for purses of \$18-\$20 million. When PMR&C cut the purses by \$5 million, the number of horses coming to PMR&C to race declined. Mr. Gessman stated that the horsemen feel the purses will be back in the \$15-\$18 million range, and that the number of horses racing at PMR&C will increase. He further indicated the numbers will increase because of larger foal numbers from all breeds. Mr. Gessman stated that if PMR&C ever builds the turf track, the additional barns will most definitely be needed.

Commissioner Cutler voiced her opinion that the horsemen were somewhat at a disadvantage, and likened the disagreement to one occurring between a landlord and renter. She asked Mr. Ketterer for his opinion on the matter. Mr. Ketterer stated he feels PMR&C and the horsemen should get together to determine what criteria will be used to determine whether or not additional barn space is needed; or wait another year to see if the criteria change due to the increased purse structure.

Commissioner Cutler asked if the parties could go to arbitration if they are unable to reach an agreement. Mr. Ketterer advised that they can come back to the Commission with their findings.

Commissioner Bair asked if there is a 2005 contract in place. Mr. Ketterer asked if Commissioner Bair was referring to an ancillary agreement, and if so, then there was not an agreement in place, that was what was being presented. He noted that it is not a purse agreement, but an agreement with the horsemen.

Mr. Ketterer advised that as neither party had signed the agreement, it is not subject to approval at this time.

Chair Hamilton called on PMR&C regarding their 45-day plan for the upcoming thoroughbred only and thoroughbred/quarter horse meet. Derron Heldt, Director of Racing, was available to answer any questions. Mr. Ketterer advised the Commission that the first item in the staff recommendations has been resolved.

Mr. Ketterer asked Mr. Heldt if PMR&C had sent out the stall applications. Mr. Heldt advised that the stall applications and condition book would be sent out to the owners and trainers following the meeting. Mr. Ketterer asked the deadline for responding. Mr. Heldt advised that the applications are due by March 5, 2005. Mr. Ketterer asked if the owners and trainers are indicating their intention of coming to PMR&C to race and the number of horses they are bringing. Mr. Heldt indicated that was correct. Once the applications are taken, racing staff will review the applications and go through the process of determining who will get stalls.

Noting that PMR&C has 1,350 stalls, Mr. Ketterer asked Mr. Heldt how many stall applications he would like to receive, keeping in mind that many trainers and owners will submit applications to more than one track knowing they will only go to no more than three of the tracks depending on where they receive stall allotments. Mr. Heldt answered he hoped to solicit between 1900 and 2000 stall applications. Mr. Ketterer asked Mr. Heldt if that was the number of stall applications he felt was necessary in order to fill the 1,350 stalls. Mr. Heldt answered in the affirmative. Mr. Ketterer stated that would be a good number for the first meet, and that the Commission members would like to hear the number of stall applications that have been received at the March 3 Commission meeting.

There were some questions concerning the minimum purse agreements. Mr. Ketterer advised that the minimum purse agreement did not appear to be a point of contention, although the parties have not agreed to an ancillary agreement.

Commissioner Cutler moved to approve the 45-day plan as submitted by PMR&C, including the following staff recommendations:

- The immediate written notification of any change in racing official positions.
- The completion of necessary DCI backgrounds.
- Continuation of all import/export simulcast contracts being reviewed and approved by IRGC staff.
- Prior notification and approval of any schedule changes: race days, post times, or the number of races.

Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-16)

Chair Hamilton moved to the contracts submitted by PMR&C for Commission approval. Mr. Farinella presented the following contracts for Commission approval:

- AVAYA Communications – Communication & Computer Equipment, Parts & Supplies
- Bally Gaming, Inc. – Lease Renewal for 1 Slot Machine
- Communication Engineering Company – Communication & Computer Equipment, Parts & Supplies
- Des Moines Asphalt & Paving – Asphalt Application & Patching of Parking Lots (Increase)
- Durkan Patterned Carpet – Specialty Carpet for Facility (Increase)
- Global Spectrum LP – Scoreboard Sponsorship & Advertising in the Wells Fargo Arena
- Holmes, Murphy & Associates, Inc. – Agency for Workman’s Compensation Insurance
- IGT – Iowa – Lease Renewal for 6 Slot Machines
- IGT – Iowa – Lease Renewal for 4 Slot Machines
- IGT – Iowa – Lease Renewal for 4 Slot Machines
- IGT – Iowa – Lease Renewal for 4 Slot Machines
- IGT – Iowa – Potential Lease of Video Poker Conversion Kits for Company-Owned Slot Machines (Replacements)
- IGT – Iowa – Potential Lease of “Fort Knox” Video Slot Machines (Replacements)
- Marsh USA – Broker for Insurance at Prairie Meadows (Increase)
- McAninch Inc. – Potential Contractor for Excavating, Grading, Pond Dredging
- Midwest Automatic Fire & Sprinkler Co. – Service, Parts and Repair to Fire Sprinkler Systems
- The Underground Company – Potential Contractor for Excavating, Grading, Pond Dredging

Chair Hamilton asked about all the contracts that indicate “potential”. Assuming that only one vendor will be selected, she questioned how the amount would be removed from the totals and percentages shown at the bottom of the transaction summary sheet.

Mr. Farinella advised that with regard to McAninch, Inc. and The Underground Company, PMR&C may elect to work with both contractors, but they would be working on different projects. He requested that both vendors be approved.

Chair Hamilton asked about the “potential” vendors with regard to the slot games. Mr. Farinella stated that PMR&C might choose to exercise the renewal if the contract is approved by the Commission. He noted that they sometimes use the term “potential” if the contract has not been approved by the Commission.

Commissioner Cutler stated that her understanding of the contracts denoted by “potential” is that PMR&C has not entered into a contract with the vendor, or if they have, it is subject to the Commission’s approval of the contract. Mr. Farinella indicated that was correct.

Hearing no further discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Bair moved to approve the contracts as submitted by PMR&C. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-17)

Chair Hamilton called on RACI/PMR&C regarding their request for approval of a capital expansion plan to include jockey's quarters, paddock, walking ring, 32 additional table games, 500 additional slot machines, multi-purpose room, entertainment area, kitchen and restaurants, and the following contracts related thereto:

- Aristocrat Technologies, Inc. – Potential Purchases of Various Slot Games for Casino Expansion
- Bank of America – Potential Vendor for Financing of Proposed Casino Expansion
- First American Bank – Potential Vendor for Financing of Proposed Casino Expansion
- Gaming Partners Int'l, Inc. – Potential Purchases of Gaming Equipment & Supplies
- Graham Construction – Various Construction Projects at PMR&C throughout 2005 & 2006; Remodeling Related to Potential Casino Expansion (Increase)
- IGT – Iowa – Potential Purchases of Various Slot Games for Casino Expansion
- Piper Jaffray & Co. – Potential Vendor for Financing of Proposed Casino Expansion
- Shive-Hattery, Inc. – Design & Consulting Services Relating to Potential Casino Expansion (Increase)
- WMS Gaming, Inc. – Potential Purchases of Various Slot Games for Proposed Casino Expansion

Mr. Farinella stated that RACI/PMR&C was advised to bring the capital expansion plan back to the Commission after receiving approval from Polk County, which is a requirement of RACI's lease with Polk County, and community agreement on how best to develop PMR&C. A community task force was established, which included members of the Polk County Board of Supervisors, RACI board, Greater Des Moines Partnership business community, and Polk County residents at large. This task force made several recommendations on the development of PMR&C - one was to have an independent consultant evaluate PMR&C and how best to develop the property and another was to make some modifications to RACI's By-Laws.

Mr. Farinella stated that PMR&C is comprised of 233 acres. He noted that RACI set aside \$2 million for jockey's quarters, walking ring and paddock last year; however, as a result of changes in legislation, RACI elected, with the consent of the horsemen, to delay those projects and include them in the first phase of a major capital expansion plan. They also looked at building a 1200-car parking garage, as well as a hotel. A review process has been identified for the possible addition of two horse barns based on the needs of the facility. There have also been discussions about an equestrian center to enable the stalls to be utilized year-round, not just during live racing. Mr. Farinella stated there have also

been discussions regarding the development of the “north 40” for restaurants and continue to grow the entertainment complex of PMR&C and Adventureland Park.

Mr. Farinella stated that the concept of the property development was discussed with the RACI Board, and they have conceptually agreed from a vision standpoint that these items are key to the business development. They then faced the task of putting together a project that could be presented to Polk County and the Commission. They were also faced with the task of finding financing while continuing to maintain the \$35 million per year scheduled to go back into community projects. While dealing with the financing, the issue of the 2010 referendum became an issue. The end result is a \$60 million project.

Mr. Farinella then discussed the various sketches of the proposed project before the Commission. He reiterated that the jockey’s quarters, walking ring, and paddock will be one of the first projects started with the intention that they will be completed prior to the start of the live racing season in 2006, with the complete project to be open on or before April 2007.

Commissioner Bair asked about the improvements on the racetrack side. Mr. Farinella stated that the current proposal almost doubles the budget allocation to \$4 million, and will be in perspective and put PMR&C on a competitive level with national racetracks.

Commissioner Bair then asked about phases two and three, and what will occur in the future. Mr. Farinella stated that as the plan is developed, and an overview of the facility is completed, and phase one is completed, based on the revenue generated, RACI/PMR&C would pursue the parking garage, and possibly the hotel. He indicated there are some funding opportunities through the landlord that RACI could pursue in order to complete those projects in a shorter time frame.

Chair Hamilton asked about the impact of the expansion on other licensees. She noted that the request states that adding additional machines would not affect Lakeside Casino. Mr. Farinella stated there would not be as much of an impact as a facility that was closer to them. He referenced the gravity model utilized by Cummings Associates, which states that the further away one facility is from another, the less impact there will be on the other facility. Mr. Farinella stated that as the Commission considers the new license applications, there is the possibility of some impact on the existing licensees, depending on where those facilities are located. He noted that Lakeside did have an impact on PMR&C when that facility opened.

Chair Hamilton called for any questions concerning the contracts submitted, and again raised the issue of the word “potential”. With regard to the potential vendors for financing, Mr. Farinella advised that RACI has elected to go with First American Bank, and withdrew the contracts with Bank of America and Piper Jaffray & Co.

Chair Hamilton asked how many additional gaming positions RACI was requesting. Mr. Farinella stated that RACI is requesting an additional 500 slot machines, for a total

authorization of 2000 slot machines. They are requesting an additional 32 table games, for a total authorization of 65. Chair Hamilton asked if any of the Commissioners had a problem with the requested increase in gaming positions.

Commissioner Cutler asked if there was anyone in attendance who wished to address the proposed capital expansion project at PMR&C.

Hearing no further discussion, Chair Hamilton requested a motion. Commissioner Bair moved to approve the capital expansion plan, including jockey's quarters, paddock, walking ring, 32 additional table games, 500 additional slot machines, multi-purpose room, entertainment area, kitchen and restaurants and the related contracts. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-18)

Commissioner Bair asked when PMR&C expected to start work on the project. Mr. Farinella stated that they would have to be back before the Commission as they continue the design process, and would be able to give a better indication at that time.

Chair Hamilton moved to the final agenda item for PMR&C - Resolutions to Amend RACI's By-Laws. Mr. Flynn provided a brief explanation of the changes, which include changing RACI's name from Racing Association of Central Iowa to Prairie Meadows Racetrack & Casino, Inc. The name change was made to eliminate the confusion between RACI and IRGC.

Mr. Flynn stated that another change was to the membership of the management board. Currently the board is comprised of 13 members, five of whom are elected and the other eight are appointed by various groups. Four of the eight are appointed by Polk County. This configuration is the result of a compromise reached during the licensure hearing held in September 1997, with the goal of balancing the membership of the board with representatives of the community and allowing Polk County four representatives, nor could they have any say on the four board members that were elected. The reasoning was that Polk County could have some say in the board decisions, but their appointees would not be able to control PMR&C. One of the proposed changes is that the five elected directors would continue to be responsible for selecting nominees as board positions become open. Those five would submit their nominations for board membership to the entire board of 13 for a vote. If someone is not approved by the full board, then the process starts over.

Another By-Law change allows the Des Moines Partnership to have two non-voting members that would attend board meetings, but would not have any voting privileges. They would be attending as consultants from a financial standpoint.

Chair Hamilton asked who elects the five elected board members. Mr. Flynn stated that they vote on themselves, noting that they can only serve two 3-year terms. As those

terms expire, those five members vote on someone to replace the individual whose term has expired.

Chair Hamilton asked Mr. Flynn about the three different classes of board members. Mr. Flynn stated that there is no intent to infer that one class has any different privileges or voting capabilities than another, it is just a way of identifying the staggered term limits.

Chair Hamilton asked how the new configuration was going to be better than the one from a year ago when allegations surfaced that the RACI grant process was unfair. Mr. Flynn stated that the problem will never be adequately addressed. He stated that the process utilized by PMR&C to award grants is a very good process. The applications are first reviewed by a grant committee comprised of 15 individuals, who are not members of the board. This committee makes recommendations to the board as to what grants should be awarded. Mr. Flynn noted there are always going to be groups who are disgruntled because they did not receive a grant.

Chair Hamilton advised Mr. Flynn that the Commission received the minutes from the board's meeting on December 15, 2004 in which it appeared a group received a grant without going through the grant process. She noted that a board member also noted that this award was being considered outside the normal grant process, and referred to the grant as a legacy gift, which are normally given in the summer. Mr. Flynn noted that the minutes reflected the fact that some board members did question whether the grant should be awarded. He indicated this is not the first time that there has been an aberrant grant request made. Mr. Flynn stated that the request was dealt with by the entire board. He reiterated the fact that the minutes reflect that some of the board members were not comfortable with the process, but when everything was said and done, they were comfortable that had the request gone through the grant process, they would have made the same decision. The board members were comfortable with where the money was going and the recipient; they were just troubled by the process being fast-tracked.

Chair Hamilton stated that she questioned the fairness of the process. She asked if there were any further questions concerning the changes to the By-Laws. Hearing none, she requested a motion. Commissioner Cutler moved to approve RACI's request to amend the By-Laws as submitted. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-19)

Chair Hamilton moved to the first item under Administrative Business - Personnel Matters, noting that this had been previously discussed in Executive Session, and requested a motion.

Commissioner Cutler made the following motion: Pursuant to Iowa Code Section 99D.6, pursuant to the Governor, the Commission shall fix the compensation of the Administrator within the salary range as set by the general assembly. The Commission has evaluated Mr. Ketterer's job performance, and feels fortunate to have an individual with his qualifications representing the commission; therefore, the Iowa Racing and

Gaming Commission has set Jack P. Ketterer's annual salary, effective upon approval of the Governor, at the top of pay grade 8. The salary is to be reflected in the Commission's Order. The Commission requests the Governor to evaluate the salary of the Administrator based on the level of education, experience, scope of authority and responsibility, and to increase the salary range accordingly. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-20)

Chair Hamilton moved to the next item of business - determining the order of the presentations by the new applicants on March 22-23. Mr. Ketterer requested that a representative from each of the applicants come to the front. The order is as follows:

March 22nd

5:00 pm – Wild Rose Emmetsburg, LLC/Palo Alto County Gaming Development Corporation

6:00 pm – IOC Black Hawk County, Inc./Black Hawk County Gaming Association

7:00 pm – DINNER

8:00 pm – Cedar Valley Gaming Company, LLC/Cedar Valley Grants, Inc.

9:00 pm – Wild Rose Ottumwa, LLC/River Hills Riverboat Authority

March 23rd

8:30 am – Black Hawk County Greyhound Park & Casino, LLC/National Dairy Cattle Congress, Inc.

9:30 am – Washington County Casino Resort, LLC/Washington County Riverboat Foundation, Inc.

10:30 am – Landmark Gaming, LC/Franklin County Development Association

11:30 am – LUNCH

1:00 pm – Mineral City Hotel & Casino, LLC/Heart of Iowa Foundation

2:00 pm – Diamond Jo Worth, LLC/Worth County Development Authority

3:00 pm - Northwest Iowa Gaming Co./Palo Alto County Development Corporation

Mr. Ketterer advised that the list would be on the website. Mr. Ketterer stated that the applicants would have 45 minutes to give their presentations.

Chair Hamilton moved to Public Comment. Mr. Ketterer advised that no one had signed up to address the Commission during Public Comment.

Chair Hamilton requested a motion to adjourn. Commissioner Bair so moved. Commissioner Cutler seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
MARCH 3, 2005**

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, March 3, 2005 at Stoney Creek Inn, 5291 Stoney Creek Court, Johnston, Iowa. Commission members present were: Diane Hamilton, Chair; Kate Cutler, Vice Chair; and members Joyce Jarding, Michael Mahaffey and Gerald Bair.

Chair Hamilton called the meeting to order at 8:30 AM and requested a motion to approve the agenda, noting that the Harrah's and Bluffs Run had requested to withdraw the contract submitted for Bluejay Lawn & Landscape, LLC. Commissioner Jarding so moved. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Hamilton called for a motion regarding the minutes from the January 25, 2005 Commission meeting. Commissioner Bair moved to approve the minutes as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-21)

Chair Hamilton called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer provided the following information concerning upcoming meetings:

- March 22-23, 2005 – Stoney Creek Inn, Johnston, Iowa - Excursion Gambling Boat Applicant Presentations
- April 6-7, 2005 - Commissioners and Staff Visit Proposed Sites
- April 20-21, 2005 – Ameristar Casino, Council Bluffs, Iowa (Submissions due by April 7, 2005) Executive Session will begin at noon on April 20, 2005; Reconvene in open session at 8:30 AM April 21, 2005.
- May 4, 2005 Commission Meeting – Stoney Creek Inn, Johnston, Iowa – Commission will receive Public Input and Question Excursion Gambling Boat Applicants
- May 11, 2005 Commission Meeting – Stoney Creek Inn, Johnston, Iowa – Commission will vote on Excursion Gambling Boat Applications

Mr. Ketterer noted that there would be a different setup for the meetings on March 22-23, 2005, and reminded the excursion gambling boat applicants that they should be contacting the hotel to make the necessary audio/visual arrangements. He noted that the meeting would commence at 4:45 PM with the approval of the agenda and the minutes from this meeting.

Mr. Ketterer stated that Linda Vanderloo, Terry Hirsch and he had visited all of the sites the previous week, and thanked everyone for their assistance in preparing for that trip. He noted that on April 6 Commission members and staff would be departing from Stoney Creek to visit all of the proposed sites. He stated that the schedule would be on the

Commission's website within a few days. Mr. Ketterer advised that the agenda for the March 22-23, 2005 presentations would be available on the Commission's website either yet Thursday afternoon or on Friday.

With regard to the May 4, 2005 Commission meeting, Mr. Ketterer requested those individuals wishing to address the Commission to contact the Des Moines office by e-mail, mail or phone to allow for better planning. He stated that public comment will be received on each applicant on an individual basis, with the applicant having an opportunity to respond. Following the public comment, the Commission members will have an opportunity to question the applicant concerning their application.

Mr. Ketterer stated that the Commission would be voting on the license applications at the May 11, 2005 Commission meeting.

Chair Hamilton moved to the contract approval portion of the agenda, and called on Terrible's Lakeside Casino. Kevin Preston, General Manager, presented the following contracts for Commission approval:

- Brintons – Carpet
- ColorFx – Marketing Services
- Devine deFlon Yaeger Architects – Architect Services
- KC Petersen Construction – 1000 Slot Bases/Stands
- Signs Plus Inc – Signs for Casino
- Solutions Inc – Marketing Services
- G & D America, Inc. - BPS514 System Banknote Processor

Chair Hamilton stated that the Commission was missing an explanation as to why the carpet and architect contracts were with out-of-state vendors. Sean Higgins, General Counsel for Herbst Gaming, advised that the carpet was specifically designed for Herbst Gaming and is utilized in all of Nevada facilities. With regard to the architectural services, Mr. Higgins advised that this is the architect that built all of William Grace's casinos. Herbst Gaming would like to be able to have the benefit of his knowledge of the property when making any renovations or upgrades to the property.

Hearing no further discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by Terrible's Lakeside. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-22)

At this time, Jerry Crawford, legal counsel for Herbst Gaming, introduced Ed Herbst, CEO of Herbst Gaming, and his brothers, Tim and Troy Herbst. Also in attendance was the patriarch of Herbst Gaming, Jerry Herbst. Mr. Jerry Herbst provided a brief explanation of how the company came to be known as "Terrible's". Ed Herbst also briefly addressed the Commission regarding the history of the company.

Chair Hamilton called on Prairie Meadows Racetrack & Casino (PMR&C). Bob Farinella, General Manager, presented the following contracts for Commission approval:

- Allied Construction Services – Miscellaneous Remodeling and Construction Projects
- Aristocrat Technologies, Inc. – Purchase of 39 each MAV500 MKVI Video Slot Machines with printers – Replacement Games
- Atlantic City Coin & Slot Service – Lease of 2 each, Slotto-Popcorn Slot Games. (Replacement Games)
- Automated Technologies & Integration (ATI) – Surveillance Equipment, Parts, Supplies, and Service
- Control Installations of Iowa (CI3) – Surveillance Equipment, Parts, Supplies and Services (Increase)
- First American Bank – Banking Services, Corporate Credit Cards
- Global Payments – Casino Guest Check Cashing Services
- IGT – Iowa – Lease of 2 each, “Elizabeth Taylor Jewelry” Slot Games (Replacement Games)
- IGT – Iowa – Purchase of 13 each, S2000 Reel Upright Slot Machines (Replacement Games)
- Roberts Communication Network, Inc. – Frame Relay Network Service Agreement
- Spielo Manufacturing Incorporated – Purchase of 16 each Video Slot Machines (Replacement Games)
- WMS Gaming Inc. – Lease of 2 each “Clint Eastwood Theme” Slot Games (Replacement Games)
- WMS Gaming Inc. – Purchase of 8 each, Bluebird Video Slot Machines with printers (Replacement Games)

Commissioner Cutler asked about the contract with Global Payments for guest check cashing services. Mr. Farinella stated in previous months PMR&C had requested and received approval to use the services of a competitor for check cashing services. Once the competitor began operations at PMR&C, it was determined they were unable to deliver the necessary services, so PMR&C is seeking approval to return to Global Payments.

Hearing no further discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Bair moved to approve the contracts as submitted by PMR&C. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 05-23)

Chair Hamilton called on Dubuque Greyhound Park & Casino (DGP&C) concerning the approval of the 45-day plan for the upcoming live race meet. Bruce Wentworth and Brian Carpenter, General Manager and Director of Racing respectively, were present to answer any questions concerning the 45-day plan and contracts included therein.

Chair Hamilton thanked Mr. Wentworth for providing the historical information on DGP&C. Mr. Wentworth noted that this would be the 20th year of racing at DGP&C. She asked if the problems experienced last year with the starting boxes have been addressed. Mr. Carpenter stated they are currently working on the starting boxes.

Commissioner Jarding noted that six of the fourteen kennels are from out-of-state. She wondered if Iowa is not producing enough quality dogs. Mr. Carpenter explained that several of the kennels have partners in Iowa. Mr. Ketterer further explained that many of the owners of Iowa-bred greyhounds are owners and breeders and are occupied by tasks on the farm and prefer not to be involved in the day-to-day demands of a kennel operation. Out-of-state kennels seek to lease Iowa-bred greyhounds from Iowa owners and breeders in order to participate in lucrative purse supplements for Iowa-bred winners.

Hearing no further comments concerning the 45-day plan or the contracts contained therein, Chair Hamilton requested a motion. Commissioner Mahaffey moved to approve DGP&C's seasonal approval request as amended with the completion of all appropriate DCI backgrounds. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-24)

Chair Hamilton moved to the additional contracts submitted by DGP&C. Mr. Wentworth presented the following contracts for Commission approval:

- IGT – Lease Games
- IGT – WAP Games
- IGT – Slot Machine Purchase
- Aristocrat – Slot Machine Purchase
- Konami – Slot Machine Purchase

Mr. Wentworth noted that all of the contracts are related to the expansion at DGP&C.

Hearing no questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by DGP&C. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-25)

Chair Hamilton asked about progress on the expansion construction. Mr. Wentworth indicated the project is still on track to open Memorial Day weekend.

Chair Hamilton moved to the next agenda item – Dubuque Racing Association/Iowa Greyhound Association (DRA/IGA) for approval of the Arbitration Decision and Award. Steve Krump, legal counsel for DRA, stated that they had no objections to the Arbitration Decision.

Chair Hamilton asked Commissioner Mahaffey how he felt about his experience serving on the arbitration panel. Commissioner Mahaffey stated that both legal counselors represented their clients well.

Mr. Krumpe advised that DRA and IGA were able to reach an agreement on several issues outside the arbitration process. Mr. Bair asked if that was normal. Mr. Ketterer stated that the arbitration process is for purse supplements only, but indicated that if there are other issues, the parties can work to reach an agreement on their own.

Hearing no further discussion concerning the Arbitration Decision and Award, Chair Hamilton called for a motion. Commissioner Cutler moved to approve the Arbitration Decision and Award as presented. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-26)

Chair Hamilton moved to the next agenda item – review of the licensee’s economic impact reports for calendar year 2004. Mr. Ketterer stated that the reports show that purchases of supplies and services was almost the same in 2004 as 2003, with 81-82% coming from Iowa vendors. He stated there were two properties where Iowa vendor purchases had declined below 70% - one due to an error in calculations and the other was Lakeside Casino. Mr. Ketterer noted that in 2003 Lakeside made 78% of their purchases from Iowa vendors, and that number fell to 69% for 2004. He noted the change in ownership the first of February at Lakeside.

Kevin Preston, General Manager of Lakeside Casino, advised that based on the transition of the property, a significant amount of money has been spent on slot machine purchases. He feels those purchases skewed the numbers. Mr. Ketterer advised that the numbers he is referencing would not include any gaming equipment purchases or necessary purchases from a specialized source. He indicated he was comparing the “other” category versus the Iowa vendors. Mr. Preston stated that he was willing to look at the numbers and report back at the next meeting. He stated that Herbst Gaming understands the importance of purchasing from Iowa vendors.

Mr. Ketterer advised that Wes Ehrecke, Executive Director of the Iowa Gaming Association, had pointed out that the dollar amount of purchases from Iowa vendors had increased from \$155 million to \$175 million.

Commissioner Jarding questioned how the border facilities could claim 100% Iowa wages when some of their employees are not Iowa residents. Mr. Ehrecke stated that the facilities are claiming 100% because the payroll originates at the Iowa facility. Mr. Ehrecke took this opportunity to point out that the taxes and charitable contributions also increased \$20 million each from 2003 to 2004.

Chair Hamilton moved to the next agenda item – National Problem Gambling Awareness Week. Frank Biagioli, Executive Officer of the Iowa Gambling Treatment Program, stated that the program is participating in National Problem Gambling Awareness Week,

which is March 6-12, 2005. The activities of this public and private sector effort support the recognition of problem gambling as a public health issue. Mr. Biagioli advised that the 2003 Iowa Behavioral Risk Factor Surveillance System survey of Iowa adults showed the following:

- About one-third admitted to gambling in the last 12 months;
- 1.6% said the money they spent gambling had led to financial problems; and
- 1.7% reported the time spent gambling had led to problems in family, work, or personal life.

Mr. Biagioli also addressed the increased funding the Iowa Gambling Treatment Program is receiving due to legislative changes last year and new gambling compacts negotiated with the Native American casinos.

Commissioner Mahaffey asked about the number of voluntary exclusions on file since the inception of the program. Mr. Biagioli indicated there are approximately 240 on file.

Chair Hamilton moved to the Excursion Gambling Boat License Renewals, and called on Iowa West Racing Association/Ameristar Casino Council Bluffs (IWRA/Ameristar). Jerry Mathiason, Associate Executive Director of IWRA, requested the Commission's support in granting the license renewals of both Ameristar and Harrah's, noting that IWRA is the non-profit sponsor of both facilities. He noted that Council Bluffs has recently been referred to as the "leading edge of Iowa" due to the two riverboat facilities, and improvements in the following areas: community development, economic development and capacity building for charitable organizations and non-profits. Mr. Mathiason stated that Ameristar and Harrah's have been tremendous community partners, and corporate volunteers and leaders. He introduced Jane Bell, Director of Government Affairs for Ameristar, and Gaye Gullo, General Manager of Harrah's.

Ms. Bell advised that Ed Fasulo and Michael Shelton, General Manager and Vice President of Finance respectively, were also present to answer any questions. Mr. Fasulo advised that Ameristar achieved record growth in gaming revenues, and obtained 41% of the market share during the past year. He stated that the entire gaming market in the Council Bluffs market increased by \$30 million in 2004, up to approximately \$400 million. Ameristar accounted for \$19 million of the increase, or 63% of the market growth. Mr. Fasulo stated that Ameristar had over 3 million guests in 2004, up 350,000 from 2003. He noted that the entire market increased admissions by 312,000, noting that Ameristar virtually captured all of the market growth in admissions. Based on the above growth, Ameristar paid \$35 million in gaming taxes to the state, \$5.9 million in admissions, and employs 1,250 individuals. Mr. Fasulo stated that employees collected \$122,000 for charitable organizations, which was matched by corporate, and another CEO contributed an additional \$150,000. These numbers exclude amounts provided to local educational, scholarships, and senior and community programs. He noted that Ameristar continues to reinvest in the property as well.

Commissioner Jarding asked about the number of Iowa employees. Mr. Fasulo indicated approximately 57% of their employees are Iowa residents.

Ms. Bell presented a contract with Lund-Ross Construction for the remodel of the buffet area.

Hearing no further comments on the license renewal application or additional contract, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the renewal of the excursion gambling boat license for IWRA/Ameristar and the additional contract as submitted by Ameristar. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-27)

Chair Hamilton called on IWRA/Harveys Iowa Management Co., Inc. d/b/a Harrah's Council Bluffs Casino Hotel (Harrah's). Ms. Gullo, General Manager at Harrah's, requested the Commission's approval of their license renewal application.

Chair Hamilton indicated that the contract with Bluejay Lawn & Landscape, LLC was being withdrawn. Ms. Gullo indicated that was correct. She presented a contract with Park Avenue Linen Services for linen and uniform cleaning services.

Ms. Gullo provided the following information concerning Harrah's operations in 2004: Total wages and benefits paid to employees totaled \$28 million; spent \$23.5 million with Iowa vendors, paid \$29 million in taxes and \$5 million to Harrah's foundation and other charitable efforts in the community.

Commissioner Bair questioned why the contract between Harveys Iowa Management Company and Harrah's was being classified as an Iowa vendor with and out-of-state address. Ms. Gullo indicated it was because Harrah's is an Iowa licensee. Commissioner Bair noted that if it was placed in the out-of-state column, it would really change the percentage for Iowa purchases. Ms. Gullo noted that this discussion had been held in the past. She stated that Harrah's financial representative was not in attendance, and offered to get back with Commissioner Bair on Friday.

Commissioner Jarding asked about the contract with Coca-Cola, noting that it is also marked as an Iowa vendor with an out-of-state address. Ms. Gullo stated that it was because the distributor is located in Omaha. Commissioner Jarding also asked about the term "ongoing" in the ending date. Ms. Gullo stated that Harrah's has a three year limit on those contracts, meaning there would be another approval process.

Hearing no further comments concerning the license renewal application or additional contract, Chair Hamilton called for a motion. Commissioner Cutler moved to approve the renewal of IWRA/Harveys license renewal application and the additional contract submitted by Harrah's. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 05-28)

Chair Hamilton called on Scott County Regional Authority/Isle of Capri Bettendorf, L.C. d/b/a Isle of Capri Bettendorf (SCRA/IOCB). Nancy Donovan, General Manager, presented the Commission with copies of SCRA's 2004 Report to the Community – Building Together, which was distributed in Monday's newspaper. She noted that the non-profit focuses on three areas in the grant distribution process – education, non-profit and government.

Ms. Donovan noted that the Bettendorf property will be celebrating its ten-year anniversary next month. She noted that the facility is a regional destination in the area, with the hotel having a 90% occupancy rate for the last four years. She also noted that the City of Bettendorf has just received a \$4.1 million CAT grant from the State, which has been studying the possibility of building an events/convention center downtown. This facility would be located next to the IOCB property. IOCB is also studying options for expanding their property based on the hotel occupancy rate and the proposed events/convention center. She noted that the IOCB property has been recognized by several local organizations for their involvement in the community. IOCB was named the Best Casino in the Market for the eighth consecutive year. Ms. Donovan requested approval of license renewal application of SCRA/IOCB.

Ms. Donovan presented the following additional contracts for Commission approval:

- Staples Business Advantage – Office Supplies
- Edward Don – Small Kitchen Items and Appliances
- Conoco-Phillips – Fuel for Company Vehicles
- Dell Marketing – Computers and Laptops
- Wells Fargo – Visa Card Purchases

Hearing no comments or questions concerning the license renewal or additional contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the excursion gambling boat license renewal application of SCRA/IOCB and the additional contracts as submitted by IOCB. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-28)

Chair Hamilton called on Riverboat Development Authority/IOC Davenport, Inc.(RDA/RC) d/b/a Rhythm City Casino. Mary Ellen Chamberlin, past President of RDA, stated that in Scott County there are two non-profit licensees, with RDA being the senior non-profit organization. She stated that the emphasis of the non-profit for the last two or three years has been working with the City of Davenport and other organizations on the redevelopment of the downtown area, River Renaissance Ms. Chamberlin stated that RDA is the second largest non-public funder for that project.

Ms. Donovan spoke about River Vision, a master plan for the entire riverfront area with Rock Island with many components. One of the areas is a riverfront hotel, and Rhythm City is in the process of working with the various city officials. She noted that Rhythm

City has also been recognized by the City of Davenport's Convention and Visitor's Bureau for their corporate support and helping them develop tourism in the area.

Ms. Donovan presented the following contracts for Commission approval:

- DB Acoustics Inc. – Sound Reinforcement System on Casino
- Work Fitness Center – Provide Health Services for Employees and Family Members
- Wells Fargo – Visa Card Purchases

Ms. Donovan requested approval of the license renewal application for Rhythm City.

Hearing no comments or questions concerning the license renewal application or contracts, Chair Hamilton requested a motion. Commissioner Bair moved to approve the excursion gambling boat license renewal application and additional contracts as submitted by RDA/IOC Davenport, Inc. d/b/a Rhythm City Casino. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-29)

Chair Hamilton called on Dubuque Racing Association/Peninsula Gaming Company, LLC (DRA/PGC) d/b/a Diamond Jo Casino. Natalie Schramm, General Manager, requested approval of the license renewal application. She noted that during 2004, Peninsula completed the refinancing of existing debt, and reduced interest rate by 3.5 points. She noted that gaming revenue for 2004 declined by approximately \$2.5 million.

Chair Hamilton asked about the contract with J & A Printing, Inc. in Hiawatha, IL, which is marked as an Iowa vendor with an Iowa address. Ms. Schramm indicated that it should be Hiawatha, Iowa.

Hearing no further comments or questions concerning the license renewal application, Chair Hamilton requested a motion. Commissioner Bair moved to approve the excursion gambling boat license renewal application of DRA/PGC d/b/a Diamond Jo Casino as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-30)

Chair Hamilton called on Missouri River Historical Development, Inc./Belle of Sioux City, L.P. (MRHD/BSC) d/b/a Argosy Casino Sioux City. Jesus Aviles, General Manager, provided the following information regarding operations over the last four years: revenues increased by 44%, increased EBITDA by 88%, payroll increased by 25%. Revenues for 2004 increased by 20%, contributed over \$3 million to the local economy, taxes, and MRHD, and employ over 420 individuals, with an approximate payroll of \$13 million. He stated that BSC's economic impact in the community is almost \$36 million. Mr. Aviles requested approval of the license renewal application.

Commissioner Cutler asked about the contract with The Media & Marketing Group, Inc. out of New Jersey. Mr. Aviles advised that Argosy uses the company corporate-wide

when there are wide ranging changes such as changing the company logo. He indicated that Argosy also utilizes local printing companies.

Hearing no further comments or questions, Chair Hamilton requested a motion. Commissioner Mahaffey moved to approve the excursion gambling boat license renewal application of MRHD/BSC, L.P. d/b/a Argosy Casino Sioux City as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-31)

Chair Hamilton called on Upper Mississippi Gaming Corp./Isle of Capri Marquette, Inc.(UMGC/IOCM, Inc.) d/b/a Isle of Capri Marquette (IOCM). Barron Fuller, General Manager, stated that in 2004 IOCM paid \$10.9 million in taxes, fees and contributions, \$6 million with Iowa vendors, and \$12.8 million in payroll and benefits. Mr. Fuller presented the following contracts for Commission approval:

- Elkader Carpet and Design – Materials for Remodeling/Relocation of Gift Shop and Isle One
- J.P. Brennan Company, Inc. – Barge Reskinning Project

There was a brief discussion concerning the process utilized for reskinning the barge.

Commissioner Bair asked about the decline of the contributions to the non-profit organization, when all other areas have either increased or been stable. Mr. Fuller attributed the fluctuation to changes in attendance.

Hearing no further comments or questions, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the excursion gambling boat license renewal application of UMGC/IOCM, Inc. d/b/a IOCM, and the additional contracts as submitted. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-32)

Chair Hamilton called on Southeast Iowa Regional Riverboat Commission/Catfish Bend Casinos, L.C. d/b/a Catfish Bend Casinos (SIRRC/CBC d/b/a CBC). Joe Massa, General Manager, stated that CBC celebrated its tenth anniversary last November and that CBC was born out of necessity as the former boat disappeared, leaving Ft. Madison with a substantial amount of debt and many residents out of work. He noted that approximately 98% of their purchases are with Iowa vendors. Mr. Massa pointed out that the boat serves two counties, but that the revenue to the not-for-profit is distributed between three different communities. He advised that CBC spent approximately \$6 million on new computer equipment and new slot machines that utilized the ticket-in/ticket-out technology. Mr. Massa stated that despite the economic situation in southeastern Iowa, CBC experienced moderate revenue growths. He requested approval of CBC's license renewal application.

Hearing no comments or questions concerning the license renewal request, Chair Hamilton called for a motion. Commissioner Mahaffey moved to approve the excursion gambling boat license renewal application of SIRRC/CBC d/b/a CBC as submitted. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-33)

Chair Hamilton called on Clinton County Community Development Association/Mississippi Belle II Employees Ownership Co. d/b/a Mississippi Belle II (CCCD/MBII EOC d/b/a MBII). Ken Bonnet, President, stated that 2005 should be a very exciting year in Clinton as that is when the Vision Iowa project for the redevelopment of the baseball facility; arena and riverfront complex is set to begin. He noted that the CCCDA is an integral part of that process, and has pledged approximately \$2 million to the project, which is estimated to cost approximately \$12 million. Mr. Bonnet stated that revenues declined somewhat during the third and fourth quarters of 2004 while the MBII was developing a new marketing strategy, which was implemented in January. Since that time, revenue numbers have been increasing. He stated that the employee owners should receive twenty-five cents (.25) for every dollar earned as part of their receipt of company profits through the employee stock ownership plan. Mr. Bonnet requested approval of CCCDA/MBII EOC d/b/a MBII's license renewal application.

Hearing no comments or questions concerning the license renewal application, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the excursion gambling boat license renewal application of CCCDA/MBII EOC d/b/a MBII. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-34)

Chair Hamilton moved to the next agenda item –a hearing for Ameristar Casino for a violation of Iowa Code Section 99F.9 (Wagering – Age Restriction). Mr. Ketterer advised that IRGC and Ameristar had reached a Stipulated Agreement on the matter. Surveillance of the incident shows that the individual was allowed to enter the casino without having her identification checked, played a slot machine and interacted with a cage employee. During questioning by DCI staff, the individual indicated that she was unable to read the posted signage requiring individuals to be at least 21 years old to gamble. Mr. Ketterer advised that Ameristar has now posted the signage in both English and Spanish. He pointed out that although Ameristar did have over 3 million patrons pass through the turnstiles last year, this is the first stipulation for a violation of Iowa Code Section 99F.9(5) in the past four years. Mr. Ketterer requested approval of the Stipulated Agreement, which calls for Ameristar to pay a \$10,000 administrative penalty to the Commission.

Hearing no discussion concerning the Stipulated Agreement, Chair Hamilton requested a motion. Commissioner Mahaffey moved to approve the Stipulated Agreement as presented. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-35)

Chair Hamilton moved to Administrative Business. Mr. Ketterer advised that Notice was being given that the Requests for Proposals for the Horse Racing Promotion Fund, which totals \$4,382.94, are due in the Commission's Des Moines office by 4:30 PM on April 1, 2005. The organizations that received the funds last year are required to submit an accounting of how those funds were utilized.

As there was no Public Comment, Chair Hamilton requested a motion to adjourn. Commissioner Mahaffey moved to adjourn. Commissioner Cutler seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
MARCH 22-23, 2005**

The Iowa Racing and Gaming Commission (IRGC) met on March 22-23, 2005 in the Northwoods Conference Center at Stoney Creek Inn. Commission members present were Diane Hamilton, Chair; Kate Cutler, Vice Chair; and members Gerald Bair, Joyce Jarding, and Mike Mahaffey.

Chair Hamilton called the meeting to order at 4:45 PM, and requested a motion to approve the agenda. Commissioner Cutler so moved. Commissioner Jarding seconded the motion, which carried unanimously.

Chair Hamilton then requested a motion concerning the minutes from the March 3, 2005 Commission meeting. Commissioner Mahaffey moved to approve the minutes of the March 3, 2005 Commission meeting as submitted. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Hamilton called on Jack Ketterer, Administrator of the IRGC, to provide the rules for the presentations being given by the applicants for new excursion gambling boat licenses. He advised that all presentations would be limited to 45-minutes. He requested that each group break down their setup as quickly as possible to allow the following group to get setup within the 15-minute time frame allowed.

The presentations were given in the following order:

March 22:

5:00 p.m. Wild Rose Emmetsburg, LLC/Palo Alto County Gaming Development Corporation

6:00 p.m. IOC Black Hawk County, Inc./Black Hawk County Gaming Association

8:00 p.m. Cedar Valley Gaming Company, LLC/Cedar Valley Grants, Inc.

9:00 p.m. Wild Rose Ottumwa, LLC/River Hills Riverboat Authority

March 23:

8:30 a.m. Black Hawk County Greyhound Park & Casino, LLC/National Dairy Cattle Congress, Inc.

IRGC Commission Minutes

March 22-23, 2005

Page 2

9:30 a.m. Washington County Casino Resort, LLC/Washington County Riverboat Foundation, Inc.

10:30 a.m. Landmark Gaming, LC/Franklin County Development Association

1:00 p.m. Mineral City Hotel & Casino, LLC/Heart of Iowa Foundation

2:00 p.m. Diamond Jo Worth, LLC/Worth County Development Authority

3:00 p.m. Northwest Iowa Gaming Co./Palo Alto County Development Corporation

A copy of the power point presentations and speakers are attached hereto, and are incorporated in their entirety by this reference.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING & GAMING COMMISSION
MINUTES
APRIL 6-7, 2005**

The Iowa Racing and Gaming Commission (IRGC) met on Wednesday, April 6, 2005 at Stoney Creek Inn, 5291 Stoney Creek Court, Johnston, Iowa. Commission members present were Diane Hamilton, Chair; Kate Cutler, Vice Chair; and members Gerry Bair, Joyce Jarding and Mike Mahaffey.

The Commissioners and staff then traveled by motor coach April 6-7, 2005 to the following proposed sites for new excursion gambling boats:

- 9:30 a.m. Mineral City Hotel & Casino, LLC/Heart of Iowa Foundation (Fort Dodge)
- 11:30 a.m. Northwest Iowa Gaming Co./Palo Alto County Development Corporation (Emmetsburg)
- 12:30 p.m. Wild Rose Emmetsburg, LLC/Palo Alto County Gaming Development Corporation (Emmetsburg)
- 3:00 p.m. Diamond Jo Worth, LLC/Worth County Development Authority (Worth County)
- 4:45 p.m. Landmark Gaming. LC/Franklin County Development Association (Franklin County)

Overnight in Waterloo at the Ramada Inn

- April 7 – 8:00 a.m. Cedar Valley Gaming Company, LLC/Cedar Valley Grants, Inc. (Waterloo)
- 9:00 a.m. Black Hawk County Greyhound Park & Casino, LLC/National Dairy Cattle Congress, Inc. (Waterloo)
- 10:00 a.m. IOC Black Hawk County, Inc./Black Hawk County Gaming Association (Waterloo)

IRGC Commission Minutes

April 6-7, 2005

Page 2

- 12:15 p.m. Washington County Casino Resort, LLC/Washington County Riverboat Foundation, Inc. (Riverside)
- 2:30 p.m. Wild Rose Ottumwa, LLC/River Hills Riverboat Authority (Ottumwa)

The Commissioners and staff returned to Stoney Creek Inn the evening of April 7, 2005.

MINUTES PREPARED BY:

JULIE D. HERRICK

**IOWA RACING & GAMING COMMISSION
MINUTES
APRIL 20-21, 2005**

The Iowa Racing and Gaming Commission met at Ameristar Casino, 2200 River Road, Council Bluffs, Iowa on Wednesday, April 20, 2005. Commission members present were Diane Hamilton, Chair; Kate Cutler, Vice Chair; and members Gerry Bair and Joyce Jarding. Commissioner Mike Mahaffey was absent.

Chair Hamilton called the meeting to order at 12:00 noon, and requested approval of the agenda. Commissioner Cutler so moved. Commissioner Jarding seconded the motion, which carried unanimously.

Chair Hamilton requested a motion for the purpose of going into Executive Session. Commissioner Bair moved to go into Executive Session for the purpose of receiving DCI background investigation reports pursuant to Iowa Code Section 21.5(1)g. Commissioner Jarding seconded the motion, which carried unanimously on a roll call vote. (See Order No. 05-36)

Following the conclusion of Executive Session, Chair Hamilton requested a motion to leave Executive Session. Commissioner Bair moved to leave Executive Session. Commissioner Jarding seconded the motion, which carried unanimously.

Chair Hamilton then requested a motion to recess the meeting until 8:30 AM on April 21, 2005. Commissioner Jarding so moved. Commissioner Bair seconded. The motion carried unanimously. (See Order No. 05-37)

The Iowa Racing and Gaming Commission (IRGC) met at the Ameristar Casino/Holiday Inn, Council Bluffs, Iowa. Commission members present were Diane Hamilton, Chair; and members Joyce Jarding and Gerry Bair. Commissioners Kate Cutler and Mike Mahaffey were absent.

Chair Hamilton reconvened the meeting at 8:30 AM in the Heartland Room in the Holiday Inn associated with Ameristar Casino.

Chair Hamilton called for a motion to approve the minutes. Commissioner Bair moved to approve the minutes as submitted. Commissioner Jarding seconded the motion, which carried unanimously.

Chair Hamilton called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer acknowledged Ed Fasulo, General Manager of Ameristar, who welcomed the Commission to Ameristar and Council Bluffs, and welcomed Herbst Gaming to gaming

in Iowa. He advised the Commission of several projects that have recently been announced for the Council Bluffs area, which he attributed to the economic growth and impact of gaming in the area. Mr. Fasulo introduced Mayor Tom Hanafan who also welcomed the Commission to Council Bluffs, and noted that representatives of the Iowa West Racing Association Board and the Pottawattamie Board of Supervisors were present. He commented on the good working relationship Council Bluffs has with Ameristar, Harrah's, and Bluffs Run, and attributed part of the success to the Commission's job in making sure the various communities have good quality companies involved in gaming in Iowa, and in holding licensees to a higher standard.

Mr. Ketterer introduced the following staff members from the Council Bluffs facilities: Lynette Masker, Linda Baxter, Julie Petersen, Gina Goos, Jennifer Eichmann, Richard Woodsmall, Bryan Crowdy, Carol Fajen, Jeff Rethmeier, Max Zaragosa, and Cory Ostermeyer.

Mr. Ketterer then gave the following information concerning upcoming Commission meetings:

- May 3, 2005 Presentation: "Socioeconomic Impact of Gambling on Iowans" – Dr. Deepak Chhabra and Dr. Gene Lutz, University of Northern Iowa
- May 4, 2005 Commission Meeting – Stoney Creek Inn, Johnston, Iowa – Commission will receive Public Input and Question Excursion Gambling Boat Applicants
- May 11, 2005 Commission Meeting – Stoney Creek Inn, Johnston, Iowa – Commission will vote on Excursion Gambling Boat Applications
- June 9, 2005 Commission Meeting – Stoney Creek Inn, Johnston, Iowa (Submissions due by May 25, 2005)

Mr. Ketterer gave a brief outline of the process that will be followed for the May 4, 2005 meeting, which will be for public comments on the various riverboat applicants and questions from the Commissioners of the applicants. The Commissioners will also comment on their philosophies and possibly establish a number or range of numbers of licenses that may be issued. He advised that the agenda would be available on the website by Friday or Monday, and would include the order of public comment.

Chair Hamilton called on Mr. Ketterer concerning the rules before the Commission. Mr. Ketterer advised that the rules are being presented for Final Adoption; that they had been before the Commission in January as a Notice of Intended Action. Mr. Ketterer advised that the first four items pertain to occupational licensing with regard to kennel and stable names and the requirements for licensure for those entities; another pertains to the age of jockeys, and the final rule pertains to sex allowances in thoroughbred races. Mr. Ketterer advised that the Commission did not receive any public comments on the proposed changes, and recommended approval.

Hearing no discussion concerning the rules, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the final adoption of the rules as presented. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-38)

Chair Hamilton called on Will Cummings, President of Cummings Associates, to present his findings regarding an "Analysis of Current Markets for Casino Gaming in Iowa, with Projections for the Revenues and Impacts of Potential New Facilities". Mr. Cummings also prepared a report on "The "Density" of Casinos, Slot Machines and Table Games in Iowa Compared to Other States". A copy of Mr. Cummings' reports and power point presentation are attached hereto, and incorporated in their entirety by this reference.

Mr. Cummings concluded his remarks by indicating that Iowa is in the middle of the pack regarding the number of facilities, size and amount of casino gaming that is available to the citizens. He stated that there is room for future growth, noting that a casino in every county is extreme, but on a more realistic note, should the Commission issue a license in each of the seven counties that passed a referenda, the State would receive approximately \$250 million in additional revenues. He noted that the Waterloo market is the largest underserved market, and would have the most moderate impact on existing markets. There would be more competitive interaction between facilities in northern Iowa, and they would have a higher impact on each other.

Mr. Cummings noted in his opening remarks that he had changed his mileage calculations from "as the crow flies" to "road miles". Commissioner Bair asked how much the change affected his previous figures. Mr. Cummings advised that the effect was between five and ten percent, depending on the market.

Commissioner Bair asked if the type of roads, as well as the amount of time required to reach a facility, made a difference. Mr. Cummings indicated they did, but were not reflected in his model.

Commissioner Jarding asked if Mr. Cummings included outside markets when calculating the market area for those applicants that are close to the borders. Mr. Cummings indicated that he did, noting that the majority of the market for a facility is within one to two hundred miles. He noted that he did extend the market area so that every facility would reach into neighboring states.

Commissioner Bair noted that some of the proposed facilities have seasonal impacts due to tourist attractions in the area. He asked if that fact was taken into account in the study. Mr. Cummings indicated it was not, noting that the summer population, depending on size, could have an effect. Mr. Cummings noted that weather can also have an effect.

Chair Hamilton moved to the review of the licensees' financial audits, and called on Ameristar Casino. Mr. Fasulo, Michael Shelton, Vice President of Finance, and Jane Bell, Director of Government Affairs were present to answer any questions.

Mr. Fasulo advised that Ameristar captured 41% of the Council Bluffs market in 2004, up from 39% in 2003; noting that the overall Council Bluffs market revenue grew in 2004 to \$418 million, up 8.7% over 2003. Ameristar's gaming revenue was \$171 million, up 13% from 2003, while slot coin-in topped \$2 billion for the first time, up 10.3% from 2003. Volume increase accounted for 80% of the slot growth revenue. Table drop increased \$700,000 from 2003 from the volume indicator side. Admissions for the year in the Council Bluffs market were 8.1 million, an increase of 312,000 (4%) from 2003, and Ameristar captured 100% of the increased admissions. Ameristar's admissions were up 13%, or slightly over 3.1 million from 2003. Mr. Fasulo stated that Ameristar was able to drive the majority of the market growth through increased guest counts, which resulted in increased volume. Gross revenue was \$21.5 million higher than in 2003. Largest cost increases from 2003 to 2004 were employee benefits and gaming taxes. Benefits were \$893,000, or a 9% increase.

Commissioner Bair noted that the Independent Auditor's Report indicated that they were scrutinizing the internal controls a little more than in the past. He asked that each licensee address how they had addressed the auditor's recommendations and suggestions.

Mr. Shelton stated that the recent Sarbanes-Oxley legislation created another layer of tests and controls that the independent auditor performs on top of the standard financial statements and financial sheet audit. He stated that several hundred controls are audited. He noted that the auditors had added a pre-year end at the third quarter and a year-end Sarbanes-Oxley detailed outside audit to address any issues that may not have been identified as a weakness in the past.

Chair Hamilton called on Argosy Sioux City. Jesus Aviles and Brian Wessels, General Manager and Director of Finance respectively, were present to answer questions concerning the financial audit.

Mr. Aviles advised that Argosy's expansion project was completed in 2004, which included the expansion of the gaming floor from 12,000 square feet to 36,000 square feet. The change resulted in an increase of revenues by 18%, for an increase of 33% in EBITDA. Mr. Aviles stated that at Argosy the General Manager and the Director of Finance are responsible for the reports required under the Sarbanes-Oxley legislation, resulting in a significant amount of communication between those two positions, the local auditing firm and corporate firm

Mr. Wessels stated that revenues increased 18%, or just short of \$50 million. Payroll increased to \$12.8 million, up \$700,000 from the previous year. Since the new boat opened in Sioux City, the number of full-time employees has increased by 26 individuals. EBITDA increased \$15.6 million for the year. Approximately \$20 million was invested in the riverboat in 2004

Mr. Ketterer asked Mr. Aviles where the additional patrons were coming from. Mr. Aviles stated that patrons are traveling south from Sioux Falls, as well as benefiting from

the new events center and the Orpheum Theater. He noted that they have also been able to capture some market share from the Native American casinos, as well as some from neighboring states to the north. Argosy also invested in a system which creates a smoke-free environment. Mr. Ketterer noted that the 18% revenue increase was accomplished with only four months of operation in the new facility.

Hearing no further questions for Mr. Aviles or Mr. Wessels, Chair Hamilton called on Catfish Bend Casino (CBC). Joe Massa, General Manager, advised that gaming revenue increased by 8.4%. Operating expenses increased by approximately 5% due to the new projects the company is pursuing and the increase in state gaming taxes. EBITDA increased 17%, and net income increased 5.2%. Mr. Massa stated that the company's financial viability remains strong. He noted that CBC invested \$6 million in new slot machines without incurring any debt, but noted there is a small amount of long-term debt for the first time since the first two years of operation. Mr. Massa noted that CBC is owned almost 100% by 500 Iowa residents. The distribution to the owners was increased by 25% in 2003 or \$5 million per year. CBC was able to maintain the same distribution for 2004, while holding a substantial amount of cash in anticipation of new investments.

Commissioner Bair stated that the "Notes" in the financial statement provided substantial detail concerning CBC's commitments to the other projects.

Hearing no further comments or questions, Chair Hamilton called on Peninsula Gaming Company. Dustin Manternach, Director of Finance, stated that net revenue declined by 2.2%, which was attributed to the reopening of the Meskwaki Casino in Tama. He noted that the trend is reversing, and during the first three months of 2005, revenues have increased approximately 8%. In 2004, Peninsula Gaming/Diamond Jo Casino spent around \$6.3 million to convert all of the slot machines to ticket-in/ticket-out technology.

Commissioner Bair stated that he did not see any information concerning Peninsula's involvement in any other potential sites in the state of Iowa. He noted it was very likely the company had some expenditures connected to the project. Mr. Manternach indicated there were expenditures, but that they were incurred by the parent company, Peninsula Gaming. Costs will be recouped through distributions and run through equity.

Mr. Ketterer asked about Peninsula Gaming's projections for casino revenue from Old Evangeline Downs (OED). Mr. Manternach stated that EBITDA is up 40% for the company for the first quarter of 2005. Year-over-year revenues are up approximately 30%. He indicated that a new marketing strategy is in place and new management has been brought in at OED.

Mr. Ketterer stated that the amount of slot revenues dedicated to purses and owners awards is equal to 18% versus 11% in Iowa. Mr. Manternach advised that 15% goes to purses, 2% to the thoroughbreds and 1% to quarter horses. Mr. Ketterer asked if OED is required to split the commission for races. Mr. Manternach answered in the affirmative.

Commissioner Bair asked if OED ran year-round. Mr. Manternach answered in the negative, but noted OED recently added two quarter horse meets, one of which started the end of February.

Chair Hamilton called on Harveys Iowa Management Company, Inc. Janae Sternberg, Director of Finance for Harrah's, stated that gaming revenue was up \$2 million over 2003, with net revenues increasing 5.3%. She noted that the bottom line was up approximately \$10 million year-over-year.

Ms. Sternberg noted that the Stir Nightclub had been completed for approximately \$4.5 million. Harrah's implemented the concert cove, which drew significant patronage over the summer. They also converted 100% of the slot machines on the casino floor to ticket-in/ticket-out technology, for a total investment in the property of approximately \$8 million. She noted that Harrah's currently has 1,145 employees.

With regard to the Sarbanes-Oxley regulations, Ms. Sternberg stated that they are highly controlled at Harrah's, and they have their own Sarbanes-Oxley team, based out of Memphis, which visits the property twice a year to do their own audit. Harrah's also has an in-house compliance program and in-house internal audit program.

Chair Hamilton called on Southern Iowa Gaming (SIG). Larry Seckington, legal counsel, advised that revenues were down approximately \$2 million, and expenses were up approximately \$2 million. He stated that for the first six months of 2004, revenues were up from the previous year. Revenues started declining in July, and attributed the decline to management distractions at the property and corporate level with the gaming contract with Herbst Gaming, and did not pay enough attention to generate the income. He noted there were weather related problems at the end of the year

With regard to the internal audit system, Mr. Seckington stated that the independent auditor provides them with a letter each year, which is commented on by individuals at the local property and then sent to the corporate offices. The corporate office then enters into a dialogue with the auditor. Over the past four years, SIG has made 90% of the changes suggested by the auditor.

Chair Hamilton called on Mississippi Belle II (MB II). Ken Bonnet, President, advised that 2004 revenues were down approximately 2.5% from 2003. The company was able to make some adjustments in expenses in order to create the same amount of operating income; therefore the financial statements for 2003 and 2004 are pretty much the same for the two-year period.

With regard to internal controls, Mr. Bonnet stated that he was not aware of any suggestions made by the auditor in recent years. He noted that if any suggestions are given, MB II would make the recommended changes. Mr. Bonnet stated that the auditor comes in on a quarterly basis and performs a transaction test relating to casino revenues, which is used to help insure that procedures are current.

Commissioner Bair noted that lobbyist expenses jumped from \$6,000 to \$83,000. Mr. Bonnet explained that in previous years, a group of properties shared a lobbyist. The group has disbanded, and MB II is picking up a larger share of the costs for the lobbyist.

Mr. Bonnet stated that he did not have the final distribution of the ESOP activity for the year, but on a first-year basis, the value for the employees increased a fair amount, and he feels the value of their involvement will increase between 26-28 cents for every dollar the employees earn.

Chair Hamilton called on Bluffs Run Casino (BRC). Ms. Sternberg noted that BRC experienced a very positive year in 2004, with gaming revenues up \$8.5 million from the prior year, total revenue was up 7.3%, and year-over-year was up 60%, primarily due to the gaming tax decrease from 36% to 24%. She advised that approximately \$6 million was spent in ticket-in/ticket-out slot machines and IT equipment. BRC also announced an \$85 million expansion project for 2005-2006 to convert BRC to the Horseshoe Casino.

Ms. Sternberg stated that BRC is subject to the same Sarbanes-Oxley parameters as previously mentioned for Harrah's audit and within the company.

Chair Hamilton called on the Iowa West Racing Association (IWRA). Todd Graham and Jerry Mathiason, Executive Director and Associate Executive Director respectively, were present to review the financial audit. Mr. Graham advised that riverboat revenue receipts were up for the year by \$8,418,709, an increase of approximately \$43,000 from the previous year. He noted the fees were divided fairly evenly between the two riverboats - \$4,350,000 from Ameristar and \$4,063,790 from Harrah's.

Mr. Graham stated there were several footnotes to the audit, but most reflected the change in IWRA's structure, which was approved by the Commission.

Mr. Ketterer asked about the professional fees. Mr. Graham advised that it was a professional fee paid to an investment firm related to the 1999 transaction at BRC when IWRA sold a substantial portion of their assets at the facility. The transaction was structured so that there were opportunities for additional payments after the date of the transaction. They received a distribution in 2004, and the professional fees are for the fee earned on that distribution.

Chair Hamilton called on Dubuque Racing Association (DRA). Roger Hoeger, Assistant General Manager, advised that the net revenues for the year were down approximately 6.7% from the previous year, primarily due to the way in which they handle their rent to the City of Dubuque. The agreement with the city was restructured, and DRA went from one-half percent of coin in to one percent of coin in. Also, DRA was at a 20% gaming tax, and are now paying 22%. Net income declined to approximately \$1.4 million from \$1.6 million, partially attributable to the Meskwaki Casino reopening. Mr. Hoeger noted the biggest changes in the balance sheet have to do with the casino construction project, approximately \$5.1 million.

With regard to internal controls, Mr. Hoeger advised that Honkamp Krueger comes in on a quarterly basis to review DRA's compliance with their internal controls, reviewing four days of transactions with regard to casino, pari-mutuel, and food and beverage. The results are reported to DRA's board of directors.

Chair Hamilton called on Racing Association of Central Iowa (RACI). Bob Farinella, General Manager, advised that Prairie Meadows Racetrack & Casino (PMR&C) had a very successful year, and experienced major transactions at the facility relating to taxation, games that could be offered at the facility, and changes relating to the dynamics of the gaming industry. He noted that PMR&C was also significantly impacted by the closing, and subsequent reopening of the Meskwaki Casino in Tama.

With regard to internal controls, Mr. Farinella stated that RACI would also fall under the Sarbanes-Oxley criteria. He also noted that the law regarding not-for-profit structures and that RACI is already in compliance with what are anticipated to be the final changes that will take effect on July 1st. RACI has an audit committee as part of their board, and a separate internal review staff. An overview is performed by the outside auditor, as well as a year-long internal independent audit.

RACI, as a not-for-profit operation, has the ability to return profits directly to the community. He noted that RACI has returned more to the community than the total tax burden.

Mr. Ketterer noted that the live racing season was to open this evening. Mr. Farinella stated the jockey colony was in place, over 1,000 animals are on property and PRM&C is ready. Mr. Ketterer asked about groundbreaking for the new section of the grandstand. Mr. Farinella advised that one of the contracts before the Commission for approval today is with The Weitz Company, which was selected as the contractor for the project. He stated that RACI anticipates beginning the movement of some utility lines as early as June. RACI is also looking at an advanced construction schedule, reducing the construction schedule from 24 months to 19-20 months.

Chair Hamilton moved to the Contract Approval portion of the agenda and called on Harrah's. Ms. Sternberg presented the following contracts for Commission approval:

- Garner Printing – Additional vendor for printing of direct mail materials
- York International – Rebuild cooling towers & repair and maintenance contract

Hearing no questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by Harrah's. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-39)

Chair Hamilton called on Rhythm City Casino. Curt Beason, legal counsel, presented a contract with Silver Beacon Media, LLC for plasma monitors and video equipment.

Hearing no questions for Mr. Beason, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contract as submitted by Rhythm City Casino. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-40)

Chair Hamilton called on Isle of Capri Bettendorf (IOCB). Mr. Beason presented a contract with Treiber Construction Co. for marina improvements/repairs, staircase and ramp.

Hearing no questions concerning the contract, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contract as submitted by IOCB. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-41)

Chair Hamilton called on Catfish Bend Casino (CBC). Mr. Massa presented a contract with Employee Business Systems for a third party administrator for health insurance.

Hearing no questions concerning the contract, Chair Hamilton requested a motion. Commissioner Bair moved to approve the contract as submitted by CBC. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-42)

Chair Hamilton called on Argosy Casino Sioux City (Argosy). Mr. Aviles submitted the following contracts for Commission approval:

- The Media & Marketing Group, Inc. – Creative work (Increase)
- City of Sioux City – Development Agreement (Change)

Chair Hamilton asked about the contract with The Media & Marketing Group, Inc. Mr. Aviles stated that the company is doing the corporate marketing, noting that approximately 35% will be spent in Iowa and 64% out-of-state, including Nebraska, Minnesota, and South Dakota for radio and television marketing. Media & Marketing will serve as the general contractor and then subcontract the work to local companies.

Commissioner Jarding noted that Argosy is spending considerably more this year than in the previous year. Mr. Aviles attributed the increased amount to the enhancement of the property and new branding efforts.

Hearing no further comments concerning the contracts, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by Argosy. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-43)

Chair Hamilton called on Herbst Gaming, Inc.-Lakeside. Mark Sterbens, Director Casino Operations, advised that Herbst Gaming has completed the transition of over 600 machines to the ticket-in/ticket-out technology, and the purchase of 500 new slot

machines. HGI has started renovations on the vessel, and are in the planning stages with architects and interior designers for the land-based renovations. He noted that food and beverage sales are up and admissions are stable. Mr. Sterbens advised the Commission that Tom Timmons had been appointed as General Manager of the property.

Tom Timmons, General Manager, presented the following contracts for Commission approval:

- Allied Construction Services, Inc. – Installation of carpet and wall covering
- Bally Gaming Systems – TITO setup and slot machine leases
- Blue Cross/Blue Shield – Health insurance for employees
- Charles Gabus Ford – Vehicles
- Midwest Casino Supply – Increase of original submission Jan 05 – Chairs
- Principal Financial Group – 401K and dental insurance
- Signs Productions, Inc. – Signs for casino

Mr. Timmons advised that the contract with Blue Cross/Blue Shield of Kansas City is a renewal, but HGI-Lakeside is in the process of taking a bid from another Iowa company. The bid was not received in time for submission, but hopefully will be prior to the next meeting. If the bid from the Iowa company is lower, that company will replace the current contract with BC/BS of KC. The contract with BC/BS renews on June 1, and the next Commission meeting is not until June 9th.

Commissioner Jarding noted there was a two-thirds increase in the premium. She wondered if there was an increase of coverage also. Mr. Timmons stated that the coverage did not change, which is why they are seeking other bids.

Mr. Timmons then addressed the contract with Sign Products, Inc. and the new signs that will be put in place at the Osceola location. The sign, Mr. Terribles, will be 153' tall and will hold a video board visible from both the north and south. "Mr. Terribles" will be located on the wheelhouse of the boat. There is also new signage for the front of the facility.

Mr. Timmons also stated that they will be installing a 153' flag pole, which will be the tallest flag pole in Iowa.

Hearing no comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts for HGI-Lakeside. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-44)

Chair Hamilton called on BRC. Ms. Sternberg presented the following contracts for Commission approval:

- Edwards-Archer Auto Plaza – Potential vendor for car giveaway promotions

- FoxCor, Inc. – Consulting services for the Horseshoe conversion project
- Garner Printing – Additional vendor for printing of direct mail materials

Chair Hamilton asked if the name change would take effect soon. Ms. Sternberg advised probably not until March of next year. She noted that a construction update was attached to the contracts.

Hearing no comments or questions concerning the contracts or the construction update, Chair Hamilton requested a motion. Commissioner Bair moved to approve the contracts as submitted by BRC. Commissioner Jarding seconded the motion, which carried unanimously. (See Order 05-45)

Chair Hamilton called on Dubuque Greyhound Park & Casino (DGP&C). Bruce Wentworth, General Manager, presented the following contracts for Commission approval:

- JP Cullen – Building Shell (Change in end date to accommodate changes in scope of project)
- Lange Sign Group – Outdoor sign and message center (Start date changed to accommodate changes in scope of project)
- McMullen & Pitz – Deep Foundation (End date extended to accommodate changes in scope of project)
- Aristocrat, Inc. – Player tracking software and equipment for casino expansion
- Western Money Systems – Casino Xchange Slot Ticket Redemption machines for expansion project
- Midwest Casino Supply – Chairs for slot machines for expansion project
- VSR Lock, Inc. – Bases and locks for slot machines for expansion project
- WMS Gaming, Inc. – Lease of additional slot machines
- Mikohn Gaming – Casino signage and software
- PGI Corporation – CasinoLink Jackpot station module
- Venture Catalyst, Inc. – Mariposa software
- Reliable Technology (Computerland) – Computer equipment
- Iowa Greyhound Association – Casino Supplement and Stakes Schedule

Mr. Wentworth advised that the majority of the contracts were related to the expansion project underway at the facility. He noted that they are still planning for the renovated casino to be open on Memorial Day weekend.

Hearing no comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by DGP&C. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-46)

Chair Hamilton called on PMR&C. Mr. Farinella presented the following contracts for Commission approval:

- Audiovisual Inc. – Audio-visual equipment, parts and services (Increase)
- Bankers Trust Company, N.A. – Revolving Line of Credit
- Combined Systems Technology – Computer Network Switches – 3 Year Lease
- First American Bank – Revolving Line of Credit
- IGT – Renewal Lease: Wide Area Participation Agreement
- IGT – Renewal Lease: Six Terminator slot games
- Shuffle Master Incorporated – Lease of a Table Master Multi-Player Platform, Three Card Poker Game (Replacement)
- Tech Results – License and maintenance fees for computer Software Programs (Increase)
- The Weitz Company – General Contractor for Casino Expansion Project
- Ziegler Inc. – Purchase or rental of heavy equipment, parts and services

Hearing no comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Bair moved to approve the contracts as submitted by PMR&C. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-47)

Chair Hamilton moved to the next agenda item – Approval of Distribution of Horse Racing Promotion Fund. Mr. Ketterer stated that he would like to table this item until the June meeting as staff is still waiting on some information necessary for the approval of this item.

Hearing no discussion, Chair Hamilton requested a motion. Commissioner Bair, based on Mr. Ketterer's recommendation, moved to table this item until the June 9, 2005 Commission meeting. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-48)

Chair Hamilton moved to Administrative Business and the approval of the Commission's meeting dates for Fiscal Year (FY) 2006. Mr. Ketterer noted there was a draft of the proposed meeting dates in their packets and recommended approval of the dates as presented.

Hearing no discussion concerning the dates, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the meeting dates for FY 2006 as presented. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-49)

Mr. Ketterer clarified that the Commission would be meeting in the same months as in previous years, and the only meetings outside the Des Moines area are October 13, 2005

IRGC Commission Minutes

April 21, 2005

Page 13

at DGP&C, and April 20, 2006 at Harrah's. He noted that the July meeting will be held on July 14, 2005 at Stoney Creek Inn.

As there was no Public Comment, Chair Hamilton thanked Ameristar for hosting the Commission.

Chair Hamilton requested a motion to adjourn. Commissioner Jarding so moved. Commissioner Bair seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
MAY 3-4, 2005**

The Iowa Racing and Gaming Commission met on Wednesday, May 3, 2005 in the Northwoods Conference Center, Stoney Creek Inn, 5291 Stoney Creek Court, Johnston, Iowa. Commission members present were Diane Hamilton, Chair; Kate Cutler, Vice Chair and members Gerry Bair, Joyce Jarding, and Mike Mahaffey.

Chair Hamilton called the meeting to order at 7:15 PM and requested a motion to approve the agenda. Commissioner Bair moved to approve the agenda as presented. Commissioner Jarding seconded the motion, which carried unanimously.

Chair Hamilton moved to the report on the socioeconomic impact study completed by Deepak Chhabra, Ph.D. from the University of Northern Iowa. This is the study commissioned by the Legislative Council due to legislation passed in 2004. Dr. Chhabra stated the main objective of the study was to determine the socioeconomic characteristics of gamblers; the economic impact of gambling at existing Iowa casinos on the local community; social impact of gambling on the local community; and the impact of problem gambling. All data utilized in the study was for the calendar year 2004.

A copy of the socioeconomic impact study is attached to the minutes and incorporated in its entirety by this reference.

Chair Hamilton asked about the number of bankruptcies, and wondered if there was a breakdown between gambling and other categories. Dr. Chhabra indicated there was not, but stated that the study results show that 44% of residents perceive that bankruptcy is related to gambling, as well as responses from key personnel. Commissioner Cutler noted that the result is just perception; there is no scientific data to support the findings. Dr. Chhabra indicated that was correct.

Chair Hamilton questioned the number of crimes in casino counties versus non-casino counties. She noted that the majority of the current licensees are in larger cities; indicating that those cities/counties would be more prone to crime due to a larger population base, not necessarily just because a casino is located in the city/county. Dr. Chhabra noted that the control counties were selected on population, income, and age in order to compare compatible population groups. She noted that residents of casino counties have not been concerned about crime, nor do the police and/or sheriff's departments. Dr. Chhabra stated there is no way to connect the higher crime rates in casino counties to the casinos as those same counties had a higher crime rate than the control counties prior to the casino coming.

Commissioner Cutler asked if any of the respondents to the survey had filed for bankruptcy due to gambling. Dr. Chhabra said that question was not asked. The question

was whether or not bankruptcies had increased due to gambling, and 44% indicated their belief that bankruptcies had increased due to gambling. The credit counseling agencies have also indicated that gambling has caused an increase in bankruptcies.

Commissioner Jarding asked if any research was done on individuals who are arrested for any reason to determine if they had gambling in their background as part of their problem. Dr. Chhabra answered in the negative, but information provided by the Iowa Gambling Treatment Program includes what percentage of individuals has some other forms of abuse – alcohol, gambling, etc.

Commissioner Bair asked if more time could have been spent on the study. Dr. Chhabra answered in the negative, indicating that what she proposed to cover in the study has been covered within the constraints of the budget. She noted there are always other perspectives.

Commissioner Cutler asked if family problems/issues or bankruptcies were the biggest concern of individuals responding to the survey. Dr. Chhabra stated that bankruptcies stand out.

Commissioner Cutler stated that she felt the data on Iowa West Racing Association was not correct. Dr. Chhabra stated that she would get the data corrected.

Chair Hamilton called for a motion to convene the meeting for the evening. Commissioner Cutler moved to convene the meeting until 8:30 AM, May 4, 2005. Commissioner Jarding seconded the motion, which carried unanimously.

Chair Hamilton reconvened the meeting at 8:30 AM, and called on Mr. Ketterer for announcements. He requested that those individuals signed up to speak about the Black Hawk County applications in general to report to the rear of the room in order to be ready to present their comments.

Mr. Ketterer stated that the Commission would be meeting on May 11, 2005 to render their decision on the applications. He indicated the meeting would start at 10:00 AM, and that he did not anticipate the meeting would last very long.

Mr. Ketterer advised that the Commission meetings scheduled for June 9th and July 14th would be held at Stoney Creek Inn. There is no Commission meeting in August.

Mr. Ketterer proceeded with instructions for the speakers and applicants, noting that the purpose of the public forum is for members of the public who are not affiliated with an applicant. This includes those people who spoke or were recognized at the March presentations or those individuals present at the site visits. He noted the applicants and those individuals supporting the proposals have had sufficient opportunities to present their case to the Commission. This day is for the general public who has not previously had an opportunity to be heard. Mr. Ketterer stated that following public comment on

each applicant, the applicant spokesperson will have two or three minutes to respond to the public comments, and then the Commissioners will ask questions concerning the application.

Mr. Ketterer advised that those individuals who had contacted the office were signed up to speak. If individuals had not contacted the office, they had the opportunity to sign up at the back of the room. He advised that everyone would need to check in with staff located at the sign-in sheet in order to keep the process moving smoothly. Each speaker was requested to state his name, spell it, provide his residence and indicate whether they were representing a group or themselves. Chair Hamilton requested that all cell phones be turned off.

If written comments were provided to the Commission, a copy is attached and incorporated in its entirety by this reference.

The following individuals addressed all of the applicants for Black Hawk County/Waterloo:

- Steve Dust, representing the Cedar Valley Alliance (CVA), addressed why Waterloo was a good choice for a new gambling boat, the results of a gaming study commissioned by CVA, and indicated CVA's support for IOC Black Hawk County, Inc. /Black Hawk County Gaming Association (BHCGA) and Cedar Valley Gaming Company, LLC/Cedar Valley Grants, Inc. (Attached)
- Richard Clary, a Waterloo resident and retired financial consultant, addressed the Commission concerning his financial concerns on all three Waterloo applicants, voicing his support for the IOC Black Hawk application. (Attached)
- Evan Hultman, a Waterloo resident, spoke on behalf of himself and as a member of an ADHOC committee, which has been promoting the present and future of the National Cattle Congress. He stated that his remarks would be in favor of the Black Hawk County Greyhound Park & Casino, LLC/National Dairy Cattle Congress, Inc. Mr. Hultman addressed some of the goals of the ADHOC committee in preserving the National Cattle Congress to help attract visitors and attractions to the site.
- Ryan Madison, representing himself, stated that he had requested information concerning traffic flow and safety for Waterloo from the Planning & Zoning Commission. He was advised that an analysis had not been done, nor had the city requested it. He indicated that Waterloo does not have sufficient police in order to handle the increased crime and/or pathological gamblers. He also noted that two of the proposed sites are located in residential areas. Mr. Madison stated that Waterloo is not responsible enough to have a casino.

- Dave Dutton, Black Hawk County Attorney, addressed the Wells Gaming Research Company gaming report, which was completed in March. He stated that if a license were to be granted in Black Hawk County, the residents want the very best casino they can have to produce the needed revenue to help make the Cedar Valley area productive and prosperous. Mr. Dutton voiced support for the IOC Black Hawk County license application.

Mr. Ketterer called on the speakers regarding the Black Hawk County Greyhound Park & Casino, LLC/National Dairy Cattle Congress, Inc. and asked those wishing to address the Commission concerning the Cedar Valley Gaming Company, LLC/Cedar Valley Grants, Inc. application report to IRGC staff in the back of the room.

The following speakers addressed the Commission concerning the Black Hawk County Greyhound Park & Casino application:

- Anne Burnett read a statement prepared by Senator Dennis Black, expressing his support of the Black Hawk County Greyhound Park & Casino application. (Attached)
- Harold Youngblut, owner/manager of Deer Creek Development, showed a map of an area which could be developed for a hotel, restaurant, strip mall, etc. that could be owned and/or operated by Black Hawk County residents, and employ Black Hawk County residents. There would also be child care available. His part would be Gold's Gym. Mr. Youngblut stated that there are approximately 6,000 high school students in Black Hawk County. He noted that if the National Cattle Congress site were selected, his company would donate approximately \$1 million to the Black Hawk County schools, and some funds to the UNI Women's Basketball program.

Wally Mochal, representing the National Cattle Congress Board of Directors, thanked the Commission and staff for their time and effort during the application process, and indicated they would stand on the application as presented. Chair Hamilton called for any questions.

Commissioner Bair asked if all of the financial resources for the project were secured. Mr. Mochal called on Steven Olson, Bluedog & Olson Law Firm, advised that the funding is ready from the Meskwaki perspective. They have contributed over \$5 million to the escrow account, with the balance of the tribe's funds in reserve, which will be transferred to the escrow account if a license is issued. The only way the funds can be removed from the escrow account is if a license is not granted to the NCC. If the NCC is granted a license, then the funds can only be used to build this project. He noted that if a license is granted to a competing project in Waterloo, it will have a dramatic impact on the Meskwaki revenues, approximately \$15 million, and would cost between 300 and 400 jobs. The only way the Meskwaki have to offset the revenue loss is to participate in a

project of this nature. He stated this project would be able to generate tax revenues to Waterloo, Black Hawk County and the state by 2006.

Commissioner Bair stated that the application indicated a percentage of the adjusted gross revenues (AGR) up to 6% would go to the non-profit license holder. He asked if there had been any further negotiations to establish a firm rate. Mr. Mochal advised that all discussions to date have been based on 6% going to the non-profit for distribution to charitable organizations.

Following a short break, Mr. Ketterer called on the speakers for Cedar Valley, and requested that those wishing to address the Commission concerning the IOC Black Hawk County application report to IRGC staff in the back of the room. The following individuals addressed the Commission with regard to the Cedar Valley Gaming Company, LLC/Cedar Valley Grants, Inc. application:

- Buck Clark, Waterloo, representing himself, stated that he opposed the exclusivity agreement signed by Waterloo with IOC Black Hawk as he feels the community would be better served by a site in downtown Waterloo. He indicated that he did not agree with the Waterloo Courier poll showing that a majority favored the IOC Black Hawk site; noting that a number of people he has spoken to favor a downtown casino. That project would provide an opportunity to rebuild the downtown area. A downtown site would be the focal point and compliment all of the other projects planned for the area. Mr. Clark stated that the IOC project would compete with the revitalization of the downtown area.

Commissioner Bair asked the date of the distribution of the Vision Iowa funds to Waterloo. Mr. Clark indicated that he did not know. Commissioner Bair asked if there were any discussions or ties to the Vision Iowa funds and a gaming license. Mr. Clark indicated that he was not aware of any.

Commissioner Mahaffey asked how the insurance firms, law firms, shopping, entertainment, etc. feel about having a casino downtown. Mr. Clark stated that the general consensus is that the downtown area will benefit from a casino located in the downtown area.

- Terry Poe Buschkamp, Executive Director of Main Street Waterloo, voiced her support for the Cedar Valley Gaming Company, LLC/Cedar Valley Grants, Inc. license application. She indicated that she was an investor in the project.

Commissioner Mahaffey clarified with Ms. Buschkamp that she had pledged to be an investor in the project. Ms. Buschkamp answered in the affirmative.

- David Deeds, owner of Cedar Valley Restoration & Development which remodels older and historic neighborhoods in Waterloo, as well as builds some new construction. He voiced his support for the Cedar Valley Gaming site as it

provides an opportunity for residents and visitors to work and play, and create opportunities for individuals to work. The project provides an opportunity to leverage other projects that are taking place in Waterloo.

- Mary Ellen Warren expressed support for the Cedar Valley Landing site. Main Street organization and downtown businesses collected petitions, and were assured by Don Hoth, now representing IOC Black Hawk, that the petitions did not need to be site specific, that the referendum must be passed first, and then a site would be selected. Grace Entertainment asked for exclusivity in June 2003. On September 24, 2003, the City of Waterloo signed an exclusive agreement with Isle of Capri (IOC).
- Dan Hedges, resident of Waterloo, noted that the Diamond Jo, of Dubuque, has helped to revitalize the downtown area, and voiced support for the Cedar Valley Landing project as he feels it will be able to do the same for Waterloo.
- Ken Samek, owns Hawkeye Alarm, which has been in business 47 years. He encouraged the Commission to give Waterloo a license as it would be a benefit to the community, and hopefully provide some property tax relief. He is favorable to the Cedar Valley project, and feels local ownership would be a plus.
- Chad Laipple, a Waterloo resident, spoke in favor of the Cedar Valley Landing project as he feels it would help revitalize the downtown area.
- Marty McConville, a Waterloo resident, also spoke in favor the downtown project to help revitalize the downtown area, and the funds available to the non-profit organizations. He referenced the local ownership. Mr. McConville encourages the Commission to issue a license to Cedar Valley.
- Michael Douglas, Waterloo realtor and representing the Russell Lamson Building residents, which is to be renovated for the downtown project – meaning the residents would lose their home. The Russell Lamson Building is a historic building. He stated the residents are not against progress, but don't feel they should have to move in order for the city to have a casino downtown. (Attached)

Commissioner Bair asked if there have been any discussions about taking care of the residents, helping them find housing, etc. Mr. Douglas indicated he received a letter promising to help them find housing. The residents are concerned about whether they will be able to relocate to another historical building, or even remain downtown.

- Dave Johnson, Waterloo resident, expressed his opposition to the Lost Island Park for a casino due to its proximity to the water park and the young children that visit the park. He expressed his support of the Cedar Valley project in downtown Waterloo. Mr. Johnson also expressed his opposition to the National Cattle Congress (NCC) application. He also stated that if the Isle of Capri or NCC

application were selected, casino visitors could get on the interstate and return home with no incentive to visit the downtown area. (Attached)

- Kristyna Solawetz, read a statement on behalf of Mary H. Potter, President of the Church Row Historic Neighborhood Association, disagreeing with the downtown site for a casino. (Attached)

Commissioner Mahaffey asked where the Church Row neighborhood was located. Ms. Solawetz stated that it is located on the river by the Wells Fargo building.

Mr. Ketterer called for Cedar Valley Gaming (CVG) representatives to approach the podium. Gary Hoyer, project manager, made the following comments in response to previous public comments received:

- Dilution factor - \$1 investment translated into 40 cents in equity or 53 cents. The only investment units that receive a multiple are the actual dollars spend in arriving at this point (\$1.2 million) out of a total investment of \$25-30 million worth of cash equity in the project. Mr. Hoyer stated the dilution factor is very small. Additionally, he noted that Richard Clary and Councilman Clark referenced the Waterloo Courier poll which contained flaws and showed a preference for IOC. CVG conducted a scientific poll which showed that residents of Black Hawk County supported a locally owned project 4-1 (Anzalone Liszt Research - Attached)
- Traffic, Infrastructure and Downtown Traffic – A professional traffic study was completed, as well as the infrastructure studies, and the City Council approved the site plan. He indicated there is an excellent road system leading into the downtown area and within ½ block of the parking facility, there is a three-lane exit ramp onto the six-lane interstate.
- David Dutton indicated that IOC would have an advantage in the market due to the number of Players Club members from its other facilities. Taking that thought to the extreme, Iowa would be better off if all facilities were owned by IOC.
- Russell Lamson Building – The conversion as stated in the application is slated for the third year of operation. If granted a license, the facility would open in 2007 with the conversion taking place in 2010. The rental units would be converted back to the facility's original use, a hotel, with the addition of 70 suites to add to the 90 hotel rooms.

Commissioner Cutler asked how the dilution factor was disclosed to investors. Mr. Hoyer stated that it was disclosed extensively in the Offering materials, including a chart that showed how a dollar of Class A equity was diluted to .91 + change on a per unit basis. Commissioner Cutler asked the upside for the investor. Mr. Hoyer stated that the investor gets to participate as a local owner, have a voice in the casino, have voting

rights, a 50% Board split for the first five years of operation. Regarding the equity component and what individuals receive for that, Mr. Hoyer stated that it would be a dollar for dollar, other than the small multiple for the pre-license risk that was given to the founding members. All equity is treated the same.

Commissioner Mahaffey asked Mr. Hoyer what assurances his group could give the residents of the Russell Lamson Building if CVG were granted a license that they would receive assistance in locating new housing. Mr. Hoyer stated that CVG has corresponded with every resident, indicating they would try to work with them, provide as much advance notice as possible, help them financially through the transition period and assist them in locating new housing.

Commissioner Mahaffey asked about the higher wages that would be paid by CVG's competitors for a license, noting that there is a great deal of money in these endeavors that goes elsewhere. He stated that one of the things the Commission needed to look at in terms of economic development for the general citizenry is wages. Mr. Hoyer stated that he disagreed with Mr. Dutton's comments, as well as the Wells gaming study. He noted that CVG is committed to paying a fair wage; and that the differential in terms of true hard dollars has more to do with the fact that CVG has forecasted a need for 750 full-time equivalent positions (FTE), while IOC Black Hawk has forecasted 800 FTEs. Mr. Hoyer stated that he believes the facility and level of business will dictate how many FTEs will eventually be required at either facility. He noted that CBC is a 30% owner in the CVG project, and has shown the need to treat employees well. CBC has an outstanding longevity rate for employees, and 10% of annual profits are paid to a profit sharing plan back to the employees, in addition to their normal wages. He stated that CVG has committed to doing that in year three of operations, after paying down debt.

Commissioner Jarding noted that CVG has a number of options for property in the area of the boat. She asked if they would all take effect at the same time or over a period of time. She also asked if an agreement with the city had been finalized. Mr. Hoyer stated that CVG was in the awkward position of not being able to negotiate a final contract with the City of Waterloo as the City has signed an agreement with IOC. The City can not enter into negotiations with another applicant until the license decision is made. He noted that the CVG did submit the proposed parking facility and site plan for City approval, which was given. In the event CVG would experience difficulty in securing the last city lot component, they do have an extra half-block of land that is adjacent to the Ramada Inn, which would connect the facility to the Convention Center.

Commissioner Bair asked about the Wells Fargo building, and if there was a time frame for them to vacate the facility. Mr. Hoyer stated that if Wells Fargo elects to use the 6 months allowed that has been factored into the construction plans. He stated that in discussions with individuals at Wells Fargo locally and in the corporate office, he has been advised that they could vacate within 2-3 months. Wells Fargo is not in a position to make any announcements until a licensing decision is made.

Commissioner Bair stated that the Commission had heard from several who wanted a casino in the heart of downtown. He stated that CVG's facility would have gambling, hotel, parking, many restaurants, and a shop with Iowa products. He asked how the project fits in with the other downtown businesses. Mr. Hoyer stated that CVG wants the facility to be a first-class destination property, and need to offer the afore-mentioned amenities in order to reach that goal. The facility incorporates a variety of restaurants, an events center, and a variety of other amenities allowing the property to be self-contained. He noted that most of the facilities currently operating are similarly situated. The facility will bring a constant flow of traffic through downtown; and some of those people will stop to visit some of the shops or other sites.

Chair Hamilton called on IOC Black Hawk County, Inc./Black Hawk County Gaming Association (BHCGA). The following individuals spoke regarding this applicant:

- Dale Woods, VP/General Manager of KWWL-TV in Waterloo, spoke on behalf of the television station and himself. He expressed his support for the IOC project, noting the tourism and economic development for the area, and IOC's commitment to reinvesting in their properties. (Attached)
- Sharon Juon, Executive Director of the Iowa Northland Regional Council of Government, which plans for economic development, transportation, housing, and environment for a six-county area and 54 cities. The organization endorses the issuance of a license to IOC Black Hawk/Black Hawk County Gaming Association. She noted that 17 mayors from member cities have also sent letters of endorsements. Ms. Juon stated that the organization and member cities endorsed this project as they feel it is the best for the entire area; that it will be an entertainment destination and bring a synergy that is good for the entire region. Ms. Juon advised that she is a member of the Vision Iowa Board, and views this project as a Vision Iowa project without Vision Iowa money.

Commissioner Bair asked about the timing of the funds to Waterloo, and whether there was any discussions linking the funds to a casino license. Ms. Juon stated that the downtown casino project was not a part of the discussion concerning the Vision Iowa funds. There is no contingency on the funds linked to a casino license.

- Jerry Northey, President of UAW Local 838 in Waterloo, stated that the union leadership is endorsing the IOC project. He noted that the union and IOC have agreed to work cooperatively should IOC receive a license. (Attached)

Tim Hinkley, President/Chief Operating Officer of IOC, stated that IOC operates in many jurisdictions, and praised the Commissioners and staff for their hard work throughout this process. He stated that the salaries and wages set forth in the applications were calculated on an FTE basis; noting that IOC's wages in all jurisdictions is above the median average when they compete with other operators. Additionally, if IOC as a company has done well, all employees share in the bonus system; IOC will be handing

out the 13th straight bonus this year. Key managers are also able to participate in a stock option, and share in the ownership of the company.

Don Hoth, President of BHCGA, made the following points:

- CVG representative Gary Hoyer mentioned 753 FTE during his rebuttal, but advertisements indicate 850.
- Lori McConville, the wife of Marty McConville, who spoke on behalf of CVG, has been hired by CVG to do all of the marketing and promotion.
- In terms of the City selecting IOC as the operator and site location, Mr. Hoth stated that when he and two other individuals started this process four years ago, they did not have a company or site in mind. He noted that he did meet with the downtown group on multiple occasions. After selecting IOC to be the operator, they brought in IOC representatives to view different locations. Mr. Hoth stated that he always advised that the boat operator would select the site as they are more knowledgeable in that area. Gary Bertch, owner of Lost Island Park, called Mr. Hoth to offer support in getting the referendum passed; and discussed future plans for the park. Mr. Hoth joked about putting in a lake and casino. After meeting with the downtown group, IOC felt Lost Island Park was a better location. Mr. Hoth stated that he had petitioned the County Board of Supervisors in August 2003, and the referendum was set for October 7th. He noted there was no agreement with IOC at that time. The plan was to get the referendum passed, then choose an operator and select a location. After finding out more about the process, and knowing that two previous gaming referendums had failed, he and the others knew they needed to raise money. IOC agreed to help get the referendum passed provided they knew that BHCGA was the legitimate non-profit. IOC advised BHCGA that they needed to have an agreement with the City. Mr. Hoth stated that the agreement with the City is not with the IOC, but with the non-profit organization. He also pointed out that it was Mary Ellen Warren's husband who called on a daily basis insisting that the operator and location be revealed prior to the location so that the voters would have some facts available to them prior to going to the polls. BHCGA's agreement with IOC was finalized on September 22nd, a City Council meeting was called and the City voted 5-0 to have an exclusive agreement with BHCGA.
- Tim Hurley, Mayor of Waterloo, addressed the Vision Iowa funds. He advised that he was elected to the City Council in 2001, took office in 2002 and was appointed to the Riverfront Renaissance task force and sat in on all meetings, and continues that practice today as mayor. Mayor Hurley stated there was never any link between the Riverfront Renaissance plan and gaming. He stated that the downtown area will be revitalized because of the Vision Iowa funds independent of the gaming decision.

With reference to Mr. Madison's comments about not issuing a license to Waterloo, Mayor Hurley stated that Mr. Madison is a frequent attendee at council meetings; and that he respects Mr. Madison, but does disagree with his statement that Waterloo is not responsible enough to handle a gaming operation. He indicated that the Waterloo police force is capable of taking care of the city.

Commissioner Mahaffey, noting the intense and mostly friendly competition between the three applicants, asked Mayor Hurley why the city didn't choose to support the downtown location. Commissioner Mahaffey asked Mayor Hurley if he felt the downtown location would be a detriment to the revitalization of the downtown area; and also why not the greyhound park location. Mayor Hurley stated there were many reasons. He noted that each group has a good plan in which they believe and are vested in them via energy and funds. Each group has a common goal – a better Waterloo. He stated that he is heartened by that knowledge, and that whatever decision is made on May 11th, the plans and energy will continue.

Mayor Hurley stated that he had no doubt that a downtown location could offer the spurt that some individuals have been talking about. He indicated his decision, personally, as Mayor, and as a councilman who voted for the exclusive agreement with BHC GA in September 2003, is that the IOC site is the superior site, will be up and running the fastest, and will return the most to the City and the general fund, allowing the City to offer the essential services needed by the residents outside of gaming.

Commissioner Jarding asked if the figures on wages included the management salaries, or if they were separated out. Mr. Hinkley indicated the management salaries were included. He used a dealer's pay as an example; their pay is salary plus tips (tips can be between \$10 and \$15.00). He indicated there are some well-paying jobs outside of upper management.

Commissioner Jarding asked whether the management fees stay in Iowa and if they are included in the wages. Mr. Hinkley explained that the management fee is an inner-company expense, and does not go to management located at the property.

Commissioner Cutler asked why IOC did not choose the downtown location. Mr. Hinkley stated the site they chose is about a good location as can be had – plenty of land, confluence of highways, easy access, closer to Cedar Rapids, and the ease of providing directions. He cited safety issues – the site is contained, well-secured, well-lit, which will make people feel safe, which is one of the top ten things people look for. IOC has a substantial number of Players Club members in Iowa, and the system is integrated throughout all of their properties. Mr. Hinkley noted IOC's history of re-investing in its properties, stating that IOC had just entered into an agreement with Bettendorf to build a hotel and convention center at a cost of over \$40 million. He assured the Commission that they would do the same at this property as well. Commissioner Cutler asked if they could have done the same thing with the downtown site. Mr. Hinkley answered in the negative, due to space constraints, and not having any flexibility to plan for the future.

He stated they try to find as much property as possible. With regard to the remarks regarding underage gambling due to the proximity of the casino to Lost Island, Mr. Hinkley stated there is always a risk of underage gamblers trying to gain entry to the facility.

Commissioner Cutler asked about consolidation amid concerns that there is too much concentration of one company holding too many licenses in Iowa, noting that if IOC were granted a license, this would be their fourth license in Iowa. She asked what IOC's response would be if they had to close a facility in order to get this license. Mr. Hinkley stated that Iowa is attempting to be business friendly in order to bring more jobs to the state. He stated that IOC has done a good job with its current licenses and putting into the community and reinvesting in the property, and would do the same with this license if it is granted. In answer to the question, Mr. Hinkley stated that IOC would be open to it, but would have to evaluate the situation.

Commissioner Bair noted that if this license was granted, it would create additional debt for IOC at the corporate level. He asked if the additional debt would create any risk for the other Iowa properties.

Greg Gida, Senior Vice President of Development/Legal Affairs stated that the company is comfortable with the size of the project and its impact on the balance sheet. At the present time, there is in excess of \$50 million cash showing on the balance sheet to go toward this particular project; a \$400 million revolving line of credit, and another \$50 million in another revolving line of credit. Mr. Gida stated that IOC is comfortable with the leverage amount, indicating they attempt to maintain a rate of five times EBITDA or under. A company will peak when undertaking new projects that are not yet producing EBITDA. IOC has total senior debt between \$1.3 and \$1.4 million.

Commissioner Bair asked about the facility's potential impact on the students at the University of Northern Iowa (UNI) or Cedar Falls. Mr. Hinkley stated gambling is a concern, especially with the sports betting, internet gambling, and the recent influence of poker at colleges. He noted that he sits on the national Board of Directors for the National Council for Responsible Gambling and the American Gaming Association, both of which are trying to learn as much on the above topics as possible, and what tools are needed to train employees. It was noted that one of the Vice Presidents from UNI sits on the BHCGA board of directors in order to help with the situation.

Chair Hamilton called on Northwest Iowa Gaming Co./Palo Alto County Development Corporation (NIGC/PACDC). The following individuals addressed this particular application:

- Greg Fritz, from Pocahontas, spoke on behalf of the application to be located on Five Island Lake. He stated that he feels his employment with the City of Pocahontas provides him with some insight as to the needs of the region. He noted that various cities within the region are working to cooperate on various

projects, including economic development and service sharing, which the Governor and Legislature have also been promoting. He feels this project would compliment those efforts. He also supports the project because of PACDC's commitment to share 15% of the proceeds with surrounding counties.

- Maureen Elbert, Executive Director of Kossuth County Economic Development, spoke in support of a gaming license in Palo Alto County, which would help the northern tier of counties by encouraging growth, and re-grow the rural sector of Iowa. She noted that many businesses in Kossuth County are planning to expand. She noted that the project would bring tourism to the area, as well as many other benefits such as retail and specialty shop, new jobs, a new convention center, a variety of entertainment, and enhance the training programs at the local area colleges.

Larry Seckington and Bruce Schmitter were present from NIGC to answer questions. Commissioner Bair commented on the difficulty in accessing the location, and asked if there were any plans to make the access easier. Mr. Seckington stated that the gravel portion of the road would be paved and widened, as well as widening the highway to add turning lanes to get in and out of the project. Mr. Seckington called on John Bird, with the City of Emmetsburg, who advised that the city is looking at improving the street that runs along the north side of the lake, and plan to close the road going over the railroad. The city believes that will improve the access to the lake, and reduce traffic on Lakeshore Drive.

Commissioner Bair asked about water and natural gas service to the site. Mr. Bird stated that those services are already in place, but the sanitary sewer is not. He indicated that the city would be improving the sanitary sewer system and installing a lift station on the site as there are areas to the west of the proposed site that are "underserved" and further north there are no sanitary services in place.

Commissioner Bair asked if the lake residents are in favor of the casino. Mr. Bird answered in the affirmative.

Commissioner Cutler asked if the city is responsible for the above changes. Mr. Bird indicated that the developer was responsible.

Commissioner Hamilton asked about any concerns with having the casino next door to the college. Mr. Bird indicated that he has not heard any objections, but noted there is a competing application for Emmetsburg. He noted that the referenda passed with a 71% plus approval.

Commissioner Bair noted that two adjoining counties to the west defeated referenda by large percentages and indicated that one of the counties could play an important part in the success of the project for five months of the year. He asked how NIGC intended to attract those individuals to the casino. Mr. Seckington indicated that the residents of Clay

and Dickinson County are lake people, and the facility will utilize a lake theme. Mr. Seckington stated that in order to attract customers it is necessary to promote why people are coming to the area, provide good service, market heavily, and treat individuals with respect. He commented on the number of individuals in northern Iowa that go to South Dakota and Minnesota to gamble; and stated that he did not feel it would be difficult to attract customers to the facility.

Mr. Bird stated that if this opportunity to grant a license in Palo Alto County were missed, there is a good chance that visitors from South Dakota and Minnesota will not come, nor will there be a way to stop the flow of discretionary dollars out of Iowa. He noted that of the other applicants, none are further north and west than Palo Alto.

Commissioner Mahaffey noted that there are four or five applications from northern Iowa; and that Jerry Crawford had indicated that a license should be given to everyone, or more than one in northern Iowa. He asked Mr. Seckington how that scenario would impact their project. Mr. Seckington asked if he could assume only one license in Palo Alto. Mr. Seckington stated that if two licenses were granted in Palo Alto, it would have a substantial impact on the size of the project for both applicants, nor did he feel the market is sufficient for two facilities within the same city. However, if only one license in Palo Alto, and one in Webster, Franklin and Worth, NIGC would proceed with the project, but may have to reduce the scope of the project. He noted that the gaming study numbers received from their consultant are substantially different than those of Will Cummings, but feel the market, without competition, is between \$34-35 million per year. With competition, that drops to a market of between \$22-23 million, however, the casino and hotel would not be downsized, but might need to downsize the restaurants, lounge, and possibly the convention center depending on the budget. He feels there should only be one license in Palo Alto County.

Commissioner Cutler stated that she had spoken with an individual who mentioned a flood in the early 1990's that destroyed some of the homes around the lake. She asked what steps had been taken to prevent flooding in the future. Mr. Seckington stated that he was not aware of any flooding, but noted that since the early 1990's the City has completed a major dredging project on the lake. Mr. Bird advised that the problem was not surface flooding, but was caused by sanitary sewer problems. He noted that the City undertook a major infrastructure project in 1995 and replaced and increased the sewer size in a 50-block area, as well as paved streets, and assessed the residents for those costs.

Mr. Ketterer called for any public comments concerning the Wild Rose Emmetsburg, LLC./Palo Alto County Gaming Development Corporation (WRE/PACGDC). As there was no public comment, he called on the company representatives for questions from the Commission. Bill Wimmer and Julie Clarkson, legal counsel and not-for-profit representative, were present to answer questions.

Commissioner Mahaffey asked how the location and scope of the project would be impacted if more than one license were issued in Palo Alto County. Mr. Wimmer stated

that he concurred with Mr. Seckington's comment that Palo Alto County/Emmetsburg could not support two casino projects. He stated that the numbers in their application are very conservative, and are based on the fact that each community would receive a license. He stated that the project is viable even if all other communities did get a license. Mr. Wimmer stated that the project can be expanded if not every community is granted a license. Ms. Clarkson stated that both non-profit groups have always assumed that there would only be one license in Palo Alto County.

Commissioner Bair asked about the defeated referendums in Clay and Dickinson County, attracting those individuals and visitors from Minnesota and South Dakota to the facility. Ms. Clarkson stated that Palo Alto County is very aware that Clay and Dickinson defeated gaming referendums; but early indications from talking with representatives at the tourist attractions located in those counties, they are very open to the casino as a viable tourist attraction in northwest Iowa. During the site visit in April, representatives from Clay, Dickinson and Kossuth County were present. She feels there is an opportunity to partner with those counties going forward.

Commissioner Mahaffey, referring to Mr. Wimmer's earlier comments, asked him to expand on his comments concerning the possible expansion of the project if not all communities received a license. Mr. Wimmer stated that the study conducted by Wells Gaming contains both conservative and liberal scenarios. The expansion would depend on the number of licenses issued and in which counties. Commissioner Mahaffey asked for some specific examples. Mr. Wimmer indicated there would definitely be an increase in the number of gaming positions.

Richard Wells, gaming analyst, stated that the impact of one license versus all licenses being granted is about \$2 million in gaming revenue. He stated if all of the other northern Iowa licenses were not granted that would have a \$10 million gaming revenue impact on this project, which would allow for expansion in all areas of the project – restaurant capacity and entertainment facilities. Commissioner Mahaffey advised this was what he was looking for. Mr. Wimmer stated that the project already includes several restaurants, hotel and RV Park. Ms. Clarkson stated that the non-profit feels the project has outstanding amenities, with the real possibility for expansion coming from the gaming floor and design.

Commissioner Bair requested an update on services to the proposed location. Mr. Wimmer stated that all utilities are out to the location of the site visit, and just need to be extended to the next lot in order to have services. Commissioner Bair asked if the city had agreed to do that. Ms. Clarkson stated there is no agreement with the City as the City has signed an exclusive agreement with the competing applicant. She noted there have been discussions with the City on this matter, and there are no concerns or issues on this matter at this time.

Ms. Clarkson stated that at the time the referenda passed, the group felt they had no choice but to choose this location as the boats were still required to float and cruise at that

time, and they considered the lake to be a hidden asset that was already available. When a choice of location became available after the change in legislation, it created some confusion within the community. She noted that both groups worked to educate residents of the county, and they have been able to determine which project to support, and most important – a license for Palo Alto County.

Ms. Clarkson referred to a comment by Greg Fritz with regard to a commitment from the non-profit to support non-profit organizations in surrounding counties. She noted this group has made the same commitment and thanked Kossuth County for their support of either license.

Following a short break for lunch, Chair Hamilton called on Diamond Jo Worth, LLC/Worth County Development Authority (DJW/WCDA). The following individuals addressed the Commission regarding this application:

- Don Squier, a resident of Worth County, advised that he moved his family from Raleigh, NC due to increasing crime and issues with the educational system. They found a better quality of life in Northwood; however, talk of the casino over the last few weeks caused him to evaluate the pros and cons. He asked the Commission to consider a different site other than Worth County.
- Robert Luebbert, a pastor in Northwood, submitted a document signed by several area pastors about a year ago when the referenda was up for a vote. He stated that he believes the residents of Worth County are good, decent people and only want what is best for the community and their families; however he is concerned about all the talk about the amount of money this project will bring into the county. Mr. Luebbert stated that the amount of money projected to come in had been reduced in a local newspaper by approximately \$15 million based on the number of licenses granted. He expressed his belief that a casino would do more harm than good – increased divorce rate, crime, suicide, domestic violence, crime and bankruptcy, etc. Mr. Luebbert questioned whether the benefits are worth the probability that someone will become addicted to gambling, even though the operator is required to pay a specific amount into the gambling treatment program. He suggested the residents of Worth County should use a little ingenuity and creativity to find another way to raise the necessary funds to help with education, etc. Mr. Luebbert quoted a statistic that one in ten older adults become involved in problem gambling, and they can least afford it. He noted that 40% of the population of Worth County is older adults. Mr. Luebbert asked the Commission to say “No” to a casino in Worth County and the rest of the applicants.

Kim Miller, Executive Director of WCDA, stated those supporting the application respect the fact that there are other opinions. She noted that when the first public meeting was held, both sides of the issue were presented – pro and con, with Tom Coates presenting the negatives. She noted that the referenda passed by 75%, with 50% of the registered

voters voting. DJW/WCDA are doing everything they can to be responsible and address problem gambling issues.

Commissioner Mahaffey, noting that Brent Stevens, President of Peninsula Gaming, had stated that it would not make sense to proceed with this project if a license were granted in Franklin County, asked what impact other northern Iowa projects would have on the scope of this project. Mr. Stevens answered that none of the other northern Iowa projects, except Franklin County, would have any impact on the Worth County project.

Commissioner Bair noted that should Worth County get a license, it would be the third facility for the company, and inquired about potential impacts on the Dubuque facility. Mr. Stevens stated the impacts are multiple and very positive. He noted that the company's corporate offices are in Dubuque. Mr. Stevens stated there are 420 employees in Dubuque, with an average wage of \$13.50. The Worth County project provides the Dubuque employees with an opportunity to leverage themselves into better paying jobs, and grow with the company. Commissioner Bair noted that in this case, the management fee from Louisiana comes to Iowa from the south, instead of leaving Iowa to go south as is the case in some instances.

Commissioner Bair asked about Minnesota's impact on this facility. Mr. Stevens stated that the Innovation Group performed a stand-alone study, as did the Cummings report, which initially showed the initial gaming revenue for this project to be in the low-to-mid \$20 million. A later study raised the figure to the mid-\$30 million, most from Albert Lea and other areas across the border. It is estimated that approximately 40% of the gaming revenue would come from Minnesota.

Steve Miller, President of WCDA, pointed out that Professor Kenneth Stone projected that 60-70% of the money coming into this facility would be coming from out-of-state. Mr. Miller stated that based on population demographics for a 70-mile range from the facility, 70% would be from out-of-state. This figure does not take into account the traffic from I-90/35, which could increase the numbers.

Commissioner Bair asked what kind of impact a facility in Albert Lea or Rochester would have on the Worth County project? Mr. Stevens stated there is no question a facility would have an impact, but that would be determined by the size and amenities offered by the facility. At this point in time, there is threat of a casino just north of the border.

Commissioner Bair noted that Cerro Gordo County failed to pass its gambling referenda. He wondered if there would be support from that area for the facility. Ms. Miller stated that she believed there was support. She noted that Cerro Gordo's vote was after Worth County's, and that she has received numerous letters of support for the Worth County project from that area. Ms. Miller also feels the facility will be able to draw on the summer tourists visiting the Clear Lake area.

Commissioner Bair asked about future expansion plans, as his original impression is a casino and welcome center. Mr. Stevens stated that the company is talking to two Iowa-based hotel companies to be joint venture partners to build between 50-100 rooms. Original plans will be for a 100-room hotel during the first phase. If the parties are unable to reach a mutually acceptable agreement, Diamond Jo, LLC would continue to evaluate the needs and build the hotel themselves during Phase 2.

Commissioner Mahaffey noted that the Cerro Gordo referenda failed 66%-34%, a significant difference, referring to Ms. Miller's comment that the referenda did not fail by that much.

Commissioner Mahaffey asked about the status of the terms for the directors of WCDA, noting no term limits were initially set. Curt Beason, legal representative, advised there have been by-law changes. He noted the original terms were for life, but have now been changed to revolving terms. Commissioner Cutler asked if there are term limits as well as revolving terms. Mr. Beason indicated there are no term limits, but they are staggered. Commissioner Mahaffey asked for clarification. Mr. Beason stated that every two years there would be turn over.

Hearing no further questions, Mr. Ketterer called on Mineral City Hotel & Casino, LLC/Heart of Iowa Foundation, and asked the speakers for Landmark Gaming, LC/Franklin County Development Association to report to the back of the room. The following individuals addressed the Commission regarding the Mineral City Hotel & Casino, LLC/Heart of Iowa Foundation (MCH&C/HOIF):

- Greg Stoebe, an attorney from Humboldt representing a citizen's ad hoc group from Ft Dodge known as Casino Rethink, stated that his purpose was to point out what his clients perceive to be some major problems in the application, which cumulatively, spell major difficulties in the viability of the proposed casino operation. He did not allege wrongdoing, but stated that the entire proposal does not meet the legislative intent contained in Iowa Code Chapter 99F. Mr. Stoebe stated that at least \$300,000, and more likely \$380,000, was spent to secure the "yes" vote, amounting to approximately \$60 per "yes" vote. He noted the referenda passed with 57%. The group does not feel there is sufficient population in the area to support income projections presented. He questioned the number of jobs and why it was necessary to build a temporary facility instead of just building the permanent facility.
- William S. Doan, Secretary of the Doan Family Foundation and a resident of Fort Dodge, stated the foundation is the oldest and smallest of the family foundations in Fort Dodge, as well as a number to benefit education, religious, and cultural institutions. Mr. Doan expressed concern about the manner in which the Heart of Iowa Foundation was formed and the manner in which it would conduct business should it receive a significant amount of money. He stated that HOIF was formed by individuals who have more than a casual interest in gaming, nor is there any

- record of community involvement or input when the Foundation was formed. He requested the Commission deny the license.
- Suzanne Schwendemann, a resident, expressed her opposition to the casino facility, and specifically addressed the issue of the proposed water park that has been promised, retracted, rearranged, and recently gifted to the voters of Webster County. She noted that when the proposal was first brought up, there was no mention of a water park. She noted that a newspaper ad and flyer were printed and distributed on March 7th, prior to the March 23rd vote. The theme of the campaign was also shifted from a gambling casino riverboat to a family entertainment package. She feels that by the time voters went to the polls, they voted “yes” for the aquatic park, not the gambling casino. She requested that the Commission not grant a license to MCH&C/HOIF. (Newspaper ad attached)
 - Ted Huggins, Fort Dodge resident, stated that he has an interest in growing business and the business environment in Fort Dodge. He is currently a certified financial planner. Mr. Huggins stated that Fort Dodge is not a good location for a casino, everything within a 50-mile radius is located within Iowa’s borders – meaning money spent there could have been spent at other businesses or casinos. Mr. Huggins stated that the proposed casino was the proposed green space center for the riverfront development. He stated that millions of dollars of infrastructure work would be required for this project; however, this project would not pay any funds into the Fort Dodge general fund as it is located in a tax increment district. He noted the property next to the proposed casino site is in a 100-year flood plain, and the so-called interim casino is in a flood plain. Mr. Huggins indicated the referenda and aftermath has been very divisive to the community.
 - Clyde Knupp, a Fort Dodge resident, stated that he is self-employed and has been involved in the entertainment industry for over thirty years. He noted that he and his wife own a large tract of property very close to the proposed casino site. Mr. Knupp stated that a recent Des Moines Register article referenced a 1% growth rate for Iowa, the 48th lowest in the nation. He also referenced the economic study completed by the University of Northern Iowa. Mr. Knupp stated that the agreement with Kehl Management calls for them to be paid \$20,000 per month plus expenses from November 1, 2003 until a license is secured and operations begin. He questioned why the exclusive agreement between the City and non-profit was necessary, and whether it was legal. Mr. Knupp stated that the non-profit board filed improper reports with the Ethics & Campaign Disclosure Board. He noted that the Commission was trying to have an open and transparent licensing process; he indicated the process in Fort Dodge had been less than open and transparent.
 - Terry Dillon, Chairman of the local ballot issue committee that opposed the casino referendum, asked the Commission to not issue a license to MCH&C/HOIF, based on the image presented to the Commission in previous

presentations. He noted the small group of residents who opposed the casino did so for moral and religious reasons. Mr. Dillon stated those individuals who opposed the casino had nothing to gain, and some took business risks. Many spent thousands of dollars, while not one supporter of the casino had to contribute to the "yes" campaign. Mr. Dillon stated that the majority of the letters to the editor of the local paper were against the project; nor did the paper publicly endorse the casino. The Chamber of Commerce did not endorse the casino until after the referenda vote. Mr. Dillon advised that all of the work and funds raised in opposition of the casino was from local residents. He stated that there is very little community support for the casino.

Commissioner Mahaffey clarified that the opposition raised \$22,000 from local residents and did not utilize outside consultants. Mr. Dillon answered in the affirmative.

- Scott Johnson, an attorney representing TJ&J, Inc. d/b/a the Mineral City Mill & Grill in Fort Dodge, stated that IRGC's primary mission is to protect the public and maintain the integrity of Iowa's gambling operations. He stated the Commission has the ability to do both by granting a license to Webster County, but by forcing the licensee to change its name to something other than Mineral City. The owners of Mineral City Mill & Grill have operated the establishment for a number of years, and are good corporate citizens. The restaurant has become a part of Fort Dodge and surrounding communities, serving visitors and residents. Mr. Johnson stated the casino will bring additional competition, and face the possibility of losing business to the casino; however, the owners support the casino because overall they feel it will be beneficial to the community. On the other hand, the owners can not allow the casino with restaurants to infringe on their restaurant's trademarked name, and will also cause confusion among residents and visitors concerning their restaurant. He noted that that Mineral City Hotel & Casino has repeatedly refused to change the name of the proposed casino. Some residents have started to assume that their restaurant is connected with the casino, doing damage to their restaurant's identity and good will in the community. Mr. Johnson stated that the owners of Mineral City Mill & Grill should not be put in the position of possibly losing 42% of their business because individuals have an unfavorable opinion of the casino project, and mistakenly believe their restaurant is associated or affiliated with the casino in some way. Mr. Johnson asked the Commission to exercise their power to grant the license, but only if the operator agrees to change the name of the project.
- Madai Taylor, a resident of Fort Dodge, voiced his opposition to a license being granted to MCH&C. He indicated his family moved to the area during the 1980's and continues to reside there because Fort Dodge continues to be a good community despite the social ills. Mr. Taylor stated that the picture painted of Fort Dodge is not representative of the residents of Fort Dodge, stating that the picture presented to the public is one painted by those having an interest in the casino. He stated that Fort Dodge has a diverse population and can grow

culturally without the casino. He noted that Fort Dodge has the oldest museum in the State of Iowa, that houses a collection of art work that many other museums within the state would love to have, and also highlighted other cultural opportunities available within the city. He stated that the casino would not improve the cultural atmosphere of Fort Dodge

- Dale Harlow, Webster County resident for 11 years, stated that a casino would do more harm than good to the community. One of the criteria for the granting of a license is that the facility would provide more jobs in the community. He noted that some individuals have the impression that there are no jobs or no good jobs in Webster County, but provided facts that refute that assumption: four years ago Fort Dodge was named an All American City; Chief Industries was granted a new product line and \$500,000 to get the line up and running; and Nestle Purina announced an expansion with \$11.2 million being invested in the plant. Three new workers would be hired and the current employees would gain additional hours. Payroll at the plant would increase by \$1 million. This is the second expansion in two years. This expansion will be the equivalent of 31 full time jobs. Decker Truck Line also just recently announced an expansion, and roads are being built to accommodate the expansion. Mr. Harlow noted that several vacant buildings in the downtown area have been purchased and renovated. An ethanol plant is being built in the vicinity and will employ 40-50 people, with an average wage of \$14.35/hour. Friendship Haven, the largest nursing home, recently invested \$22 million in an expansion project. Mr. Harlow stated that he wanted the Commission to know that the community is in much better shape than they have been led to believe, and feels a casino would do more harm than good for the community/county.
- Matt Bemrich, President of Fort Dodge Young Professionals Group, spoke in support of a license for MCH&C, and requested that the Commission grant the license. (Attached)
- Bennett O'Connor, President of the Greater Fort Dodge Area Chamber of Commerce, advised the Commission that not everyone in Fort Dodge is afraid of the opportunity for change, and that the business community welcome the opportunities and benefits that would occur if MCH&C were granted a license. He set forth several reasons why the project is critical to the revival of Fort Dodge, Webster County, and surrounding areas. Mr. O'Connor noted that Fort Dodge is home to many sporting events throughout the year, and the casino would add another entertainment venue to enhance the lives of area residents as well as visitors. He stated that the Chamber of Commerce consists of 525 members, and a recent poll shows that approximately two-thirds of the members that responded support the application. He asked the Commission to grant a license MCH&C. (Attached)

Commissioner Mahaffey asked how many of the Chamber's members responded to the poll. Mr. O'Connor stated that he did not know how many responded. Commissioner Mahaffey, referring to Mr. O'Connor's statement that the group is not afraid of change, asked if the Commission is to assume that those members that voted against the casino are afraid of change. Mr. O'Connor answered in the affirmative. Commissioner Mahaffey asked if that was Mr. O'Connor's assumption. Mr. O'Connor again answered in the affirmative.

Commissioner Bair asked Ken Bonnet, President of MCH&C, for his general response to the individuals who had addressed the Commission. Mr. Bonnet stated that he was not sure how to respond due to the amount of incorrect information set forth by those individuals, particularly regarding the relationship between Mineral City and the Kehl organization. He asked Mayor Will Patterson to address that issue.

Mayor Patterson stated that his interpretation of the comments was that there was something dishonest going on – that the City Council was involved with the Kehl group behind closed doors. He stated that the City Attorney in Fort Dodge is so conservative that he will not allow more than two council members at a time to ever meet together. If he sees three council members having coffee together, he will ask one of them to leave to insure that they are not putting something together. He assured the Commission that all meetings with the Kehl group were announced and open to the public.

Mayor Patterson went back and addressed Commissioner Mahaffey's questions concerning change in the community. He noted that every community has its negative people that feel nothing is good about the community, nor do they make any suggestions to improve the community.

Mayor Patterson went on to address the aquatic center. He noted Ms. Schwendemann indicated that the aquatic center did not come into the picture until two weeks prior to the vote. He indicated that during the referenda campaign was taking place, the Park & Recreation Committee was conducting a study to determine whether to renovate the existing swimming pool or build a new facility. The Kehl's learned of this and advised that the city could utilize the revenue from the casino to build an aquatic center. Additionally, the Kehl's are proposing to build an interim facility in order to have gaming yet this year, which would then be turned over to the city. Mayor Patterson noted the building is large enough to house an aquatic center, but no discussions have been held on that topic. There have been discussions about using the facility for basketball/volleyball courts.

With regards to the comments concerning extending the infrastructure to the casino project, Mayor Patterson stated that the proposed site is located on the site of the original town. The infrastructure in that area is very old, and the City sees the income from the casino as a means to replace/relocate the infrastructure in that area without any expense to the taxpayer.

Mayor Patterson encouraged the Commission to issue a license to Fort Dodge, noting that it sits half way between north central and northwest Iowa.

Commissioner Mahaffey clarified that Mayor Patterson was not saying that everyone opposed to the casino was also opposed to economic development. Mayor Patterson indicated that was correct.

Commissioner Mahaffey asked about the recorded message received by Ms. Schwendemann about voting for the proposal. He asked if the wording of the recorded message was exactly as stated by Ms. Schwendemann. Mayor Patterson stated that he could not answer as he did not receive the recorded message, nor did he make the recording. Commissioner Mahaffey asked if the recording was part of the campaign. Ms. Schwendemann stated that the individual whose voice was on the recording was present. Chair Hamilton asked what the message stated. The individual stated that the message indicated that "With the money that can be generated by the casino from the "Vote Yes" vote would give the community the opportunity to create an aquatic center." Commissioner Mahaffey stated that in essence Ms. Schwendemann's comments were accurate. The individual concurred; clarifying that there would be funds coming to the city that could be utilized for an aquatic park if that was the desire of the community.

Commissioner Mahaffey then asked about the newspaper ad which referred to the fact that voting yes would mean that Fort Dodge would get a new water park. He asked if that was part of the campaign as well, and if so, what the status of the water park was. Mayor Patterson stated that the City Council has never made any decision with regard to a water park, nor where it would be located. Commissioner Mahaffey asked Mayor Patterson what the wording the newspaper ad implied to him. Mayor Patterson stated his interpretation was that the City could use the income from the gaming operation to help pay for a water park if the City chose to build one. He noted that the City has never indicated that such a facility would be located on the river, nor that such a facility would actually be built.

Dan Kehl directed Commissioner Mahaffey's attention to the lease agreement with the City and MCH&C, and a specific clause which addresses the water park. The agreement states that the City will take \$1 million of the tax increment financing and set it aside in a fund that is to be utilized for the construction of an aquatic center within three years of the opening of the casino. Mr. Kehl stated that was his bond to the residents that the aquatic center issue would be addressed. The company then took the matter to the next step and decided to build a temporary facility that could be turned over to the city for use as an aquatic center. He noted that at the time the agreement was done, the City Council was not available to decide the location of the water park. Commissioner Mahaffey noted that the ad specifically states that the water park will be the centerpiece of the water front project. He asked if that was still the case. Mr. Kehl stated that he and the mayor disagree on the location of the water park. Chair Hamilton pointed out that the location of the temporary facility was not included in the original application. Mr. Kehl stated that was where the water park was drawn in on the application. He stated that it was not

his responsibility to determine the location of a water park in the community; that it would require public input, meetings, etc. Commissioner Mahaffey asked Mr. Kehl if the ad was misleading. Mr. Kehl answered in the negative, indicating that the funds from the casino are what will make the water park become a reality; without the casino, the water park will not be built.

Chair Hamilton asked MCH&C representatives if they are going to change the name of the project. Mr. Bonnet stated that was a question for the attorneys. Mr. Bonnet stated that the project's attorney has a different opinion than Mr. Johnson. He stated that he felt the parties would be able to work out an agreement.

Commissioner Cutler stated what would happen if the Commission granted MCH&C a license, but indicated they could not open with a temporary facility. Mr. Bonnet stated that would have no impact on the proposed facility. The original construction time line was approximately 17 months.

Commissioner Mahaffey asked what the impact would be on this facility if all of the applicants in northern Iowa were granted a license. Mr. Bonnet stated that the scope of the project was based on the assumption that everyone would get a license.

Commissioner Mahaffey asked if the amount of money previously set forth in garnering the "yes" vote was accurate, and where the money came from. Mr. Bonnet stated that \$380,000 was spent on the campaign, with the funds coming from Kehl Management, that no local funds were utilized. Chair Hamilton asked if Kehl Management was being paid back for that expenditure. Mr. Bonnet answered in the negative.

Mr. Kehl stated that he wanted to address the \$380,000 spent on the campaign, as that is an inordinate amount of money to be spent on an election, and that the Commission would also be hearing about this issue during the public comment on the Washington County application. He referenced the UNI socioeconomic study and its reference to people's perception of gaming. Mr. Kehl stated that group was battling against the misconceptions of gaming and the mistruths being circulated about their organization. He indicated the money was spent to make the citizens of the two communities aware of the truth and facts. Commissioner Cutler asked if the funds were spent with Iowa vendors. Mr. Kehl indicated that the majority was.

Commissioner Bair indicated that he still had questions concerning the temporary facility and the aquatic park. Mr. Bonnet stated that the development agreement with the city calls for \$1 million of the TIF fund that was established will be utilized by the city to develop a water park facility, which must be started within three years after the granting of the license. Additionally, as further fees are paid to the city, a portion of those fees will be added to the water park fund. The temporary facility, approximately 25,000 square feet, would be turned over to the City to be utilized as a water park or other recreational facilities as the City has a shortage of space for indoor recreational facilities. The City has the ability to determine the manner in which the temporary facility would be

utilized. If MCH&C is granted a license, the water park is an obligation on the part of the city. He indicated the timing was established by the City to allow them sufficient time to research all the options available to them.

Mr. Ketterer called on Landmark Gaming, LC/Franklin County Development Association (FCDA). He directed the speakers wishing to address the Washington County Casino Resort, LLC/Washington County Riverboat Foundation, Inc. to report to the back of the room. He indicated the Commission would take a short break following the Commission's questions for this applicant.

The following individuals addressed the Landmark Gaming proposed facility:

- Morjan Vosburg, a Hampton resident, stated that her family owns and operates a number of businesses – one of which is a lodging facility, and have developed a subdivision of housing and condos. She indicated that her family is very aware of the economic development that the project would bring to the area, and welcome the casino to the area. She stated that the casino could be a great benefit and help to make Franklin County and the Hampton area a destination site, and highlighted some of the other opportunities available to visitors to the area. Ms. Vosburg referred to Hampton as the “best kept secret in Iowa”.
- Molly Teckenburg, Executive Dean of Ellsworth Community College, spoke on behalf of the President of the College, Tim Wynes. Ms. Teckenburg stated that the Franklin County proposal is unique and special because the revenues generated will reach far beyond the Franklin County borders. The various groups responsible for putting the proposal together included Ellsworth and the Iowa Valley Community District without being petitioned to be included. This shows their commitment to economic development, and the young people of the college. Ms. Teckenburg noted that the college has faced serious budget cuts in recent years, which included their technology funding. The revenues from this proposal would help provide new technology, programs and scholarships. She noted that 98% of the classrooms are in use during regular business days, and the college has experienced two years of double digit enrollment growth. If that growth continues into next year, the college will have insufficient classrooms. Ms. Teckenburg concluded her comments by stating that this proposal not only provides opportunities now, but also through those students who choose to stay in Iowa, providing further economic development far into the future all over the state.
- Ray Baltes, a former/current Franklin County resident, advised that he moved his family from Illinois to Franklin County when the opportunity presented itself, even though he was very close to being granted tenure at the university where he was employed at the time. He noted that the Franklin County he remembered was vastly different from the Franklin County his family returned to. He noted that all three of the school districts within the County are suffering from declining

enrollments and reduced funding, meaning there are fewer opportunities for the students, which makes the schools less desirable. Many of the businesses he remembered have either gone out of business or relocated. Mr. Baltes stated the casino would bring jobs and families to the communities and more students for the schools. The casino would dramatically increase the tax base, providing funding to the city and county governments, as well as the many service organizations within the various communities.

Annette Renaud and Karen Mitchell, the former and current Executive Director of the FCDA respectively, were present to answer any questions, as were many other individuals involved with the proposal.

Commissioner Mahaffey, noting that Worth County has indicated that it does not make sense to have licenses in both Franklin and Worth County, asked how the scope of the project would be impacted if a license were granted to both Worth and Franklin County, and secondly, how the project would be impacted if other licenses were granted in northern Iowa. Larry Hannapel, of Century Casinos, stated that they also believe that only one license should be granted between Franklin and Worth County. Should additional licenses be granted in northern Iowa, Mr. Hannapel stated that the proposed project is very good, contains all of the needed amenities, and is designed to adjust to the conditions.

Commissioner Bair noted that this is a large project. He requested an explanation for the difference in Landmark's revenue projections and those projected by the Cummings report. Mr. Hannapel concurred that it is a large project, based on the study prepared by Gaming Resorts and Development, the surrounding population, and highway traffic. He noted that the project does allow for some of the business to come from Minnesota. Mr. Hannapel stated that if both Franklin and Worth County are granted licenses, the revenue projections would vary substantially. He indicated that 99% of the employees would be from Iowa.

Commissioner Bair asked what would happen if the revenues were 30% lower than the projections. Mr. Hannapel stated that the impact would depend somewhat on the number of licenses, but noted that Century has also done a number of analyses for themselves. He indicated that while the Cummings report indicates lower revenue projections than their reports, the project would still be viable at the Cummings projections. He reiterated his comment that the project can be built according to the size that is needed. Commissioner Bair asked if the truck stop would still be built. Mr. Hannapel answered in the affirmative.

Commissioner Bair noted that Century is vying for a license in Edmonton, Canada. He wondered what impact that project would have on this project if that license were granted first. Mr. Hannapel stated the Edmonton project would have a minimal impact on this project. He went on to note that the license for Edmonton has been approved, and construction is underway at this time. Commissioner Bair asked about the financing for

the Edmonton project. Mr. Hannapel advised that the financing for that project is close to being in place. Commissioner Bair asked if the Edmonton financing would have any impact on the Landmark project. Mr. Hannapel indicated that the Edmonton project is financed as a “stand alone project” and would have no impact on the financing for the Landmark project.

Commissioner Cutler asked Mr. Hannapel what he meant by the term “stand alone” financing. Mr. Hannapel stated that would be true for both Edmonton and Landmark, even though Century has partners in the projects. With regard to the Landmark project, the Burnetts will reap the benefits of the revenue and earnings. The financing for the project is secured by the property itself.

Commissioner Bair asked about the services available along the interstate and public safety. He asked if the closest jail was at Eldora. Sheriff Larry Richmeier stated that he houses prisoners in a number of places, with the majority going to Eldora and Clarion, which are 44 and 30 miles from Hampton respectively. He also has agreements to house prisoners with several other counties as well.

Following a short break, Mr. Ketterer called on Washington County Casino Resort, LLC/Washington County Riverboat Foundation, Inc (WCCR/WCRF). He directed those individuals wishing to speak concerning the Wild Rose Ottumwa, LLC/River Hills Riverboat Authority to report to the back of the room. The following individuals addressed the Commission concerning the WCCR/WCRF application:

- John Moenck, Past President of the Washington County Economic Development Board, encouraged the Commission to select WCCR/WCRF for a gaming license for a number of reasons: locally owned, and the stock offering substantially oversubscribed. He noted that the project would generate additional revenue for the state and new taxable revenue for local jurisdictions. Mr. Moenck indicated that the management team has established a generous financial agreement with Riverside and WCRF. The project is located in one of the few areas of the state that has been determined to be underserved by the gaming industry. It is in a rural area, but close to the metropolitan areas of Cedar Rapids and Iowa City. The WCCR/WCRF application contains amenities not found in other applications.
- Jim Hussey, representing CARE – Communities Against Riverboat Expansion, advised that the Washington County referenda passed by only 4.4%. He requested that if the Commission were going to approve any licenses that they be given to counties with broad public support; not to Washington County where the bitter election continues to divide the residents. Mr. Hussey stated that the Iowa Ethics and Campaign Board is investigating Washington County for Good Jobs, whose reports show they spent \$400,000 and collected \$400,000 the day after the vote. According to Ethics rules, there is to be a full ethics disclosure five days prior to the election. He pointed out that Catfish Bend spent approximately \$100 per vote, and utilized a consultant out of Evanston, IL. The pro-casino group

- disclosed approximately 90% of its expenses only after the election. Mr. Hussey conceded that WCCR had no control over the wording on the ballot, but did have control of the advertising which depicted a cruising riverboat. Mr. Hussey noted that with the project's location adjacent to the county line, Johnson County is as close to the casino as the rest of Washington County. Within a 20-mile radius, there are more than 100,000 people in Johnson County and fewer than 20,000 in Washington County. Mr. Hussey advised the Commission that there is no Amish support, nor do they participate in elections. He noted there are 225 Amish families (1,250 individuals) in the Kalona area. He submitted a letter signed by approximately 100 members of the Amish community indicating they are against a casino. (Attached)
- Brad Franzwa, a medical researcher at the University of Iowa, stated that he has personally seen the effects of gambling on the patient population that relies on the state to fund their health care, prescriptions and transportation to their medical appointments. After studying the facts on the gambling issue, Mr. Franzwa stated that the expansion of gambling will eventually cause more harm than good for the economic development of the state. He indicated that his remarks will center on what the casino has promised versus what it can be expected to deliver. Mr. Franzwa stated that the casino idea was sold based on local ownership and investments. Local residents were told they would be given the first opportunity for making money in the casino by investing \$3,000 in the project. The stock offering prospectus set out additional limitations. Mr. Hussey noted that WCCR later reported there were 380 investors who had promised \$23.7 million, an average of over \$62,000 each. He stated those who voted "yes" with the thought of being able to invest \$3,000 should have felt misled. WCCR shifted the search for individuals to invest in the project to Linn and Johnson County after giving Washington County residents only 20 days to invest in the project. Mr. Franzwa noted that none of the officers of Kehl management live in Iowa. Since the election, the number of jobs and revenue projections for the project has changed. He noted that the golf course has been touted as the key to the success of this project, but noted that it will not be available from November to March, and wondered what impact that would have on the revenue projections. (Attached)
 - Dale Torpey, President and CEO of a community bank in Washington County, stated that he is adamantly opposed to gambling, and specifically to bringing a casino to Washington County. He expressed concern over how the WCRF group was put together. Mr. Torpey stated that the faculty of the University of Iowa opposes the casino; and noted that a conference on pathological gambling was going to be held at the college over the next two days. Mr. Torpey asked the Commission to balance the greed of the casino owners with the devastating social effects on Iowans. (Attached)

Chair Hamilton asked Mr. Torpey about the \$10 million figure he indicated would be leaving Washington County. She wondered if that was gambling losses. Mr. Torpey

answered in the affirmative. She stated that he was assuming the only losers at the facility would be Washington County residents. Mr. Torpey answered in the negative, stating that the total losses for the casino are projected to be \$80 million, so 1/8 of that amount would come from Washington County. Chair Hamilton asked where that projection came from. Mr. Torpey stated that he thought it had come from the Kehl management team.

- Bill Fredrick, Washington County Auditor, stated that a majority of Washington County voters approved a public measure allowing for a gaming license in Washington County. He noted that several issues relating to this issue have been highly publicized and debated. The referenda garnered one of the largest voter turnouts for any non-general county election for many years. He stated that 53% of the eligible voters participated, with over 52% voting yes. He noted that recent elections for a one-cent sales tax election only saw 18% of the voters turn out. Mr. Fredrick stated that if the voters are motivated by the issue, they will get out and vote. He indicated his belief that those who supported the public measure did so because of economic development concerns. Mr. Fredrick noted that growth in Washington County is occurring in the northeast corner of the county, where many of the residents work and shop in the Iowa City corridor. At this time, 38% of all working Washington County residents must seek employment outside the county. WCCR will allow residents to live, work and spend some of their resources in their own community. He urged the Commission to give strong consideration to issuing a license to WCCR/WCRF.
- Herbert Mast, Amish, Kalona resident, stated that he was representing 200 Amish households that reside ten miles from Riverside. He indicated that group did not support the casino, and would not welcome it in their area.
- Lloyd Mast, Amish, a resident of Kalona, stated he was addressing the Commission to refute a report that the Amish community near Riverside supported the casino project. He indicated that was not true. Mr. Mast advised that the Amish do not participate in any elections. He reiterated that any statements made to the Commission indicating the Amish supported the project were not true.
- Don Patterson, representing the Mennonite communities in Johnson and Washington County, stated that he is concerned about a casino being placed in the midst of these communities without any representation on their part. He noted that the Mennonites seldom vote in elections. He indicated the fact that Herbert and Lloyd Mast were willing to leave their closed Amish community and travel a great distance in order to speak to this issue speaks volumes, and should be given consideration. Mr. Patterson stated that he feels gambling is a taxation that focuses on desperation in Iowa under the guise of entertainment. He feels there are other means to fund necessary projects without resorting to gambling.

- Bill Gerhard, a business representative for a construction labor union in Iowa City, stated that he was there to support the WCCR/WCRF application as it will generate a large number of well-paying construction jobs, including health and welfare benefits. These jobs will put a number of individuals to work that reside in Linn, Johnson and Washington County.

Joe Massa, General Manager of Catfish Bend Casino, and Mr. Kehl were present to answer questions from the Commission. Chair Hamilton asked if any of the allegations concerning secret meetings and investors related to non-profit board members were true, and if the non-profit board was hand-picked.

Mr. Massa stated that the members of the non-profit board were not hand-picked. He noted there was an organizational meeting and they asked for some help in establishing the board as they were not sure of the necessary steps to be taken. Mr. Massa stated that Kehl management did attend some of the original organizational meetings prior to the establishment of a full board. With regard to investors being related to non-profit board members, Mr. Massa stated that he could not answer at this time. He noted there are over 650 subscribers, the project is over-subscribed by \$10-12 million and the process has not been started to determine which investors will be turned down.

Commissioner Mahaffey asked how much money was spent on the Washington County referenda. Mr. Massa stated they reported approximately \$469,000 spent by Catfish Bend Casino and founding investors from Washington County.

Commissioner Mahaffey asked how the scope of this project would be affected if the Commission also granted a license to Ottumwa. Mr. Massa indicated there would be no impact as the project was based on the presumption that all applicants would be granted a license.

Commissioner Cutler asked what percentage of the subscribers was from Washington County. Mr. Massa indicated the last numbers he saw indicated about 25% were from Washington County, and had pledged approximately \$4 million. The maximum amount to be issued in terms of members is \$17.5 million. Mr. Massa addressed the income and net worth requirements raised by Mr. Franzwa. He indicated those requirements are set by the Iowa Securities Division.

Chair Hamilton asked Mr. Massa what his response would be to 133 letters and/or e-mails from Washington County residents opposing the casino. Mr. Massa stated that WCCR/WCRF is aware there are individuals who oppose the casino; but an election was held. He noted more than 17 public meetings were held throughout the county during the two months preceding the election, providing ample opportunity for residents to express their views. He indicated that he was not surprised by the amount of correspondence. Mr. Massa advised that 10 out of the 12 precincts in Washington County passed the referenda. Commissioner Mahaffey asked how many "yes" votes were cast.

Commissioner Bair indicated there were 4,099 “yes” votes, or 52% of the voting electorate.

Commissioner Cutler advised the Amish and Mennonite representatives that she was never under the impression that they supported this project. She was aware that they did not participate in elections because of their religious convictions. Mr. Massa noted there had been comments that WCCR/WCRF felt they had the support of the Amish community. He stated they never felt they had support from the Amish, and respect their opinion with respect to gambling.

Commissioner Bair asked if the golf course is on the same track as the casino, or what is the projected completion date. Mr. Kehl stated that the casino and golf course should be completed simultaneously. He indicated the golf course will be planted and should be ready by the time the casino is ready to open.

Commissioner Bair asked about services to the project – water, sewer and electricity. Mr. Massa stated that since the conception of the project, WCCR has been working under the assumption that they would have to provide rural water and utilities to the site, and it still appears that way as Riverside does not have the means to extend services to the site. WCCR has entered into an agreement with Riverside to be annexed into the city limits, which will provide some financial economic benefits to the city. WCCR has cost projections for providing those services themselves, and are still in discussions with the rural water association about bringing rural water to the site, which would be good for that area of the state.

Commissioner Bair noted that the completion date is approximately 2.5 years away, based on the ability to bring in the necessary services. Mr. Massa indicated the completion date is somewhere between 18 and 24 months, with a possibility of accelerating the completion date. Commissioner Bair noted that the application stated November 2007. Mr. Massa stated that the size of the project is driving the time frame, not the necessary services.

Mr. Kehl stated that when the application was put together last November, a construction manager provided the time line. Part of the thought process was to provide the city sufficient notice should WCCR elect to have the city install the necessary services. Mr. Kehl stated they will do whatever is necessary in order to get this project completed and in operation as soon as possible. He indicated that it is possible to have the casino portion open in approximately 8-10 months from the approval process, but would still need to have sewer and water.

Commissioner Bair noted there are four lane roads coming into the area from each direction, but the actual road to the site (Highway 22) is a two-lane road. He asked if the Department of Transportation is going to do anything with the road. Mr. Kehl indicated the road will remain two lanes, but an interchange and turning lanes will be added. WCCR has included those costs in their budget for the project.

Commissioner Bair noted that WCCR's projections include \$2 million for local property taxes. He asked the source of those taxes. Mr. Massa indicated the figure was generated by the Washington County Economic Development Corporation based on projected investment revenues and current tax levels. Mr. Massa indicated that WCCR is anticipating that boat would be taxable.

Commissioner Cutler asked about the concerns of the University of Iowa on the proximity of the facility to the college and the impact on the students. Mr. Kehl stated that his family has been involved in riverboat gaming in the Dubuque area, which has three collegiate institutions for a number of years. He noted that PMR&C is close to Drake University. He stated that almost every college has a casino within driving distance. Mr. Kehl stated that by law, any individual under 21 is not allowed to enter the casinos, which rules out a large majority of the students. They work very diligently to enforce that law, and have the track record that speaks to that. He does not believe there will be an influx of students.

Commissioner Bair asked about the high unemployment rate in the three counties in which CBC operates (Kehl counties). Mr. Kehl stated that those counties have experienced a major loss of manufacturing jobs. He noted that manufacturing jobs are leaving the Midwest, and going across the border. He did not attribute the loss of jobs to the gaming industry. Mr. Kehl stated the gaming industry is attempting to backfill those positions.

Mr. Ketterer called on Wild Rose Ottumwa, LLC/River Hill Riverboat Authority (WRO/RHRA). He requested that any speakers wishing to address the Commission in general should report to the back of the room.

Representative Mary Gaskill stated that she advocated for the change in the gambling law due to the support shown in Wapello County and the economic development in the communities/counties with gaming, support of community projects and organizations. She noted that many were suffering the same plight as Ottumwa and Wapello County prior to the advent of gaming in those areas. Rep. Gaskill stated that she and other legislators saw gaming as a catalyst for development and tourism that could breathe new life in Ottumwa. She noted the proposal is regional in nature, benefiting 240,000 residents in a ten county area. Ottumwa serves as the regional hub for shopping, healthcare and education. The community has worked hard to bring jobs, entertainment and education to the area. Rep. Gaskill reminded the Commission that when the Legislature voted to lift the moratorium, they did so with the idea of benefiting the regional cities, providing the economic seed needed to grow and prosper in the future. She asked the Commission to grant a license to Wapello County.

Jerry Crawford, legal counsel, was present to answer any questions. Commissioner Mahaffey asked how the scope of this project would be impacted if Washington County were also granted a license. Mr. Crawford advised that the scope of the project could be impacted, which was indicated in the application. WRO would review their plans if that

scenario should occur. Mr. Crawford noted there are a number of projections, but under the most conservative set of numbers, this facility would still cash flow very satisfactorily even if both facilities were granted a license. He indicated the financing is assured either way, which is all Iowa financing. Ownership is also all Iowa. He indicated there is more square footage than necessary, so there could be some shrinkage of public spaces and possibly some change in the quality of finish at the onset until they were able to see what was going to happen, but there is no problem with viability.

Commissioner Bair noted that Wapello County had the lowest voter turnout – only 19% of the voters turned out to vote, and the Commission has not received much correspondence on this project. He asked if there was a sense of apathy or excitement with regard to the project within the community. Mr. Crawford attributed the low voter turnout to the fact that no funds were raised or expended by WRO/RHRA in support of the referenda, which does have a direct result on voter turnout. He noted that a large number of people were present for the Commission's site visit in April, the Commission has received several petitions, and no one is present to speak in opposition to the project. Mr. Crawford reiterated that this is a regional project - representatives from ten different counties and elected officials from various counties were present at the site visit. He indicated that he felt the community is wholly behind the project.

Commissioner Bair asked about access to the site, noting that the Commission had some difficulty. He asked if Vine Street and Highway 34 would be the main entrance. Mr. Crawford answered in the affirmative, noting there are three different plans from Vine Street to gain access to the site. He stated that the Department of Transportation is reviewing those options and will determine the best one. Commissioner Mahaffey asked which option WRO would prefer. Mr. Crawford indicated the direct approach.

Steve Siegel, RHRA President, stated that the engineering firm has reviewed the options further. He noted that both Church and Vine Streets have entrance and exit ramps. Currently there is discussion about a frontage road on both sides of the highway from both streets, providing access under the highway and railroad. He indicated that city infrastructure funds were available to construct the roads.

Commissioner Bair asked about the little league teams being evicted from their fields. Mr. Crawford stated that WRO/RHRA views this as an opportunity for them to move into grander surroundings. He noted that Gary Kirke has made a contribution to the Little League for infrastructure needs. The mayor of Ottumwa advised the Commission that during the City Council meeting the previous evening, the Council approved the concept of moving all three little league teams to the Greater Ottumwa Park where a complex will be developed which allow them to bring in district, regional and state tournaments.

Commissioner Bair noted that WRO has projected a 12-14 month completion date, and asked if that was still the case. Mr. Crawford answered in the affirmative. He indicated that Regency Builders will be the contractor for this project, as well as the one in

Emmetsburg. He indicated that if WR receive two licenses, they are very confident that both projects will be completed on schedule.

Hearing no further questions concerning WRO/RHRA, Mr. Ketterer called for any further public comment, which did not need to be specific to any of the applications.

Senator Joe Bolkcom addressed the Commission regarding the Washington County Casino Resort project. He urged the Commission to reject the WCCR application, noting that the developers have indicated that the primary target markets are Iowa City, Coralville and Cedar Rapids, located in Johnson and Linn County respectively. It is (Attached)

Commissioner Bair noted there had been much discussion concerning the heavy influence of the applicants and potential developers on the referendum. He asked if there was any impact from a potential developer during the last Linn County referenda. Mr. Ketterer stated that he believed there was a developer of a site that was interested, but didn't believe the city had gone through the process of selecting a casino developer. In his opinion, the answer would be no. There was no campaigning by anyone with an exclusive agreement with the city.

Commissioner Bair asked Senator Bolkcom if he was aware of any scientific polls regarding gambling in Johnson County. Senator Bolkcom stated he was not aware of any specific polls, but is aware of side conversations expressing concern over whether gambling would be appropriate in Iowa City. He noted there are not enough advocates of gambling in the area to move the idea forward to the point of putting together a proposal.

Jim Garnett read a prepared statement on behalf of Tom Coates, Director of Consumer Credit of Des Moines. (Attached)

Charles Nelson, a retired Drake University history professor and pathological gambler, stated that the Commission and everyone is struggling to learn the truth about Iowa gaming. He indicated that he has come to believe that "Truth is what our opinion is at any given moment at any given place under any given circumstances." Mr. Nelson stated that he has been a compulsive gambler since 1991 when he suffered from coronary disease and chronic depression. He meets nine out of the ten characteristics set forth by the American Psychiatric Association. Mr. Nelson stated that he has never stolen money to gamble, but has experienced several relapses, most recently on January 18, 2005. At that time he left the local casino after having lost approximately \$3,000 in eight hours. Mr. Nelson stated that he is one of the victims that the gaming industry and public do not want to acknowledge. Mr. Nelson stated that he did not want to be in front of the Commission, but felt they needed to see the truth. At one point in one of his many recoveries, he signed over all properties to his wife, gave up any control over the checkbook, ATM cards, and credit cards. He has entered into a contract with Tom Coates to help him pay off an \$85,000 gambling debt, most of which he has incurred within the last six months. Mr. Nelson stated that he felt it was necessary to convey his

pain to the Commission as they weigh in the balance the economic benefits of gambling against the social and economic ills of gambling. Mr. Nelson stated that he had waited throughout the day for this opportunity to speak from his aching heart about the insidious, baffling, cunning, progressive disease from which he suffers. He attends Gamblers Anonymous meetings twice a week to share his story. Mr. Nelson stated that he thought one of the Commission members had indicated the state had enough gambling, and he expressed his hope that the Commission would embrace that idea.

After a short break, Chair Hamilton moved to the next agenda item – discussion and possible action regarding the number of new licenses. Mr. Ketterer noted that this meeting marked the end of the application process which started on November 10, 2004. He indicated the primary goal of the process was to educate the Commission members as much as possible about each project. The secondary goal was to have a transparent and open process. All facets of the process, except for the Division of Criminal Investigation (DCI) reports, were open to the public. Documents were available to the public at the Commission's office.

Mr. Ketterer thanked the members of the public that traveled considerable distances to be present and make their opinions known to the Commission; that their opinions do matter. He thanked the applicants for the time, effort and expense invested in the licensing process; as well as their cooperation, enthusiasm and information furnished. Mr. Ketterer thanked the DCI and all of the agents for their thorough and professional job in a compressed time frame.

At this time Mr. Ketterer extended a special thank you to his staff, who other than the DCI and Cummings report, shouldered the entire burden of this undertaking while continuing to perform their normal job duties: Linda Vanderloo, Karyl Jones, Julie Herrick, and Karlyn Dalsing. He expressed special thanks to Terry Hirsch for the extraordinary amount of work he has done throughout this process.

Mr. Ketterer thanked the Commission members for all of the time taken from their schedules, noting that some had to utilize vacation days in order to fulfill their obligations during the process. He thanked them for the patience, perseverance and diligence throughout the process.

Mr. Ketterer stated that the Iowa General Assembly left the number of licenses up to the discretion of the Commission. The rule establishing a moratorium on new licenses originated due to applications filed in Clarke County for the first boat on inland waters. Commission members at that time felt it would be difficult to rationally limit the number of casinos in the state. Due to changes in the gaming law during the 2003 legislative session, the Commission addressed the moratorium issue at its November 2003 meeting, voting 5-0 to leave the moratorium on new licenses in place unless they received direction from the Legislature on specific areas of the law, including the number of licenses. During the 2004 legislative session, a bill was passed revamping the gambling law in Iowa. This bill provided direction to the Commission in most areas, but did not

address the number of licenses. In June 2004, the Commission started the administrative rule process to lift the moratorium on new licenses. The rule was effective in November 2004, thus starting the licensing process. Mr. Ketterer advised that during individual conversations with the Commission members, it has been decided to hold a discussion on a rule re-establishing the moratorium on new licenses should be implemented at the July 14 Commission meeting. Until the Commission determines a course of action based on those discussions, the Commission will not be receiving any applications for new licenses in new locations. After reviewing the Cummings report, and other reports, relevant to what might be the appropriate number of licenses in Iowa, the Commission members will now share their thoughts and philosophy on the number of licenses they believe would be in the best interest of the State of Iowa.

Commissioner Mahaffey stated that he has seen and heard some extraordinary things, but indicated the civility shown throughout the process is a credit to the state. He noted that had there been two other Commissioners who voted with him last fall regarding the lifting of the moratorium, it would not have been necessary to go through this process. He noted that everyone is aware of his skepticism regarding an expansion of gambling in the state, and reminded those in attendance that while seven counties voted for casino proposals, there were eight who defeated gambling referendums. In calculating all of the ballots cast in those referenda, slightly more ballots were cast against gambling than for it. It is his belief that if a state referendum were held on this issue, a majority of Iowans would vote no. Commissioner Mahaffey noted there were ten applications before the Commission, and that his preferred number of licenses would be zero. If new licenses are granted, it would be his preference that there are less rather than more. He indicated that he is still wrestling with his decision. He will weigh the facts presented, and take into account his biases on this issue. Commissioner Mahaffey indicated that if he were going to vote to grant any licenses, it would be no more than two or three.

Commissioner Cutler stated that most of the letters/e-mails that she received were in opposition of expanded gambling, with the strongest ones coming from the religious communities. She expressed respect for those individuals and their sincerity in their faith, as that will provide a strong barrier within the community to the negative consequences of gambling. Commissioner Cutler reminded those individuals opposed to gambling in their community that a referendum is required every nine years. She stated that she was moved by the letters she received, but does not feel the Commission should conduct a vote based on the letters received. She will review the license applications for economic viability, use of Iowa resources, gaming integrity, tourism, economic development, employment opportunities, and revenue sharing with the non-profit operator. Commissioner Cutler stated that she is looking at granting between two and six licenses.

Commissioner Jarding noted that when the process started, the Commission members shared what they would be looking for in the applications. She concurred with the areas previously expressed by Commissioner Cutler. She stated that she does not feel the Commission can issue ten licenses, but is impressed by the communities/counties coming

together and the commitment shown. She expressed her hope that this cooperation continues into the future on other projects. Commissioner Jarding stated that she would support issuing between two and five licenses.

Commissioner Bair concurred with Commissioner Jarding's comment concerning the enthusiasm shown by the various communities. He noted that during his first meeting with the Commission, he voted to lift the moratorium. He indicated that he would also consider the criteria previously set forth, but would pay attention to the financial information. Commissioner Bair stated that he also supports granting between three to five licenses.

Chair Hamilton stated that she concurs with criteria expressed by the other Commission members, as well as not taking revenue from one casino and simply shifting it to another. She does not want the Commission to issue so many licenses so that it becomes necessary to go through the process of closing down a facility. Chair Hamilton expressed her support of granting between three to five licenses.

Chair Hamilton called for any Administrative Business. Mr. Ketterer advised that the May 11th meeting would start at 10:00 AM for the decision.

Hearing no further business to come before the Commission, Chair Hamilton requested a motion to adjourn. Commissioner Bair moved to adjourn the meeting. Commissioner Jarding seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

IOWA RACING AND GAMING COMMISSION
MINUTES
MAY 11, 2005

The Iowa Racing and Gaming Commission (IRGC) met on May 11, 2005 at Stoney Creek Inn, 5291 Stoney Creek Court, Johnston, Iowa. Commission members present were Diane Hamilton, Chair; Kate Cutler, Vice Chair; and members Gerry Bair, Joyce Jarding and Mike Mahaffey.

Chair Hamilton called the meeting to order at 10:00 AM and requested a motion to approve the agenda. Commissioner Cutler so moved. Commissioner Jarding seconded the motion, which carried unanimously.

Chair Hamilton moved to the next agenda item, Discussion and Action on New Excursion Gambling Boat Applications”, and advised that each Commissioner would comment on why they chose the applicants they did and any other comments.

Commissioner Bair thanked all of the communities for their efforts during the application process. He advised that he used a two-tiered process to make his selections, and set forth the criteria he used: integrity, character and reputation of the investors and operators, the amount of money for the non-profit to be invested in the community, adequate safety and security, what the facility would do to enhance economic development, added value for tourism, decent employment opportunities and wages, utilizing Iowa products and services through the total process, related development to the casino itself, and revenue and market potential.

Commissioner Bair stated that he reviewed numerous data and information during the last three or four months. He noted that he had reviewed the applications, the numerous economic studies that were available to them - placing more emphasis on the Cummings study, the actual site visits and the presentations, DCI investigative findings, and citizen input.

Commissioner Bair then indicated the following were the critical factors in determining the sites he would select: all aspects of the financial information, and location, location, location meaning market potential, impact on tourism and tourists, and the site’s ability to attract out-of-state customers. A study conducted by the Strategic Economic Group in 2004 stated that 66% of the customers in Iowa casinos were non-Iowans, and accounted for 52% of the spending. He indicated the recent Cummings study validated that study which indicated almost 56% by non-Iowans. Commissioner Bair stated that he supported recapturing the \$120 million spent gambling outside of Iowa by residents in the top two northwest and north central tiers of Iowa. He also took into consideration the actual casino site – accessibility by the general public, potential growth for the future for the casino and any added amenities, based on the current licensees, which have expanded in

some manner over the years. Another critical factor was community support, one of which was the referenda vote.

Commissioner Bair stated his final decision was based on the market segments of Iowa, and carved out market areas within the state.

- His first geographic area was northwest Iowa. Commissioner Bair selected Wild Rose Emmetsburg, LLC/Palo Alto County Development Corporation due to the market potential of the Great Lakes area, close proximity of Minnesota, and the voter approval of 71% in the referenda.
- His second area was north central corridor along I-35. Commissioner Bair selected Diamond Jo Worth, LLC/Worth County Development Authority because of the ability to lure Minnesota residents to Iowa, the new Welcome Center, and the ability to attract visitors from the Mason City-Clear Lake area. The voter approval for the referenda was 75%.
- His third geographic area was the northeast segment. Commissioner Bair's choice was IOC Black Hawk County, Inc./Black Hawk County Gaming Association. He noted the Commission had a lot of information available to them for this community – the Wells Gaming Study and the poll conducted by the Waterloo Courier – were helpful to him in finalizing his selection. He indicated the potential for future growth was a critical factor. He also sited Isle of Capri's track record in reinvesting funds into its sites to insure top-notch facilities. He believes this site has the ability to become a destination site. Commissioner Bair noted the voter approval rate for Black Hawk County was 66%.
- Commissioner Bair's final market area was the southeast. He selected the Washington County Casino Resort, LLC/Washington County Riverboat Foundation, Inc. He noted the Commission received more public input on this application, both pro and con – mostly con, than any other; however he believes there is a tremendous opportunity for a successful casino that will become a destination site with a high-end golf course. Commissioner Bair stated that he chose this location despite the lower voter turnout because of the market potential and the added amenities of the golf course.

Chair Hamilton called on Commissioner Jarding for her comments. She began her comments by thanking the staff for their help throughout this process, and the applicants for their time, effort and commitment throughout the process as well.

Commissioner Jarding noted that she has been asked numerous times how she was going to make her decision. She pointed out that the Iowa Code Chapter 99F lists the criteria for the granting and renewing of licenses. She also referenced the applications, presentations, various gaming and socioeconomic reports, and the site visits. Her

personal preferences are the socioeconomic impact, location, any impact on existing licenses, distribution of funds, and economic development for the area.

Commissioner Jarding stated her support for the following applicants:

- Wild Rose Emmetsburg, LLC/Palo Alto County Gaming Development Corporation due to the location, the Iowa ownership, and that the site will have little impact on other licensees. She feels the area around Five Island Lake will develop on its own.
- Washington County Casino Resort, LLC/Washington County Riverboat Foundation, Inc. based on Iowa investors and location. She agrees that a casino in that area can not stand alone, but feels there are sufficient attractions in the area to attract visitors and that the casino and golf course will add to the marketing for the area; that it will benefit all of Iowa and the economic development and tourism in the area.
- Waterloo – IOC Black Hawk County, Inc./Black Hawk County Gaming Association due to the accessibility of the site, local family involvement, and the commitment as to how funds would be distributed, with 25% to be used to help revitalize the downtown area. She feels the downtown area revitalization will continue.
- Diamond Jo Worth, LLC/Worth County Development Authority because of their location on the border, and the prospect of attracting out-of-state dollars.

Chair Hamilton called on Commissioner Cutler for her comments. She provided a brief synopsis of the criteria she utilized in making her choices: the criteria set forth in the Code of Iowa, revenue provided by the facility, tourism, revenue sharing and additional funds to the community and county, viability, population base to be served, community support, and the ability to attract out-of-state visitors/tourism. She noted that approximately 70% of the revenues in the Council Bluffs market come from out-of-state visitors.

Commissioner Cutler stated her support for the following applicants:

- Diamond Jo Worth, LLC/Worth County Development Authority due to the 75% voter approval in the referenda, large amount of revenue going to the non-profit with a substantial portion of that going to support education and other communities. There was also information presented that indicated 71% of the people gambling in Worth County would be coming from outside of Iowa.
- Washington County Casino Resort, LLC/Washington County Riverboat Foundation, Inc. provided the highest revenue projections, no other casinos within

50 miles, Iowa ownership by the Kehl family and 50% Iowa investors. She also saw the vision behind the golf course.

- Wild Rose Emmetsburg, LLC/Palo Alto County Gaming Development Corporation due to its location and the ability to draw patronage from Minnesota and the Great Lakes area, the community support of 71%, the fact that the non-profit organization will receive 6%, and 100% Iowa ownership. She noted that the architects and engineers for the project are also Iowa-based.
- Waterloo – Cedar Valley Gaming Company, LLC/Cedar Valley Grants, Inc. because of its downtown location to help with the revitalization of the area, Iowa owned and financed, and 6.1% of revenues to go to charities. She feels that the downtown location would provide synergy for the area.
- Mineral City Hotel & Casino, LLC/Heart of Iowa Foundation (Fort Dodge) because of the involvement of local investors and the Kehl family, the site compliments the riverfront development and regional park, and would help to revitalize the downtown area. She is aware of the positive economic impact of a casino for an area via jobs, and feels it would be a boon to Fort Dodge.
- Wild Rose Ottumwa, LLC/River Hills Riverboat Authority because of the 100% Iowa ownership, the ability to attract patronage from Missouri, and the Vision Iowa grant.

Chair Hamilton called on Commissioner Mahaffey for his comments. Commissioner Mahaffey stated that this has been an interesting process. He noted that when the Commission voted last fall by a vote of 4-1 to rescind the moratorium, he was the odd man out. He advised that as a member of the Commission, he has attempted to be constructive in his role as a Commissioner during the process. Today the Commissioners have to vote on the applicants based on the criteria set forth in the statute and what they feel is best for Iowa. Commissioner Mahaffey stated that he has heard from many citizens across the state, and left last week's meeting with a different viewpoint than the other Commissioners. Commissioner Mahaffey stated that he was not going to vote for any new licenses, noting that he indicated last week the possibility of voting for two or three. In the final analysis, Commissioner Mahaffey stated this vote was not about whether or not there was gambling in Iowa, but whether or not gambling would be expanded in Iowa. Commissioner Mahaffey reiterated his choice to not vote for any new licenses based on all of the criteria, the information received at the meetings and Iowans throughout the state. He noted that he has to live with himself, and this vote will make that easier to do. Commissioner Mahaffey expressed his appreciation for all of the input, noting that many do not agree with him.

Chair Hamilton noted that the application process has been interesting, taking six months to reach this point. She stated that being able to visit the various communities was an amazing experience. She commented on the enthusiasm displayed by the various

communities, showing the need for some development or a boost to help with development and applauded them for their efforts. Commissioner Hamilton stated that she reviewed the criteria set forth in the Iowa Code, as well as other information available to her.

Chair Hamilton voiced her support for the following applicants:

- Wild Rose Emmetsburg, LLC/Palo Alto County Gaming Development Corporation because she felt the site away from the lake was a better choice.
- Diamond Jo Worth, LLC/Worth County Development Authority based on the location on the interstate, room for development, and it will have little impact on other facilities.
- Waterloo - IOC Black Hawk County, Inc./Black Hawk County Gaming Association. She stated that all of the applications had good points, but elected to go with the most popular site.
- Wild Rose Ottumwa, LLC/River Hills Riverboat Authority because it is not near any existing casinos, has the ability to attract customers from Missouri, and the area would benefit from the economic development.

Chair Hamilton called on Jack Ketterer, Administrator of IRGC, who read the following conditions that would apply to any of the locations that are approved for a license:

- Subject to the license period of May 11, 2005 through March 31, 2007 and payment of the first installment of the license fee within 30 days.
- Subject to substantial completion – within reasonable proximity of the start of operations date as listed in the application – of the entire project in essentially the same form as submitted in the application and represented in the presentation to the Commission on March 22-23, 2005. Interpretation of this condition shall be in the sole determination of the Commission.
- Subject to opening the gaming floor to the public only after substantial completion of the entire project. Interpretation of this condition shall also be in the sole determination of the Commission.
- Subject to a status report on financing and the construction time table at the September 8, 2005 Commission meeting and submission of written documentation by August 19, 2005.
- Subject to all required state and local approvals for construction of the project in the proposed location.

- Subject to complying with the state building code created by Iowa code chapter 103A and submission of construction documents and plans to and approval by the state building code commissioner prior to construction, if there is no local building code in force in the local jurisdiction in which the facility is located.
- Subject to submission of construction plans and documents to and approval by the state fire marshal prior to construction if there is no enforcement of fire safety requirements by a local fire department.

Mr. Ketterer advised Chair Hamilton there were one or two conditions specific to each applicant that he would read after a motion had been made and seconded. He recommended that the motion be amended to include the specific conditions for those facilities selected for licensure.

Chair Hamilton called for a motion. Commissioner Bair moved, with the general conditions stated above, that the following applicants be granted a license:

- Wild Rose Emmetsburg, LLC/Palo Alto County Gaming Development Corporation – Emmetsburg;
- Diamond Jo Worth, LLC/Worth County Development Authority – Worth County;
- IOC Black Hawk County, Inc./Black Hawk County Gaming Association – Waterloo;
- Washington County Casino Resort, LLC/Washington County Riverboat Foundation, Inc. – Riverside.

Commissioner Jarding seconded the motion. Chair Hamilton called on Mr. Ketterer for the specific conditions for each of the above applicants:

- Wild Rose Emmetsburg – Subject to no reduction in scope of the project, if other North Central Iowa licenses are issued.
- Diamond Jo Worth, LLC
 - Subject to completion of the two 50-room phases of the hotel within 18 months of opening the gaming floor to the public
 - Subject to Worth County Gaming Association's submission of amended by-laws regarding the term periods and selection method for members of their board of directors within 60 days
- IOC Black Hawk County, Inc. – Subject to removal or waiving the clause in numbered paragraph 5C of the Amended and Restated Operator's Contract that allows for the reduction in fees paid based on the implementation of a city ordinance admission or docking fees.

- Washington County Casino Resort, LLC – Subject to the submission of the resolution of the provision of water and sewage facilities to this project within 60 days.

Commissioner Bair moved to incorporate the above conditions into the motion granting the licenses. Commissioner Jarding seconded the motion.

Commissioner Bair asked Mr. Ketterer if he had conditions for all ten of the applicants. Mr. Ketterer answered in the affirmative.

Chair Hamilton called for any further discussion. Hearing none, she called for the vote on the above motion to grant four licenses. The motion carried on a vote of 4-1, with Commissioner Mahaffey voting no. (See Order No. 05-50)

Mr. Ketterer advised that for purposes of final agency action, it was necessary to have a motion to deny the remainder of the applications. Chair Hamilton called for a motion. Commissioner Bair moved to deny a license to the remainder of the applicants (Black Hawk County Greyhound Park & Casino, LLC/National Dairy Cattle Congress, Inc.; Cedar Valley Gaming Company, LLC/Cedar Valley Grants, Inc.; Northwest Iowa Gaming Company/Palo Alto County Development Corporation; Mineral City Hotel & Casino, LLC/Heart of Iowa Foundation; Landmark Gaming, LC/Franklin County Development Association; Wild Rose Ottumwa, LLC/River Hills Riverboat Authority). Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-51)

Chair Hamilton moved to Administrative Business, and called on Mr. Ketterer. Mr. Ketterer advised those applicants granted a license that the license fee required by Iowa Code is due in 30 days, and staff would be contacting them with regard to that fee.

Commissioner Bair moved to adjourn the meeting. Commissioner Cutler seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
JUNE 9, 2005**

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, June 9, 2005 at Stoney Creek Inn, 5291 Stoney Creek Court, Johnston, Iowa. Commission members present were Diane Hamilton, Chair; Kate Cutler, Vice Chair; and members Gerry Bair and Joyce Jarding. Commissioner Mike Mahaffey was absent.

Chair Hamilton called the meeting to order at 8:30 AM, and requested a motion to approve the agenda. Commissioner Cutler so moved. Commissioner Jarding seconded the motion, which carried unanimously.

Chair Hamilton requested a motion to go into Executive Session. Commissioner Cutler moved to go into Executive Session for the purpose of receiving Department of Criminal Investigation (DCI) background investigation reports pursuant to Iowa Code Section 21.5(1)g. Commissioner Jarding seconded the motion. The motion carried unanimously on a roll call vote. (See Order No. 05-52)

Following Executive Session, Chair Hamilton moved to the approval of the minutes from April 6-7, 2005; April 20-21, 2005, May 4, 2005 and May 11, 2005. Commissioner Bair noted a correction on Page 35, 4th line from the bottom in the May 3-4 minutes: "voting 5-3" should be "voting 5-0". Commissioner Jarding moved to approve the minutes as submitted and corrected. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-53)

Chair Hamilton called on Linda Vanderloo, Director of Racing/Administration for IRGC, for announcements. Ms. Vanderloo made the following announcements concerning upcoming Commission meetings:

- July 14, 2005 Commission Meeting – Stoney Creek Inn, Johnston, IA
(Submissions due by June 29, 2005)
- August, 2005 – No Meeting
- September 8, 2005 Commission Meeting – Stoney Creek Inn, Johnston, IA
(Submissions due by August 24, 2005)
- October 13, 2005 Commission Meeting – Dubuque Greyhound Park & Casino,
Dubuque, IA (Submissions due by September 29, 2005)

Chair Hamilton moved to the approval of the distribution of the Horse Racing Promotion Fund. Ms. Vanderloo stated that Public Notice was given on March 3, 2005 at the commission meeting, as well as posting the application on the Commission's web site. The three entities that received the funds in Fiscal Year 2004 submitted an accounting of

how the funds were spent. For Fiscal Year 2005, there is \$4,392.94 available. The three equine associations and the Iowa Racing and Gaming Commission staff recommend that the funds be awarded to Iowa State University, College of Veterinary Medicine and Racing Chemistry. Ms. Vanderloo introduced Walter Hyde, Director of the Racing Chemistry Lab at Iowa State University's College of Veterinary Medicine.

Dr. Hyde advised that the Racing Chemistry Lab has served the Commission's drug testing and research needs since 1986, striving to be a program that leads the development and application of new testing to insure that the Commission and its regulatory officers have complete information when making a decision about the acceptability of practices used at the tracks. Dr. Hyde indicated that the funds, should the Racing Chemistry Lab receive them, would be utilized to assist in the acquisition costs of the Beckman EL-ISE electrolyte analysis system, which will allow the lab to accurately measure the level of TCO₂ in the blood of racing animals. The TCO₂ testing detects the practice of "milkshaking" a horse; the forced dosing of an alkalinizing agent such as bicarbonate to the horse for the preserved benefit of increased muscle stamina and delay of muscle fatigue. The per sample test charge will cover the cost of supplies, reagents, disposables, and labor to run the test, but does not cover the initial purchase of the instrument. Dr. Hyde thanked the Commission for their consideration of his request for the Horse Racing Promotion fund; stating if the Veterinary Lab was awarded the funds, the equine pari-mutuel industry will see a direct benefit.

Commissioner Bair moved to approve distribution of the Horse Racing Promotion Fund to Iowa State University, College of Veterinary Medicine and Racing Chemistry Lab. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-54)

Chair Hamilton moved to the next agenda item – application for approval of table games license, and called on Iowa West Racing Association (IWRA). Todd Graham, Executive Director of IWRA, noted that Harrah's has elected to have table games at Bluffs Run Casino. He noted that Council Bluffs is often referred to as "Iowa's leading edge" and that a major component of the city is a large tourism destination near the Missouri River at the junction of Interstates 80 and 29. In addition to the economic impact of the gaming facilities, the above-referenced area is developing rapidly – Mid America Center, Bass Pro Shop, and a 15-screen theater complex. Mr. Graham noted that the Commission approved an \$85 million expansion at Bluffs Run Casino (BRC) for the transformation to Horseshoe Council Bluffs. On March 17, 2005, ground was broken for the Horseshoe Casino. He introduced Gaye Gullo, General Manager at Harrah's/BRC.

Ms. Gullo advised the Commission that the legislation allowing table games at the racetracks was the catalyst for the \$85 million capital investment being made by Harrah's in Council Bluffs. She noted that Horseshoe would be the largest land-based casino in western Iowa. Harrah's decision to make this capital investment was based on a stable tax environment in Iowa, the regulatory body that enforces gaming, and the Council Bluffs community, and their relationship with local government.

Commissioner Bair noted that one exhibit sets forth the various types of table games. He noted that these games change, and wondered if those changes would require an amendment to the license application. Ms. Vanderloo indicated it is a fluid situation, and the numbers and types of games will be determined by the market. Chair Hamilton stated that the number of gaming positions would not change, but that types of games could.

Chair Hamilton asked for an update on the construction project. Ms. Gullo stated that the project was on schedule and within budget. It is anticipated the project will be ready to open around April 1, 2006. She noted that "skin" would be on the building by sometime in September, allowing work to continue inside during the winter months.

Based on comments by Commissioner Bair, Ms. Gullo stated that a road would be built between BRC's property and the new Bass Pro Shop to allow for easier access.

Hearing no further discussion, Chair Hamilton requested a motion. Ms. Vanderloo advised that the license would be effective from this date through December 31, 2005 in order to have it on the same time frame as IWRA's pari-mutuel license. Commissioner Cutler moved to approve IWRA's application for table games from this date through December 31, 2005. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-55)

Chair Hamilton called on Dubuque Racing Association (DRA). Bruce Wentworth, President of Dubuque Racing Association (DRA), advised that the Commission would be considering the Eleventh Amendment to the Operating Agreement with Diamond Jo, LLC under the contract approvals. He noted that the legislation passed last year allowing table games at the racetracks required the licensees in Dubuque County to reach an agreement allowing the boat to become a barge prior to the racetrack having table games. He noted that an agreement was reached, and the license fee for the table game application was delivered to IRGC staff approximately ten minutes before midnight on June 1, 2005.

Commissioner Bair asked Mr. Wentworth what the Commission would see when they visit Dubuque in October. Mr. Wentworth stated the facility is open with a functioning casino with 1,000 games, a rotunda with a skylight around the rotunda, a 30,000 square foot casino with 20 foot ceilings and a state-of-art ventilation system. He noted the facility has received many positive comments on the ventilation system and facility. Mr. Wentworth stated that the Hilton Garden Inn has advised that they will open on September 21, 2005.

Hearing no further discussion or comments concerning the table game application, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the table game license application for DRA for the time frame of June 9 through December 31, 2005. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-56)

Chair Hamilton called on Penn National Gaming, Inc. (PNGI) regarding their application for approval of the acquisition of Argosy Gaming Company and the Sioux City Belle. Jesus Aviles, General Manager of Argosy Sioux City, introduced Lorraine May, local legal counsel for PNGI, who in turn introduced William "Bill" Clifford and Kevin DeSanctis, Chief Financial Officer and President and Chief Operating Officer respectively.

Mr. DeSanctis indicated the application process has been a long one, noting that they submitted the necessary applications in several jurisdictions the end of last year, and Iowa is the first state to take action. He stated that the licensing process has been very efficient and effective.

Commissioner Cutler asked the timing of the other approvals needed and when they expect to have a final answer. Mr. DeSanctis stated they started seeking the thirteen necessary approvals last year; some as simple as making sure PNGI was aware of the regulatory requirements in the state. PNGI is expecting approval of twelve applications within the month of June and Missouri's approval in July. He noted PNGI was originally on the June 28th agenda for Missouri, but just received notice that the license request had been moved to the July agenda. The only other approval he is not sure about is Louisiana due to FTC issues as Argosy and PNGI each currently have facilities in Louisiana. Mr. DeSanctis stated that PNGI is attempting to market their Louisiana property. He believes an agreement will be reached with the FTC within the next couple of weeks.

Commissioner Bair asked about any immediate changes at the Sioux City property. Mr. DeSanctis indicated that the actual transition would be anti-climatic, almost a non-event for everyone involved. He noted that PNGI operates on a de-centralized system; the local management will stay the same. Mr. DeSanctis stated that the first change would be in 2007 when the employees will be eligible for the company-wide program. He indicated the benefits would remain the same or improve. He stated that the corporate officers have four criteria when reviewing a facility: profitability; customer satisfaction, employee satisfaction and aesthetics of the property.

Mr. DeSanctis pointed out that the management and employees at each facility are involved with the local community. PNGI operates fourteen casinos, seven racetracks, one off-track wagering facility, and is involved in one joint venture. The general manager at each of those facilities is authorized to handle problems on-site.

Hearing no further comments or questions concerning PNGI's license application, Chair Hamilton requested a motion. Commissioner Bair moved to approve the application of PNGI to acquire Argosy Gaming Company and the Belle of Sioux City. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-57)

Chair Hamilton moved to Isle of Capri Bettendorf, L.C.'s (IOCB) request for approval of a Conference/Events Center Development Agreement among the City of Bettendorf, IOCB, and Green Bridge Company. Nancy Donovan, General Manager, noted that this is

a \$62.5 million project, which features a 40,000 square foot publicly owned events center. The events center will be the cornerstone of the downtown revitalization program. Ms. Donovan stated that the city sought several different funding sources for this project and received a \$4.1 million Community Attraction and Tourism grant, \$10 million from Scott County Regional Authority and \$250,000 from Scott County. There will be a skywalk to connect the events center to the riverfront, and parking. Ms. Donovan advised that the events center will feature some of the latest technology as the City of Bettendorf is fully fiber optic.

Ms. Donovan stated that IOC's obligation under the agreement is for a 250-room hotel, the addition of a Kit's Kitchen, as well as upgrading the current food and beverage facilities. They will also be adding additional parking. IOCB's investment will be \$40 million. Ms. Donovan noted that the current hotel on the IOCB property has been operating at a 90% occupancy rate for over three years. She stated that over 50% of their customers come from outside the state of Iowa. Ms. Donovan stated meeting planners see the Quad City area as an easy destination, and it is half way between Des Moines and Chicago. Ms. Donovan stated that increased tourism, an increased tax base and adding 125 jobs are some of the economic benefits of the proposed agreement.

Commissioner Bair asked about the location of the events center. Ms. Donovan advised that the events center would be north of the tracks on public land, as it is a public facility. There will be a \$2.5 million sky bridge connecting the events center and IOCB's new hotel and existing property on the south side of the tracks. The parties feel this is a good combination of access and creates synergy between the two properties. IOCB is attracting approximately 1.7 million visitors per year to the property.

Commissioner Jarding asked about the parking ramp. Ms. Donovan stated that the parking ramp would be on IOCB's side, but there will also be additional parking on the north side

Chair Hamilton asked if both the City of Bettendorf and IOCB were doing parking. Ms. Donovan answered in the affirmative.

Chair Hamilton noted that the agreement was a good example of the City of Bettendorf and IOCB working together for the good of the community.

Hearing no further comments or questions, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the Conference/Events Center Development Agreement as submitted by IOCB, L.C. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-58)

Following a short break, Chair Hamilton moved to the Contract Approval portion of the agenda and called on Isle of Capri Marquette (IOCM). Barron Fuller, General Manager, presented a contract with Mathy Construction d/b/a Iverson Construction for the

rubbilizing and re-asphalting of the Pavilion and hotel parking lots, and satellite offices parking lots.

Commissioner Cutler asked for an explanation of the difference between the bid of \$254,000 and the amount shown on the Request for Transaction Approval form (\$305,000). Mr. Fuller advised that it was an overage contingency.

Hearing no further comments or questions concerning the contract, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contract as submitted by IOCM. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-59)

Chair Hamilton called on Washington County Casino Resort, LLC (WCCR). Joe Massa, General Manager for Catfish Bend Casino, withdrew the contract with Douglas James Swailes, indicating that it would be resubmitted for the July meeting. Mr. Massa presented an Annexation and Development Agreement with the City of Riverside for approval by the Commission. Mr. Massa provided the following highlights of the agreement: the land on which the project will be built will be voluntarily annexed into the City of Riverside; the City of Riverside is to develop a master plan, for which WCCR will pay the costs and expenses not to exceed \$35,000; and in lieu of the City collecting admission fees, wagering tax revenues and any hotel-motel tax that may be imposed due to WCCR's operation, WCCR will pay the City \$1,700,000 per year (paid on a monthly basis) throughout the term of this Agreement.

Commissioner Jarding asked about the sewer and water service for the project, noting the Agreement contained several pages on this topic. Mr. Massa explained there are three options available to WCCR, and they are still in negotiations with the City.

Commissioner Bair asked if Washington County currently has a hotel/motel tax. Mr. Massa stated that under the terms of this Agreement, the City of Riverside can adopt a hotel/motel tax. If you calculate what the City would receive from the one-half percent of gaming revenues, admission fees, and anything they might collect on the hotel/motel tax, they would be between \$300,000 and \$400,000 short of the \$1.7 million guaranteed in this Agreement.

Commissioner Jarding returned to the sewer and water issue. She asked if WCCR was able to start on the project, or if they would have to wait until a decision was made on the water and sewer issue. Mr. Massa stated WCCR has three options available to them under this Agreement, and they can choose any of the three or a combination thereof. Commissioner Cutler asked for an explanation of the three options. Mr. Massa set forth the following options: WCCR will install the water and sewer lines on their own; acquire the water and/or sewer services from another source; or WCCR can require the City to provide the sewer and/or water services (both or neither). The City of Riverside will not have the ability to object to WCCR providing their own services or selecting a different provider. Should WCCR elect to have the City provide the services, the Agreement

requires they give the City at least 20 months notice prior to the utility service date. Additionally, if WCCR elects to have the City provide installation of the water and/or sewer services, WCCR shall pay all costs incurred by the City in connection with the installation of the water and/or sewer services to the facility, with costs not to exceed \$2,100,00 for the sewer installation and \$1,900,000 for the water installation.

Commissioner Cutler asked when WCCR had to make a decision on this matter. Mr. Massa stated they will make a decision within the next few weeks, but that the door will never close on this issue as they have agreed to be annexed into the City and will continue to work with the City. Commissioner Cutler requested an update on this matter at the July Commission meeting.

Commissioner Cutler referred to Paragraph 5 of the Agreement which states in part: "...consistent with any modifications or additions contained in WCCR's approved license application and the availability of commercially reasonable financing". Mr. Massa indicated that was just setting out an option available to them.

Hearing no further comments or questions concerning this agenda item, Chair Hamilton requested a motion. Commissioner Bair moved to approve WCCR's contract with the City of Riverside as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-60)

Chair Hamilton called on Ameristar Casino. Jane Bell, Director of Government Relations, presented the following contracts for Commission approval:

- Pentzien, Inc. – Vessel Slip Maintenance
- Bishop Business Equipment – Copy Machine Lease
- Hawkins Construction – Star Awards/Check Cashing Booths

Hearing no comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Ameristar Casino. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-61)

Ms. Bell invited the Commission members to attend the Grand Opening of the renovated hotel facility on June 15, 2005 at 10:00 AM. She noted Ameristar spent \$2 million renovating the hotel. The buffet area has also been renovated, and will be open to the public.

Chair Hamilton called on Harrah's. Mike Rich, Assistant General Manager, presented the following contracts for Commission approval:

- Concert Security Services – Provides Concert Production Services & Labor
- Outback Construction, LLC – Dredging Equipment & Service
- The Printer, Inc. – Printing of Direct Mail Materials

Hearing no comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by Harrah's. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-62)

Chair Hamilton called on Argosy Casino Sioux City. Mr. Aviles presented a contract with Record Printing Company for their direct mail service. Chair Hamilton noted that the Summary Sheet shows the contract as an out-of-state vendor versus an in-state vendor.

Hearing no further comments or questions concerning the contract, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contract as submitted by Argosy Casino Sioux City. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-63)

Chair Hamilton called on Terrible's Lakeside Casino. Tom Timmons, General Manager, presented the following contracts for Commission approval:

- Anchor Motor Company – Purchase of Several Vehicles (RP)
- Brooner & Associates – Construction Work – Remodel Various Areas of Casino
- Coventry Health Care of Iowa, Inc. – Health Care Insurance Coverage for Employees
- Global Payment Check Services – Patron Check Processing Guarantee Service
- NB Theiss Shirts, Inc. – Resale Items for Gift Shop

Mr. Timmons explained that the property has utilized Global Payment Check Services since it opened, and has received very good service. He noted that Terrible's presented a contract in April with an out-of-state insurance company, but have since selected an in-state insurance company to provide the employee health benefits.

Hearing no further comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by Terrible's Lakeside. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-64)

Chair Hamilton called on Wild Rose Emmetsburg (WRE). Kevin Preston, General Manager, presented a contract with McAninch Corporation for land grading, site work and land preparation.

Hearing no comments or questions concerning the contract, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contract as submitted by WRE. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-65)

Commissioner Cutler noted that groundbreaking for the facility was taking place on Friday. Julie Clarkson, Palo Alto County Development Corporation (PACDC) thanked the Commission and staff for their hard work throughout the licensing process. She noted that there has been an overwhelming response from the community since May 11th. Ms. Clarkson invited the Commission to attend the groundbreaking ceremony at 3:00 PM at the site, followed by a community picnic. She stated that WRE/PACDC is projecting a July 1, 2006 opening.

Commissioner Bair asked when the job fairs and hiring process would begin. Mr. Preston indicated approximately seven to eight months out from the opening of the project.

Chair Hamilton called on Diamond Jo. Natalie Schramm, General Manager, presented the following contracts for Commission approval:

- Medical Associates Health Plan – Employee Health Insurance Premiums
- Foothill Second Amendment to Loan and Security Agreement

Ms. Schramm noted the first was for a new employee health plan, while the second is an amendment to their Loan and Security Agreement with Foothill in order to provide financing for the Diamond Jo Worth County (DJWC) project.

Hearing no comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Diamond Jo. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-66)

Chair Hamilton called on Diamond Jo Worth County. Ms. Schramm presented the following contracts for Commission approval:

- Henkel Construction – Construction of Worth County Casino Project
- KGA Architecture – Design of Worth County Casino Project with Amenities
- I-35/105 Development, L.C. – Development Agreement

Hearing no discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by DJWC. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-67)

Ms. Schramm advised the Commission that a groundbreaking ceremony for the project was held on June 8, 2005, and it is anticipated the project will be open by the end of the first quarter of 2006. She stated that the General Manager and Director of Finance have been hired. Ms. Schramm indicated that the balance of the employees will be brought on board approximately 16 weeks out from opening.

Chair Hamilton asked if the Commission would be meeting the General Manager and Director of Finance soon. Ms. Schramm stated that she would bring them to the July meeting.

Chair Hamilton called on Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer, Chief Operating Officer, presented the following contracts for Commission approval:

- Allender Butzke Engineers – Testing Fees and Technical Services for the Casino Expansion Project
- Aristocrat Technologies, Inc. – Lease of Hyperlink Systems Games (Replacements)
- Infomax Office Systems, Inc. – Office Equipment Lease and Maintenance
- Little Construction, LLC – Concrete Construction and Repair
- Ziegler, Inc. – Purchase or Rental of Heavy Equipment, Parts and Service (Increase)

Hearing no comments concerning the contracts, Chair Hamilton called for a motion. Commissioner Cutler moved to approve the contracts as submitted by PMR&C. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-68)

Chair Hamilton called on Dubuque Greyhound Park & Casino (DGP&C). Bruce Wentworth, General Manager, presented the following contracts for Commission approval:

- City of Dubuque – First Amendment to City Lease
- Thoms Proestler Company – Food Items (Increase)
- Aristocrat, Inc. – Additional Slot Machines & Parts for Expansion
- Premier Linen & Dry Cleaning, Inc. – Linen & Uniform Service (RP)
- International Association of Machinists – Labor Agreement for the Casino
- Tricor Insurance – Property & Casualty Insurance
- Diamond Jo, LLC – Eleventh Amendment to Operating Agreement (RP)

Mr. Wentworth advised that the Eleventh Amendment to the Operating Agreement extends the partnership between DRA and Diamond Jo to 2018.

Commissioner Bair asked if the agreement required that the City of Dubuque be involved. Mr. Wentworth advised that the city was involved because of parking issues. Ms. Schramm indicated the agreement was a global resolution with the city and DRA, and provides employee security through 2018.

Hearing no further discussion, Chair Hamilton requested a motion. Commissioner Bair moved to approve the contracts as submitted by DGP&C. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-69)

Chair Hamilton called on Bluffs Run Casino (BRC). Mr. Rich presented a contract with Country Inn & Suites for complimentary offers for VIP guests for Commission approval.

Hearing no discussion concerning the contract, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contract as submitted. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-70)

Commissioner Cutler stated that she appreciated the contract updates on the construction project at BRC/Horseshoe Casino.

Chair Hamilton moved to the next agenda item – National Cattle Congress (NCC) Letter sent by Dave Nagle, a lawyer representing the Ad Hoc group, indicating they wished to submit an application for a pari-mutuel license at the facility. She read the following from the May 4, 2005 minutes: “Until the Commission decides the course of action based on those discussions, the Commission will not be receiving any applications for new licenses in new locations.” She called on Mr. Nagle for his comments on this issue.

Mr. Nagle stated that NCC had asked that the letter be treated as an application for a license, as a formal application form from the Commission is not available at this time. He stated the letter was submitted because the NCC was attempting to get ahead of the Commission’s discussion on a new moratorium at its July meeting. He feels the application would give the Commission a licensing opportunity they have not previously had an opportunity to consider. Mr. Nagle noted that a moratorium could be absolute, or exempt one or more locations.

Mr. Nagle indicated the Commission could look at the situation and indicate that the NCC already submitted an application, and that they had selected IOC Black Hawk County. Mr. Nagle indicated that NCC’s previous application was for a riverboat casino with a pari-mutuel facility as the second phase. He stated that the Commission was not given the opportunity to consider whether there was merit in restarting a pari-mutuel facility in Black Hawk County, which is the issue being brought before the Commission at this time. Mr. Nagle stated that before the Commission makes their decision regarding a moratorium on additional licenses, they should at least consider the question of whether or not to accept this application.

The next question presented to the Commission was “Why do this?” Mr. Nagle stated that the NCC has an existing facility and the greyhound industry would like to have another venue in Iowa. He referenced a letter submitted by the Iowa Greyhound Association, which is incorporated in its entirety by this reference. He stated that if a license were granted, the state would have additional revenues. The granting of this license would not be considered an expansion of gambling based on the Commission’s

previous decision to grant a gaming license in Black Hawk County. Mr. Nagle stated that the Cummings report indicated that Black Hawk County could have supported two facilities; however, the NCC is only requesting the ability to submit an application for a pari-mutuel facility. He indicated the NCC is willing to submit any requested information. Mr. Nagle stated there is a larger pool of local investors and a diminishment of the involvement of the Meskwaki tribe. In addition, this project would restore the NCC to financial viability. He sees no reason why a greyhound track would not work in Black Hawk County if a greyhound track can be successful in Dubuque County.

Commissioner Bair asked for clarification that NCC is only seeking a pari-mutuel license; that there is no interest in developing a casino. Mr. Nagle indicated that was correct. Commissioner Bair asked about the other six months. Mr. Nagle stated that NCC is only talking about a pari-mutuel license to conduct greyhound racing and simulcast.

Chair Hamilton stated that the Waterloo Greyhound Park was closed due to financial viability, which is the reason each pari-mutuel facility has a casino. She asked Mr. Nagle why he felt the NCC could be a viable operation without a casino. Mr. Nagle stated that the Cummings report indicates the facility could be viable, and the track was mismanaged in the past.

Chair Hamilton asked for direction from Ms. Vanderloo. Ms. Vanderloo indicated the Commission could seek any other comments, or take the issue under advisement and continue with the agenda.

Ken Nelson, legal representative for NCC, indicated his comments would commence with his legal interpretation and conclude with his thoughts as a Black Hawk County resident and why they should have the opportunity to submit an application.

Mr. Nelson stated that the NCC has a building, which is an eyesore; the citizens of Black Hawk County would like to see something done with the facility and various attempts to utilize the facility for other attractions have failed. He noted that the statement was made at the May 4th Commission meeting that there would be no further consideration of applications. Mr. Nelson stated that there is no moratorium in place and that for the Commission to summarily deny any entity the ability to submit an application is an abuse of the Commission's power, as well as the dictates of the Legislature. He also indicated that it would be a violation of Iowa Code Chapter 99D and the Commission's administrative rules.

At this point, Ms. Vanderloo advised Mr. Nelson that his statements were heading in a dangerous direction, and suggested that he make his point.

Mr. Nelson stated that he was requesting an opportunity for NCC, that he saw no harm in giving them the opportunity to submit an application. He stated that the NCC wanted to be a part of Commissioner Jarding's comment: "It's nice to see good things happening in

Iowa's cities." Mr. Nelson cited Iowa Code Section 99D, which states in part: "If it's in the best interest of the citizens of the state of Iowa", indicating this is the benchmark the Commission should use in making their decision.

Chair Hamilton advised that one of the reasons the Commission indicated they did not want to accept any more applications was the arduous licensing process that was just completed. She asked Mr. Nelson if he was asking the Commission to go through that process again. Mr. Nelson stated that he was asking the Commission to exempt the NCC/Black Hawk County from the moratorium if that is the route the Commission decides to take. Mr. Nelson stated that he had a feeling concerning the direction the Commission would take in July; and that he was simply asking the Commission to give NCC an opportunity to submit an application. He does not feel the Commission will be overrun by entities seeking pari-mutuel licenses.

Mr. Nagle stated that there are certain financial requirements when submitting a license application, as well as Division of Criminal Investigation (DCI) backgrounds. He noted that NCC paid the DCI approximately \$60,000 for the gaming application. Mr. Nagle stated that the NCC would expect to pay all of the appropriate fees required by the Commission during the application process.

Ms. Vanderloo stated that everyone would agree that the letter does not constitute an application. She stated that the point has been made as to what NCC would like to do; however, this is not an action item for the Commission at this time.

Chair Hamilton stated that this was an issue better suited to all Commission members, as well as the Administrator, being present so that additional input could be heard. She called for any further comments on this particular issue.

Mr. Nelson asked if there will be a formal license application available to the NCC for completion in the near future. Ms. Vanderloo reiterated her previous statement that the letter does not constitute an application, and advised Mr. Nelson to work with the staff until there is something that may or may not be brought before the Commission.

Mr. Nagle stated that the purpose of the letter was to provide the Commission with information, as well as inform them of the NCC's desire to submit an application for a pari-mutuel license. Commissioner Cutler thanked Mr. Nagle for the information, but reiterated this item does not require Commission action at this time.

Chair Hamilton moved to the hearing for Prairie Meadows Racetrack & Casino, Inc. for violation of Iowa Code Section 99F.9(5) (Wagering – age restriction). Karlyn Dalsing, Executive Officer for IRGC, advised the Commission that the parties had reached an agreement on this matter, and that a proposed Stipulated Agreement was before them. She noted that PMR&C allowed a minor to gain access to the casino floor on March 8, 2005, when two security officers failed to request identification from the individual. Ms. Dalsing stated that the minor did gamble on various slot machines, had contact with

multiple casino employees, and did consume alcohol while on the casino floor. Approximately one and a half hours after entering the casino, the minor walked out the main casino entrance, past the same security officers; however, this time security did request identification. Ms. Dalsing pointed out that the Stipulation acknowledges that prior to this incident PMR&C security staff requested identification from approximately 215,000 individuals and denied entrance to 2,331 individuals. She noted that the facts in this matter meet the criteria for bringing the matter before the Commission – the minor entered the casino unchallenged, gambled and consumed alcohol, and was on the casino floor in excess of 30 minutes. On behalf of Jack Ketterer, Administrator, Ms. Dalsing requested that the Commission approve the Stipulated Agreement as presented.

Hearing no questions concerning the proposed Stipulated Agreement, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the Stipulated Agreement as submitted. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-71)

Chair Hamilton moved to Administrative Business. Ms. Vanderloo stated that the Commission was providing Notice of the Request for Proposals for the Dog Racing Promotion Fund, and that requests for the funds were due in the Commission's Des Moines office by June 30, 2005. She noted that the application would be available on the Commission's web site.

Ms. Vanderloo stated that Karyl Jones, Director of Occupational Licensing, would discuss the regulatory fees for Fiscal Year 2006. Ms. Jones advised the Commission that due to the length of the Legislative session, staff was unable to compute the regulatory fees in order to present them for approval at this meeting. She advised that an e-mail was sent to the licensees advising them to continue paying the current rate until the new fees are calculated and approved by the Commission at the July meeting.

Chair Hamilton moved to Public Comment. Robert Molinaro, a Waterloo resident, advised the Commission that he was separating himself from the other Ad Hoc members and the NCC Board, and that his primary goal is the salvation of the NCC. He stated that he was before the Commission today after receiving numerous phone calls from Black Hawk County residents, and investors in the NCC and Cedar Landing projects. Mr. Molinaro stated that when the Legislature created the Commission, they gave the Commission a substantial amount of authority, as well as an obligation to review and reconsider their actions, regardless of how painful that might be. He noted that millions of dollars were spent in all of the counties seeking a gaming license, and that a healing process needs to take place. Mr. Molinaro stated that local residents of Black Hawk County were not considered during the licensing process; that for many involved in the process, profit was not the motive. He noted the money would have been a by-product; the motive was to restore the downtown area and the NCC. He expressed his hope that the Commission's decision is not carved in stone; and requested that the Commission take the time to consider the information he has collected to help them arrive at a decision. Mr. Molinaro stated that the Wells Gaming report did not take into

consideration a number of issues which should have been considered in the report. He expressed his opinion that, as a result, the Wells Gaming report had very little merit. Mr. Molinaro stated that individuals involved with the NCC application felt very optimistic on their chances on being granted a license until the unscientific poll conducted by the Waterloo Courier. At this point, Mr. Molinaro set forth various actions taken by the Mayor and City Council of Waterloo. He advised that the City of Waterloo, and the other two groups involved in the competing license applications are each receiving \$1 million from the Isle of Capri.

Commissioner Cutler asked Mr. Molinaro if he was asking the Commission to reconsider their vote of May 11th. Mr. Molinaro answered in the affirmative, indicating that he was asking the Commission to allow him to set forth the reasons why they should. He feels that doing so at the July meeting will be too late. He indicated that he can also point out several errors in the Wells Gaming report.

Chair Hamilton advised Mr. Molinaro that Public Comment is not the forum to conduct a debate on an issue that has been revisited numerous times. She noted that he had opportunities to make his points known during the presentations to the Commission, the site visits, and public input on May 4th. Chair Hamilton pointed out that he is reiterating information that has already been heard by the Commission.

Mr. Molinaro stated that he is not representing the NCC; that he is a citizen of Waterloo and Black Hawk County. He advised that he is pursuing this opportunity as a chance to bring the people of Waterloo together and start the healing process within the community. He noted that the Cummings report shows that there is room for two licenses in Black Hawk County, which would generate \$25 million more per year, or \$5.5 million for the state.

Commissioner Cutler advised Mr. Molinaro that he would need to be an agenda item if he wishes to bring some type of motion to reconsider before the Commission; that the issue is not appropriate for Public Comment. Chair Hamilton concurred.

Commissioner Bair indicated that the issue could have arisen due to the manner in which the moratorium discussion was set out. He stated the Commission would just be starting discussions in July, and that he does not feel any doors will be closed at that particular meeting. Commissioner Bair stated it is his intent to give individuals and entities an opportunity to provide feedback on this particular issue.

Mr. Molinaro stated that he will defer if that is the Commission's decision, but feels that Public Comment should entail any and all issues that individuals wish to address; that the issue does not have to be an agenda item. He stated that he is not asking the Commission to rescind any licenses granted.

Chair Hamilton called on Ms. Clarkson, who advised that she had already made her comments.

Hearing no further Public Comment, Chair Hamilton requested a motion to adjourn. Commissioner Cutler so moved. Commissioner Bair seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
JULY 14, 2005**

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, July 14, 2005 at Stoney Creek Inn, 5291 Stoney Creek Court, Johnston, Iowa. Commission members present were Diane Hamilton, Chair; Kate Cutler, Vice Chair, and members Gerry Bair, Joyce Jarding and Mike Mahaffey.

Chair Hamilton called the meeting to order at 8:30 AM, and advised that there was one correction to Agenda Item 14; that it should read "Prairie Meadows, Inc.", not Racing Association of Central Iowa. She called for a motion to approve the agenda as amended. Commissioner Jarding so moved. Commissioner Bair seconded the motion, which carried unanimously.

Chair Hamilton moved to Executive Session for the purpose of discussing personnel matters pursuant to Iowa Code Section 21.5(1)i, and requested a motion. Commissioner Cutler so moved. Commissioner Jarding seconded the motion, which carried unanimously on a roll call vote. (See Order No. 05-72)

Upon returning from Executive Session, Chair Hamilton called for a motion to reconvene in open session. Commissioner Jarding so moved. Commissioner Cutler seconded the motion, which carried unanimously. Chair Hamilton requested a motion concerning action taken in Executive Session. Commissioner Cutler made the following motion:

"The Iowa Racing and Gaming Commission has closely evaluated other racing and gaming jurisdictions and found there are none that have an administrator responsible for both racing and gaming with the volume as does Iowa. We also took note of the salary compensation when these states had both racing and gaming and felt it was critical that Iowa be competitive in the employment market. Iowa is extremely fortunate to have an administrator with Jack's background in racing and gaming as well as being a lawyer. His industry knowledge has allowed him to be a member of the International Masters of Gaming law as well as speaking at numerous industry conferences and service organizations. We are personally thankful for his leadership of the Iowa Racing and Gaming Commission staff currently regulating ten casinos and three racetrack enclosures in Iowa. His direction during the recent application process, which will lead to four new casinos, exemplifies his experience and management skills. The Commission also felt that the IRGC administrator should have a salary commensurate to that of the CEO of the Iowa Lottery Authority. Recently, the Legislature set the Iowa Racing and Gaming Commission Administrator's annual salary at a Pay Grade 7 of the Department Directors/Appointed Non-Elected Annual Pay Plan retroactive to the beginning of the current fiscal year. The Commission has requested that Mr. Ketterer's salary be set at the maximum of this pay grade. Additionally, pursuant to prior discussions with the

IRGC Commission Minutes

July 14, 2005

Page 2

Governor's Office, the Commission requests a bonus to the salary, which would give him a salary plus bonus for FY 2006 of \$175,000. The Commission requests that for FY 2007 the Administrator's actual appropriated salary be \$175,000."

Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 05-73)

Chair Hamilton moved to the approval of the minutes from the June 9, 2005 Commission meeting, and requested a motion. Commissioner Jarding moved to approve the minutes as submitted. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Hamilton called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer provided the following information concerning upcoming Commission meetings:

- August, 2005 – No Meeting
- September 8, 2005 Commission Meeting – Stoney Creek Inn, Johnston, IA (Submissions due by August 24, 2005)
- October 13, 2005 Commission Meeting – Dubuque Greyhound Park Casino, Dubuque, IA (Submissions due by September 29, 2005)
- November 17, 2005 Commission Meeting – Stoney Creek Inn, Johnston, IA (Submissions due by November 2, 2005)
- December 2005 – No Meeting

Mr. Ketterer advised that the Commission would be taking up the racetrack and racetrack enclosure license renewals at the October meeting.

Chair Hamilton moved to the election of the Chair and Vice Chair for FY 2006, noting that the Chair was limited to serving two full terms. She noted that she has just completed one year. Chair Hamilton requested a motion. Commissioner Bair moved to elect Diane Hamilton and Kate Cutler to serve as Chair and Vice Chair respectively for FY 2006. Commissioner Jarding seconded the motion, which carried unanimously, with Ms. Hamilton and Ms. Cutler abstaining. (See Order 05-74)

Chair Hamilton moved to Public Comment. She requested those individuals who had signed up to speak to line up in order along the wall, and called on Bishop Gregory Palmer representing the Iowa Conference of the United Methodist Church. A copy of Bishop Palmer's comments is attached hereto, and incorporated in its entirety by this reference.

Next was Gayle Burnett, representing the Landmark Casino & Hotel – an applicant during the recent application/licensing process. A copy of Ms. Burnett's comments are attached hereto, and incorporated in its entirety by this reference.

Chair Hamilton called on Robert Molinaro, President of Warren Transport, Inc. of Waterloo, who stated that he understands the difficult task the Commission faced on May 11th and the time and personal sacrifice given by each Commissioner. He noted that sometimes it is necessary to review and change decisions that have been made. Mr. Molinaro stated that the Commission has the ability to make a difference to a number of people in the State of Iowa. He noted that when the Legislature created this quasi-judicial body, in addition to the authority set out in the Code, they also placed a burden and obligation on the Commission to review and reconsider their actions from time to time.

Mr. Molinaro stated that millions of dollars were spent by local citizens in pursuit of gaming. He indicated that he was not going to argue the merits of gambling; it is already here, but what was best for the State of Iowa, and particularly what is best for Black Hawk County. Mr. Molinaro pointed out that the citizens of Black Hawk County have done much to improve their lives since 1981 when various disasters struck. He indicated that the applications were not motivated by profit, but the by-products and what could be done to help the citizens of Waterloo. Mr. Molinaro noted that very few things are carved in stone, that human errors are not infallible, and asked the Commission to review the information utilized to make their decision. He stated that some applications seemed to lack any local participation. Both groups that did not receive a favorable response from the Commission had 90-95% local participation, which he feels was given very little weight when the decision was made. Mr. Molinaro stated that after reviewing a copy of the tape from the May 11th meeting, it showed that most of the Commissioners relied heavily on the Wells Gaming report, as well as the Cummings report, in making their decision. Mr. Molinaro stated that the local citizens and politicians who voiced their support for the IOC project was based on the Wells report, which he indicated contained many misrepresentations concerning the National Cattle Congress (NCC) application. He pointed out that the Cedar Valley Alliance (CVA) acknowledged their errors on a number of occasions. Mr. Molinaro advised that the first Wells Gaming report made no recommendations concerning any of the Waterloo applicants; then additional criteria were entered into the data, and a revised report was issued that passed judgment on the NCC application based on the original application filed on November 10, 2004. Mr. Molinaro stated that CVA still contends that the Commission and staff indicated that was the basis on which the applicants would be judged. He stated that he has learned otherwise from the Commission and staff; that they did not indicate the Wells report was the report to be used.

Mr. Molinaro stated that on a comparative basis of which applicant provided the best economic balance and the most for Waterloo and Black Hawk County, it was stated numerous times that NCC was only showing 3% going to charitable contributions, which was incorrect. When all of the facts are taken into consideration, this caused NCC to come out on the low side. Mr. Molinaro provided the following misstatements that he feels played a part in NCC not being selected for a license:

- Allegations that the Meskwaki would gain total control of the operation. He indicated that was false, and that the Commission and others were made aware of that fact. He indicated there was no way for the Meskwaki to gain total control.
- Local ownership was one of the criteria, and another was location. Mr. Molinaro stated that NCC has the best location based on access and money. He stated that the idea that an interchange would not be needed by the IOC property is incorrect, and that something will have to be done. He pointed out that the first traffic report covered this issue while the second report ignored it, as well as any costs to the city and taxpayers.
- The Waterloo Courier poll was an unscientific poll by conducted by computer. Mr. Molinaro stated that the NCC project was mostly supported by blue-collar workers who don't have a computer available. He stated the results of the poll were utilized by various groups. Mr. Molinaro indicated he was present at the unannounced and unknown 7:00 AM meeting of the Mayor and City Council when they decided to support the IOC project and entered into an exclusive contract. He questioned the decision and asked that a public forum be held.
- Mr. Molinaro stated that since the licenses were issued the Mayor and City Council received \$1 million, the Waterloo Development Corporation received \$1.5 million and the CVA also received \$1 million from IOC. He stated that the organizations receiving the money, which will have to be repaid, have the ability to spend it as they determine, not necessarily on what the city or the citizens want.
- Mr. Molinaro stated that "they" said the NCC would be paying for the renovation of the Cattle Congress through charitable contributions, which was inaccurate. A retraction was requested. NCC was advised that it would be corrected in the final report.

Mr. Molinaro stated that he would not dwell on the Wells Gaming report as he could "riddle it with cheese". He indicated that he could provide the Commission with additional errors if they desired.

Chair Hamilton advised Mr. Molinaro that it is against Public Comment rules to criticize or discredit other individuals, and asked him to refrain from doing so. Mr. Molinaro stated that he was not criticizing anyone, simply telling the truth. He stated that he would accept the responsibility if that was construed as criticism; stating that he was not here to debate the issue. At this point, Chair Hamilton advised Mr. Molinaro that he had two minutes to finish his comments. Mr. Molinaro asked if he was going to be denied his full time. Chair Hamilton advised that he was close to the allotted time limit.

Mr. Molinaro stated that it was not his intent that the license for IOC be revoked, but that the Commission grant a second license in Black Hawk County since the Cummings report indicated that two licenses would be viable and provide an additional \$5.5 million more per year to the State of Iowa. He noted there is precedent for granting more than one license in a market, referring to Council Bluffs (3), Dubuque (2) and the Quad City

area (4-5). He indicated the competition would provide more jobs and better wages as the facilities competed for patrons.

Mr. Molinaro stated that it is not the Commission's responsibility to make sure that a casino doesn't fail, but to provide an opportunity for a facility to succeed or fail based on its own merit. More competition would stimulate the economy in Iowa, Black Hawk County and Waterloo. More importantly, additional competition would generate a tremendous amount of funding for the largest tourist attraction in Waterloo and Black Hawk County – the NCC. Mr. Molinaro stated that Lost Island Water Park has drawn 100,000 people to the area while the NCC has already attracted 400,000. Mr. Molinaro concluded his remarks by again asking the Commission to review and reconsider their decision.

Chair Hamilton called on Ken Nelson, legal counsel on behalf of the NCC. Mr. Nelson advised the Commission that he was providing notification of the imminent submission of a pari-mutuel license application, noting that the NCC had received the application on July 5, 2005. He stated the NCC believes they have a legal right to submit the application for review and consideration by the Commission. Mr. Nelson stated that this would be a new application, but would contain similar elements to the application submitted for a riverboat license. He noted that it has been suggested that if the application and appropriate fees are submitted to the Commission they would be returned. Mr. Nelson asked that the NCC be excluded from the moratorium if the Commission re-establishes a moratorium. He also asked the Commission to address the issue of whether or not submitting the application would be an exercise in futility.

Chair Hamilton advised that issue would be covered during the upcoming discussion on the possibility of a new moratorium.

Chair Hamilton called on Stacy Cargill representing One Voice Iowa. Ms. Cargill advised the Commission that a Des Moines Register poll indicated that 69% of Iowans believe there are enough gambling opportunities in Iowa. She stated that contrary to public opinion, the Commission voted to issue four new licenses on May 11, 2005, but that a Des Moines Register article written on May 12th stated that all five Commission members intended to support a proposal to reinstate the moratorium in order to prevent additional licenses from being issued for a couple years. On behalf of One Voice Iowa and the Iowans who believe there are enough casinos, Ms. Cargill requested that the Commission reinstate the moratorium.

Chair Hamilton called on Representative Danny Carroll, House District 75. Rep. Carroll thanked the members for their service on the Commission. He indicated that he was closely involved with the legislation that was passed in the 2003 session that attempted to put in place a compromise amendment that would have provided for a legislative moratorium on any additional gaming licenses, which passed in the House in February by a remarkable margin; however, the Senate rejected the moratorium and returned the bill to the House. The House was unsuccessful in reinstating the amendment.

Rep. Carroll stated that he was addressing the Commission today to provide insight into the process and give encouragement in consideration of a moratorium as there was significant bi-partisan support for limiting the expansion of gambling in Iowa. He expressed confidence that even those legislators who voted against the moratorium in February or April hoped that the Commission would have maintained the moratorium when they, possibly for political reasons, could not.

Rep. Carroll stated that shortly after the legislative session adjourned, he attended a 2-day Economic Development conference at the Polk County Convention Center, and spent most of the time discussing economic development in Iowa, the Iowa Values Fund, Vision Iowa and other investment opportunities. He stated that during the time he was in attendance, not once did anyone addressing the conference suggest that Iowa consider expanding gambling for economic development purposes. He noted there have been several debates on the Iowa Values Fund and Vision Iowa and there were never any amendments offered, discussions on the floor or language contained in any proposed legislation stating that gambling should be expanded in pursuit of jobs and investment in the state. Rep. Carroll stated that he left the conference and attended the bill signing (HF 2302) that did allow for the removal of the moratorium. He noted that studies and remarks concerning the impact of gambling on families are abundant. He stated that one of his colleagues wondered how many families don't reach the crisis level but go without "extras" because of gambling, lottery machines, powerball, etc.; studies don't take those families into account.

Rep. Carroll came to Iowa in 1975 because he felt Iowa was a good place to raise a family – no lottery, gambling, powerball, pull tabs, etc. He stated that the continued expansion of gambling is incompatible with his view of Iowa thirty years ago. He noted that a friend from Florida moved here to take an executive position. When asked why he came to Iowa, the friend stated that it was a good job with an opportunity for advancement, and the fact that his wife saw children walking home from school, which did not happen in Florida. This executive came to Iowa because of the quality of life; however, if gambling continues to expand, we will not have that quality of life.

Rep. Carroll thanked the Commission for their consideration of a moratorium. He noted there are places in Iowa that would like to have a license; but gambling is not a part of the economic development plan set out by the Department of Economic Development. He encouraged the Commission to reinstate the moratorium.

Chair Hamilton called on Chuck Hurley, President of the Iowa Family Policy Center. Mr. Hurley indicated that he was speaking on behalf of the members who are concerned about the high divorce rates, bankruptcies, etc. as a result of the expansion of gambling. He stated he was present to remind the Commission and the audience that Iowa Code Chapter 725 (Vice) regulates two behaviors - gambling and prostitution. He expressed his belief that there is no unanimity that more gambling is good; that there is history showing that more gambling creates more problems. He noted that arguments could be made that it brings more money to the state.

Mr. Hurley encouraged the Commission to conduct an experiment in which not every part of the state would be exposed to more vice, i.e. gambling. While this might bring more money to the state budget, it doesn't necessarily improve Iowa. Mr. Hurley stated that the Commission has the difficult job of regulating what the Governor and Legislature have foisted upon Iowa. He requested that the Commission take into consideration the downside of expanded gambling and respect the 69% of Iowans who feel there is enough gambling in the state.

With regard to the applicants who submitted applications and were denied a license, Mr. Hurley stated that they had better odds of getting a new license than the patrons who would have been patronizing their facility. He stated that for those individuals to say that the odds were stacked against them and ask for a second chance does not track with the basic philosophy of gambling.

Mr. Hurley thanked the Commission for their willingness to consider a moratorium, noting that he would have preferred to see the old moratorium left in place. He stated that it is not necessary to saturate all of Iowa with gambling in order to do good for Iowa.

Chair Hamilton called on Steve Siegel, representing the River Hills Riverboat Authority, who submitted written comments in lieu of addressing the Commission. A copy is attached hereto and incorporated in its entirety by this reference.

Chair Hamilton called on Wes Ehrecke, Executive Director of the Iowa Gaming Association (Association). Mr. Ehrecke advised that the seventh annual Responsible Gaming Education Week would be taking place August 1-5, 2005. Although the Association works with the facilities throughout the year, this week is to provide a heightened focus on the fact that this should be a fun form of entertainment. Activities will be tied to the ten counseling centers, which will be visiting the facilities and providing information on problem gambling and answer any questions patrons may have. Mr. Ehrecke noted that studies indicate 1% of individuals who gamble will become addicted and the goal is make sure they are aware there are avenues available to them to seek help. He noted that legislation passed last year increased the funding for the Iowa Gambling Treatment Program; there has been a significant increase in advertising for the program and the 1-800-Bets-Off number, three transitional houses were opened, and the crisis line is now covered 24/7. Mr. Ehrecke stated that Iowa has a premier program for keeping compulsive gambling rates low.

Following a short break, Chair Hamilton called on IOC Davenport, Inc. Nancy Donovan and Mary Ellen Chamberlin, General Manager of Rhythm City and President of Riverboat Development Authority (RDA) respectively, were present to address the following documents submitted for Commission approval:

- Amendment to Operator's Contract
- Davenport Riverfront Development Agreement with the City of Davenport

Ms. Chamberlin advised that RDA's contract with Rhythm City has always contained a floor or a guarantee that RDA will receive a specific amount, which allows RDA to do some long-range planning. She noted that the actual amount received has always exceeded the floor level. The contract before the Commission increases the guarantee from \$2 million to \$3 million effective upon the signing of the contract. Upon completion of the hotel, the amount will increase to \$3.2 million. The contract allows the parties to revisit this issue in five years. Ms. Chamberlin requested the Commission's approval of the Amended Operator's Contract.

Ms. Chamberlin stated that the second document is an agreement between the City of Davenport and RDA/IOC Davenport, Inc. She turned the floor over to Ms. Donovan for further explanation. Ms. Donovan explained that the agreement is for a \$43.1 million project with a 183-room hotel on the river's edge with a tenth floor dining room and lounge. This project will help IOC/Rhythm City create a destination facility at the Davenport property, allowing them to be competitive in the current industry environment. The hotel will be connected to the parking garage. Ms. Donovan stated that the whole project took a tremendous collaborative effort by many individuals.

Ms. Donovan stated that IOC is very excited about the brand – musical versus tropical. This project allows them to build a flagship hotel to help elevate the brand and hopefully expand it into other jurisdictions. It is hoped that the hotel will help to draw customers from the Illinois market. She noted that the Sky Bridge opened on Father's Day and the Figge Art Museum is scheduled to open on August 6th, both of which are part of the River Vision project. Ms. Donovan noted that the Sky Bridge, which has a light show starting at 9:00 every night, has drawn hundreds of thousands of people downtown since its opening. She noted that a river's edge walkway is planned, as well as the allowance of an additional 5.5 acres of green space along the river. There will be an eagle watch area on top of the parking garage.

Ms. Donovan stated that the River Renaissance project has provided \$113 million of improvements along the river, while River Vision has provided \$150 million. The improvements at Rhythm City will be a small part of the riverfront renovations, and they are happy to be a small part of the enhancements along the riverfront.

Commissioner Mahaffey asked if there was new life in downtown Davenport. Ms. Chamberlin stated the change has been amazing, with the greatest change occurring since Father's Day when the Sky Bridge opened. The bridge is 600' long, sits 45' in the air and is all glass, which enables individuals to see in all directions, and compliments the new art museum. Ms. Chamberlin also talked about the families coming downtown after 9:00 PM to see the light show that takes place in the Sky Bridge. The light show continues until 6:00 AM. Music will be added to the light show in approximately one month. She advised that the Figge Art Museum, designed by David Chipperfield, will be opening on August 6th. Davenport has an annual Art Stroll, which brings together all of the performing and visual artists in the downtown area. The date has been changed this year to coincide with the opening of the Figge Art Museum.

Hearing no further comments or questions, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the Amendment to the Operator's Contract and the Davenport Riverfront Development Agreement with the City of Davenport as submitted by IOC Davenport, Inc. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-75)

Chair Hamilton called on Mr. Ketterer regarding the regulatory fees for FY 2006. Mr. Ketterer stated that Iowa Code requires the Commission to determine regulatory fees for the licensed riverboats and racetracks on an annual basis by including the Commission's appropriations for racetracks and excursion gambling boats, and the salaries for the DCI agents assigned to those locations and related costs and expenses. He noted that the licensees had received a draft of the fees approximately two weeks ago. Mr. Ketterer requested approval of the regulatory fees for fiscal year 2006 as submitted. (Copies attached)

Commissioner Bair moved to approve the regulatory fees for the licensed riverboats and racetracks for FY 2006 as submitted. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 05-76)

Chair Hamilton asked if the fees would be retroactive to the beginning of the fiscal year. Mr. Ketterer stated that because the Legislature was late in adjourning and the appropriation numbers were not available, the Commission asked the licensees to continue paying the same fee as in FY 2005 and they would receive an adjustment on this calculation. He noted that the regulatory fees just approved would be effective on August 4, 2005.

Chair Hamilton moved to the approval of the Dog Racing Promotion Fund as authorized by Iowa Code Section 99D.12(2)C. John Garner and Bob Hardison, legal counsel for the Iowa Greyhound Association (IGA) and President of IGA respectively, were present to answer any questions regarding the IGA's application for the above funds.

Chair Hamilton thanked Lorraine May, legal counsel for Bluffs Run Casino (BRC), for her explanation regarding BRC's payment to the Dog Promotion Fund, noting that new Commissioners would not be aware of the facts.

Mr. Ketterer advised that staff recommended approval of IGA as the recipient for the FY 2006 Dog Racing Promotion Fund contingent upon specific recommendations, of which IGA was aware.

Chair Hamilton requested a motion. Commissioner Mahaffey moved to approve the IGA as the recipient of the Dog Racing Promotion Fund for FY 2006, contingent upon the following staff recommendations:

1. The recipient shall provide an evaluation of the agreement(s) with, and performance by, the investment manager annually and consider soliciting and

- evaluating new proposals if they are under performing. This evaluation should be provided in an annual audit of the Escrow Account(s) by an independent audit company. The audit should cover activity from January 1, 2005 through December 31, 2005, and be submitted to the Iowa Racing and Gaming Commission by April 1, 2006.
2. The cost of the annual audit of the Escrow Account(s) shall be paid from the Escrow Account Fund(s).
 3. Investment agreements should be for one-year terms subject to renewal conditions approved by the Commission. Provide a report on the status of the investment agreements.
 4. Requests for proposals and all other correspondence should include a copy to IRGC and Iowa West Racing Association (IWRA).
 5. The recipient shall disclose any potential related parties to the Commission.
 6. Investment funds shall not be withdrawn from the account(s) until the Commission has approved contracts or expenses. If events occur which no longer require expenditure of funds, the funds will be immediately returned to the Escrow Account(s) and not deposited in any other account(s).
 7. The recipient shall have and maintain written minutes of all meetings and include copies to the IRGC and IWRA.
 8. In the event of arbitration, the recipient shall ensure availability to the arbitration committee so that decisions are provided to the Commission by November 1, 2005.

Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-77)

Mr. Garner advised the Commission that the IGA would have a booth in the Varied Industries Building at the Iowa State Fair this year. They will have a live greyhound at the booth, and a representative from the Adopt a Greyhound organization will also be present to answer questions.

Chair Hamilton moved to the discussion and possible action on reinstating a moratorium rule, and indicated that each Commissioner would state their feelings. Following the discussion, the Commission will vote. Chair Hamilton called on Commissioner Cutler.

Commissioner Cutler stated the Commission just had the opportunity to listen to several individuals express their thoughts on what the Commission should do about a moratorium, as well as having talked amongst themselves about what would be in the best interests of everyone involved. She feels the room is split down the middle as to what action the Commission should take regarding a moratorium. Commissioner Cutler noted that the Commission had a moratorium in place previously, and voted 4-1 to lift the moratorium. She stated that whether or not the Commission had a moratorium, anyone could come forward and request that the moratorium be rescinded. If no moratorium is in place, the Commission could be faced with numerous applications. Either way, the Commission would still have the power and responsibility to make those decisions.

Commissioner Cutler stated that she did not feel it was important for the Commission to have a moratorium in place, but indicated she would like to see the four new entities awarded licenses in May have an opportunity to get up and running in order to see if they meet revenue projections, if tourism is generated, economic development occurs, and the amenities are built. Commissioner Cutler stated that she did not want to see any new licenses until the four new licensees have had an opportunity to get up and running.

Commissioner Jarding stated that Commissioner Cutler had provided a good summary of the Commission's previous actions, and that she agreed with Commissioner Cutler that the Commission take no action on a moratorium at this time. She feels the Commission needs to see if the casinos located in the smaller communities will be as successful as projected and whether tourism increases. Commissioner Jarding indicated the Commission needs to proceed with caution and listen to the "No" contingency. Issuing more licenses than the market can bear would not be beneficial to anyone. If more licenses are to be issued, the Commission needs to make sure that there is a sufficient market to support them. Commissioner Jarding noted that the gaming industry can create jobs; however, the loss of jobs to overseas markets and plant closings make it difficult for recreational facilities in Iowa at this time. Commissioner Jarding stated that Iowa needs to address the tax structure, competing for new jobs and keeping current jobs to keep our children in Iowa. She pointed out that economic development of all kinds will help generate the most recreational dollars for the state. Commissioner Jarding stated that it is important for the Commission to remember that their decisions affect all Iowans. Keeping that in mind, Commissioner Jarding indicated that she feels the best action at this time is no action; that the Commission should wait and see if the new licensees will be successful before acting on any further license applications.

Commissioner Bair stated that the Commission had an awesome responsibility in choosing the sites for the new licensees; one that was not taken lightly by any of the Commission members. He indicated that he felt the process was fair, noting that those applicants not chosen to receive a license feel differently. The process was open and allowed for substantial discussion. Commissioner Bair stated that the applicants knew when they left the May 4th meeting that not everyone would receive a license the following week as the Commission had indicated they would likely issue anywhere between two and six licenses. Commissioner Bair stated that at this point in time it is important to give the four applicants selected to receive a license an opportunity to get up and running, and insure there is adequate opportunity for competition. He stated he did not feel it was necessary to put a hard and fast moratorium rule in place; however, it is important for the Commission to sit back and provide an opportunity for the new facilities to start operations. Commissioner Bair stated that those present should be able to discern where he would be coming from should an application be submitted to the Commission within the next 18-24 months.

Commissioner Mahaffey stated that he carries the moratorium in his heart; noting that he supported the first moratorium and would support another moratorium. He went on to note that he respects the feelings of the other Commissioners with regard to another

moratorium. Commissioner Mahaffey expressed his appreciation for Representative Danny Carroll coming to address the Commission. He believes the Commission was very diligent in the process utilized in making their selections and attempted to be fair, noting that it was subject to criticism. He opposed the end result; however, the process worked. He believes the Commission should take time to reflect on what has happened and what will happen in the future. Commissioner Mahaffey indicated that he agreed with Commissioner Bair's comments, but for different reasons. He stated that his term on the Commission expires in April 2007 and he doesn't anticipate dealing with any new license applications prior to that time.

Commissioner Mahaffey stated that after his vote in May, he heard from many people, both in support of and criticizing his stance. However, he heard from many more who he felt represented the majority of Iowans that believe there are sufficient gambling opportunities in Iowa. They came from all walks of life. He urged those in attendance that have spoken out against any more expansion of gambling to continue to be active and attend the meetings in order to be heard. He reiterated that he has not always agreed with his fellow Commissioners, but feels the process worked, and that it is important to protect the integrity of the process. He stated that he does not feel the Commission should take any action concerning new applications for the next couple of years.

Commissioner Mahaffey thanked everyone involved in the process, and their civility when contacting him.

Chair Hamilton reiterated a previous comment that the enthusiasm shown by the various communities and their hard work throughout the process provides insight into what they have in mind for their community. She indicated that everyone should work hard for their community; however, the licensing process was completed on May 11th. Chair Hamilton feels the Commission would have a serious credibility problem should they continue to reconsider issues on which they have already taken final action. She wondered what the Commission would say to the other applicants if they were to reconsider their decision and decided to grant just one more license; there would be more questions as to why one applicant was chosen over another. Chair Hamilton expressed concern over too many licenses being granted; noting that once a license has been issued, should that license fail, it becomes the Commission's problem to decide how to deal with it. She stated that she was in favor of waiting until the four new licensees had an opportunity to begin their operations to see if they will meet revenue projections. At that point, the Commission could review Iowa's gambling market to determine if it will support additional casinos, keeping in mind the 69% of Iowans who feel there is sufficient gambling.

Chair Hamilton stated that the Commissioners had made their feelings clear on this particular issue, and called for a motion. Commissioner Mahaffey stated that he did not feel a motion was necessary; that the Commissioners had made it clear they had no intention of entertaining any applications in the near future. He requested that anyone with a question on this particular issue contact Commission staff.

Commissioner Cutler noted that since there is no moratorium in place, individuals have every right to submit an application; however, the Commissioners have expressed their personal opinions as to how they would act on those applications if they were brought forward in the near future.

Chair Hamilton moved to the rules being submitted under Notice of Intended Action, and called on Mr. Ketterer. Mr. Ketterer gave a brief description of the various rules being presented to the Commission under Notice of Intended Action. A copy of the rules is attached.

Hearing no discussion or comments concerning the rules, Chair Hamilton requested a motion. Commissioner Mahaffey moved to approve the rules as submitted under Notice of Intended Action. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-78)

Chair Hamilton moved to contract approvals, and called on Harrah's. Mike Rich, Assistant General Manager, presented the following contracts for Commission approval:

- NRT Technology Corp. – Self-redemption/Bill Breaker Kiosks for Fast Cash Program
- VSR Lock, Inc. – Slot Machine Base Replacements ad Parts

Hearing no discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by Harrah's. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-79)

Chair Hamilton called on Mississippi Belle II (MB II). Neil Narter, General Manager, presented the following contracts for Commission approval:

- AC Coin & Slot Service Company – Lease of 8 Slot Machines (Replacements)
- Pepsi-Cola Fountain Company, Inc. – Contract Renewal for Post-mix Product
- McClure Engineering Company – Engineering Services for Land Development and Roadway Improvements on Potential Hotel Project (Subcontracted through Frank Baxter General Contractor, Inc.)
- KKE Architects, Inc. – Architecture, Interior Design, and Structural Engineering for Potential New Casino

Hearing no comments concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by MB II. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-80)

Chair Hamilton called on Wild Rose Emmetsburg (WRE). Kevin Preston, General Manager, presented the following contracts for Commission approval:

- Soper Farms, Inc. – Land Purchase
- Simonson & Associates – Architectural Services
- Regency Commercial – Construction Services

Chair Hamilton commented on the fact that all of the vendors were from Iowa.

Mr. Preston advised that WRE held a “Contractors Day” on Tuesday, which was widely publicized. WRE had over 200 contractors in attendance from Des Moines, Cedar Rapids, and Council Bluffs to name a few locations. It is WRE’s intent to utilize as many Iowa vendors as possible, with the goal of being an “all Iowa” project.

Hearing no questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by WRE. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-81)

Chair Hamilton called on HGI Lakeside. Tom Timmons, General Manager, presented the following contracts for Commission approval:

- Hy-Vee Food Store – Gift Cards for Players Points and Misc. Food Products
- Krause Gentle Corp. – Gift Cards for Players Points and Management Fees
- Pepsi – Beverages for Customers and Employees
- Solutions, Inc. – Marketing Services (Increase)

Hearing no questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by HGI Lakeside. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-82)

Chair Hamilton called on Diamond Jo Casino (DJC). Natalie Schramm, General Manager, presented a contract with Premium Solutions for the purchase of promotional items, as well as items for the gift shop.

Hearing no comments concerning the contract, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contract as submitted by DJC. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-83)

Chair Hamilton called on Diamond Jo Worth County (DJWC). Ms. Schramm presented the following contracts for Commission approval:

- Aristocrat Technology – New Slot Machines, Parts & System Enhancement Services
- Bally Gaming – New Slot Machines, Parts & Repairs

- InfoGenesis – Food & Beverage; Point of Sale System
- International Gaming Technology (IGT) – New Slot Machines; Leased Slots & Parts
- Williams Gaming – New Slot Machines & Parts
- Purchase Agreement

Ms. Schramm introduced Dick Dickstein and Lori Nelson, General Manager and Director of Finance respectively, for the project. These are both internal promotions.

Ms. Schramm advised that the deep foundation is in, and that one-fourth of the foundation is coming out of the ground. DJWC is in the process of completing the leases for the employment and training centers. She advised that Mr. Dickstein would be moving to the area and opening up the site in September. Dealers will be the first employees hired, and training for them will commence in either September or October.

Hearing no comments concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by DJWC. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-84)

Chair Hamilton called on Catfish Bend Casino (CBC). Joe Massa, General Manager, presented a contract with Lee County Bank and Trust, N.A. for a line of credit for a portion of the equity in the Washington County Casino Resort, LLC (WCCR), requiring interest payments only at the rate of 6%. He noted that the original application did include a Letter of Commitment from the bank, and this is just finalizing the transaction.

Hearing no discussion concerning the contract, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contract as submitted by CBC. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-85)

Chair Hamilton called on WCCR. Mr. Massa presented the following contracts for Commission approval:

- Rees Jones, Inc. – Design of Golf Course
- RPB Properties – Purchase of 74.66 Acres of Land

Mr. Massa advised that the application included a notation that WCCR had a verbal agreement with Rees Jones, Inc. for design fees for the golf course. There is now a formal contract, and they are seeking approval. The golf course is in the design process.

The second contract is for the acquisition of additional property, which will allow additional space for the golf course and expansion of the project. They are still negotiating on the purchase of another 75 acres, giving the project a total of 375 acres.

Mr. Massa advised that the project would be holding a groundbreaking ceremony next Wednesday. He noted they are continuing to define the project, and have made a major design change in the hotel. Instead of being two 3-story wings, they have now decided to go with a 6-story tower that will make it easier to expand and provide better ambience. WCCR is also looking at adding condos on a seventh level.

Mr. Massa further advised that he had sent a letter to Mr. Ketterer indicating that the utility issue, a contingency of receiving the license, was resolved by July 11th. An agreement was reached amongst Washington County, the City of Riverside and WCCR that will provide for the infrastructure for development in that area. The Washington County Supervisors agreed to lend the City of Riverside their bonding limit, \$9.5 million, for the utility project. This project will replace the existing water and sewer infrastructure in Riverside, will double the capacity by 100%, and allow for a 25% expansion in the future. The utilities will be owned and operated by the City of Riverside. WCCR will pay \$750,000 toward the project and is required to maintain a taxable valuation on the property during the life of the bonds. WCCR is also responsible for finding a purchaser for the bonds.

Hearing no discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Washington County Casino Resort, LLC. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-86)

Chair Hamilton called on IOC Black Hawk County. Nancy Donovan and Curt Beason, General Manager and IOC legal counsel respectively, were present to answer questions regarding an Admission Fee Administration and Development Agreement. Ms. Donovan stated that this agreement satisfies the conditions placed on the license when it was granted.

Hearing no questions, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the Admission Fee Administration and Development Agreement as submitted by IOC Black Hawk County. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-87)

Chair Hamilton called on Bluffs Run Casino (BRC). Gaye Gullo, General Manager, presented the following contracts for Commission approval:

- Cintas Corporation – Uniforms for Horseshoe Casino
- NRT Technology Corp. – Self-redemption/Bill Breaker Kiosks for Fast Cash Program
- Steelite – China and Silver for the Horseshoe Casino Restaurants

Hearing no discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by BRC.

Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-88)

Ms. Gullo advised that the steel structure is in place for Horseshoe and the process of pouring the floor has begun. She stated that she was able to go into the structure about a week ago and was overwhelmed by the size and scope of the building, which will contain 68,000 square feet of new casino floor space. They hope to have the parking garage open before New Year's. There will be a walkway through the facility to allow customers to view the construction process. Harrah's is aiming for an April 1, 2006 opening date.

Chair Hamilton called on Dubuque Greyhound Park & Casino (DGP&C). Bruce Wentworth, General Manager, presented the following contracts for Commission approval:

- Nauman Nursery – Landscaping
- A&G Electric – Street Lighting
- City of Dubuque – Second Amendment to Lease (RP)

Hearing no comments concerning the contracts, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by DGP&C. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-89)

Mr. Wentworth advised that compared to last June, business was up 35-40%. DGP&C held a grand opening for the new facility, but the Hilton Garden Inn is still working on its project and hopes to open between September 21-26th. He noted that the construction project has entered the fourth phase, which is the older administrative area of the existing building.

Chair Hamilton called on Prairie Meadows, Inc./Prairie Meadows Racetrack & Casino (PMR&C). Derron Heldt, Director of Racing, presented the request for the Season Approvals for the Harness Meet. He advised that PMR&C will be constructing the new paddock, jockeys' room and walking ring during the harness meet, which will require the existing paddock to be moved north of the grandstand and pavilion. Mr. Heldt stated that PMR&C staff and the Iowa Harness Racing Association are working on the design and layout and hope to have something to IRGC staff thirty days out from the start of the harness meet.

Commissioner Cutler asked if PMR&C is aware of the staff recommendations. Mr. Heldt answered in the affirmative.

Hearing no further discussion concerning the harness meet season approvals, Chair Hamilton called for a motion. Commissioner Cutler moved to approve the Season Approvals for the Harness Meet as submitted by PMR&C, contingent upon the following staff recommendations:

- The immediate written notification of any change in racing official positions.
- The completion of necessary DCI backgrounds.
- Continuation of all import/export simulcast contracts being reviewed and approved by IRGC staff.
- Prior notification of any schedule changes: race days, post times, or the number of races.
- Submission of a diagram of the temporary paddock north of the pavilion one month prior to live racing.

Commissioner Jarding seconded the motion, which carried unanimously. (See Order No.05-90)

Bob Farinella, General Manager, presented the following additional contracts for Commission approval:

- *Accurate Mechanical Company – Potential Contractor for HVAC Mechanical Projects Phases 6 & 7
- *A J Allen Mechanical Contractors - Potential Contractor for HVAC Mechanical Projects Phases 6 & 7
- *The Baker Group - Potential Contractor for HVAC Mechanical Projects Phases 6 & 7
- Farmers Supply Store – Purchase of Equipment, Parts, Service & Supplies
- Graham Construction Company – Various Construction Projects @ Prairie Meadows throughout 2005 and 2006 (Increase)
- IGT – Lease Renewal of Slot Machine
- IGT – Lease of 6 Slot Machines (Replacements)
- Mid American Energy Company – Casino Expansion Construction: Relocation of Primary Electric Feed and Pipeline
- *Pike Mechanical - Potential Contractor for HVAC Mechanical Projects Phases 6 & 7
- Sirius Computer Solutions – Computer-related Products & Services
- The Underground Company – Contractor for Excavating, Grading, Pond Dredging (Increase)
- *Waldinger Corporation - Potential Contractor for HVAC Mechanical Projects Phases 6 & 7

Chair Hamilton noted that the contracts were 100% Iowa vendors. Hearing no comments concerning the contracts, she requested a motion. Commissioner Jarding moved to approve the contracts as submitted by PMR&C. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 05-91)

Mr. Farinella stated that PMR&C has broken ground on their \$60 million expansion project. The utility work is ongoing to relocate those lines and work has started for the foundations. He reiterated that as soon as the mixed meet is completed, construction on

the jockeys' room, paddock and walking ring will commence. Mr. Farinella stated that the project is on schedule at this time.

Chair Hamilton moved to Administrative Business. Mr. Ketterer advised that the Commission had already dealt with the matter. Commissioner Bair noted that the Commission is seeing more and more Iowa contracts. He wondered if it was possible to create a list of the out-of-state vendors and the products offered to determine if there is an Iowa vendor that could provide the product. Mr. Ketterer indicated that he would look into the matter.

Chair Hamilton called for a motion to adjourn. Commissioner Cutler so moved. Commissioner Mahaffey seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

IOWA RACING AND GAMING COMMISSION
MINUTES
SEPTEMBER 8, 2005

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, September 8, 2005, at Stoney Creek Inn, 5291 Stoney Creek Court, Johnston, Iowa. Commission members present were Diane Hamilton, Chair; Kate Cutler, Vice Chair, and members Gerry Bair, Joyce Jarding and Mike Mahaffey.

Chair Hamilton called the meeting to order at 8:30 AM and requested a motion with regard to the agenda. Commissioner Cutler moved to approve the agenda as presented. Commissioner Mahaffey seconded the motion, which carried unanimously.

Chair Hamilton moved to the approval of the minutes from the July 14, 2005 Commission meeting. Hearing no discussion, she requested a motion. Commissioner Jarding moved to approve the minutes as submitted. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Hamilton called on Jack Ketterer, Administrator of the IRGC, for announcements. Mr. Ketterer provided the following information concerning upcoming Commission meetings:

- October 13, 2005 Commission Meeting – Dubuque Greyhound Park and Casino, Dubuque, IA (Submissions due by September 29, 2005)
- November 17, 2005 Commission Meeting – Stoney Creek Inn, Johnston, IA (Submissions due by November 2, 2005)
- December 2005 – No Meeting
- January 12, 2006 Commission Meeting – Stoney Creek Inn, Johnston, IA (Submissions due by December 28, 2005)

Mr. Ketterer noted that the Hilton Garden Inn in Dubuque is indicating at this time that they will be open in time for the Commission's meeting in October, and that is where the Commission will be staying. The pari-mutuel and racetrack enclosure license renewals will be on the agenda.

Chair Hamilton moved to the review of the financial audits for the three Isle of Capri (IOC) properties, and called on IOC Bettendorf (IOCB). Mo Hyder, General Manager, advised that it was a good year revenue-wise; that IOC continues to invest in the property, expending \$5.2 million in the last fiscal year. The Commission has approved a \$62.1 million expansion project for the construction of an additional 250 hotel rooms at this property and a 50,000 square foot convention center, which is being built in conjunction with the city of Bettendorf. Groundbreaking for the convention center is planned for the first week of October.

Mr. Ketterer noted IOCB had a significant decline in the amount of interest expense paid to the parent company, down from \$16.4 million to \$10.7 million. Mr. Hyder explained that the decline was due to the restructuring of debt and a reduction in interest rates from 10-11% to approximately 7%. Net income went from a -\$3 million to a +\$3 million.

Hearing no further discussion concerning the audit for IOCB, Chair Hamilton called on IOC Marquette (IOCM). Barron Fuller, General Manager, and Pam Kohler, Senior Director of Finance, were available for questions. Mr. Fuller advised that IOCM achieved year-over-year growth and EBITDA. They had a payroll of over \$12 million, with 64% of the employees being Iowans. IOCM paid over \$10 million in cash and fees to the non-profit, and over \$2.5 million in capital investment in the property.

Mr. Ketterer asked if IOCM received any benefit from the restructuring of debt similar to the IOCB, noting that the interest expense to the parent company is relatively unchanged from the previous year. Ms. Kohler explained that IOCM refinanced their debt of \$77 million in March of this year, and will see a decrease in interest expense from corporate during the current fiscal year.

Hearing no further discussion concerning IOCM's financial audit, Chair Hamilton called on Rhythm City. Mr. Hyder advised that the musically-themed property is doing well, and experienced year-over-year growth. They invested approximately \$6.4 million in the property during the last fiscal year, and are in the midst of a \$43.1 million expansion project, which will add 180 hotel rooms. Rhythm City is working through the regulatory process to relocate the boat, and feel approval could be granted early next year. Additionally, Rhythm City is collaborating with the city of Davenport on the River Renaissance project to build a new convention center. Mr. Hyder stated that he feels the boat will be an attraction that draws visitors to the downtown area.

Commissioner Cutler noted that a report stated that Ernst & Young had not reviewed Rhythm City's internal controls. She questioned whether another external firm had done so. Mr. Hyder stated due to the Oxy-Sarbanes reporting law, the internal controls are reviewed. Commissioner Cutler asked if the review was done through a separate report by Ernst & Young. Mr. Hyder indicated that he had not seen such a report at this time, but would obtain an answer to the question.

Commissioner Bair noted that IOC has several properties in the area hit by Hurricane Katrina, and asked what impact, if any, there would be on the Iowa properties. Mr. Hyder advised that each property is individually insured. He stated that the corporate headquarters did sustain minor damage, but is inhabitable at this time. IOC properties in other states have been directed to continue with projects as planned – that it is business as usual.

Hearing no further comments on Rhythm City's audit or damage to IOC properties, Chair Hamilton called on the Iowa Gaming Association (Association). Wes Ehrecke, Executive Director, discussed the "Buy Iowa" program. He stated that he was impressed

by the industry's commitment to the program, noting that when he started five years ago, the properties purchased approximately \$140 million in services and products from Iowa companies. That figure has increased to approximately \$175 million, with over 80% of products being purchased in Iowa. The facilities are taking price, quality, quantity, and the ability to deliver into consideration when choosing Iowa products. Mr. Ehrecke also noted the Commission's emphasis on the facilities utilizing Iowa products. He advised that the Association has purchased the "Buy Iowa" domain name, which lists and directs businesses seeking to do business with the riverboats and tracks to the purchasing representative at each facility. Mr. Ehrecke stated that some corporate licensees are looking at opportunities to utilize Iowa products corporate-wide.

Mr. Ehrecke distributed collateral pieces utilized by the Association to make people aware of the program. This information is distributed to the press, legislators, and many others.

Commissioner Jarding asked if the "Buy Iowa" program began when gaming came to Iowa, or slowly evolved. Mr. Ehrecke stated that the legislation enacting gaming in Iowa directed that facilities utilize Iowa products when possible. He noted that some facilities take that directive a step further and attempt to buy locally first, then within Iowa. He voiced his opinion that the new facilities have really embraced the "Buy Iowa" program.

Mr. Ehrecke also gave a brief update on the American Gaming Association's (AGA) assistance to the gaming facilities affected by Hurricane Katrina. He stated there were 18,000 employees impacted at the 15 casinos located along the Gulf Coast. The first priority of the companies is to locate their employees. Harrah's and IOC have stated they will pay their employees for the next 90 days, and maintain their benefits. Ameristar is providing meals to evacuees at the convention center. Prairie Meadows Racetrack & Casino (PMR&C) is offering jobs. Mr. Ehrecke stated that the AGA has set up a relief fund, as have several of the affected companies. Caravans of supplies have been collected and will be delivered to the affected areas. Some of the facilities that have operations in Iowa are looking to place some employees in these facilities either on a temporary or permanent basis.

Mr. Ketterer stated that IRGC has established contact with the Mississippi Gaming Commission regarding the exchange of licensing information if individuals from that area want to relocate here or if there is some type of relocation program within the corporate structure. He noted that all IRGC field offices have been advised that individuals from the affected facilities may show up without the necessary ID to obtain a license, and have been advised who to contact in order to get the necessary information.

Chair Hamilton moved to the progress reports for the new licensees, and called on Wild Rose Emmetsburg (WRE). Kevin Preston, General Manager, advised that the project is four to five weeks ahead of schedule on construction. Tony Sigler, Regency Commercial Construction, advised that site work and grading of the lake are 95% complete; underground utilities will be done by the end of the week; the landscaping will be

completed next spring; construction of the casino foundation is complete; the hotel foundation and the gaming floor are 90% complete. The goal is to have the casino and hotel enclosed by the first week of December to allow for work to continue during the winter months so that the spring 2006 opening will not be jeopardized. They are currently working on the exterior/interior design packages. There has been a good response from local contractors as well as contractors throughout the state. Mr. Sigler noted that they are attempting to work with as many local contractors as possible.

Mr. Preston advised that 95% of the funding for the project is through Iowa banks, with the other 5% through Wells Fargo. He stated that all documents should be signed by the end of the month.

Mr. Preston announced that Jesus Aviles, General Manager, at Argosy – Sioux City, would be leaving that position, dependant upon the closing date of the sale of Argosy to Penn National, and wished him well in future endeavors.

Chair Hamilton called on Diamond Jo Worth County (DJW). Natalie Schramm, General Manager, advised that all of the financing for the project is in place. She stated that Henkel Construction Company is the general contractor for the project, which is on schedule and budget at this time. Currently, the project site is being excavated and graded, foundations are being laid, and framing should start next month. The goal is to have the exterior construction completed by the end of November, with the project substantially completed by March 9, 2006. The building would be turned over to DJW at that time. Ms. Schramm stated that DJW hopes to be open for business by the end of March or the first part of April. She advised the Commission that DJW has now closed on all of the land on which they held purchase options. She stated that DJW would also be having a contractor/vendor day at the end of this month.

Mr. Ketterer stated that he read where Evangeline Downs offered all of the simulcast revenue from Sunday, September 5th, to the victims of Hurricane Katrina, and that the signal was picked up by several of the larger states, including California. He voiced his opinion that a substantial amount should have been raised. Ms. Schramm indicated that several hundred thousand dollars was raised as the jockeys and owners also donated their winnings. She stated that Evangeline Downs is located two hours northwest of New Orleans and did not suffer structural damage; however many of their employees have been affected.

Hearing no further comments or questions for Ms. Schramm, Chair Hamilton called on IOC Black Hawk County. Nancy Donovan, Regional Vice President for IOC, advised that the financial credit facility has been approved. The process has been started to obtain the necessary construction permits so that site grading can be started. The project is in the final design stages. A groundbreaking ceremony is scheduled for Thursday, October 6th at 9:00 AM. Tim Hinkley, IOC president, will be present. Ms. Donovan stated that the project is on target for the October 2007 opening as presented during the licensing process.

Chair Hamilton stated that the Commission members had been given an article the previous evening setting forth some of the damage incurred by IOC from Hurricane Katrina, and asked Ms. Donovan for additional information.

Ms. Donovan advised that anything that was floating is a total loss. The parking garage has collapsed; however, a portion of the hotel is still standing. IOC has not been able to estimate the dollar value of the damage at this time. Ms. Donovan stated that IOC is committed to rebuilding their structures. The corporate headquarters are located five and a half miles from the beach, and are able to be utilized as the contact point for employees. Ms. Donovan advised that the emphasis at this point is on locating team members; stating that 93% have been accounted for at this time. Ms. Donovan stated that ten employees from the affected facility are in the Quad Cities area, and some are working in the Iowa facilities. IOC will be compiling a list of all job openings within the company, and make those available to current team members. Ms. Donovan noted that the Iowa IOC properties will have a balancing act to help current employees, but also to help Iowans within the communities who are seeking employment.

Ms. Donovan stated the amount of time necessary to get the damaged properties back up and running is unknown at this time. IOC is holding company-wide conference calls at 10:00 AM and 4:00 PM every day. She advised that communication is going as well as can be expected considering the circumstances.

Chair Hamilton asked Ms. Donovan if Mississippi would let the casinos build on land versus being situated on pylons following this catastrophe. Ms. Donovan stated that she feels the legislators will give it some consideration as the state receives approximately one-half million dollars per day from all casinos located in Mississippi.

Mr. Ketterer stated that he felt the target date for the Waterloo project as set out during the licensing process was April 1, 2007. He asked if that was still correct. Ms. Donovan answered in the affirmative. Mr. Ketterer noted that she had stated October 2007 in her earlier comments.

As there were no further comments or questions concerning IOC Black Hawk County or IOC in general, Chair Hamilton called on Washington County Casino Resort (WCCR). Joe Massa, General Manager, and Dan Kehl were present to answer any questions. Mr. Kehl advised that WCCR has secured a \$95 million term note, a \$10 million revolving line of credit, hopefully at 7% interest, and \$10 million in keep well financing.

Mr. Kehl stated that the project and the quality of the project are expanding as it progresses. The original cost was projected at \$105 million; however, that has increased to \$141 million. They are confident they will still be able to meet the revenue projections.

Mr. Kehl stated WCCR will utilize a design build strategy for the project. Mr. Kehl covered the bidding process and the manner in which the bids are awarded. He indicated

the bids for the gaming floor and the interior packages would be let by the October 13th Commission meeting. A groundbreaking ceremony was held on July 20th; they are hoping to have the facility open by October 2006. Like the other facilities, WCCR is hoping to have their facility enclosed by winter.

Mr. Kehl stated that they are embracing the "Buy Iowa" program at the facility by utilizing as many Iowa contractors as possible, and will also utilize businesses that owned/operated by local investors when the opportunity arises.

Commissioner Cutler asked when the golf course would be available for play. Mr. Kehl advised that the ground cover can not be put down until early August 2006, meaning the golf course probably will not open until spring 2007. A meeting was held with a potential builder of the course, and the fees included individuals to provide maintenance and supervision for the first three years.

As there were no further comments or questions concerning the WCCR license, Chair Hamilton called on National Cattle Congress (NCC) regarding their Petition for Declaratory Ruling, which was filed on July 14, 2005. Mr. Ketterer explained that NCC and the Intervenors had filed briefs setting forth their positions. This provides them an opportunity to present oral arguments.

Ken Nelson, legal counsel for NCC, stated that the Petition asked the Commission to answer two questions:

- Does § 99F.4A(2) mandatorily require the issuance of a license to the Petition to operate pari-mutuel racing and/or gambling games?
- Does Iowa Administrative Code Section (IAC) 491-1.5(2) allow Petitioner to only file a Renewal Application for a pari-mutuel racing license? If yes, is Petitioner relieved from any filing fee requirement?

It is Mr. Nelson's opinion that the answer to these questions is "yes". At this time, Mr. Nelson addressed the Briefs filed by IOC Black Hawk County and Black Hawk County Gaming Association (BHC GA), stating that NCC took offense to statements contained therein which set forth their belief that the Petition was a way to get around the Commission's decision denying a license to NCC at the May 11th Commission meeting. Mr. Nelson stated that the Petition is based on facts, and was filed for clarification of issues. In his opinion, IOC and BHC GA are attempting to protect their turf in Waterloo, and feels their Briefs are without merit and are self-serving, and should be given very little weight by the Commission.

Mr. Nelson stated that NCC believes that Iowa Code § 99F.4A(2) requires the Commission to issue them a license to offer pari-mutuel racing and/or gambling games. He noted that the above referenced Code states: "A license to operate gambling games shall be issued only to a licensee holding a valid license to conduct pari-mutuel dog or

horse racing pursuant to Chapter 99D on January 1, 1994.” Mr. Nelson reminded the Commission that NCC was a licensee with a valid license on January 1, 1994. He indicated it is NCC’s belief that they still have a valid license to conduct pari-mutuel racing based on the Commission’s action and/or inaction in November 1994, the occurrences of November 1995, and November 1996.

In further support of a “yes” answer to Question 1, Mr. Nelson directed the Commission’s attention to Iowa Code § 99F.6(4)b and 99F.4A(2), which he feels provide additional support that the Commission must issue a license to NCC to conduct gambling games as well as pari-mutuel racing. He stated that Iowa Code § 99F.6(4)b states in part: “The commission shall authorize the licensees of pari-mutuel dog racetracks located in Dubuque county and Black Hawk county to conduct gambling games as provided in 99F.4A ...” dependent upon live races being scheduled for a specific amount of time. Mr. Nelson stated that in reading Iowa Code § 99F.6(4)b there is neither reference to nor any wording to tie the issuance of a gambling license at a racetrack to a referendum or a vote of the county electorate.

Mr. Nelson indicated that Iowa Code § 99F.6(4)b and 99F.4A were enacted by the Legislature in 1994 when the revocation of NCC’s license was overturned by the U.S. Bankruptcy Court. Mr. Nelson stated that it was the intent of the Iowa Legislature that Dubuque and Waterloo would be grandfathered in and allowed to conduct gambling games at their racetrack facilities as long as they were licensed as of January 1, 1994, which was the case for both facilities. He again expressed NCC’s position that they hold a valid pari-mutuel license, and therefore, should be allowed to conduct gambling games at their facility subject to the presentation of a pari-mutuel license renewal application to the Commission.

With regard to the second question, Mr. Nelson referenced IAC 491-1.5(2), which he believes allows the Petitioner to only file a renewal application for a license. Based upon the meeting minutes provided in his Brief, Mr. Nelson stated that the status of NCC’s pari-mutuel license was unclear to the Commission from November 1995 through May 1996, noting that the matter was continually deferred until that time due to the ongoing bankruptcy case. He noted that the minutes from November 1995 and January 1996 clearly reflect that the U.S. Bankruptcy Court overturned the Commission’s November 1994 revocation of NCC’s license. Mr. Nelson questioned whether the pari-mutuel license held by NCC was up for renewal, had lapsed, or been suspended or revoked, explaining that this uncertainty on NCC’s part was the reason for the Petition for Declaratory Ruling. Mr. Nelson stated that the license was “denied” in May 1996 as a license application although no formal application was submitted in 1996, and the NCC has taken no further action regarding the license until this time. Mr. Nelson stated that based upon the minutes NCC feels they have a valid license for pari-mutuel racing subject to the Commission’s approval of racing dates; and that a request for racing dates has been held in abeyance due to a lack of financial viability on the part of the Waterloo Greyhound Park (WGP) and NCC.

Mr. Nelson stated that for the above reasons, NCC is seeking guidance from the Commission and asks that they make a ruling on the Petition for Declaratory Ruling, not just summarily dismiss it. The NCC does not want to litigate this matter; they are just trying to determine what their rights may be in this situation.

Chair Hamilton acknowledged Commissioner Mahaffey. Commissioner Mahaffey, noting that Mr. Nelson contends that NCC has a valid license, which is disputed by the Intervenor, asked why there has been no action on the part of NCC since 1996 to renew the license or come before the Commission to explain the status of things or why they felt there was still a valid pari-mutuel license. He wondered why NCC was doing so now.

Mr. Nelson stated that the Executive Director of NCC thought about inquiring about the status of the license well before the lifting of the moratorium. Over the years, with the structure of NCC virtually non-existent; an NCC Ad Hoc committee tried to find ways to keep NCC going over the years. Mr. Nelson noted that it is going to take \$6.1 million just to bring the grounds up to par. He indicated that prior to this time, no one cared; now they do since it appears that NCC is on its last leg.

Hearing no further questions for Mr. Nelson, Chair Hamilton recognized Dave Nagle, representing Area Investors in this matter. Mr. Nagle stated that the Commission was required to render a decision on this date during the course of their deliberations. He indicated he had read the Briefs filed by IOCBHC and BHC GA, and feels they have misinterpreted the reasons for the filing of the Petition for Declaratory Ruling. Mr. Nagle stated that NCC and the area investors are not asking the Commission to re-litigate or go through the application process that was concluded in May. He advised that the parties are seeking to determine whether or not the statute requires the Commission to issue a license for pari-mutuel racing and gambling games as provided in the Code of Iowa and statutes; pointing out that the manner in which they are proceeding is set out in the Commission's Administrative Rules and the Code of Iowa. Mr. Nagle stated that the parties are in the process of putting together a license application; however, they are seeking to determine their rights via the Petition prior to expending a lot of time and money. The parties are also asking the Commission to set forth their interpretation of the statute; reminding the Commission that the agency was created by, and is governed by, statute. Mr. Nagle stated that the Legislature has given the Commission specific instructions, one of which is to govern gaming in Iowa along with broad powers to determine which applications will be accepted and/or rejected. He pointed out that the Commission's powers are tempered by those statutes which indicate there "shall be pari-mutuel betting in Black Hawk county" and "a gaming license to operate gambling games shall be issued only to a licensee holding a valid license to conduct pari-mutuel dog or horse racing pursuant to Chapter 99D as of January 1, 1994."

Mr. Nagle stated that he cited the basis for the above conclusions in his Brief, which is also governed by statute; the Iowa Code defines the word "shall" as meaning "must". It further states that if there is a general and specific statute, the two shall be reconciled if possible; however, if that is not possible, the specific statute will overrule the general

statute. The definition goes on to state that if the Legislature doesn't change the law from when it was enacted, it is not regarded as a new statute every session but one that existed before and continues with the approval of the Legislature. Mr. Nagle pointed out that the statute in questions was first passed in the mid-1990s and has not been changed since that time.

With regard to Mr. Nelson's statement that NCC is on its last leg, Mr. Nagle advised that they are in the process of planning for their annual fair later this month, and believes NCC will continue to be around.

Mr. Nagle stated that while NCC and the investors will respect the Commission's decision, they will hold them to a standard of law, not policy. He noted that the questions of law as determined by the Commission are held to a different standard than those of facts. Mr. Nagle stated facts can be given great weight in the Commission's determinations; however, with questions concerning statutory construction, the Commission's interpretation is subject to judicial review. Mr. Nagle advised that if the parties agree with the Commission's opinion, that will be the end of this matter; however, if the Commission rules against NCC and the area investors, he cannot guarantee that additional remedies will not be sought by some of the parties involved in the matter.

As there were no questions for Mr. Nagle, Chair Hamilton called on Robert Fulton, representing the BHC GA. Mr. Fulton stated that he had filed a Brief that sets out their position based on law. He concurred with Mr. Nagle's statement that the Commission has very definite duties; one of those being to interpret and apply the law as written. Mr. Fulton stated that Iowa Code § 99F.4A(2) does not mandate the Commission to issue a license to anyone; he feels that section is limited by Iowa Code § 99F.4A(1). Mr. Fulton stated that Iowa Code § 99F.4A(1) indicates that a licensee (where is the licensee?) under Iowa Code Chapter 99D can get table games provided they are a licensee. Iowa Code § 99F.4A(2) says that the only licensees Iowa Code § 99F.4A(1) applies to are those that held a license in January 1994.

Mr. Fulton spoke to the status of NCC's license. He noted that a license renewal application was filed in 1996; the Commission held a hearing, which was deferred and then continued. In the end, the Commission voted to deny NCC's request for a license. Mr. Fulton pointed out that NCC filed a Petition for Rehearing, and the Commission again denied NCC a license. In his opinion, NCC does not have a license. Mr. Fulton referenced IAC 491-6.6, which states that if a license is denied, the applicant has the ability to refile a license application under the original standards for obtaining a license, as well as satisfying any criteria established by the Commission in denying the license. Mr. Fulton stated that NCC is an entity without a license, and if they wish to have a pari-mutuel license, they would have to submit an application to IRGC. IRGC would have to make a determination regarding that license application before Iowa Code § 99F.4A(1) or (2) could come into play. Iowa Code § 99F.6(4)b states in part: "... if a licensee wishes to apply for the benefits of 99F.4A(2), the licensee must establish a live racing schedule as set forth by statute." Iowa Code § 99F.7(10)c states if someone is applying

for a license under Iowa Code § 99F.4A, the licensee must have a vote of the county electorate and must have had a license as of January 1, 1994. Mr. Fulton gave his interpretation of these statutes: Before anyone can have a vote permitting table games at a pari-mutuel track they have to have the County's permission and must be a licensee under Iowa Code Chapter 99D.

Mr. Fulton stated that he did not feel the Commission could issue a Declaratory Ruling at this time; however, if the Commission determines that they should, he reiterated his belief that NCC does not have a valid pari-mutuel license, the license was denied, nor has NCC reapplied for a license under IAC 491-6.6. Therefore, they do not qualify for the benefits under Iowa Code § 99F.4A as they are not a licensee under Iowa Code Chapter 99D.

Hearing no questions for Mr. Fulton, Chair Hamilton recognized Curt Beason, legal counsel for IOCBHC. Mr. Beason indicated that he did not wish to make any additional comments.

Chair Hamilton advised those in attendance that the Commission would go into Executive Session for the purpose of discussing this matter. Mr. Ketterer advised that the question before the Commission is one of law, indicating that under IAC 21.5(1)c, it is acceptable for the Commission to go into Executive Session for the purpose of receiving advice from legal counsel on matters that may result in litigation.

Chair Hamilton called for a motion to go into Executive Session. Commissioner Jarding moved to go into Executive Session pursuant to IAC 21.5(1)c for the purpose of receiving advice from legal counsel in matters where litigation is imminent. Commissioner Bair seconded the motion. The motion carried unanimously on a roll call vote. (See Order No. 05-92)

Upon returning to open session, Chair Hamilton advised that the Commission was ready to take action regarding NCC's Petition for Declaratory Ruling. Commissioner Mahaffey advised that after reviewing the actions taken by the Commission in 1996, it is the consensus of the Commission that NCC does not have a valid license. He further stated that if there was any confusion as to whether or not NCC had a license, there were legal remedies available to NCC at that time. He also pointed out that if NCC assumed they had a license in 1996, licenses are only issued for a period of three years, meaning that even if there was an assumption of a license, it would have expired in 1999. Commissioner Mahaffey reiterated that there was no question on the part of the Commission going forward from 1996 as to whether or not NCC had a valid pari-mutuel license.

In regard to the questions raised by NCC in the Petition for Declaratory Ruling, Commissioner Mahaffey stated that Iowa Code § 99F.4A(2) refers to licensees, and the Commission does not believe NCC is a licensee. With regard to Iowa Code § 99F.7(10), it must be a licensee seeking the referenda to be able to operate table games at a pari-

mutuel racetrack. Commissioner Mahaffey expressed his belief that the Commission should answer the questions raised in the Petition for Declaratory Ruling in the negative.

Chair Hamilton called for additional comments. Commissioner Cutler stated that she agreed with Commissioner Mahaffey's statements. She moved that the Commission's legal counsel draft a proposed Declaratory Order for the Commission's review and vote, which answers both of the questions raised in the Petition for Declaratory Order in the negative by October 21, 2005. Commissioner Mahaffey seconded the motion.

Chair Hamilton called for any further discussion. Commissioner Bair stated that he felt the Order should be drafted and submitted to the Commission as soon as possible.

Hearing no further discussion, Chair Hamilton called for the vote. The motion carried unanimously. (See Order No. 05-93)

Chair Hamilton called on Penn National Gaming (PNG). Lorraine May, legal counsel, presented the following documents for Commission approval:

- Credit Agreement
- Security Agreement and Financing Statement
- Control Agreement Concerning Deposit Accounts
- Assignment of Development Agreement
- Consent to Assignment of Development Agreement
- Ship Mortgage

Ms. May advised that the cover letter regarding the credit agreement should read \$2.75 billion, not million.

Commissioner Cutler noted there are a number of blanks with regard to percentages and other issues. She asked if those would be filled in later, and if it would be necessary for the Commission to review the document a second time. Ms. May advised that PNG is almost ready to close on the Argosy properties; they are just waiting for regulatory approval from Illinois. She stated that PNG was pulled from Illinois' agenda for this month's meeting, and indicated the earliest the closing could occur now would be September 16th. Ms. May stated PNG is seeking the Commission's approval at this time so that all the necessary components of the closing can occur simultaneously in all jurisdictions.

Commissioner Jarding noted that Ms. May had indicated on the Request for Transaction Approval form that these are with Iowa companies. Ms. May stated that in actuality, she indicated that she was unsure of how to classify the vendors, as some of the banks utilized in the credit agreement have Iowa branches and some do not. She noted that the notes are transferable, so it's possible that some of them could be transferred to Iowa banks. Commissioner Jarding asked Ms. May if she anticipated the notes being sold. Ms. May answered in the affirmative, but could not give an answer as to which bonds

were likely to be sold. Commissioner Jarding accepted Ms. May's explanation, but expressed her concern that future reports could end up showing no Iowa vendors with regard to these contracts. Ms. May indicated she did not foresee that occurring.

Hearing no further discussion concerning the PNG documents, Chair Hamilton called for a motion. Commissioner Jarding moved to approve the contracts as submitted by PNG. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-94)

Chair Hamilton moved to the contract approval portion of the agenda, and called on Ameristar Casino. Jane Bell and Michael Shelton, Director of Government Affairs and Vice President of Finance respectively, presented the following contracts for Commission approval:

- Academy Roofing & Sheet Metal – Roof Replacement
- Mid-America Center – Suite Rental for Events
- Increase & Refinancing of Revolving Line of Credit

Hearing no comments or questions concerning Ameristar's contracts, Chair Hamilton requested a motion. Commissioner Bair moved to approve the contracts as submitted by Ameristar Casino. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-95)

Chair Hamilton called on Argosy - Sioux City. Mr. Aviles presented the following contracts for Commission approval:

- Alter & Alvarez – Legal Services
- PC Mall, Inc. – Computer Equipment & Supplies

Hearing no comments or questions, Chair Hamilton requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by Argosy - Sioux City. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-96)

Chair Hamilton asked Mr. Aviles how soon he would be leaving Sioux City. Mr. Aviles indicated that would depend on Illinois as well. He stated that if Illinois makes a decision concerning PNG today, his departure could be as early as the 15th of the month. If not, it will probably be the end of the month. Mr. Aviles stated that he came to Sioux City with his family four years ago with a vision for the Sioux City property – to enhance the property, the working conditions of the employees and to create an ambience that would draw people back to facility. He expressed his gratitude to everyone in Iowa that has helped him to achieve his goals.

Chair Hamilton called on IOCB. Mr. Hyder presented the following contracts for Commission approval:

- Corporate Rewards.com – Employee Recognition Incentive Program
- Triton Commercial Diving Service – Boat Dredging
- Shuffle Master – Table Games Purchases and Leases

Mr. Hyder explained that the contract with Corporate Rewards.com is a program that allows team members to earn bonus dollars for perfect attendance. Team members are allowed to go to the website and select any item they choose. He indicated that it costs the company approximately \$200/employee.

Commissioner Jarding asked if there are any Iowa items that can be purchased on the website. Mr. Hyder stated that the website collaborates with a variety of vendors from many locations so he is unable to give a definitive answer.

Hearing no further comments or questions for Mr. Hyder, Chair Hamilton requested a motion. Commissioner Bair moved to approve the contracts as submitted by IOCB. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-97)

Chair Hamilton called on Rhythm City. Mr. Hyder presented the following contracts for Commission approval:

- American Food Service Equipment Sales, Inc. – Kitchen Equipment
- Powertech – Upgrade Emergency Generator/Install Controller for Shore Power

Hearing no questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Bair moved to approve the contracts as submitted by Rhythm City. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-98)

Chair Hamilton called on Catfish Bend Casino (CBC). Joe Massa, former General Manager, introduced Jerry Baum, the new General Manager at CBC, and gave a brief synopsis of his past employment and background in the gaming industry.

Mr. Baum submitted a contract with Double A Marketing for the purchase of gift shop and promotional merchandise to enhance CBC's marketing capabilities for Commission approval.

Hearing no comments or questions concerning the contract, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contract as submitted by CBC. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-99)

Chair Hamilton called on WCCR. Mr. Massa presented the following contracts for Commission approval:

- Daniel Schneider – Real Estate Acquisition
- Gary Hoyer Law Firm – Legal Services
- Jeffries & Company, Inc. – Senior Secured Credit Facilities Engagement Letter
- McClure Engineering Co. – Highway 22 Road Improvement Engineering Services
- McClure Engineering Co. – On-Site Land Development Engineering Services
- Marsh & McLennan – Insurance
- Prudential Partners Realty – Real Estate Acquisition Commission (RP)

Mr. Massa stated that the first contract pertains to the acquisition of an additional 13 acres of land, which completes the land acquisition necessary for the project. He noted there were two contracts with McClure Engineering. These contracts were included in the license application; however, the contracts were not signed at that point. Mr. Massa advised that significant re-negotiations had occurred as to the content of the contracts.

Commissioner Bair requested an explanation of the related party contract with Prudential Partners Realty. Mr. Massa stated that WCCR is encouraging related party transactions with the local investors. He noted that the project is on a fast-track, and they will be submitting numerous contracts over the coming months. Mr. Massa distributed copies of the bid process utilized by WCCR to help insure that Iowa contractors are being utilized.

Chair Hamilton asked Mr. Massa if they would be holding a contractors' day. Mr. Massa advised that every day was contractors' day. The project is being bid in packages.

Hearing no further comments or questions, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by WCCR. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-100)

Chair Hamilton called on Terrible's Lakeside Casino. Tom Timmons, General Manager, presented the following contracts for Commission approval:

- Dell Marketing, LP – Purchase of Computer & Computer Equipment
- Microsoft Licensing, GP – License to Use Microsoft Software
- Nadler Brothers Company – Purchase Items for Resale in Gift Shop
- Egads – Casino Signs

Mr. Timmons noted three of the contracts are with out-of-state vendors. He advised that the contract with Dell is through the parent company, which has negotiated an agreement with Dell for a 15% discount on quantity purchases. Mr. Timmons noted that bids were taken from a local vendor for the sign package, but after reviewing the artwork, it was determined to go with a different vendor.

Hearing no comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Terrible's Lakeside Casino. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 05-101)

Chair Hamilton called on DJW. Ms. Schramm presented the following contracts for Commission approval:

- Cummins-Allison Corp. – Soft Count & Cage Equipment
- Data Business Equipment – Soft Count & Cage Equipment
- Midwest Gaming Supply – Table Games, Layouts, Gaming Chips/Dice, Player Tracking Lexans
- Mulgrew Oil Company – Dealership Agreement
- Peninsula Gaming Partners, LLC – Management Services Agreement (RP)

Ms. Schramm advised that the first three contracts were for gaming equipment for the facility. The contract with Mulgrew Oil Company is for the convenience store located by the project, which will change from Cennex to a BP station. It is hoped that the signage will be replaced on Friday, and will reflect the new name - Jo Stop. The last contract is the standard management fee to the corporate office.

Following a brief discussion concerning the convenience store, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by DJW. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-102)

Chair Hamilton called on Harrah's. Gaye Gullo, General Manager, presented the following contracts for Commission approval:

- Dell Marketing, LP – Replacement Computers
- Fastek International – Surveillance Equipment
- Metro Wine & Liquor – Beverage Purchases
- Staber's Meat, Inc. – Additional Meat Supplier
- William Morris Agency – Booking Agent for Concert Events

Hearing no comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Harrah's. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-103)

Chair Hamilton called on Bluffs Run Casino (BRC). Ms. Gullo presented the following contracts for BRC:

- Aristocrat Technologies, Inc. – Purchase New Slot Machines for Horseshoe

- Autovalet – Purchase Automated Uniform Dispensing Equipment for Horseshoe
- IGT – Purchase New Slot Machines for Horseshoe
- Iowa Gaming Association – Association Dues & Expenses
- Nyemaster, Goode, West, Hansell, & O'Brien – Legal Services

Hearing no comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by BRC. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-104)

Ms. Gullo advised the Commission that with the purchase of the Caesar's properties, Harrah's gained two properties in the area affected by Hurricane Katrina – one in Biloxi and the other in Gulfport. Harrah's has the only land-based casino in New Orleans, which was adjacent to the French Quarter. She stated that the casinos in Biloxi and Gulfport were destroyed in the hurricane. The Biloxi facility broke away from its moorings and ended up in the middle of a roadway, and will have to be cut apart in order to be moved. The Gulfport casino sustained heavy structural damage; however, the hotel may be salvageable, but it is too early to make that determination. Design and construction crews are on-site surveying the damage.

Ms. Gullo stated that the New Orleans casino appears to be intact structurally and is being used to provide housing for military personnel and others in the area providing relief services. She stated that insurance would cover the damages.

Ms. Gullo stated that Harrah's has approximately 6,000 full-time and 2,000 part-time employees that have been significantly impacted. Harrah's has established a relief center for employees at a warehouse, which was used to print direct marketing materials, in Gulfport; with satellite centers established in Tunica, Bossier City, and Lake Charles. At this time, Harrah's has not been able to account for all of their employees, but do believe the majority are safe but scattered. She stated that most employees are contacting the company through the 800 customer service number.

Harrah's has agreed to pay all employees their base rate salary for 90 days, have waived all considerations from a medical standpoint (no out-of-network services, etc.) and all medical premiums. Ms. Gullo advised that Harrah's will attempt to place as many of those employees as possible in open positions; however, they are aware that some will not want to leave the area. Harrah's has a number of facilities in the mid-south, which hopefully will be able to absorb some of the affected employees who are willing and ready to work.

Ms. Gullo stated that Harrah's has established a foundation fund with a corporate contribution of \$1 million, with additional funds being raised throughout the organization. Employees are being allowed to sell back up to 80 hours of vacation as another way to raise funds. Ms. Gullo stated that as of this time the Iowa property has had two employees come to work here – one is a transfer from internal audit, and the

other is a bartender that decided to come home to Iowa. Harrah's is subsidizing travel costs, and paying first and last months rent up to \$2,500 per employee. Harrah's is focusing 100% of their resources in helping their employees in the area.

Commissioner Bair asked if Harrah's would rebuild the facilities. Ms. Gullo answered in the affirmative, while pointing out that everything around the facilities was also destroyed. She feels that Biloxi and Gulfport will need to be excavated. She indicated that the New Orleans property could be up and running as soon as the grid system is on line; but there is no way to estimate when that might occur due to all of the other issues in the city.

Chair Hamilton called on Dubuque Greyhound Park & Casino (DGP&C). Bruce Wentworth, General Manager, presented the following contracts for Commission approval:

- IKON Office Solutions – Copy Machine Lease Extension
- Altofer Power System – Emergency Generator Service Contract

Hearing no discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Bair moved to approve the contracts as submitted by DGP&C. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 05-105)

Chair Hamilton asked Mr. Wentworth for an update on the expansion project at DGP&C. Mr. Wentworth stated that the Hilton Garden Inn is coming along, and anticipates being open in time for the October Commission meeting, but the restaurant will not be ready.

Mr. Wentworth advised that business has increased approximately 30% with the opening of the expanded casino. He stated that the vendor who installed the air filtration system hired a third party research firm on their own to do an air quality test, which was performed on July 23rd, a Saturday, on which 7,739 patrons passed through the facility. The test occurred during the peak time. The company tested for over 300 chemicals. The Executive Summary of the report states in part: "The air clients and employees breathe is as good as or better than the air in their non-smoking home or an establishment where smoking is allowed."

Ms. Gullo returned to the podium to give an update on the construction taking place at BRC. She advised that the project is on time and on budget. Ms. Gullo stated that the roof is in place, and the facility is enclosed with exterior skin being put in place at this time. The floors have been poured, and work is starting on the interior of the building, as well as starting on the parking garage, which should be completed sometime in December. Mr. Gullo noted that the casino portion of the project will not be completed until sometime around April 1st. They are in the process of planning the grand opening galas, as well as trying to determine how to move all of the slot machines in a timely fashion without experiencing any revenue loss during that time frame. Ms. Gullo stated

that the property will have a new café, JB's Café, which is currently under construction. The café will be located in a small area of the casino that was renovated, and should be open in October, giving patrons a glimpse of what the renovated property will look like.

Chair Hamilton called on Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer, Senior Vice President, presented the following contracts for Commission approval:

- AFSCME Council 61/Local 2051 - Addendum to 5-yr collective bargaining agreement. (Revision to Previously Approved RTA; No Change in Value)
- *Artistic Waste Services, Inc. - Waste Disposal Services.
- Bally Gaming Inc. - Lease of One (1) \$6000 Cash Wheel Series Game (Replacement)
- Communications Innovators - Computer Hardware, Software and Related Services
- Control Installations of Iowa - Surveillance Equipment, Parts, Supplies and Service (Increase)
- *Deever Roofing - Barn Roofing Contractor
- Delta Dental Plan of Iowa - Dental Insurance for Employees
- Durkan Patterned Carpet - Specialty Carpet for Casino Expansion
- Graham Construction Company - Construction of New Jockey's Quarters.
- *Hahn Roofing - Barn Roofing Contractor
- IGT Iowa Trust - Lease of 6 Each, Penny Riches Link Wide Area Progressive Slot Games (Replacements)
- Molly Corporation - Purchase of a Motorized Passenger Trolley.
- MSI Systems Integrators - Computer Hardware, Software and Related Services (Increase)
- Nesbit Distributing Co. - Beer and Other Products for Resale (Increase)
- OnMedia - Advertising Expense
- Sirius Computer Solutions - Computer Related Products and Services (Increase)
- The Underground Company - Contractor for Excavating, Grading, Pond Dredging (Increase)
- Tony Cee Associates - Entertainment Booking Agency
- Vital Support Systems – Three-year Lease of Computer Switches.
- *Waste Connections of Iowa Inc. - Waste Disposal Services
- *Waste Management - Waste Disposal Services
- Wellmark Blue Cross Blue Shield of Iowa - Medical Insurance for Employees
- *Wood Roofing and Sheet Metal - Barn Roofing Contractor

Hearing no discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Mahaffey moved to approve the contracts as submitted by PMR&C. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-106)

Chair Hamilton called on Iowa West Racing Association (IWRA) and the Iowa Greyhound Association (IGA) regarding their request seeking Commission approval of the third arbitration panel member pursuant to Iowa Code Section 99F.6(4)b. Jerry Crawford, representing the IGA, nominated Mark E. Schantz, a lawyer, as the third arbitrator. He indicated this nomination was an attempt to reflect on input from Commission members over the years as to the qualifications of a third arbitrator. Mr. Crawford gave a synopsis of Mr. Schantz's credentials.

Ms. May, representing IWRA, nominated Cyril Mandelbaum as the third arbitrator. Ms. May stated that IWRA sought to bring a fresh perspective to the panel, and some new expertise. Ms. May stated that Ms. Mandelbaum is a CPA, noting that numbers play a significant part in the arbitration process.

Hearing no questions or comments concerning the nominations, Chair Hamilton requested a motion. Commissioner Bair noted that he has had the opportunity to work with both of these individuals during his tenure in state government, and indicated that both are well qualified to serve in the position. Commissioner Cutler stated that it was good to see the excellent qualifications of Iowa residents, as it is not often that the public gets to see this type of information.

Commissioner Mahaffey moved to approve Mr. Schantz as the third arbitrator, indicating that he knew Mr. Schantz. He expressed the opinion that Ms. Mandelbaum could also serve ably in the position. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-107)

Chair Hamilton moved to the hearings regarding underage gamblers at Prairie Meadows Racetrack and Casino, Inc. and IOCB. Mr. Ketterer advised that a Stipulated Agreement had been reached with regard to the situation at PMR&C. He advised that a minor gained entrance at PMR&C's main crossover, and was not asked to provide any identification by any security officer at that location. Surveillance coverage revealed that he was on the casino floor and played slot machines for an hour. The minor attempted to purchase an alcoholic beverage; the bartender requested identification. When the minor advised that he did not have any identification on him, the bartender called Security who escorted the minor off the floor.

Mr. Ketterer pointed out that PMR&C provided statistics showing that from July 3, 2004 through July 2005, they had requested identification from 243,070 individuals and denied entrance to 233 of those individuals. Further, the security guard was suspended for three days for failure to perform his duties.

Mr. Ketterer stated that the parties have agreed to an Administrative Penalty of \$10,000. He recommended approval of the Stipulated Agreement.

Hearing no discussion concerning the matter, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the proposed Stipulated Agreement between

IRGC and Prairie Meadows Racetrack and Casino, Inc. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-108)

Chair Hamilton called on Mr. Ketterer regarding the IOCB incident. Mr. Ketterer stated that in this instance, the individual was in possession of a fake Delaware drivers' license that he was using as identification. The license was rejected by the multi-state drivers' license scanning equipment, VIAGE. Upon questioning, the individual admitted to only being eighteen years old. In a subsequent investigation, it was learned that the same individual had gained access to the casino on May 20th and 21st utilizing the same identification after several attempts were made by the security guards to run the license through the VIAGE machine. A second ID was requested (credit card, no photo), and since the same name appeared on both identifications, the individual was granted entrance to the casino.

Mr. Ketterer advised that on May 20th, the minor bought into a game in the poker room and gambled for the next twelve hours; and interacted with many casino employees while in the poker room. On May 21st, security again attempted to scan the license numerous times, and the minor was again allowed to enter after producing a second form of identification. On this date, the minor gambled for ten hours in the poker room, and again interacted with multiple employees.

Mr. Ketterer stated that the reason this incident was brought before the Commission was that previously one of the three thresholds that triggered Commission action included the fact that there was no identification check made – that the individual entered the casino without being asked for any identification. He stated that IRGC does not expect security guards to uncover every form of fake identification that might allow a minor to gain entrance. It is IRGC's point that this violation should make all casino employees, not just security guards, aware of their responsibility to be on the alert for minors who might have gained entrance to the casino. If the individual is discovered within thirty minutes, or prior to gambling or consuming alcohol, those incidents are handled at the facility through the Commission's Gaming Representatives. Mr. Ketterer advised this incident was brought before the Commission as several employees in the poker room indicated during interviews that they had received no identification training, that it was not their job to request identification from individuals in the poker room, and that it was security's job at the entrance to ensure patrons were of age.

Mr. Ketterer stated that the Human Resources department at IOCB produced initialed training orientation documents, which included underage gambling training. However, the fact remains the minor was in the poker room for ten and twelve hours each on subsequent days, showing a lack of awareness by those employees of the potential for minors to gain entrance to the facility. In addition to the \$10,000 fine imposed in the proposed Stipulated Agreement, IRGC requested that IOCB review its training program and increase employee awareness of the possibility of underage gamblers on the gaming floor. Mr. Ketterer directed the Commissioners' attention to Exhibit A, attached to the proposed Stipulation, which shows a substituted training program that IOCB is

incorporating to increase the awareness of other employees of the importance of identifying underage gamblers that might be on the floor. Mr. Ketterer recommended approval of the proposed Stipulated Agreement.

Commissioner Mahaffey asked Mr. Ketterer what a credit card would have told the security officer about the individual's age. Mr. Ketterer stated that the Commission does not get involved in the internal policies at the facilities. He indicated that he believes the facilities are attempting to determine if someone is using another individual's identification; the person attempting to gain entrance should be able to produce another ID showing the same name. Regardless of whether the individual is required to produce another photo ID or whatever to gain entrance, it is the Commission's responsibility to enforce the statute which states there shall be no minors on the casino floor.

Mr. Hyder stated that the sequence of events signifies a breakdown in communication and some of the training procedures and policies that were in place. He noted that the out-of-state identification did look credible, but did not pass the VIAGE test. Going forward, in the event VIAGE does reject an ID, the security guard should refer to the book to determine what the ID should look like, or whether the state emblem is in place to determine the validity of the ID. Mr. Hyder advised that employee training is an ongoing process, and the facility is taking steps to insure that every employee is aware that it is their job, not just security's, to monitor the gaming floor for minors.

Commissioner Mahaffey asked Mr. Hyder if he had any idea how much the individual lost during the 22 hours he spent in the poker room. Mr. Hyder indicated he did not.

Hearing no further comments or questions, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the proposed Stipulated Agreement and Amended and Substituted Training Plan as submitted. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-109)

Chair Hamilton moved to Administrative Business. Commissioner Bair noted that during the July 14th Commission meeting, the Commission talked about the possibility of reviewing the products being purchased from out-of-state vendors, and then determining if there are Iowa vendors who have the same type of products. He read a portion of the minutes.

Mr. Ketterer advised that the Association does that somewhat, and the Commission receives feedback via the Economic Impact reports filed by the licensees on a quarterly basis. Mr. Ketterer stated that in terms of being a clearing house for vendors, he feels the Association would be better suited to perform that service than the Commission as a regulatory body.

Commissioner Cutler stated that she felt the idea was that there would be someone who would be able to review a list and advise a facility that a specific Iowa vendor had the product they were looking to purchase.

Mr. Ehrecke stated that the Association has been trying to heighten the awareness of the "Buy Iowa Program", and the Association does have a page on their website that lists the name and phone number of the individuals in charge of purchasing at each of the facilities. He feels that the majority of the facilities are aware of the businesses in their area and attempt to purchase locally when possible. Mr. Ehrecke stated that the Association does not maintain a list of every business in Iowa. He feels the facilities are being approached on a regular basis by companies seeking to do business with them.

Commissioner Bair provided an example of what he envisions: If a facility wanted their employees to wear special shoes, they would be able to contact someone to determine if there was a company in Iowa that could provide those shoes. Mr. Ehrecke stated that the Association's "Buy Iowa First" program could be utilized by any number of Iowa companies to meet their purchasing needs as well. He stated that he did not know if the Department of Economic Development had a way to tie into a searchable database to determine the names of Iowa vendors that carry a specific product.

Hearing no further comments on the subject, Chair Hamilton moved to Public Comment. As no one wished to address the Commission at this time, Chair Hamilton requested a motion to adjourn. Commissioner Cutler so moved. Commissioner Jarding seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
OCTOBER 13, 2005**

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, October 13, 2005, at Dubuque Greyhound Park & Casino, 1855 Greyhound Park Drive, Dubuque, Iowa. Commission members present were Diane Hamilton, Chair; Kate Cutler, Vice Chair, and members Joyce Jarding and Mike Mahaffey. Commissioner Gerry Bair was absent.

Chair Hamilton called the meeting to order at 8:30 AM and requested a motion to approve the agenda. Commissioner Cutler so moved. Commissioner Jarding seconded the motion, which carried unanimously.

Chair Hamilton then requested a motion to go into Executive Session. Commissioner Jarding moved to go into Executive Session pursuant to Iowa Code Section 21.5(1)i for the purpose of discussing personnel matters. Commissioner Cutler seconded the motion, which carried unanimously on a roll call vote. (See Order No. 05-110)

Following Executive Session, Chair Hamilton advised those in attendance of the following changes to the agenda:

- The withdrawal of Agenda Item 8 – Isle of Capri Marquette – Request for Approval of Marquette Development Agreement, and
- The withdrawal of Agenda Item 13A(3)d – A contract with 4TEC Electronics submitted by Bluffs Run Casino.

Chair Hamilton called on Terry Duggan, Mayor of Dubuque, who welcomed the Commission to Dubuque. Mayor Duggan stated that the partnership between the Dubuque Racing Association (DRA) and the two facilities in the city has been built up over the years, allowing for many positive things to occur as a result of gaming revenue to the city. He thanked the Commission for coming to Dubuque.

Chair Hamilton moved to the approval of the minutes from the September Commission meeting and requested a motion. Commissioner Jarding moved to approve the minutes from the September 8, 2005 Commission meeting as submitted. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Hamilton called on Jack Ketterer, Administrator of IRGC, for announcements. Before proceeding with the announcements, Mr. Ketterer acknowledged the following IRGC staff members in attendance: Joe Gau, Tracy Potter, Scott Franke, Cathy Dillon, and Cheryl Vetsch. He thanked them for their work and efforts on behalf of IRGC.

Mr. Ketterer provided the following information on upcoming meetings, advising that as in past years, there will be no meetings in December, or February 2006. The meetings for November and January are as follows:

- November 17, 2005 Commission Meeting – Stoney Creek Inn, Johnston, IA (Submissions due by November 2, 2005)
- January 12, 2006 Commission Meeting – Stoney Creek Inn, Johnston, IA (Submissions due by December 28, 2005)

Chair Hamilton called on Mr. Ketterer to address the Rules before the Commission for final adoption. He advised that these rules were before the Commission under Notice of Intended Action. Two of the rules are for clarification of the Commission's new e-mail address and website, and the documentation the Board of Supervisors are required to file with the Commission confirming the auditing firm for the licensees. Mr. Ketterer advised that one of the rules allows for the automatic revocation of a license for an individual who tests positive for drugs at a licensed facility. The prefix of the video recording rule was changed to clarify that it is a Division of Criminal Investigation (DCI) rule versus IRGC rule. Mr. Ketterer advised that Item 5 deals with the requirements for occupancy at the licensed facilities, whether they are barges, or are subject to state or local building codes, the state fire marshal or local fire codes. This rule covers all of the bases to insure the health, safety and welfare of patrons is protected. Item 6 prohibits tri-lecta wagering on races with five or fewer betting interests. He indicated the number has been reduced over the years. At one time, greyhound racing was excluded; however, that is no longer necessary. Mr. Ketterer recommended approval of the rules as submitted.

Hearing no discussion concerning the rules, Chair Hamilton called for a motion. Commissioner Mahaffey moved to approve the rules for final adoption. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-111)

Chair Hamilton called on the National Cattle Congress, Inc. (NCC). Dave Nagle, legal counsel for NCC, advised that he is aware of the action the Commission is proposing to take today. He stated that he has been provided with a copy of a proposed Declaratory Order and has reviewed same. Mr. Nagle asked the Commission, as a housekeeping mechanism, that the following letters be made a part of the record:

- A letter from Harold Getty, President of the Board of Directors for NCC, dated April 20, 2004, and
- A response letter from Commissioner Mahaffey, who was Chair at that time, dated April 26, 2004.

Hearing no objections, Mr. Nagle provided Chair Hamilton with copies of the above-mentioned letters.

Mr. Nagle advised the Commission that NCC does intend to seek a review of the Commission's action in the Iowa District Court as provided for by statute; and that NCC

intends to proceed with the preparation and filing of an application. He pointed out the irony of the Commission taking this action at DGP&C when all NCC is asking is that there be a Black Hawk County Greyhound Park & Casino. Mr. Nagle voiced his support of the Dubuque facility, but indicated he failed to see the logic of why Black Hawk County can't have its own greyhound facility.

Mr. Ketterer advised the Commission that Jeff Peterzalek, Assistant Attorney General for IRGC, had prepared the Declaratory Order as directed by the Commission at the September meeting. After the proposed Order was reviewed by the Commission, it was placed on the agenda. He noted that many times, Commission Orders are just sent out to the Chair for signature; however, due to public scrutiny of this issue, it was decided to place the Order on the agenda for Commission approval. He recommended the Commission approve the Declaratory Order as presented.

Hearing no discussion concerning the proposed Declaratory Order, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the Declaratory Order as presented. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-112)

Chair Hamilton called on Isle of Capri Casinos, Inc. (IOC) regarding their request for approval of the Third Amended and Restated Credit Agreement to add IOC Black Hawk County, Inc. as a subsidiary guarantor. Curt Beason, legal counsel for IOC, advised that this document adds the Waterloo property to the credit facility so that this property is treated the same as the other Iowa IOC properties.

Hearing no discussion concerning the document, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the Third Amended and Restated Credit Agreement adding IOC Black Hawk County, Inc. as a subsidiary guarantor as submitted by IOC. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 05-113)

Chair Hamilton moved to the Contract Approval portion of the agenda and called on Mississippi Belle II (MB II). Neil Narter, General Manager, presented an agreement with Greatbanc Trust Company as the successor trustee for the ESOP Trust.

Hearing no discussion concerning the document, Chair Hamilton called for a motion. Commissioner Jarding moved to approve the document as submitted by MB II. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-114)

Chair Hamilton called on Harrah's. Mike Rich, Assistant General Manager, presented the following contracts for Commission approval:

- Electronic Gizmos & Display Systems (EGADS) – Slot Signage
- 4TEC Electronics – Sound System Modifications and Maintenance

- Iowa Waste Systems – Waste Management/Disposal Services

Commissioner Jarding questioned Mr. Rich about the “Ongoing” connotation in the “End Date” for the contracts, noting that most of the other licensees indicate a specific ending date. Mr. Rich stated that “ongoing” allows some flexibility in the event the contract carries over into the next year. Specifically, with the 4TEC contract, this company installed the original sound system and therefore, allows Harrah’s the flexibility to utilize them in the event there is a major problem with the sound system at the end of the year.

Commissioner Jarding stated that her concern with the “ongoing” contracts is that it could be utilized for two or three years without being reviewed by the Commission or the facility, or the determination of whether there are Iowa vendors that could provide the same services. Mr. Rich stated that Harrah’s only uses the “ongoing” status for contracts of a very specific nature. He indicated that for projects where Iowa vendors are available, Harrah’s does utilize a one-year contract.

Commissioner Cutler asked Commissioner Jarding if she felt the Commission should be reviewing the ongoing contracts on a yearly basis. Commissioner Jarding answered in the affirmative, as she is concerned all licensees will start using “ongoing” instead of providing a specific end date.

Mr. Ketterer stated that he understood Commissioner Jarding’s point, but pointed out that contracts meeting one of the following criteria are required to come before the Commission for approval: a related party contract; exceeds \$100,000 in value, or the length of the contract exceeds three years. It is his opinion that if the Commission is going to ask to review contracts on a yearly basis, they would have to look at changing the rule to only reflect the first two criteria set forth above. Mr. Ketterer used the following example to clarify his point: A non-related party contract for \$75,000 with a term length of three years or more would be required to come before the Commission.

Mr. Rich indicated he did not have a problem with the contracts with an “ongoing” end date being changed to reflect a specific date, or with coming back seeking Commission approval next year.

Hearing no further discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Harrah’s. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-115)

Chair Hamilton called on Terrible’s Lakeside Casino (Terrible’s). Tom Timmons, General Manager, presented the following contracts for Commission approval:

- Aristocrat Technologies, Inc. – Purchase Personal Banker & Marketing Manager Program
- Yates-Silverman – Design Services

Commissioner Jarding asked Mr. Timmons about the dates of 2/1/05 to 12/31/05 on the Yates Silverman contract. She asked if Terrible's was seeking Commission approval of a contract that has been in force since February. Mr. Timmons advised that when Terrible's entered into the contract with Yates, they did not anticipate reaching the \$100,000 level requiring Commission approval.

Hearing no further discussion, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by Terrible's. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 05-116)

Chair Hamilton called on Ameristar Casino (Ameristar). Jane Bell, Director of Government & Community Affairs, presented a contract with Mid America Center for rental of a suite for events. She advised that the Commission approved this contract last month for a three year term; however, Ameristar had the opportunity to increase the length to five years, and therefore, is seeking approval for the extended term.

Hearing no discussion concerning the contract, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contract as submitted by Ameristar. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-117)

Chair Hamilton called on Diamond Jo Worth County (DJW). Jim Dickstein, General Manager, presented the following contracts for Commission approval:

- Control Installations of Iowa (CI-3) – Purchase & Installation of CCTV Equipment
- EGADS – Complete Signage Package
- Heartland Power Cooperative – Electrical Service for Casino
- Hi Yield Products, Inc. – Capital Lease of Propane Tank
- Venerts Investments, Inc. – Hotel Development and Operation Letter of Intent
- VSR Lock, Inc. – Slot Machine Bases and Locks
- Winnebago Cooperative Telephone Association – Phone and Internet Service for Casino

Mr. Dickstein informed the Commission that DJW held a Vendor Day the previous day, which was attended by over 200 local vendors. He stated the directors were delighted with the turnout as they had some concerns about finding businesses interested in bidding on the project in northwest Iowa. The local employment center will open on November 1st, with the first course of action being to hire dealers and open the dealers' school on December 1st. Both will be located in Northwood. Mr. Dickstein advised that the first two employees in the Marketing Department have been hired.

Commissioner Cutler asked about the contract with EGADS for signage, noting that DJW indicated the work was put out for bid and no Iowa bids were received. Mr. Dickstein

stated that it was his understanding there were no Iowa companies with the ability to provide this type of signage.

Hearing no further discussion, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by DJW. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-118)

Chair Hamilton called on Washington County Casino Resort, LLC (WCCR). Joe Massa, General Manager, presented the following contracts for Commission approval:

- Moody's Investor Service – Loan Facility Rating Contract
- Standard & Poor's – Loan Facility Rating Contract
- ABC Disposal Systems, Inc. – Trash Collection Fees
- University of Iowa – Kinnick Stadium Press Box Suite License Agreement
- MEPCO – Utility Bid Package – Water Main and Appurtenances
- CK Services – Trenches, Backfill, Trenchless Sewers, Drains, and Sanitary Structures and Storm Sewer Structures
- Ahrens Concrete Floors, Inc. – Hotel Footings and Foundations
- Brockway Mechanical and Roofing Company – Mechanical Systems – Design/Build
- Knutson Construction Services – Hotel Post Tension Concrete
- Knutson Construction Services – Casino Footings and Foundations

Commissioner Jarding asked for an update on the project. Mr. Massa advised that the hotel structure is out of the ground. Paving on the parking lot started the previous day in order to have a hard surface to work on during the upcoming months.

Hearing no discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by WCCR. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-119)

Chair Hamilton called on DRA and the Iowa Greyhound Association (IGA) regarding their request for approval of a third arbitrator pursuant to Iowa Code Section 99F.6(4)b. Stephen Krumpe, legal counsel for DRA, submitted Mark McCormick, an attorney with the Belin Lamson McCormick Zumbach Flynn law firm as DRA's choice for the third arbitration panel member. Mr. Krumpe provided a brief summary of Mr. McCormick's background.

As there were no questions for Mr. Krumpe, Chair Hamilton recognized Jerry Crawford, legal counsel for IGA, who submitted Mark Schantz as the IGA's choice for the third arbitration panel member. Mr. Crawford stated that the Commission had two of the state's most distinguished lawyers before them as nominees to serve as the third arbitration panel member in the arbitration process between DRA and the IGA. He noted

that he had submitted and reviewed Mr. Schantz' background during September's Commission meeting, but did give a brief summary.

Hearing no questions for Mr. Crawford, Chair Hamilton requested a motion. Commissioner Jarding, noting that both are well-qualified to serve, nominated Mark McCormick to serve as the third arbitrator. As there was no second, the motion failed.

Chair Hamilton called for another motion. Commissioner Cutler moved to nominate Mark Schantz to serve as the third arbitrator. She concurred that both nominees have outstanding credentials. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 05-120)

Chair Hamilton called on the Iowa West Racing Association (IWRA) and IGA regarding their request for approval to withdraw funds from the escrow account. Mr. Crawford advised that the parties had reached an agreement to seek the Commission's approval to utilize interest proceeds from the escrow account to hire Jamie Buelt of en Q Strategies to assist the IGA with industry promotions, greyhound adoption projects and the upcoming greyhound auction for the balance of the 2005 calendar year. Mr. Crawford noted that under previous arbitrations and negotiated decisions, money has been approved by the Commission, up to \$150,000 per year, to compensate expenses for an Executive Director's position. Under this agreement, the IGA is utilizing those same funds but for different tasks. Mr. Crawford pointed out that Ms. Buelt worked with the IGA at this year's State Fair booth, which resulted in the largest number ever of greyhound adoption applications being submitted. He stated that the parties have specifically agreed that Ms. Buelt will not be performing any legislative lobbying at the State Capital. He stated that any expenses incurred will be submitted to Commission staff for approval prior to the withdrawal of funds from the escrow account.

Gaye Gullo, General Manager of Bluffs Run Casino (BRC), offered her support of the greyhound adoption process, and feels this venture will benefit all connected with the greyhound industry.

At this time, Mr. Crawford asked Chair Hamilton's permission to comment on the next two items on the agenda – the approval of the application for race dates and license renewals for IWRA/BRC and DRA/DGP&C. Mr. Crawford advised that IGA supports the DRA application for racing dates for the upcoming season, and worked closely with IWRA and their legal counsel on the race dates at BRC. He noted the facility will be closed for a period of time in March to facilitate the change from BRC to Horseshoe. Mr. Crawford voiced IGA's support of IWRA's plan going forward.

Chair Hamilton requested a motion concerning the request by IWRA and IGA for approval to withdraw funds from the escrow account. Commissioner Cutler so moved. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 05-121)

Chair Hamilton moved to the renewal of the racetrack licenses and granting of race dates and the racetrack enclosure gambling licenses; and called on IWRA/BRC. Todd Graham, Executive Director of IWRA, asked for the Commission's support of the renewal of the greyhound racetrack and racetrack enclosure gambling licenses. He noted that it has been approximately 20 years since BRC received its first pari-mutuel license, and the economic impact to the community was felt immediately. Mr. Graham commented on the economic development that has occurred in Council Bluffs due to the racing and gaming facilities in the community – the Bass Pro Shop, new restaurants, an arena/convention facility, and a new theater complex. He stated that between the gaming facilities, the arena/convention facility and the Bass Pro Shop, more than 12 million visitors will come to Council Bluffs in a year. He stated that Council Bluffs has become a regional entertainment destination point. The momentum will continue with the license renewals, and the conversion of BRC to Horseshoe. He turned the floor over to Ms. Gullo.

Ms. Gullo provided the following information concerning the proposed live race meet at BRC for 2006: Race dates of January 1, 2006 through December 31, 2006 with six performances per week, for a total of 302 performances. Matinee performances are requested for Tuesday through Sunday at 4:00 PM, with 15 races per performance. BRC has requested that no races be held on May 6, May 20, and June 10, 2006. Additionally, they have requested permission to close the facility from March 14-18, and December 22-25, 2006. BRC also requested they be allowed to continue year-round simulcasting.

Ms. Gullo stated that Harrah's appreciates the opportunity to do business in Iowa due to the stable regulatory environment. She provided the following information concerning the operations at BRC from the previous year. Through Harrah's Buy Iowa First policy, BRC will spend approximately \$16 million for supplies, equipment and services with Iowa vendors in 2005. Additionally, casino payroll includes 668 employees, with 400 of them (60%) being Iowa residents. Payroll and benefits total approximately \$20 million for 2005. The state will receive in excess of \$30 million in gaming tax revenues from BRC. The greyhound purse supplement for 2005 will exceed \$8 million. Ms. Gullo stated that in addition to community support, volunteerism amongst the employee base is exemplary; they are especially dedicated to those agencies helping the elderly.

Ms. Gullo stated that the highlight of 2005 for Harrah's was the announcement and groundbreaking for the \$85 million expansion project at BRC, which will become the Horseshoe Casino. The facility, which will open in March 2006, will be unlike any other facility in the state. This will result in 300 new jobs, an increase of \$7.1 million in payroll and benefits for 2006, and a \$12 million increase in gaming tax revenues to the state. Ms. Gullo stated that out of the \$40 million spent to date on this project, \$16 million, or 40% of the funds, have been spent with Iowa vendors. She noted that 84% of the general contractor's work force is made up of Iowa residents.

Ms. Gullo presented the following additional contracts for Commission approval:

- Automated Technologies & Integration – Surveillance Equipment for Horseshoe
- Cascade Promotion Corp. – Items for Player Reward Program (Increase)
- Cassidy Industrial Sales, Inc. – Surveillance Equipment for Horseshoe (Increase)
- Iowa Waste Systems, Inc. – Waste Management/Disposal Services
- Sapp Brothers Truck Stop – Fuel for Vehicles

At this time, there was a short slide show to update the Commission on the progress of the expansion project. Ms. Gullo noted the parking garage should be completed sometime in December.

Commissioner Cutler pointed out that the April 2006 Commission meeting would be held in Council Bluffs. Ms. Gullo stated that the new facility should be open, which could present an opportunity for them to host the meeting.

After a brief discussion it was decided to approve all action items with one motion. Mr. Ketterer indicated that was fine as long as everyone was in agreement on the contracts.

Hearing no further discussion concerning either of the license renewal applications and race dates, Chair Hamilton requested a motion. Commissioner Mahaffey moved to approve the renewal of the racetrack license and race dates, the racetrack enclosure gambling license with the accompanying contracts, and the additional contracts as submitted by IWRA/BRC, except for the contract with 4TEC Electronics, which was withdrawn. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-122)

Ms. Gullo advised the Commission that another Iowa vendor had been added to the contractors' list for the Horseshoe project – Ideal Landscape out of Council Bluffs for landscaping.

Chair Hamilton called on DRA. Bruce Wentworth, General Manager, provided the following information concerning the proposed live race meeting at Dubuque Greyhound Park & Casino (DGP&C) for 2006: Race dates of April 29, 2006 through October 29, 2006 with six (6) performances per week, for a total of 163 performances. Evening performances and post times requested are Thursday, Friday and Saturday at 7:00 PM. Matinee performances and post times requested are Wednesday, Saturday and Sunday at 1:00 PM. Additional performances on holidays and post times requested are: Monday, May 29 at 1:00 PM; Monday, July 3 at 1:00 PM, Tuesday, July 4 at 1:00 PM and Monday, September 4 at 1:00 PM. DGP&C is requesting to continue year-round simulcasting.

Mr. Wentworth expressed his hope that everyone was pleased with their first look at the renovations/expansion that has occurred at DGP&C. He offered a tour of the facility if anyone was interested. He indicated that the new hotel and restaurant were close to opening.

Mr. Wentworth presented the following additional contracts for Commission approval:

- Durrant Group – Design New Casino Area and Act as Construction Manager (Revised)
- WMS Gaming, Inc. – Lease Slot Machines (Replacements)
- WMS Gaming, Inc. – Slot Machines and Parts (Replacements)
- International Gaming Technology (IGT) – 6 Slot Machines under the Iowa Wide Area Progressive System (Replacements)
- International Gaming Technology (IGT) – 4 Slot Machines under the Iowa Wide Area Progressive System (Replacements)
- International Gaming Technology (IGT) – Lease 10 Slot Machines (Replacements)

Hearing no questions concerning the license renewal applications, race dates or additional contracts, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the renewal of the racetrack license and race dates, the racetrack enclosure gambling license and accompanying contracts, and the additional contracts as submitted by DRA/DGP&C. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-123)

At this time, Commissioner Mahaffey made a motion to add the following contingency to the motions granting the racetrack license renewals to IWRA/BRC and DRA/DGP&C: All import and export contracts should continue to have the review and approval by staff to insure regulatory compliance. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No 05-124)

Following a short break, Chair Hamilton called on Prairie Meadows Racetrack & Casino, Inc./Prairie Meadows Racetrack & Casino (PMR&C). Bob Farinella, General Manager, presented the following information regarding the three proposed live race meets for 2006:

- The Thoroughbred Meet will begin on April 20, 2006 and run through July 2, 2006, with four (4) performances per week, for a total of 45 performances. Evening performances and post times requested are Thursday, Friday and Saturday at 6:30 PM, with a matinee performance requested for Tuesday at 3:30 PM. Additional performances and post times requested are: Sunday, May 28 at 1:30 PM, Monday, May 29 at 1:30 PM, and Sunday, July 2 at 1:30 PM. PMR&C has requested the continuation of year-round simulcasting.
- The Mixed Thoroughbred and Quarter Horse Meet would commence on July 4, 2006, and run through September 16, 2006 with four (4) performances per week, for a total of 45 performances. Evening performances and post times requested are Thursday, Friday and Saturday at 6:30 PM, with matinee performances requested for Tuesday at 3:30 PM. Additional performances and post times

requested are: Sunday, September 3 at 1:30 PM and Monday, September 4 at 1:30 PM. No races will be held on Tuesday, September 5.

- The Harness Meet would commence on September 24, 2006 and run through October 14, 2006 with four (4) performances per week, for a total of 12 performances. Evening performances and post times requested are Thursday, Friday and Saturday at 6:30 PM, with a matinee performance being requested for Sunday at 1:30 PM. No additional performances or deviations from the above schedule have been requested.

Mr. Farinella then presented the following additional contracts for Commission approval:

- Baker Electric – Various Electrical Construction Projects
- Capital City Equipment – Material Handling and Construction Equipment
- Chestnut Sign Company, Inc. – Signs and Sign Maintenance
- Holmes, Murphy & Associates, Inc. – Property Casualty Insurance
- IGT – Lease of 6 I-Game Plus Slant Top Slot Games (Renewal)
- Logan Contractors Supply – Material Handling and Construction Equipment
- Nuckolls Concrete Services – Contractor for Concrete or Asphalt Paving (Increase)
- Slot Tickets – Slot Game Tickets (Increase)
- United Rentals – Material Handling and Construction Equipment

Mr. Farinella provided the following update on the overall operations at PMR&C. He noted that PMR&C continues to grow and support the community, and mentioned the following additions to the community: the Iowa Events Center, Hy-Vee Convention Center, the Iowa Hall of Pride, the Iowa Science Center and the new Des Moines Public Library. He stated that PMR&C added table games in December, increasing the workforce by approximately 300. PMR&C sought and received the Commission's approval for a \$60 million expansion project that will hopefully be completed in January 2007. Mr. Farinella stated that PMR&C will add another 250-300 jobs when the entire project is completed.

Mr. Ketterer asked Mr. Farinella to describe the purse supplement negotiation process utilized with the various horse breeds, noting that no agreement has been reached with the Iowa Harness Horsemen's Association (IHHA), which has submitted a request to address the Commission on this issue. Mr. Farinella stated that PMR&C's approach was to take a closer look at the live racing program, and evaluate the local dollars that would be available for the purse pool moving forward. He noted that the purse pool is legislatively required to support, nurture and grow racing in Iowa. The dollar figure is then allocated among those breeds that choose to race at PMR&C. Mr. Farinella stated that in the past, while growing the racing program, PMR&C had been less considerate in looking at the economic dollar value per race. However, due to all of the new racinos coming on line in the central region of the United States, they have changed their focus to

the economics of horse racing and put together a package that would be consistent across all three breeds involved in live racing at PMR&C. To determine that number, PMR&C determined the national average by breed in order to determine a national average purse per race, and determine the benchmark of where PMR&C is or could be based on the number of opportunities to race. During the process, it was decided to also look at more of a regional benchmark to determine the level of purses for the various breeds at regional tracks that supply horses to PMR&C, or where horses racing at PMR&C would go to race. This would enable PMR&C to indicate they are at a certain benchmark for all three breeds, or a specific percentage above/below, thus creating a purse level for each breed racing live at PMR&C that is relative to the national and regional benchmarks.

After determining the benchmark levels, PMR&C then considered the weather window of opportunity and when racing could be offered. They also looked at the economics of live racing, which revolves around fan participation, wagering, as well as other issues that derive synergy from the live meet at PMR&C. Mr. Farinella distributed, and referenced a handout to the Commission members, noting that his previous comments were summarized on the first sheet and to some extent were included in the application package. To implement this process, PMR&C looked at 100% of the purse money available, regardless of how big it is, for distribution to the three breeds that race live at PMR&C. In April 2005, an initial meeting was held with the three horse groups to begin the process. On May 4th, a letter was addressed to each one of the breeds asking them to get together and submit their recommendations on a unified distribution of the purse pool that could be offered by PMR&C; no responses were received. To keep the process moving, PMR&C formulated a "1st Position", which was submitted to the three breeds on May 13th. Between May and June, the breeds reviewed and categorically rejected the offer, and submitted their own offers. In July, PMR&C responded to the three breeds with their own position on the rejection of the initial offer. Additional conversations were held with the breeds, focusing on meeting the minimum requirements as PMR&C saw them to insure they would be able to support the minimum number of live race dates and have an agreement with the breed groups. To that extent, conversations moved forward with the largest group, the thoroughbreds, and on August 11th PMR&C made a second offer in draft form to each group that took into consideration points discussed with the breeds during the interim period. Earnest negotiations then commenced with the thoroughbred group, which resulted in an agreement that was signed on September 8th, which PMR&C felt would meet the minimum requirements as they saw them at that time for the number of race dates requested. On October 11th, PMR&C completed an agreement with the quarter horse group. These two agreements, reached as part of the process, cover 88.2% of the proposed live racing at PMR&C, 89.9% of the expected purse pool and 90 days of live racing at PMR&C. Currently, no agreement has been reached with the standardbred group.

Chair Hamilton stated that she had read PMR&C's interpretation of Iowa Code Section 99F.6(4)a and proceeded to read the following from the Code book: "... Agreements that are subject to Commission approval concerning horse purses for a particular period of

time beginning on or after January 1, 2006, and ending before January 1, 2021, shall be jointly submitted to the commission for approval. ...”

Mr. Farinella stated that the breeds for which PMR&C has submitted an agreement will be racing live at PMR&C. He stated that he thought there was another paragraph in the Code that only requires 60 days of live racing and an agreement with at least one horse group, resulting in a discrepancy in the statute.

Chair Hamilton asked Mr. Farinella if he knew where the above could be found. Mr. Farinella indicated he did not.

Commissioner Cutler stated that the Commission feels that all three agreements need to be submitted for approval at the same time.

Chair Hamilton stated that she did not feel the Commission’s legal counsel had sufficient time to review this issue in order to give an opinion. She indicated the Commission would like to defer approval of the agreements with the horsemen’s groups until the November meeting. She indicated that she was willing to take up the approval of the contracts.

Commissioner Mahaffey stated that was fine with him, but suggested that the Commission may want to hear from a representative of the harness group. Chair Hamilton concurred and called on Brad Schroeder, legal counsel for the IHHA. Mr. Schroeder deferred to Royal Roland, President of the IHHA.

Mr. Roland stated that last time he appeared before the Commission was in January of this year when he urged the Commission to consider a rule that would establish minimum purses among the three breeds as the IHHA felt there could be problems or that it would be difficult for their organization to reach an agreement with PMR&C. He requested that the Commission keep in mind that request for a rule so that purse agreements, which are for one year, with the breeds do not continue to be an issue every year.

Mr. Roland stated that the main disagreement between PMR&C and the IHHA is that PMR&C is basically offering the same purse money they have received for the last three years. Mr. Roland distributed a handout, and pointed out that the number of foals each year from 1998 to 2005 has grown substantially, noting the Iowa Department of Agriculture registered 258 foals. With the increased number of foals that will be racing in 2006-07, Mr. Roland stated that it was imperative the IHHA receive additional funding at the purse level in order to sustain the growth. He noted that during the past year, the purse money paid to the IHHA was \$1,820,000, with between 80-85% going to Iowa owners or to owners of Iowa-registered horses. Mr. Roland stated that the goal of the IHHA through the negotiations was to attempt to get additional funding to sustain the growth and economic support of the Iowa agricultural economy. He stated that IHHA’s request for additional funding is based on the quantitative number of horses that are

racing in 2006 with the goal of keeping the purse level for each race at the same level as the previous two years.

Mr. Roland referenced Mr. Farinella's statement that the three breeds were not able to reach a consensus regarding purse allocations. He stated that IHHA requested a meeting with representatives of the thoroughbred and quarter horse associations, which was declined. Mr. Roland stated that the IHHA is aware there are other factors that play a part in PMR&C's decision concerning the division of purse money. He concurred that patron attendance during the harness race meet is not as high as during the other two meets; but noted the harness meet is run during October, which is dictated to IHHA by PMR&C. He pointed out that it is a widely accepted fact in the industry that attendance at racetracks drops after Labor Day.

Mr. Roland indicated the IHHA is very critical of the amount of promotion that is done by PMR&C for the harness meet. He attended a joint meeting of the three breeds with the Marketing Department at PMR&C last month. Discussions were held regarding the marketing efforts of PMR&C concerning racing in general, as well as the harness meet. Mr. Manning distributed a 6-page handout which showed 36 different promotions by PMR&C to promote horse racing; but none of the promotions were for harness racing, and only one occurred after October 1st. He feels that as a result of that meeting, there has been more advertising on television regarding the harness meet. Mr. Roland expressed the IHHA's appreciation for the changes that have been implemented.

Commissioner Mahaffey asked Mr. Roland how many members were in the IHHA. Mr. Roland indicated there are approximately 350 members in the Trotting Association of Iowa, mostly in the southeastern and northwestern regions of Iowa.

Mr. Roland advised that PMR&C has indicated to the IHHA that because they are not racing as much as the thoroughbreds and quarter horses, that future increases in the benchmark purse would go primarily to the thoroughbreds and quarter horses. In essence, PMR&C is telling the IHHA that their purses will not increase due to the lack of race days; however, in the application before the Commission today, PMR&C is further reducing the race dates for the harness meet from 17 to 12, making it a self-fulfilling prophecy.

Mr. Roland noted that during the last purse negotiations, the thoroughbred and quarter horse associations took a cut in the purse distributions. In 2002, the thoroughbreds still received \$17,904,000 while the standardbreds received \$1,350,000. At these rates, the thoroughbred purses were 13 times higher than the standardbred purses. With the latest reduction in purses, the thoroughbred purses are still nine times higher than the standardbred purses.

Mr. Roland noted that Chair Hamilton had referenced, and asked Mr. Farinella about, the Code section requiring all three agreements to be referenced at the same time. He stated that the IHHA interprets the Code language to mean that purse agreements with all three

breeds are to be submitted for consideration at the same time. Mr. Roland requested that the Commission exert some “pressure” on PMR&C to negotiate with the IHHA in good faith.

As his last point, Mr. Roland reminded the Commission that from 1984-1988, the Iowa Fair Horse Racing had a pari-mutuel license to conduct pari-mutuel racing at various fairs and the Iowa State Fairgrounds. This license was surrendered at the recommendation of the Iowa Racing Commission the first year of Prairie Meadows’ operations so that their activities would not be in conflict with Prairie Meadows. He feels that if the IHHA was still racing at the state fairgrounds, and there was a casino at the fairgrounds, the IHHA would be in a better position. Mr. Roland feels the IHHA has made their share of sacrifices for the benefit of PMR&C.

Mr. Roland reiterated that the goal of the IHHA is to obtain a larger percentage of the purse money to maintain the growth and number of Iowa standardbred horses that race in Iowa in order to keep more of the purse money in the state.

Chair Hamilton asked Mr. Roland what he would like to see for funding for harness racing in a “perfect” world. Mr. Roland indicated that he would like to see two months of racing, and approximately \$1 million more in purse money. Commissioner Jarding asked Mr. Roland for his realistic expectations. Mr. Roland stated that the last offer to PMR&C in August was for \$2,500,000 in purse money. He would like to continue racing for 17 days as has been the practice for the last three years.

Commissioner Mahaffey, referencing the increase in foals, asked the significance of the additional purse money to the IHHA industry in Iowa. Mr. Roland stated the main factor is that it will influence the breeders and increase the potential for their Iowa horses to make money. That ability is influenced by the number of races restricted to Iowa-bred horses. He noted that a certain amount of the purse money is allocated to each fair at which they race, which is divided by the number of horses entered. Mr. Roland stated that in order to sustain the number of foals born in 2003 and 2004, the IHHA needs the additional funding to sustain the earning potential for these Iowa-bred horses at approximately \$25,000.

Chair Hamilton called on Mr. Farinella for his response. Mr. Farinella pointed out that each of the three breeds brings variations to the economic process. As a racetrack, PMR&C is concerned about being supportive of the different breeds, but also has to be cognizant of the economic and operational factors involved in live racing at the facility. They also have to keep in mind how it impacts them as a racetrack and licensee and maintaining their ability to offset operating costs in order to be fiscally responsible. Part of that is being able to offer purses that are competitive from the standpoint of live racing at PMR&C. Mr. Farinella stated that approximately 30% of the races are Iowa-bred races, and many Iowa-bred horses also run in open company races. About 70% of the actual show at the racetrack is composed of horses that travel to PMR&C to compete aggressively in the program. He noted that all horses compete for the purses,

necessitating the need for PMR&C to be able to offer competitive purses that will attract a sufficient number of animals to the track in order to fill races and make racing at PMR&C competitive. Mr. Farinella stated that from the operator's standpoint, it is necessary for PMR&C to take the available purse money and make a best case judgment on the economic side to insure that the program offered is competitive in order to attract the live racing element. He concluded his remarks by noting that a number of factors go into determining the purses. Mr. Farinella complimented the IHHA on the number of foals born, but indicated that is not the only factor utilized in determining purse allocations.

Commissioner Cutler asked if the two sides were at a stalemate in their negotiations, and were looking at an alternative process. Mr. Farinella stated that he was not aware of any formal alternative process set forth in the rules. He stated that he felt it was up to the Commission to determine the manner in which the parties should proceed.

Chair Hamilton called for any additional comments concerning this issue. Leroy Gessman, President of the Iowa Horsemen's Benevolent Protection Association representing the thoroughbreds, expressed his appreciation for Mr. Roland's comments, but pointed out that all three breeds have experienced foal increases since 1998. He indicated that if all three breeds were able to race in a "perfect" world, purses would be around \$23-24 million; however, PMR&C's Board has taken the position that they will pay the minimum purse amount mandated by the legislature. The breeds have asked PMR&C to exceed that level, but they have declined to do so, causing the thoroughbreds and quarter horses to make concessions. Mr. Gessman stated that the program offered by Mr. Farinella to the thoroughbreds and quarter horses has two of the three breeds getting more money than they have ever received – the quarter horses and standardbreds – and the thoroughbreds are receiving approximately \$2.5 million less than they received in 2002. He pointed out that all three breeds have made concessions at one time or another. He encouraged the thoroughbred owners to accept PMR&C's offer in August and move forward. In their offer to PMR&C, they requested \$17 million in purses.

Mr. Schroeder stated that he believes the Commission's interpretation of Iowa Code Section 99F.6(4)a is accurate. The IHHA concurs that purse supplement agreements with all three breeds are to be submitted to the Commission at one time. He requested that the Commission table this issue for a month as he feels comments made at this time will cause further negotiations to take place; which hopefully will result in agreements being reached with all three breeds prior to the November Commission meeting.

Commissioner Jarding asked what would happen next month if no agreement has been reached. Mr. Schroeder advised that the same scenario occurred three years ago. Fortunately, the parties were able to come to an agreement; however, they also talked about following a process similar to the process set forth in the greyhound rules. Mr. Schroeder stated that he felt it would make sense to go with that type of process.

Commissioner Mahaffey stated that he understood Mr. Schroeder's position, but was not sure the Commission could do so since the arbitration process is set forth in the greyhound statute, but not in the horse statute.

Commissioner Mahaffey stated that he appreciates the difficulty on both sides of the issue. If someone were to review the legislative history of horse racing in Iowa, there has always been tension but it has increased with the growth in purses. He stated the reason the minimum purse has become the maximum purse is because the people of Polk County want more money for other things, and Mr. Farinella has to answer to his landlord and his Board of Directors. Commissioner Mahaffey stated that he felt it was the lobbyists for the standardbreds that got the minimum purse levels included in the statutes.

Commissioner Mahaffey concurred with Chair Hamilton that the additional contracts submitted by PMR&C should be acted upon; but that the purse agreements with the thoroughbreds and quarter horses should be deferred at this time. He urged the groups to work together to reach a consensus and seek approval at the November meeting.

Hearing no further discussion, Chair Hamilton requested a motion. Commissioner Mahaffey moved to approve the additional contracts as submitted by PMR&C. Commissioner Jarding seconded the motion.

Chair Hamilton asked Mr. Ketterer if the Commission could approve the contracts submitted in the racetrack enclosure gambling license renewal application. Mr. Ketterer answered in the negative since they are for 2006.

Hearing no further discussion, Chair Hamilton called for the vote. The motion carried unanimously. (See Order No. 05-125)

Chair Hamilton advised that Commissioner Bair was absent as he was recovering from hip replacement surgery.

Chair Hamilton moved to Administrative Business, and advised that statute requires the Commission to evaluate the Administrator's job performance and recommend the individual for reappointment every four years, with the appointment being subject to Senate approval. She requested a motion.

Commissioner Mahaffey moved pursuant to Iowa Code Section 99D.6 to appoint Jack P. Ketterer as Administrator of the Iowa Racing and Gaming Commission for the term commencing on May 1, 2006 to April 30, 2010. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-126)

Commissioner Mahaffey stated that one of the things he has enjoyed about being on the Commission is getting to know Mr. Ketterer and staff members, noting that all are very helpful to the Commission members, and that he considers Mr. Ketterer a friend. Chair Hamilton concurred with Commissioner Mahaffey's comments, stating that she feels the

licensing process the Commission went through last fall and the first five months of this year would have been much more difficult without his guidance.

Mr. Ketterer thanked the Commission for their support. He indicated he enjoyed working with them as well; and that what the Commission gets is a reflection of the entire staff. Mr. Ketterer expressed his appreciation for the support he receives from staff.

Chair Hamilton moved to Public Comment. Wes Ehrecke, Executive Director of the Iowa Gaming Association, introduced Bob Kehl, Sr., a Dubuque native who received the first riverboat license in Iowa 15 years ago.

Hearing no further business to come before the Commission, Chair Hamilton called for a motion to adjourn. Commissioner Jarding so moved. Commissioner Mahaffey seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
NOVEMBER 17, 2005**

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, November 17, 2005, at Stoney Creek Inn, 5291 Stoney Creek Court, Johnston, Iowa. Commission members present were Diane Hamilton, Chair; Kate Cutler, Vice Chair, and members Gerry Bair, Joyce Jarding and Mike Mahaffey.

Chair Hamilton called the meeting to order at 8:30 AM and requested a motion to approve the agenda. Commissioner Jarding so moved. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Hamilton moved to the approval of the minutes from the October 13, 2005 Commission meeting. Commissioner Bair moved to approve the minutes from the October 13, 2005 meeting as submitted. Commissioner Jarding seconded the motion, which carried unanimously.

Chair Hamilton called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer advised there would be no Commission meeting in the months of December 2005, and February 2006. Regularly scheduled meetings will be held in January and March as indicated below:

- January 12, 2006 Commission Meeting – Stoney Creek Inn, Johnston, IA (Submissions due by December 28, 2005)
- March 2, 2006 Commission Meeting – Stoney Creek Inn, Johnston, IA (Submissions due February 16, 2006)

Mr. Ketterer advised that the Commission would be taking up the license renewals of the excursion gambling boat licensees at the March meeting.

Chair Hamilton called on Washington County Casino Resort, LLC (WCCR) with regard to their request for approval of loan agreements. Gary Hoyer, legal counsel, advised that these are the primary loan documents for the Riverside project. He noted that the Engagement Letter contains the primary terms; the Credit Agreement is the primary lending document for the term loan and the revolving line of credit; and the Commitment Letter is the additional keep well and construction guarantee.

Hearing no questions concerning the loan agreements, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the loan agreements as submitted by WCCR. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-127)

Chair Hamilton moved to WCCR's request to hold the license in the name of Riverside Casino & Golf Resort, LLC. Mr. Hoyer advised that in order to secure a collateral item and security interest in the project, WCCR was faced with either attempting to get pledge agreements signed by the 364 shareholders, or creating a subsidiary. They chose the single signature subsidiary, which establishes Riverside Casino & Golf Resort, LLC (RCGR) as a wholly owned subsidiary of WCCR. RCGR will become the operating entity. Mr. Hoyer requested the Commission's approval allowing WCCR to hold the license in the name of RCGR.

Chair Hamilton asked Mr. Ketterer if he had any concerns regarding this proposed transaction. Mr. Ketterer indicated that he did not; that it is a semantics issue and will not change the character of the license.

Hearing no further discussion, Chair Hamilton requested a motion. Commissioner Cutler moved to approve WCCR's request to hold the license in the name of Riverside Casino & Golf Resort, LLC. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-128)

Mr. Hoyer provided a brief update concerning the TIF Agreement with the City and County. He indicated WCCR/RCGR is continuing to work with Riverside on expanding and improving the water and sewer infrastructure to meet future needs. He noted the process is going well; but advised that some of the bids have come in higher than anticipated, even higher than projected by the engineers. As a result of those higher costs, WCCR has agreed to contribute an additional \$1 million to cover additional costs. He noted that he had a productive meeting Monday evening with Riverside representatives. A public hearing is scheduled for the last week of November, and the first week of December with regard to the TIF project. He expressed his hope that the TIF agreement would be finalized prior to the January Commission meeting.

Commissioner Bair advised that the Commission had seen a newspaper article stating that the County Attorney was indicating that the agreement to loan the County's borrowing ability to Riverside may not be binding. Mr. Hoyer advised that he had met with the County Board of Supervisors, and stated that everyone seems to be on board with the project. He stated that WCCR entered into the agreements in good faith, and has every expectation that the City and County will honor their agreements with WCCR.

Joe Massa, General Manager of WCCR, presented the following contracts for Commission approval:

- Builders Sales & Service – Hotel Shell Exterior Framing
- Cedar Valley Steel – Steel Erection
- DeLong-Keith Construction – Phase 1 Grading
- DeLong-Keith Construction – Excavation, Rock Replacement, Tile
- DeLong-Keith Construction – Sub-drain for Parking
- DeVries Electric, Inc. – Electrical Bid Package

- DeVries Electric, Inc. – Irrigation Services
- LL Pelling – Paving
- Midwest Glazing, Inc. – Hotel Exterior Windows
- O’Keefe Elevator Company – Hotel Elevators
- Ramark Holdings, Inc. – Casino Structural Steel

Hearing no discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by WCCR. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-129)

Mr. Massa advised that the Riverside project is coming along well. They have bid out 60% of the projected project costs. The project is under budget and on time. He stated that the roof of the hotel will be poured this week. Work is progressing on enclosing the hotel, and they hope to have heat installed by January. One-half of the parking lot has been poured in order to provide a hard surface for the workers. The super steel of the casino will be going up. Mr. Massa advised that there is a website, www.riversidecasino.com, where construction updates/pictures will be available.

Mr. Massa advised that today is the 11th anniversary to the day of the opening of the Catfish Bend Casino.

Chair Hamilton moved to contract approvals, and called on Mississippi Belle II (MB II). Neil Narter, General Manager, presented a contract with Houlihan Lokey Howard Zukin for a fairness opinion.

Hearing no discussion concerning the contract, Chair Hamilton requested a motion. Commission Cutler moved to approve the contract as submitted by MB II. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 05-130)

Chair Hamilton called on Catfish Bend Casino, LC (CBC). Gary Hoyer, legal counsel, advised that when WCCR was established, there was a management agreement that was subcontracted throughout the development phase to Kehl Management, with Dan Kehl and Ken Bonnet as the principals. In planning for the opening of the facility, a new company, Riverside Management, has been established with the same ownership and principals as Kehl Management. Mr. Hoyer requested that the management agreement be approved in order to provide continuity of management over the first four years of the Riverside project.

Hearing no discussion concerning the contract, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contract as submitted by CBC. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-131)

Chair Hamilton called on Isle of Capri Bettendorf (IOCB). Curt Beason, legal counsel, presented a contract with Wells Fargo for Visa Card Purchases. The card is used for everyday purchases.

Hearing no discussion concerning the contract, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contract as submitted by IOCB. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-132)

Chair Hamilton called on IOC Marquette (IOCM). Barron Fuller, General Manager, withdrew a contract with Martin Brothers for kitchen equipment, and presented the following contracts for Commission approval:

- Ryan Companies US, Inc. – General Contractor for Renovation of Calypso's Buffet
- Tri City – New Kitchen Equipment for Calypso's Buffet Renovation

Hearing no discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Bair moved to approve the contracts as submitted by IOCM. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-133)

Chair Hamilton called on Harrah's. Mike Rich, Assistant General Manager, presented the following contracts for Commission approval:

- AC Coin & Slot – Slot Machine Leases
- C.A.P. (Charles Attal Presents) – Entertainment Programming Services
- Garner Printing – Printing of Direct Mail Materials
- Lambourne Environmental Diving – Potential Vendor for Diving/Dredging Services
- MECA (Manager of Qwest Center) – Advertising at Qwest Center Omaha
- Midwest Diving Services – Potential Vendor for Diving/Dredging Services
- Otter Tail Energy Services – Natural Gas Provider

Hearing no discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by Harrah's. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-134)

Chair Hamilton called on Wild Rose Emmetsburg (WRE). Kevin Preston, General Manager, presented the following contracts for Commission approval:

- Signs Plus – Indoor/Outdoor Signage
- POS Business Systems, Inc. – Micros System for F&B/Hotel

- CI3 – Surveillance System
- Martin Brothers – F&B/Kitchen Equipment
- Holmes Murphy – Insurance Services/Coverage
- WMS Gaming – Gaming Equipment/Slot Machines
- Bally Gaming – Gaming Equipment/Slot Machines
- Aristocrat Gaming – Gaming Equipment/Slot Machines
- IGT – Gaming Equipment/Slot Machines

Hearing no discussion concerning the contracts, Chair Hamilton called for a motion. Commissioner Cutler moved to approve the contracts as submitted by WRE. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-135)

Mr. Preston gave a brief update on the construction process. He noted that the casino is 80% enclosed. The topping off party was to have been held on Tuesday; however, it was delayed due to the weather. He noted they also have a web cam at the site to show progress. The Commissioners thanked Mr. Preston for the pictures of the progress they received the previous evening.

Chair Hamilton called on Diamond Jo (DJ). Mr. Beason presented a contract with Global Payment Gaming Services, Inc. for guaranteed check cashing services.

Hearing no discussion concerning the contract, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contract as submitted by DJ. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-136)

Chair Hamilton called on Diamond Jo Worth (DJW). Mr. Beason presented the following contracts for Commission approval:

- Hewlett-Packard – Computers and Hardware
- Midwest Casino Supply – Gaming Chairs (Slot, Table Games, Roulette, Poker)
- MTC Systems – Telephone System and Communications Equipment
- Reliable Technology, Inc. – Computer Hardware and Networking Components
- W.W. Grainger Industrial – Misc. Hardware, Parts, Tools and Supplies Needed for Casino
- Welter Storage Equipment – Pallet Racking System, Office Furniture and Cubicles

Mr. Beason stated that he knew construction was on schedule on the project, and things are moving forward as planned, but was not able to provide any further information concerning the project.

Hearing no discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by DJW.

Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-137)

Chair Hamilton called on HGI Lakeside (Lakeside). Damon Butler, General Manager, presented the following contracts for Commission approval:

- Consolidated Energy Co., LLC –Purchase Fuel
- Hawkeye Food Service – Purchase Food & Paper Products
- Alliant Energy – Gas & Electric Service
- Allied Construction Services, Inc. – Installation of Carpet, Pad & Wall Coverings; Painting
- Aristocrat Technologies – Purchase of 10 Slot Machines & Software (Replacements)
- Bally Gaming Systems – Slot Machine Leases
- Atlantic Coca-Cola Bottling Co. – Beverages for Customers and Employees
- ColorFx- – Marketing Services
- Consolidated Energy Co., LLC – Purchase Fuel
- Global Payment Check Services – Patron Check Processing Guarantee Service
- Hawkeye Food Service – Purchase Food & Supplies for Kitchen
- Holmes Murphy – Property/Casualty/Liability & Workers Comp. Insurance
- Hy-Vee Food Store – Gift Cards for Players Points & Misc. Food Products
- IGT – Purchase 30 Slot Machines (Replacements)
- IGT – Lease of Slot Machines
- IGT/Iowa Trust Fund – Lease of Slot Machines
- Martin Brothers – Purchase Food & Supplies for Kitchen
- Metro Fish – Purchase Food for Kitchen
- Mikohn – Signs
- Nadler Brothers Company – Resale Items for Gift Shop
- NB Theiss Shirts, Inc. – Resale Items for Gift Shop
- Pepsi – Beverages for Customers and Employees
- Principal Financial Group – 401K and Dental Insurance
- Signs Productions, Inc. – Signs for Casino
- Solutions, Inc. – Marketing Services
- WMS – Lease of Slot Machines
- WMS – Purchase 10 Slot Machines (Replacements)

Mr. Butler noted that the Herbst family has made a tremendous investment in the property and continues to do so. The contracts before the Commission represent approximately \$13 million, with 90% of that being spent with Iowa vendors.

Commissioner Bair commented on a discrepancy relating to the Global Payment Check Services, noting that Lakeside submitted it as an out-of-state vendor while Diamond Jo

submitted it as an Iowa vendor. Mr. Beason indicated that he would check out the matter and report back to the Commission.

Commissioner Mahaffey commented on the concerted effort to buy Iowa, even some items that are not usually purchased in Iowa. Mr. Damon advised that the purchasing department did some searching.

Hearing no further discussion, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by Lakeside. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 05-138)

Chair Hamilton moved to the approval of the arbitration decisions. Lorraine May, legal counsel for Harrah's/Bluffs Run Casino (BRC), and Jerry Crawford, legal counsel for the Iowa Greyhound Association (IGA), were present to discuss the process for the Iowa West Association (IWRA)/IGA. Ms. May advised that the parties are close to reaching a final agreement on a multi-year agreement. She stated that since they are working on a multi-year agreement, additional issues have come up that will take additional time to work out. It is anticipated that the final agreement will reach the Commission well before the January Commission meeting.

Commissioner Bair asked if there were any time issues with regard to the purse agreement. Mr. Ketterer advised that the BRC will commence their 2006 race meet prior to the Commission's January meeting, raising the question of whether BRC would continue under the current purse supplement structure through January 12th, or whether the Commission wishes to have the purse supplement agreement submitted to staff for approval provided staff does not see any issues with the agreement. Commissioner Bair asked if there was precedent.

Mr. Crawford suggested that since the parties hope to have the agreement within the next few days, that the agreement be submitted to Mr. Ketterer to let him determine how the parties would proceed on January 1st, if the Commission is agreeable, before the agreement comes before the Commission for final approval.

Chair Hamilton requested a motion. Commissioner Jarding moved to approve the purse supplement agreement between IWRA/BRC and IGA subject to staff approval, making it effective January 1, 2006. Commissioner Mahaffey seconded the motion, which carried unanimously. (See Order No. 05-139)

Mr. Crawford advised the Commission that IGA was also in the finishing stages of negotiating a five-year agreement with Dubuque Racing Association (DRA). He indicated that the multi-year agreements were possible as both BRC and Dubuque Greyhound Park & Casino (DGP&C) are undergoing major expansions with anticipated significant increases in revenue. As a result, the parties have been able to simultaneously increase purses on the one hand, while saving the casinos money since they will not have to pay the extra percentage range that has been established in previous arbitration

decisions. IGA families can depend on the industry for their livelihood and, more importantly, will be able to make daily decisions as to whether to continue to invest economically in the state based on the certainty of the five-year agreements.

Commissioner Bair asked if this was the first time the parties had reached a five-year agreement. Mr. Ketterer answered in the affirmative. Commissioner Bair asked if there was any problem in binding future Commissions. Mr. Ketterer advised there will always be different Commission members, but pointed out that the Commission has approved other contracts that have been in excess of three years.

Bruce Wentworth, General Manager of DGP&C, advised that DRA is also looking at the same five-year agreement. He noted that the parties have agreed on every day and dollar; however, they are still in discussion concerning the language at the end of the contract and how to end the contract. Mr. Wentworth stated that DRA's Executive Board will be meeting the following Tuesday to approve the agreement; noting that he does not have the authority to bind the Executive Board to this type of future action. He pointed out that DGP&C does not race again until next May. Mr. Ketterer suggested that this matter be tabled until the January Commission meeting.

Mr. Crawford, responding to Commissioner Bair's concerns over the length of the agreements, advised that the draft agreements provide that in the event the IGA does not receive the Dog Promotion Fund during any year of the five-year agreement, the agreements could be re-opened and re-negotiated.

Mr. Wentworth advised the Commission that the Hilton Garden Inn and Houlihan's Restaurant have opened for business. Mr. Ketterer asked Mr. Wentworth if he was able to discuss when the table games would be coming. Mr. Wentworth advised that a table games manager has been hired. A target date of March 1 has been established; noting that DGP&C has an agreement with the Diamond Jo that the table games would be operational no later than June 1st. DGP&C has looked at renovating portions of the old casino space to accommodate a poker room, a slot tournament area, and additional meeting space to compliment the hotel within the same time frame.

Chair Hamilton called on IWRA/BRC regarding their season approval request. Ms. May advised that some of the open positions had been filled since the request was filed, and updated information has been provided. She stated that information verifying the status of the contract with Sport View was included. Ms. May advised that the revision in the Roberts Communication Network contract would allow BRC to only pay for those uplink services they actually utilize.

Gaye Gullo, General Manager, presented the following contracts for Commission approval:

- Sport View – Video Recording and Broadcasting of Races
- Roberts Communication Network, Inc. – Simulcast Uplink Fees (Amendment)

- C.A.P. (Charles Attal Presents) – Entertainment Programming Services for Horseshoe
- Loffredo Fresh Produce – Produce Supplier (Increase)
- Paulette Wolf Events & Entertainment – Production of Grand Opening Events for Horseshoe

Mr. Ketterer asked if the facility closing in March was meant to coincide with the opening of the Horseshoe facility. Ms. Gullo advised that it is Harrah's intent to open the Horseshoe facility on or around March 15th. In order to insure there is no chaos or congestion in the area surrounding that opening, Harrah's is requesting permission to suspend racing during that time. It is Harrah's plan to close the current facility several days prior to opening the Horseshoe facility in order to facilitate the moving and coin testing of the slot machines, and insure the proper movement of the vault, etc. in order to insure a smooth transition from BRC to Horseshoe.

Commissioner Bair asked about the Bass Pro Shop. Ms. Gullo advised that it opened approximately two weeks ago, and met their opening day expectations. It is expected the shop will be a tourism draw for the Council Bluffs area, attracting customers from a 125-130 miles radius. Commissioner Bair asked if there was an RV park in the area. Ms. Gullo stated that BRC did have an RV park at one point, but that it had to be leveled to provide additional parking during the construction process. At this point in time, Harrah's/BRC do not intend to rebuild the RV park. She indicated that she has heard rumblings that there is interest in bringing in another RV park, but does not know where that would be located.

Hearing no further discussion concerning the season approvals or contracts, Chair Hamilton requested a motion. Commissioner Mahaffey moved to approve the contracts and the request for season approvals as submitted by IWRA/BRC, with the contingency that all DCI background investigations be completed and that all simulcast contracts be submitted to staff for approval in order to insure compliance with all regulatory requirements. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-140)

Ms. Gullo provided the following construction update: An additional \$1.5 million in Iowa vendor contracts have been added to the ongoing construction commitment to Iowa. At this time, over \$18 million in contracts have been approved for Iowa vendors. The project is on time. Drywall is going up at this time. As previously stated, it is anticipated that the Horseshoe facility will open in mid-March.

Following a short break, Chair Hamilton called on Prairie Meadows Racetrack & Casino, Inc./Prairie Meadows Racetrack & Casino (PMR&C) concerning the renewal of their racetrack license, granting of race dates and the renewal of the racetrack enclosure gambling license. Tom Flynn, legal counsel for PMR&C, advised that the Commission had heard PMR&C's position as set forth by Bob Farinella, General Manager, at the

October Commission meeting. Based on the Commission's comments, a meeting was held with the three breeds. He noted that PMR&C had negotiated agreements with the thoroughbred and quarter horse groups. It is their opinion that the agreements were negotiated in good faith between the parties; and the negotiations between PMR&C and the standardbreds were also conducted in good faith. Mr. Flynn indicated that most of the concern is over the process utilized by PMR&C in negotiating the purse agreements this year. He indicated that it would be difficult for PMR&C to negotiate with the breeds as any breed could take issue with PMR&C's approach at any point in time. Mr. Flynn noted that in previous years, PMR&C has been able to reach an agreement with all of the breeds, but they were unable to do so this year. He indicated that PMR&C will sit back and listen to the other comments and then respond.

Royal Roland, President of the Iowa Harness Horsemen Association (IHHA), prefaced his comments by stating that the State of Iowa and the Racing Commission granted a very valuable and exclusive right to PMR&C to hold a racing and gaming license. Along with that right, there are certain obligations PMR&C must take into account when conducting its business: respect the authority of the regulatory body, to take into consideration the effect of its business on the Iowa agricultural businesses, and to conduct its affairs in accordance with the laws of Iowa. Mr. Roland stated that the IHHA feels PMR&C has not met these obligations; that the Commission's directive issued at the October Commission meeting with regard to further negotiations was clear. PMR&C's attempt at further negotiations consisted of one meeting with all of the breeds at which PMR&C asked the thoroughbred and quarter horse associations to accept less than what was agreed to during negotiations and set forth in the agreements. Both groups declined to do so, and PMR&C refused to pay more than the statutory amount required for purse supplements.

Mr. Roland stated that the IHHA Board has taken the position of seeking additional funding to maintain the growth of the Iowa standardbred industry. In the overall scheme of things with regard to the total purses to be paid out by PMR&C, the amount requested, \$200,000, is relatively small. PMR&C submitted a proposal of no increase in purses to the standardbreds, and a 29% reduction in racing dates.

Mr. Roland then referenced Iowa Code Section 99F.6(4) which states in part: "...Agreements that are subject to commission approval concerning horse purses for a particular period of time beginning on or after January 1, 2006, and ending before January 1, 2021, shall be jointly submitted to the commission for approval. ..." Mr. Roland stated that it is clear to the IHHA what the word "jointly" means; however, attorneys may have a somewhat different opinion as to the meaning of "jointly". He requested the Commission's assistance in resolving this issue.

Mr. Flynn stated that he was not sure Mr. Roland's comments required a response. He concurred that only one meeting was held between PMR&C and the three breeds in an attempt to resolve this matter. PMR&C's Board of Directors has taken the position, and is of the belief, that the Legislature indicated that purses should be no less than 11%, and

they have met that requirement. He stated that PMR&C does not place the same connotation on “jointly” as the IHHA.

Commissioner Bair asked for clarification on the issue before the Commission. Mr. Flynn stated that historically three breeds have raced at PMR&C. He noted that attorneys take words appearing in the statute, and attempt to determine what the Legislature said and what they could have said. Mr. Flynn stated that the Legislature could have said that any agreement that was to come before the Commission had to be signed off by three breeds-two breeds or one breed; however, they chose to say jointly. He indicated that it could be argued that if PMR&C has agreements with two breeds, there is a joint agreement. He also feels the same agreement could be made if there is an agreement with only one breed. Mr. Flynn stated that while the meaning of the word “jointly” seems clear; there are different interpretations of the statute and meaning of “jointly”.

Commissioner Bair asked Mr. Flynn if it was his interpretation that PMR&C would have complied with the statute if they had an agreement with one, two or all three of the breeds; that it is not necessary to have an agreement with all three breeds prior to submitting those agreements to the Commission for approval. Mr. Flynn indicated that was correct as he feels the law and the Commission’s rules are silent on this issue; noting that this is a new statute and this is the first time it is being tested. He stated that it is not PMR&C’s goal to disenfranchise the standardbreds; but they are concerned about being required to have purse agreements with all three breeds, or however many breeds are racing at PMR&C, at the time the license renewal is considered by the Commission. Under this scenario, one breed could derail the entire process by disagreeing with the proposal for their breed or by deciding not to negotiate. Mr. Flynn stated that PMR&C should step aside and let the Commission take ownership of the process, letting the breeds bring their case to the Commission in order to reach a resolution in this matter.

Commissioner Bair, referencing the 11% ceiling for purse supplements, asked Mr. Flynn if PMR&C’s Board of Directors had any discussions concerning the rate – high, low, etc. Mr. Flynn stated that one board member did ask if the 11% was both the floor and ceiling. He advised that the majority of the board felt that when the horsemen went to the Legislature and sought this percentage that the horsemen had made the determination among themselves that this was the rate that would compensate them for racing at PMR&C. Therefore, the board took the stance that the percentage was what the horsemen felt was fair and that they would support it and pay it. Commissioner Bair asked if there is any anticipation of future increases in purses. Mr. Flynn stated that based on projections, profits will increase; therefore, purses will also go up.

Commissioner Mahaffey stated that what he was hearing is that PMR&C’s position is that by meeting the 11% statutory requirement, they have met their obligations as set forth by statute. Mr. Flynn indicated that was correct, noting that the statute indicates the purse agreements shall be no less than 11% and the proposals submitted are no less than 11%. Noting the Commission has a rule that allows it to establish minimum purses, Mr. Flynn contended that based on the minimum purse rule in 99D and the new 11% statutory

rule in 99F, it could be argued that the Legislature disarmed the Commission in establishing the minimum statutory percentage.

Commissioner Bair asked if PMR&C and the IHHA were at a definite impasse. Mr. Flynn answered in the affirmative.

Chair Hamilton advised that the danger in letting the Commission decide this issue is the possibility that no one will like the Commission's decision. Mr. Flynn concurred that was a possibility; however, based on the fact that the Commission has had time to reflect on this matter, there is also the possibility that the Commission as a whole has some wisdom that PMR&C does not. He indicated PMR&C and the horsemen will wait to hear the Commission's discussion, and if nothing is officially decided; that perhaps it would generate additional negotiations.

Brad Schroeder, IHHA legal counsel, made the following comments in response to Mr. Flynn's comments:

1) Mr. Flynn indicated there was nothing to keep the horsemen from coming before the Commission next year. Mr. Schroeder indicated the issue is before the Commission this year due to a change in procedure advocated by PMR&C, noting this is the first time PMR&C has artificially decided the size of the "pie" to be divided by the breeds, which caused conflict among the three breeds. Every dime that goes to the standardbreds has been depicted as a dime taken out of the pocket of one of the other groups. Mr. Schroeder stated that the amount offered to the standardbreds worsened over the course of the negotiations. He concurred there is no possibility of an agreement between PMR&C and the standardbred group.

2) Mr. Schroeder noted that the statute requiring "joint" submissions does not specifically state what breeds are involved in the process, but pointed out that Mr. Flynn acknowledged there have historically been three breeds involved in the process – thoroughbreds, quarter horses, and standardbreds. He pointed out that the letter the IHHA submitted to the Commission last month was from a representative involved in the passing of the statute. Mr. Schroeder stated that the representative has advised the IHHA privately that there was no question as to what the Legislature intended in passing this law. He noted that 99D mentions the three breeds throughout the chapter, and 99D.22 specifically mentions thoroughbreds, quarter horses and standardbreds.

With reference to the interplay between the two statutes, Mr. Schroeder noted that 99D.7(4) gives the Iowa Racing and Gaming Commission the power to regulate the purse structure for racing, including establishing a minimum purse. The IHHA's interpretation is that the most recent statute simply sets a minimum standard purse leaving the Commission with the ability to set purses beyond that restriction.

Chair Hamilton asked if the difference between the process this year and last year was the percentage figure. Mr. Schroeder answered in the affirmative. Chair Hamilton asked

what the rate was last year. Mr. Schroeder indicated the agreements were not defined in percentages the previous year. Negotiations last year were for a fixed dollar amount whereas this year, PMR&C has established a base purse pool of which the standardbreds would receive a certain percentage, and then there is an intermediate purse pool up to total purse dollars of \$16 million. PMR&C has offered the standardbreds a certain percentage of the base purse pool, and a significantly reduced percentage from the intermediate purse pool. For any purse money available above \$20 million, the standardbreds would also receive a percentage from this pool, but again at a significantly reduced percentage. Mr. Schroeder indicated the proposal is based on a very complicated formula, which he feels has contributed to the impasse this year.

Commissioner Bair asked how many county fairs the standardbreds race. Mr. Schroeder advised they race at 14, basically throughout the summer. By racing at the county fairs, there is a benefit to those communities as well as the standardbred group, as it allows them to race for a substantial portion of the year as opposed to just 17 days at PMR&C.

Commissioner Bair asked about the racing surface at the county fairs. Mr. Schroeder advised that they are typically tracks, which are in good shape, however, not to the standard of the track at PMR&C. The track at PMR&C is a known quantity, and the times posted during the PMR&C meet allow the standardbred group to market their product to other racing jurisdictions.

Commissioner Bair asked if the local counties pay anything to the IHHA. Mr. Schroeder answered in the negative.

Leroy Gessmann, President of the Horsemen's Benevolent and Protective Association (HBPA) set forth the following comments from a letter forwarded to the Commission prior to the October Commission meeting:

- In 2003, the thoroughbreds and quarter horses took a 25% cut in purses; and in 2003, 2004, 2005, and the proposed contract for 2006; the standardbreds received an increase every year.
- The contract before the Commission still has the thoroughbreds running for less money than they ran for in 2002. He indicated the thoroughbreds are not happy about running fewer days and for less money than they have ever run for; but during negotiations, they felt the terms offered in the agreements before the Commission are the best they could do.
- Under the revised formula for calculating purses utilized by PMR&C, the quarter horses and standardbreds will be running for more money than they have ever run for.

Mr. Gessman stated that it was time the matter was settled so everyone could move on.

Scott Weiser, from Capital Strategies representing the Iowa Horsemen's Benevolent and Protective Association, stated that he was personally involved in the negotiations that took place in the Legislature last year regarding the purse structure. He noted that the Commission had received a letter from Representative Sands, who was not involved in the negotiations. Mr. Weiser stated that the standardbred group submitted numerous versions of language regarding the "joint submission" language that would have required all three purse agreements to be submitted at the same time; all of which were rejected by the Legislature so that a particular group could not obtain leverage and prevent PMR&C from complying with the law.

Mr. Weiser noted that the standardbreds have appeared before the Commission previously asking that the Commission establish a minimum purse level and have also attempted numerous times to establish purse levels through the legislative process. All have been rejected by the elected officials. The Code was written specifically to read as it does.

Mr. Farinella stated that balance is necessary in running any race program at any track, which should be based on the expenses involved in running a certain number of days, the support of the fans, and the ability of the track to offer a competitive purse to the extent that those who participate in racing are competing competitively so that the racing program can continue to grow stronger. He stated that PMR&C's challenge this year was the purse pool resource required by Code. For the first time, PMR&C established a formula to look at racing at the track compared and benchmarked to national and regional racing by breed. The intent was to insure that as PMR&C came to the table to offer a racing program that the purses could be compared regionally and nationally, and based on the assumption that racing takes place at the racetrack. Mr. Farinella stated that PMR&C is a racetrack and that is where racing takes place. That is necessary in order to insure adequate resources for the right number of days in order to offer competitive purses for the races at the track.

Based on that assumption, during the purse agreement negotiations with the thoroughbreds and quarter horses, the benchmarking was completed with their assistance. All of the same benchmarking information was available for the standardbreds. Mr. Farinella advised that if the Commissioners reviewed the benchmarking process and the median purses being offered by PMR&C in the signed purse agreements, they would find that PMR&C is very competitive for the live race meets at the track. He stated that if the purse pool that would accrue to the standardbreds under this same formula, and assume they would race their full meet under competitive purses at PMR&C, PMR&C could have a full 17-day meet at PMR&C, and pay nationally and regionally recognized competitive purses for the competitive live racing program at PMR&C.

Mr. Farinella stated that when the three breeds are compared, the blocks of money available and being distributed under the proposed contracts, and the benchmarks being applied equally across all three breeds; no breed is coming up short in funds. The

benchmark is set to be competitive, and from the track's prospective and running of the business, that is where the purses should be.

Mr. Farinella pointed out that the standardbreds elected to run at the county fairs to which PMR&C has not objected to in the past, nor do they object to that fact now; however, by electing to do so, they are taking money away from competitive purses being paid at the racetrack where racing is held. The county fair races also serve as a deterrent to those interested in placing wagers on the product as those races are not considered to be at a competitive level that would encourage wagering. Mr. Farinella stated that PMR&C is providing an opportunity for standardbreds to come to the track and establish times.

Mr. Farinella stated that in thoroughbred and quarter horse racing, when a horse races, it may be not race again for anywhere between one to two weeks; while stakes horses may not race again for anywhere from four to eight weeks. He stated that in the standardbred industry some horses race every night; therefore, the twelve racing days at PMR&C spread out over three to four weeks provides ample time for the runners to come in, run and establish a time. Mr. Farinella stated that the most critical issue for the standardbreds is the ability to establish a good solid time at the track as it improves their ability to sell their stock or race competitively in other jurisdictions. PMR&C spends approximately \$200,000 above the purse amount to redo the track surface for the standardbred meet.

Mr. Farinella stated that from an operational standpoint, PMR&C is confident that they have maintained a balance; that they have done their homework in evaluating the resources available to managing the costs of the racing program, and setting purses at a competitive level to insure that all three breeds racing at PMR&C are racing at the same level so that one breed does not receive more than the others.

Chair Hamilton asked if the standardbreds gave up a pari-mutuel racing license for the county fairs in order to race at PMR&C. Mr. Farinella stated that he could not speak to that issue. Chair Hamilton stated that if that was the case, who suggested that they do so, and whether or not it was a mutual agreement. Mr. Flynn stated that he did not know who made the suggestion, but felt that Chair Hamilton's comments were a fair representation of the situation.

Judy Roland, representing the standardbred industry, advised that she was instrumental in getting wagering at the county fair circuit. She advised the standardbreds had a corporation they worked with, and did hold a license for four years. Ms. Roland advised that they were asked during the formation and licensing of the Racing Association of Central Iowa/PMR&C to give up the license in exchange for the ability to race at the track after it was built. The standardbred industry agreed to do so based on the fact that they would be provided the opportunity to grow their industry in the same fashion as the thoroughbreds and quarter horses. Ms. Roland stated that the standardbred industry feels the county fair circuit is a plus for PMR&C as it provides additional exposure for the facility. She pointed out that PMR&C has been very supportive of the county fair program. Ms. Roland stated that it is important for the standardbreds to race at PMR&C

as it provides additional exposure for the product, as well as qualify to race at other racetracks. She advised that the standardbreds have been very successful at racing at other racetracks.

Commissioner Bair asked if the amount the standardbreds receive to race at PMR&C has remained the same, decreased or increased. Ms. Roland stated that it has increased over the years as a package. Commissioner Bair asked if the standardbred group determined how much was going back to the owners, etc. Ms. Roland stated that the IHHA has a program that grew out of another program that basically was funded by the horsemen. Originally, the standardbreds raced for their own money. She noted that the majority of the stock racing is two or three years old. When they started racing at PMR&C, the standardbreds were allocated a larger amount from PMR&C. The IHHA elected to continue the program. Purse monies are distributed by the IHHA.

Commissioner Cutler stated that the Commission, understanding the complexity of the situation, had asked staff for suggestions in order to resolve the matter. Mr. Ketterer stated that he had prepared a presentation. He prefaced the presentation by noting that there was a meeting between PMR&C and the three breeds subsequent to the October Commission meeting, which was unproductive. Mr. Ketterer advised the Commissioners at that time that it was possible they would have to decide this matter. He later contacted each Commissioner individually to determine if they had any suggestions for doing so, and if not, did they wish to have some assistance from staff. All answered in the affirmative. Mr. Ketterer stated that there are some points in the presentation that PMR&C and the three breeds will not like; however, there are several points that will benefit the industry, and provide growth for everyone, including PMR&C. At this time, Mr. Ketterer proceeded with the presentation, and it is included in its entirety by this reference.

Mr. Ketterer advised that in consultation with the Assistant Attorney General, the assumption was made that the source of the payments to county fair racing for purses and other expenses could not be the 11% of net receipts from gambling games provided in Iowa Code Section 99F.6(4)(a). The purse supplements from the 11% funds must be applied to purses at licensed facilities under 99D and 99F of the Iowa Code.

Mr. Ketterer made the following recommendation to resolve the matter:

- Reduce overall number of races
 - The thoroughbred only meet would be 45 days, ten races per day or 450 races;
 - The thoroughbred/quarter horse mixed meet would be 36 days long with 180 races for each breed, as it is necessary for the quarter horses to get all of their racing in during this meet. Each breed will have five races per day. In previous years, thoroughbreds had six races, and quarter horses had four.
 - The standardbreds will have 140 races, 10 races per day for a 14 day meet.

All breeds are within 83-91% of the 2004-2005 average number of races for their particular breed. The quarter horses are at 91% because of the added race.

- Changes to PMR&C racing calendar
 - For the thoroughbred meet, drop the dates of April 20th and July 2nd, and add July 3rd and 4th.
 - The thoroughbred/quarter horse mixed meet will start approximately 9 days later and finish the week after Labor Day on September 9th.
 - Following a two-week break, the standardbreds would start on Friday, September 22nd, concluding on October 14th, within the time frame desired by PMR&C.

Mr. Ketterer stated the reason for the break between the first and second meet was that when there was no break, there were complaints from horsemen regarding the availability of stalls, movement of horses between barns, insufficient dormitory space for grooms, and problems for racing officials managing documents and entries. The two-week break between the mixed meet and standardbred meet provides time for PMR&C to change the track surface and the turn over of all horses in the stable area. The meet would still conclude by mid-October in order to avoid weather-related issues or cancellations.

Based on information from Mr. Farinella, it costs PMR&C \$54,789 per day to conduct live racing. Mr. Ketterer explained that the reduction in racing days from 112 in 2005 to 95 in 2006 would result in a savings of \$931,413 to PMR&C to help offset the \$1.3 million paid to the standardbreds to race at the county fairs, which can not be taken from the 11% purse fund. PMR&C will see an additional cost of \$368,587 to cover the \$1.3 million based on the reduction of racing days.

Due to the increased purse structure and the additional funds from PMR&C, all breeds will experience an increase in purses:

- Thoroughbreds – Increased from \$18,722 per race in 2005 to \$23,842 per race in 2006, or 27.3% (707 races vs. 630 races),
- Standardbreds – Increased from \$3,212 per race in 2005 to \$4,500 per race in 2006, or 40% (165 races vs. 140 races) and
- Quarter Horses – Increased from \$8,474 per race in 2005 to \$15,109 per race in 2006, or 78.3% (208 races vs. 180 races).

Mr. Ketterer explained that this proposal gives something to everyone, and takes something away from everyone. He noted that the quarter horses have given up the fewest races, but have received the largest purse increase to offset the reduced dates in the mixed meet.

Mr. Ketterer briefly covered PMR&C's competition for horses, noting that alternative gaming was recently approved at racetracks in Oklahoma, resulting in a substantial increase in purses beginning in 2006. He stated that purses will need to be even more

competitive in order to compete for horses. Mr. Ketterer also touched briefly on the field size of the races, which has either remained static or declined substantially over the last several years, and the number of empty stalls in the barns throughout much of the racing season.

Mr. Ketterer stated that PMR&C and the standardbreds need to get together and work out a long-range program. He feels the county fair circuit is the developing ground for the industry, and PMR&C is a developing track for the standardbred industry. The owners and trainers are given the opportunity to prove their horses at the county fairs, and then bring their horses to PMR&C to show what they can do in order to either sell them or determine if they can race competitively in other jurisdictions. He feels the standardbred industry needs to determine the direction they want to grow their industry – the county fair circuit or the meet at PMR&C, or keep them equal.

Mr. Ketterer stated that this solution was for one year, at which time the results would be reviewed. He expressed his hope that this proposal contained ideas that would help grow the industry.

Mr. Ketterer referenced an article concerning race dates in Ohio, noting that the tracks and horsemen had agreed to fewer race dates, which was expected to be approved by the Ohio Racing Commission. The parties agreed to the fewer race dates in order to have larger purses. Mr. Ketterer indicated it is very similar to the proposal just reviewed, but the Ohio racetracks do not have the ability to add additional dollars to the purses in exchange for gaming.

Commissioner Mahaffey thanked the Commission staff and Mr. Ketterer for their work on the proposal. He indicated it is not a perfect solution, but is better than what the Commission could have come up with individually or collectively without help from the staff. Commissioner Mahaffey reminded everyone that if the proposal is approved, it is for one year; that it is not punishment but is due to the fact that the matter was brought to the Commission for resolution. If it is necessary for the Commission to resolve the matter again next year, they will do so. Commissioner Mahaffey noted that one advantage is the competitiveness of the industry, noting that the horse racing industry has challenges just as the greyhound industry has challenges. He indicated his belief that the Commission should support the proposal.

Commissioner Bair indicated that he feels this situation is somewhat different than the greyhounds in that there are three breeds/groups for the horses versus one group representing the greyhounds. He expressed his appreciation of the presentation, and asked if the costs per day associated with conducting the live race meet were hard or soft costs. Mr. Ketterer stated that he asked Mr. Farinella to provide the cost of live racing. Mr. Farinella sent in a breakdown between fixed expenses and operational costs. Mr. Bair indicated that would be hard costs.

Commissioner Cutler added her thanks to Mr. Ketterer and staff, noting that most Commissioners do not have a strong racing background. She expressed her support of the proposal and encouraged the various horsemen associations to come with an agreement next year.

Commissioner Jarding also expressed her appreciation for the work put into the presentation and the comments from the various industry representatives. She noted this situation brought many issues and concerns to the forefront. Commissioner Jarding stated that she feels the proposal is as fair as it could be, and hopes that it will work for everyone.

Commissioner Bair asked if the situation was down to the wire for PMR&C. Mr. Ketterer answered in the affirmative.

Chair Hamilton added her thanks for the staff and Mr. Ketterer's work on the proposal. Hearing no further comments, she called for a motion. Mr. Ketterer advised that the motion should cover the renewal of the racetrack license, racing dates, and the renewal of the racetrack enclosure license. He also requested that PMR&C hire a full-time track man as a condition of the license renewal. He felt they were in the process of doing so last year, but were unable to find anyone for the position. Mr. Ketterer stated that PMR&C had an individual, with no expertise, performing track maintenance, and that the surface deteriorated somewhat. He stated that based on the value of the horses racing at PMR&C and the purses being offered that they need to have a full-time track maintenance person.

Commissioner Bair asked if there was any time frame for PMR&C to comply with the above condition. Mr. Ketterer advised that PMR&C will file a 45-day plan with the Commission, and staff will monitor. He indicated that the individual should be on staff prior to the beginning of the 2006 racing season.

Commissioner Cutler moved to renew the racetrack license, grant the race dates and supplemental purses as set forth in the presentation, and to renew the racetrack enclosure license and accompanying contracts. The following conditions are placed on the license renewal of the racetrack license:

- The export and import contracts shall continue to be reviewed and approved by staff to ensure compliance, and
- PMR&C shall hire a full-time track maintenance person.

Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 05-141)

Chair Hamilton moved to the additional contracts submitted by PMR&C. Mr. Farinella presented the following contracts for Commission approval:

- AC Coin & Slot Service – Lease of 3 Bankroll Slot Games (Replacements)
- Audiovisual, Inc. – Audio-visual Equipment, Parts & Services (Increase)
- Bankers Trust Company – 1 Year Extension to ATM Agreement (RP)
- Beeline & Blue – Printing Services, Supplies & Equipment
- Belin, Lamson, McCormick, Zumbach & Flynn – Corporate Legal Services (Increase)
- Communication Innovators – 3 Year Lease of Computer Switches (Increase)
- Dennis Parking Lot Maintenance – Parking Lot Maintenance
- Duke Aerial Equipment – Construction Equipment Purchase & Rental
- Keck Inc. – Gasoline & Diesel Fuel Purchases
- Principal Financial Group – 401K Plan Contributions (Increase)
- Rental Service Corporation – Construction Equipment Purchase & Rental
- Vital Support Systems – 3 Year Lease of Computer Switches (Increase)
- WHO-TV – Television Advertising
- WMS Gaming – Purchase of 5 Bluebird Upright Model Video Slot Games (Replacements)
- WMS Gaming – Lease of 6 Jackpot Party Slot Games (Replacements)
- WMS Gaming – Lease of 2 Hybrid Top Box Units for Slot Games (Replacements)

Hearing no comments or questions, Chair Hamilton requested a motion concerning the above contracts. Commissioner Jarding moved to approve the contracts as submitted by PMR&C. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 05-142).

Mr. Farinella advised that the construction project is moving forward and is on time so far, noting that the weather has slowed the process down somewhat.

As there was no Administrative Business, Chair Hamilton moved to Public Comment, and recognized Gary Lucas. Mr. Lucas asked if the Commission was satisfied that the money being subtracted from the 11% AGR is accurate and going to the Vision Iowa Fund.

Mr. Ketterer advised that the figure used in the proposal, for purposes of looking at the purses, came from PMR&C. He indicated that if PMR&C is not satisfied with the figure, they need to address the matter with Polk County; the Commission is not involved with the Vision Iowa money. Mr. Lucas stated that the Vision Iowa money affects the amount of purse money available for the various breeds. He feels it is important to understand how the dollar amount is arrived at in order to determine if it is correct, and that the Commission should be aware of it.

Mr. Ketterer stated that Mr. Lucas is referring to the net receipts figure required in the statute, where he subtracted the \$17.6 million, in order to calculate the 11%. He indicated that he had talked with Mr. Flynn on this matter. Mr. Flynn indicated there was

not an issue between PMR&C and Polk County regarding the figure. Mr. Ketterer indicated there might have been a question relating to some operational expenses, and the County did not have a problem with those expenses not being utilized in the equation.

Mr. Flynn advised that he has been led to believe that Polk County will defer to PMR&C on how to calculate the Vision Iowa funds. He stated that if there are operational gaps from PMR&C, they would also be applied to that. Mr. Flynn stated that he believes that if PMR&C asks the County to only deduct Vision Iowa funds and not operational costs, the County will do so.

Commissioner Bair questioned whether that was a matter for the Commission. Mr. Ketterer stated that the Commission has an interest in it.

Commissioner Mahaffey noted that if the scenario set forth by Mr. Flynn above occurs, the issue would be resolved. Mr. Flynn concurred. He indicated that a formal request would be submitted to the County within the next week or two. He was not sure when they would act on it, noting that the holidays are approaching.

Commissioner Mahaffey, noting that it is the last meeting of an eventful year, again expressed his appreciation to Mr. Ketterer and the staff for their support and help throughout the year.

Hearing no further comments or business to come before the Commission, Chair Hamilton requested a motion to adjourn. Commissioner Mahaffey so moved. Commissioner Cutler seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK