

IOWA RACING AND GAMING COMMISSION
MINUTES
January 12, 2006

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, January 12, 2006, 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 Greg Seyfer.

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 moved to the approval of the minutes from the November 17, 2005 Commission meeting. Commissioner Cutler moved to approve the minutes from the November 17, 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 introduced the newest Commission member, Greg Seyfer – an attorney from Cedar Rapids. Mr. Seyfer replaces Mike Mahaffey, who was asked to serve on the Technology Commission by the Governor. Commissioner Seyfer expressed his appreciation for the opportunity to serve.

Mr. Ketterer advised there would be no Commission meetings in the months of February or May 2006. Regularly scheduled meetings will be held as set forth below:

- March 2, 2006 Commission Meeting – Stoney Creek Inn, Johnston, IA (Submissions due by February 16, 2006)
- April 20, 2006 Commission Meeting – Harrah's Casino, Council Bluffs, IA (Submissions due by April 6, 2006)

Chair Hamilton called on Mr. Ketterer regarding the rules submitted under Notice of Intended Action. Mr. Ketterer advised that this is the first step in the process, and that these rules would be subject to further review at a public hearing. He noted that Items 1 through 16 pertain to changes to horse racing rules, which were recommended by IRGC stewards and veterinarians. The first thirteen pertain to harness racing in Chapter 9, with the remaining three pertaining to horse racing in general and appear in Chapter 10.

Items 18-22 pertain to electronic gaming devices, the different thresholds and standards, and calculations of theoretical payouts, etc. Items 20-22 are situations where the

Commission is seeking to substitute notification for approval, which will be beneficial for all involved.

Mr. Ketterer advised the Iowa Harness Horsemen's Association requested one change that was not received until Tuesday or Wednesday of this week. They were advised that the change would be incorporated at the public hearing, and would be effective with the final adoption. Mr. Ketterer recommended approval.

Hearing no discussion concerning the proposed rules, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the rule changes submitted under Notice of Intended Action. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-01)

Chair Hamilton moved to the contract approval portion of the agenda and called on Rhythm City Casino (RC). Mo Hyder, General Manager of RC and IOC Bettendorf (IOCB), presented the following contracts respectively for Commission approval:

- Rhythm City Casino
 - Reinhart Institutional Foods – Food Vendor (Increase)
 - Wolfe Beverage – Food and Non-Food Vendor

- IOC Bettendorf
 - Ryan Company – Construction of Hotel Project
 - Reinhart Institutional Foods – Food Vendor (Increase)
 - Molo Oil – Fuel for Transportation Vehicles and Marina
 - Powertech – Shore Power Generators
 - UniFocus, LP – Purchase and Installation of Watson, RM Labor Management System Software
 - Rhythm City Casino – Transfer of 2 Roulette Wheels from Davenport Property to Bettendorf Property (RP)

Hearing no discussion concerning the contracts from RC or IOCB, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by RC and IOCB respectively. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-02)

Chair Hamilton called on IOC Marquette (IOCM). Barron Fuller, General Manager, presented a contract with Paragon Commercial Interiors, Inc. for the renovation of the pavilion restrooms.

Hearing no discussion concerning the contract, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contract as submitted by IOCM. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 06-03)

Chair Hamilton called on IOC Black Hawk County, Inc. (IOCBHC). Nancy Donovan, Regional Vice President, submitted a contract with Ryan Companies for construction of the IOC project in Waterloo. Ms. Donovan stated that Ryan Companies would be serving as the design engineer in addition to constructing the facility.

Hearing no questions concerning the contract, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contract as submitted by IOCBHC. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 06-04)

Chair Hamilton called on Catfish Bend Casino (CBC). Jerry Baum, General Manager, presented a contract with Aristocrat Technologies, Inc. for the purchase of 32 replacement slot machines.

Hearing no questions concerning the contract, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contract as submitted by CBC. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-05)

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

- Holiday Inn Hotel & Suites – Room Comps for Players
- Omaha Steaks – Food Product (Increase)
- Ellison Meat – Food Product (Increase)
- CDW – Computer Supplies (Increase)
- Stabers Meat – Food Product
- Joe Hand Productions – Promoter for Boxing Events
- Prairie Mechanical – Kitchen & HVAC Maintenance
- Day Electric – Electrical Systems Maintenance
- Doll Limited Partnership – Warehouse Lease

Hearing no questions, concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Ameristar. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 06-06)

Ms. Bell advised that Ameristar would be holding a celebration on January 19th in recognition of Ameristar's tenth anniversary of doing business in Iowa.

Chair Hamilton called on Riverside Casino & Golf Resort, LLC (Riverside). Joe Massa, General Manager, presented the following contracts for Commission approval:

- Ahrens Concrete Floors, Inc. – Hotel Slab on Grade

- Ahrens Concrete Floors, Inc. – Casino Mezzanine Steel, Concrete, Etc.
- Brockway Mechanical & Roofing Co., Inc. – Casino Water Bladder System
- Brockway Mechanical & Roofing Co., Inc. – Facility Roofing Package
- Builders Sales & Service Company – Casino Enclosure Package
- Builders Sales & Service Company – Hotel Interior Bid Package
- Continental Fire Sprinkler Co. – Facility Fire Sprinkler Package
- DeLong-Keith Construction, Inc. – Main Entrance Drive Work
- DeLong-Keith Construction, Inc. – Storm Sewer Work
- Faegre & Benson – Legal Work on Financing Transaction
- Larry Yoder Masonry, Inc. – Casino Elevator Superstructure
- City of Riverside – TIF Support – Utilities
- City of Riverside – Matching Funds for Iowa DOT RISE Grant

Mr. Ketterer advised Mr. Massa that the Commission had received a phone call concerning the TIF issue, which the Commission feels is a local issue decided by elected officials (Washington County Board of Supervisors) and not a Commission matter. Mr. Massa stated that when the issue first came up, Riverside did not have sufficient bonding capacity to proceed without additional resources. The County stepped forward and indicated their willingness to utilize the County's bonding capacity to allow Riverside to double their sewage and water treatment facilities. This would also allow the casino to double their capacity further down the road. Mr. Massa indicated that the entire Riverside project was placed under the TIF financing by the County.

Hearing no further discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by Riverside. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-07)

Chair Hamilton requested an update on the project. Mr. Massa advised that the groundbreaking ceremony was held on July 20, 2005, and the "topping off" ceremony was held on September 4, 2005, 103 days later. He indicated that the hotel is enclosed with temporary heat in place. Drywall is being installed starting on the fifth floor. The superstructure steel for the casino is in place. Mr. Massa indicated the entire project should be enclosed by the end of the month.

Chair Hamilton called on Wild Rose Emmetsburg (WRE). Kevin Preston, General Manager, presented the following contracts for Commission approval:

- Martin Bros. – Slot Chairs, Restaurant Booths, Tables and Chairs, Small Wares
- Data Business Equipment – Cage/Count Equipment
- VSR Lock – Slot Bases/Slot Locks

Hearing no discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by WRE.

Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-08)

Commissioner Cutler requested a construction update. Mr. Preston advised that WRE's facility is also enclosed, with siding and brick going up daily. He noted the project is approximately one and a half months ahead of schedule at this time. Mr. Preston advised that the steel structure is in place as is the room framing within the casino. At this time, WRE is planning to open the facility the third week of May.

Chair Hamilton called on Diamond Jo Worth (DJW). Jim Dickstein, General Manager, presented the following contracts for Commission approval:

- Alpha Video – Specialized In-House Video and Audio Needs
- American Trust & Savings Bank – Credit Facility
- Diamond Jo, LLC – Purchase of 52 Slot Machines (RP)
- Harker's Distribution, Inc. – Food Purveyor
- Kirk Gross Company – Furniture
- Martin Bros. Distributing Co., Inc. – Food, Non-Alcoholic Beverages, Paper Supplies, Small Wares, Etc.
- Medical Associates, Inc. – Employee Medical/Dental Premiums
- Nagle Sign Company – Construction and Maintenance of Signage
- Reinhart Food Service – Food, Non-Alcoholic Beverages, Paper Supplies, Small Wares, Etc.
- Roger/Kevin Ellingson – Land Purchase Agreement
- Sysco Food Service of Iowa, Inc. - Food, Non-Alcoholic Beverages, Paper Supplies, Small Wares, Etc.
- The Media & Marketing Group – Marketing, Media Purchasing and Creative Services
- Thoms Proestler Company - Food, Non-Alcoholic Beverages, Paper Supplies, Small Wares, Etc.

Chair Hamilton asked about the land purchase agreement. Mr. Dickstein advised that it is for 250 acres in Minnesota, which has been developed as a golf course. He indicated the course is approximately three miles from the casino. The golf course will be private; individuals would need to be sponsored by the casino in order to play the course. A manager has been hired.

Mr. Dickstein indicated the project is on target to open the first week of April. Carpet is being laid in the facility, the training school has been open for about a month, and department managers are being hired. Commissioner Bair asked if the individuals being hired were from Iowa. Mr. Dickstein answered in the affirmative, noting they have had two former Iowa residents seeking to return. He stated that the employment center opened on November 1, 2005 at which time they received approximately 1,400 applications, and applications continue to arrive.

Hearing no further discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Bair moved to approve the contracts as submitted by DJW. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-09)

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

- Midwest Sign Crafters – Maintenance of Interior/Exterior Lighting and Signage
- Pepsi Cola Company/Pepsi Bottling Group – New Beverage Supplier
- V&R Joint Venture – Lease Agreement for Office Space

Hearing no discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Harrah's. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 06-10)

Chair Hamilton called on Bluffs Run Casino (BRC). Mr. Rich presented the following contracts for Commission approval:

- Gaming Support USA, Inc. – Software for Digital Signage Content Delivery and Maintenance System
- Landlocked Seafoods, Inc. – Fresh Seafood
- LG Electronics – Purchase of Plasma Screens for the Horseshoe
- Micros Systems, Inc. – Point-of-Sale Terminals for Horseshoe Restaurants and Bars
- Pepsi Cola Co./Pepsi Bottling Group – New Beverage Supplier
- Sara Lee Coffee & Tea – Coffee and Beverage Products
- V&R Joint Venture – Lease Agreement for Office Space
- Waldinger – New AC Units
- WatchIT Media Inc. – Installation of Digital Signage Content Delivery and Management System

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. 06-11)

Chair Hamilton thanked Harrah's/BRC for the construction vendor update. Commissioner Cutler asked how the construction project was going. Mr. Rich advised that the parking garage opened on December 16th. They are still projecting to open the Horseshoe Casino on March 16th.

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

- Tech Art – Hole Card Readers
- Sportview Technologies – Casino Surveillance System Lease (Revision)
- Global Enterprise Technologies, Inc. – Casino New Wave Jukebox Maintenance
- Steven Ulstad Architects – Landscaping for Entrance Roadway
- Durrant Group – Design Table Game Casino Area and Act as Construction Manager
- International Gaming Technology – Slot Machines and Parts (Replacements)
- Aristocrat, Inc. – Slot Machines and Parts (Replacements)
- WMS Gaming, Inc. – Lease Slot Machines (Replacements)
- Bally Gaming Systems – Slot and Poker Machines (Replacements)
- Bally Gaming Systems – Slot and Poker Machines (Replacements)

Mr. Wentworth advised that Sportview Technologies has opened an office in Dubuque, making them an Iowa vendor, and they are an associate member of the Iowa Gaming Association. Sportview's headquarters are located in Michigan. The company started by providing surveillance equipment to racetracks, but has expanded their market to include casinos and medical facilities.

Commissioner Cutler asked if the transaction summary sheet and request for transaction form would be amended to reflect that it was with an Iowa vendor. Mr. Ketterer answered in the affirmative.

Hearing no further discussion 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. 06-12)

Mr. Ketterer noted that the adjoining hotel and restaurant have been in operation for a couple of months, and asked about their impact on the casino. Mr. Wentworth advised that 7,824 individuals passed through the turnstiles on New Year's Eve; and more than \$5 million of coin went through the system. Revenues are up about 40% compared to one year ago. The hotel was also sold out for New Year's Eve.

Chair Hamilton moved to the next agenda item – a request by the Dubuque Racing Association (DRA) and Iowa Greyhound Association (IGA) for approval of a five-year purse supplement agreement. Mr. Wentworth advised that DRA's Executive Committee met on Tuesday (January 10th) and approved the agreement in its entirety, and recommended that the DRA Board do so. He stated that the DRA Board has approved 13 of the 14 paragraphs contained in the agreement, and does not foresee any problems with them approving the agreement in its entirety when they meet next Monday.

Chair Hamilton, referencing paragraph 3(a) which requires DRA to pay \$200,000 more in purse supplements in 2006 than in 2005, asked Mr. Wentworth how much the DRA paid in purse supplements during 2005. Mr. Wentworth stated that he did not bring those figures with him. He explained that the concept behind the five year agreement was to allow purses to grow at a reasonable rate based on the growth of the facility, and to establish an increase each year to allow for some planning on behalf of those individuals who rely on the greyhound industry for their livelihood.

Chair Hamilton asked when the 2005 numbers would be available to the Commission. Mr. Wentworth stated they would be in DRA's 2005 annual audit, which is in the process of being completed.

Jerry Crawford, legal counsel for IGA, advised this was a unique opportunity for the parties as both DGP&C and Harrah's/BRC were going through major expansion projects, which would result in a significant increase in revenues. He stated that the agreements before the Commission will save each property a substantial amount of money over what they would have paid as a result of yearly arbitration decisions, but allows for the increase of purse supplements at the same time. Mr. Crawford expressed his appreciation for both tracks taking advantage of this opportunity and agreeing to enter into negotiations and contracts for the next five years. He noted that the IGA Board has approved and signed the five-year purse supplement agreements with both DRA and Harrah's/Bluffs Run.

Mr. Ketterer sought clarification as to the status of the agreement with the DRA Board. Mr. Wentworth indicated that the DRA Board has reviewed the language as of December 20th, when the agreement was in semi-final form. He reiterated his earlier belief that the DRA Board would approve the agreement on Monday.

Mr. Ketterer explained that these agreements were on the November agenda, and even though the Commission was not in receipt of the agreements, put them on the agenda for consideration this month. He noted that since DRA has not signed the agreement, the Commission has the discretion of approving the agreement subject to the DRA Board approving the agreement as submitted, or tabling the matter until the March meeting. Mr. Wentworth pointed out that the agreement contains a clause stating that it, as well as any amendments, are subject to the approval of the Commission.

Hearing no further discussion concerning the DRA/IGA five-year purse supplement agreement, Chair Hamilton requested a motion. Commissioner Bair moved to approve the DRA/IGA five-year purse supplement agreement contingent upon the approval of same by the DRA Board on Monday, January 16, 2006. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 06-13)

Chair Hamilton moved to the request by Iowa West Racing Association (IWRA)/IGA for approval of the five-year purse supplement agreement. Lorraine May and Mr. Crawford,

legal counsel for IWRA and IGA respectively, advised they had signed copies of the agreement and would get one fully signed copy to forward to the Commission.

Hearing no discussion concerning the proposed agreement, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the five-year purse supplement agreement as submitted by IWRA/IGA. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 06-14)

Chair Hamilton called on Prairie Meadows Racetrack & Casino (PMR&C). Mr. Ketterer stated that over the last 30-45 days there has been a substantial amount of independent discussion among the three horse breeds and PMR&C, and he has received several calls, in an effort to formulate an agreement for a joint submission. He indicated the talks were not successful; more so because of PMR&C's inability to utilize payments to the non-pari-mutuel county fair harness meets as part of the 11% purse supplement required under Iowa Code. Mr. Ketterer commended all of the parties for their spirit of cooperation during these discussions, and feels the discussions will prove beneficial as they begin to frame the negotiations for next year based on the results of the three separate meets this year. He also commended PMR&C for their quick action on the Commission's request that they hire a full-time track maintenance individual. They have named Lamont Marks to devote all of his time to that position. Mr. Marks has worked at the track for a number of years, and performed these duties in addition to his normal duties during the 2005 race meet. Mr. Ketterer feels this move will prove beneficial to the track, the horsemen, and everyone involved in the industry. He noted that arrangements have been made for Mr. Marks to travel to other racetracks to receive some training and experience prior to the start of PMR&C's 2006 race meet.

Derron Heldt, Director of Racing at PMR&C, presented the 45-day season approval requests for the thoroughbred only and mixed meets. He stated that all submissions were based on the presentation setting forth race dates approved at the November Commission meeting.

Mr. Ketterer noted that PMR&C has established a committee to recruit horses. He stated that it is crucial that the horsemen are involved in recruiting horses, getting them to PMR&C for the meet and filling the barns since there will be ten races per day during the spring meet. If this process works, Mr. Ketterer feels the horsemen could help clarify what might be best in future years in order to insure a sufficient number of horses to allow PMR&C to put on the type of meet they would like to host.

Hearing no discussion concerning the season approvals, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the 45-day season approval requests as submitted by PMR&C for the thoroughbred and mixed meets 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; and
- Prior notification and approval of any schedule changes: race days, post times, or the number of races.

Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 06-15)

Chair Hamilton moved to the additional contracts submitted by PMR&C. Bob Farinella, General Manager, took a moment to introduce Mr. Marks, noting that he started at the track as a horse trainer.

Mr. Farinella presented the following contracts for Commission approval:

- Global Payments – Casino Guest Check Cashing Services (Increase)
- IGT – Lease Renewal for 4 I-Game Plus Slant Top Games
- IGT – Lease Renewal for 4 Sydney Omarr Slot Games
- IGT – Lease Renewal for 8 Fort Knox Video Slot Games
- Midwest Ambulance Service of Iowa, Inc. – Ambulance and Emergency Medical Care Services
- Newmarket International, Inc. – Delphi Software for Sales and Catering Applications
- WMS – Lease Renewal for 2 Clint Eastwood Theme Slot Games
- Ziegler, Inc. – Purchase or Rental of Heavy Equipment, Parts and Service

Hearing no discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by PMR&C. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-16)

Chair Hamilton moved to Administrative Business. Mr. Ketterer noted there had been a substantial amount of information in the media, and from the Legislature and Governor's office over the last few weeks concerning the "Touch Play" machines being distributed by the Iowa Lottery Commission. He noted that Commission members and the Des Moines staff have received some questions. Mr. Ketterer read a response which the Commission will use as a generic response for any questions received in our office. The letter advises that the Commission has no jurisdiction over these machines, and directs individuals to contact either the Iowa Lottery Commission or the Iowa Gaming Association. The letter also provides the Commission's web site should the individual wish to learn more about the Commission and its responsibilities.

Chair Hamilton moved to Public Comment. As there was no Public Comment, 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
MARCH 2, 2006**

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, March 2, 2006, 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 Greg Seyfer.

Chair Hamilton called the meeting to order at 8:30 AM, and noted there were two corrections to the agenda: withdrawal of the recognition for Mike Mahaffey, and the contract approval submitted by Washington County Riverboat Foundation, Inc. The first item will come back before the Commission in June; while the second item will be on the April agenda. Chair Hamilton requested a motion to approve the agenda as amended. Commissioner Cutler moved to approve the agenda as amended. Commissioner Jarding seconded the motion, which carried unanimously.

Commissioner Bair requested a copy of the Washington County Riverboat Foundation, Inc. By-Laws that indicate what areas have been amended.

Chair Hamilton moved to the approval of the minutes from the January 12, 2006 Commission meeting. 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 noted that the Commission would meet at Harrah's in Council Bluffs on April 20, 2006, and June 8, 2006 at Stoney Creek Inn. There is no May meeting.

Mr. Ketterer noted that the Iowa Attorney General's website contains an area pertaining to open meeting and public records. A recent bulletin stated that the open meetings law pertains to those non-profits licensed to conduct pari-mutuel wagering or gambling games. Mr. Ketterer called on Jeff Peterzalek, Assistant Attorney General for IRGC, to provide an overview of the statute and how it applies to the non-profits licensed by the Commission.

Mr. Peterzalek prefaced his comments by referencing the Attorney General's website: www.IowaAttorneyGeneral.org. He noted there are two specific provisions in Iowa Code Chapter 21 addressing non-profit entities. He indicated that not-for-profit organizations are generally not subject to the open meetings law. Mr. Peterzalek pointed out that open meeting issues have been in the news recently, and that if there are questions as to whether an entity is complying with the law, it can become newsworthy.

Mr. Peterzalek stated that Iowa Code Section 21.2 states in part: The law applies to non-profit corporations “whose facilities or indebtedness are supported in whole or in part with property tax revenue” **and** who are “licensed to conduct pari-mutuel wagering” under Iowa Code Chapter 99D. He noted that the statute goes on to state: The law applies to non-profit corporations “licensed to conduct gambling games” under Iowa Code Chapter 99F. Mr. Peterzalek stated that the open meeting laws do not apply to the operating entities such as Harrah’s, Terrible’s, or Isle of Capri.

Mr. Ketterer advised that a few copies of the referenced article were available on the back table.

Chair Hamilton moved to the contract approval portion of the agenda, and called on Riverside Casino & Golf Resort (RC&GR). Joe Massa, General Manager, presented the following contracts for Commission approval:

- Kennedy & Company – Construction – Access Floors
- Apex Industries, Inc. – Construction – Fireproofing
- ASI Custom Sheet Metal, Inc. – Construction – Hotel Metal Wall Panels
- DeLong-Keith Construction, Inc. – Golf Course – Earthwork
- D & R Masonry – Construction – Hotel Masonry
- D & R Masonry – Construction – Casino Masonry
- Corridor Paint & Drywall – Construction – Interior Framing
- MAD’s Business Solutions, Inc. – Purchase of Computers for RCGR Employees (RP)
- Patton & Associates – Lease of Local House for New Employees to Live In Temporarily (RP)

Hearing no discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contracts as submitted by RC&GR. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-17)

Chair Hamilton requested a construction update. Mr. Massa provided the following information with regard to the project:

- Advised that the property is fully enclosed, work has started on the hotel tower, and all floors in the facility are poured except for a small section in the kitchen area. He noted the following changes to the project: the addition of an indoor/outdoor pool, approximately 3,000 square feet of retail space, and they have integrated the golf pro shop into the property rather than having it be a stand alone facility. A health and wellness center has also been added for RC&GR employees.

- Utilities - Mr. Massa noted that the property had worked with the City of Riverside and entered into a TIF agreement that allowed the expansion of the city's utility capabilities and accommodate RC&GR. He noted that bids were being let on that project today. Mr. Massa advised that the utility services from the new construction will not be available until January 2007.
- On Monday, March 6th, the City of Riverside will vote on whether or not to close Walnut Road, which bisects a portion of the property. Bids have been let for work on the golf course. It is anticipated that work will begin on Tuesday, March 7th.
- Approximately nine directors have been hired to date. All but two are from Iowa, with one of those being a former Iowan returning to Iowa.

Mr. Massa advised that there is a website, www.riversidecasinogolfresort.com, which is routinely updated with progress at the project. Commissioner Cutler asked about the projected opening date. Mr. Massa stated they are targeting September 10, 2006. The golf course will open in the spring/June of 2007.

There was a brief discussion concerning the proposed rain forest and any involvement by RC&GF in any efforts to bring the project to Riverside. Mr. Massa stated that they have been working with the local group, which has visited the property site twice. He indicated the organization pledged a high degree of interest in providing some funding, as did the not-for-profit group.

Chair Hamilton called on Diamond Jo Worth (DJW). Jim Dickstein, General Manager, presented the following contracts for Commission approval:

- Coca-Cola Distributing – Beverage Purveyor
- DJBK Management, Inc. – Operation of Burger King Restaurant
- Global Payments Gaming Services, Inc. – Credit Card Advance Services
- Global Payments Gaming Services, Inc. – Guaranteed Check Cashing Services
- Northwood State Bank – ATM Services
- Starbucks Corporation – License Agreement

Mr. Dickstein advised that the project is on schedule, and they anticipate taking possession of the property between March 10 - 13; licensing is scheduled for March 15th with the first day of operation being April 4th for friends, family and Worth County residents. The facility will open to the public on April 6th. It is anticipated the grand opening will take place on Wednesday, April 19th. He noted that over 80% of the necessary staff has been hired, customer service training has started, and everything is progressing nicely.

Hearing no discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by DJW.

Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 06-18)

Chair Hamilton called on Wild Rose Emmetsburg (WRE). Kevin Preston, General Manager, presented the following contracts for Commission approval:

- Corporate Décor and More – Interior Design of Property and Purchase of Hotel/Casino Furniture
- Midwest Gaming Supply – Gaming Equipment/Supplies

Hearing no discussion concerning the contracts, Chair Hamilton called for a motion. Commissioner Jarding moved to approve the contracts as submitted by WRE. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-19)

Mr. Preston advised that construction is progressing extremely well, painting and tile installation started this week, and the dealers' school opened yesterday with approximately 80 people in attendance. Mr. Preston thanked the local college for helping with the dealers' school and providing a great environment for WRE's employees.

Chair Hamilton asked for dates on scheduled completion, opening, etc. Mr. Preston stated that the project is on track for a Memorial Day opening. Commissioner Cutler asked if the opening would actually take place on Monday or sometime during the week. Mr. Preston indicated that they have not decided on the actual day, but that it would occur sometime that weekend.

Commissioner Bair asked about feedback on marketing. Mr. Preston advised that the marketing director will start this coming Monday, and will start working on radio and television advertising.

Mr. Preston advised that WRE held a job fair on January 18th and 19th, with over 2,200 individuals applying for just over 300 jobs. He again expressed his appreciation to the college for their assistance, and noted that the non-profit board has been excellent to work with as well.

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

- Aristocrat Technologies, Inc. – Lease of 8 Cash Express Series Games
- IKON Financial Services – Three-year Lease of IR225 Copiers
- IKON Office Solutions – Three-year Agreement for Maintenance of Leased IR225 Copiers

Hearing no discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Bair moved to approve the contacts as submitted by PMR&C. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-20)

Mr. Palmer introduced Jack Bishop, Chairman of the Board, who is also serving as the interim General Manager following the resignation of Bob Farinella.

Chair Hamilton requested an update on the expansion project. Mr. Palmer advised that the casino expansion is progressing, and should be ready to open in September. The multi-purpose room and buffet will open on January 1, 2007.

Chair Hamilton stated that she had heard the jockeys' quarters were very nice. Mr. Palmer concurred, and indicated they would open on April 20th, with racing to begin on April 21st.

Chair Hamilton asked Mr. Palmer if PMR&C was going to build a hotel. Mr. Palmer indicated that was not in the plans at this time. Mr. Bishop indicated that the hotel was in the same category as the parking garage. Neither will be constructed in the near future as PMR&C has taken on all that they can handle at this time. Chair Hamilton noted that those facilities with a hotel do a much better business; and expressed her hope that PMR&C would keep that option in mind. Mr. Bishop stated that PMR&C is somewhat limited by their capacity to borrow funds due to the required referendum every eight years. He noted that PMR&C is in a great location, with multiple hotels located in the vicinity.

Commissioner Cutler asked Mr. Bishop if PMR&C has held discussions with the larger chains to determine if there is an interest in building a hotel themselves, assuming the debt and responsibility. Mr. Bishop indicated the Board was more interested in ownership as it would be better for PMR&C financially.

Mr. Ketterer asked Mr. Bishop and Mr. Palmer if PMR&C Board had ever considered an arrangement similar to the one at Dubuque Greyhound Park & Casino (DGP&C), where the city owns the facility, as opposed to the county, in which 25-30% of the profits are set aside at the end of the year in a capital improvement fund so that funds are available when capital improvements are necessary. Mr. Bishop advised that in the past PMR&C has been able to utilize county credit, which would have been a possibility this time except for the fact that the county held a referendum for \$60 million to build a new county jail. The Board of Supervisors did not feel it was feasible to ask for additional funds for a hotel and parking garage at PMR&C. Mr. Bishop indicated there is a possibility of using county credit in the future which would allow them to accelerate their plans to build a hotel.

Chair Hamilton called on Bluffs Run Casino (BRC), and asked the new name of the facility. Mike Rich, Assistant General Manager, advised that that facility would be

known as Horseshoe Casino and Bluffs Run Greyhound Park. Mr. Rich presented the following contracts for Commission approval:

- Electric Company of Iowa – Wiring for Remodel of Existing Changes
- Express Signs – Creation and Installation of 160 Signs for Horseshoe
- Graphic Controls, LLC – Slot Machine Tickets
- H. Olafsson – International Specialty Foods – Specialty Items for Bakery
- IGT – Purchase and Installation of Table Ratings Software
- Midwest Sign Crafters – Fabrication and Installation of Interior Signage for Horseshoe
- Progressive Gaming – Slot Machines and Parts for Horseshoe

Commissioner Cutler asked about the specialty items from H. Olafsson, noting that she had never seen those items. Mr. Rich advised that BRC had been very fortunate in hiring some excellent pastry chefs, and will begin making their own desserts.

Hearing no further discussion concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by BRC. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-21)

Mr. Rich thanked IRGC staff for their efforts during the transition from BRC to Horseshoe Casino. Chair Hamilton asked if there would be a tour of the facility when the Commission is in Council Bluffs for the April meeting. Gaye Gullo, General Manager, of Harrah's/BRC, indicated they would help with the arrangements.

Chair Hamilton called on Iowa West Racing Association (IWRA)/Iowa Greyhound Association (IGA) concerning their request to withdraw funds from the escrow fund. Jerry Crawford, legal counsel for IGA, presented their request to utilize \$10,500 from interest earnings from the escrow account to produce approximately 2,000 high quality magazines featuring Iowa greyhound breeding farms. He noted that since 1996, the arbitration panel has issued Decisions stating that the interest accumulated by the escrow fund may be used to promote and develop the Iowa greyhound industry, including but not limited to education and marketing. Mr. Crawford stated that the greyhound breeding industry would be a major focus over the next five years, a luxury afforded by the five-year purse agreements that will allow for an effort to grow the industry beyond the traditional methods. He noted that with only two greyhound tracks in the state, there are a finite number of racing opportunities for Iowa-bred greyhounds. The effort in Iowa has been to develop a quality product in the greyhound industry that makes the product desirable at other greyhound tracks all over the country.

Mr. Crawford pointed out that the industry had to make a decision when racetracks were granted the right to install slot machines. In order for an Iowa greyhound to win an Iowa-bred supplement in an Iowa greyhound race, an Iowa greyhound has to win the race in open company; an Iowa greyhound has to beat the best dogs in the country that are

brought to Iowa to race in order to receive the Iowa-bred supplement. This stipulation was originally opposed by many in the Iowa greyhound industry; however, Iowa-bred greyhounds now win in open company at the same percentage or higher percentage than the best dogs produced around the country. Iowa-bred greyhounds are having great success in other jurisdictions because of quality breeding. Mr. Crawford advised that on May 20th, the IGA will conduct an Iowa-bred racing stock greyhound sale at the Iowa State Fairgrounds. He noted that officials involved in coordinating the Keeneland Racing Association Sales Program in Kentucky have been sufficiently impressed by the quality of the Iowa greyhound stock that they have agreed to come to Iowa and coordinate this sale. This is the first time in the history of the Keeneland Racing Association that they have agreed to be involved with the greyhound product.

Mr. Crawford again stated that it is the IGA's intent to focus on the breeding side of the industry beyond just those dogs that are bred to race at Iowa tracks. He noted that copies of the magazine had been mailed to the Commission members, legislators, doctors, dentists, Chambers of Commerce, and all over the state.

Lorraine May, legal counsel for IWRA, noted there are two provisions included in the agreement with the IGA which should be noted in reviewing this request: 1) expenses can not exceed \$75,000 per year, and 2) no funds are to be used for lobbying. Noting that Mr. Crawford indicated copies had been sent to the legislators, Ms. May expressed some concern that lobbying may, in fact, be occurring.

Commissioner Bair asked if Ms. May was interpreting the fact that copies had been sent to the legislators as lobbying or as information. Ms. May stated that if the term "promotional material" was used in describing the contents of the magazine – promoting the greyhound industry itself, the economic impact on Iowa, etc.; however if it is being sent to legislators, she would raise the question.

Mr. Crawford stated that under Iowa law "lobbying" is defined as "encouraging the passage, defeat, approval, veto or modification of legislation or rule or an executive order by members of the general assembly, a state agency or any state elected official." He stated that to his knowledge the IGA is not attempting to pass or defeat any legislation, nor is he aware of pending legislation. It is his opinion that since the Legislature passed the statute creating the growth within the industry the legislators should know what the greyhound industry is doing in an attempt to comply with their directive.

Commissioner Bair voiced his concurrence with Mr. Crawford's reasoning.

Hearing no further comments or questions, Chair Hamilton requested a motion. Commissioner Seyfer moved to approve the IGA's request to withdraw \$10,500 from the interest earnings of the joint escrow account to pay for the publication promoting the Iowa greyhound breeding industry. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-22)

Commissioner Bair suggested that it might be better to request approval for the expenditure of funds prior to doing so instead of after the fact.

Chair Hamilton called on DGP&C. Bruce Wentworth, General Manager, and Brian Carpenter, Director of Racing, were present to answer questions concerning the 45-day plan submitted for Commission approval. Mr. Wentworth, noting that all of the contracts submitted were with Iowa vendors, submitted the following contracts for Commission approval:

- A & G Electric – Casino Expansion – Table Games
- Giese Sheet Metal – Casino Expansion – Table Games
- Epic Construction – Casino Expansion – Table Games
- McClain Excavating – Casino Expansion – Table Games

Hearing no comments or questions concerning the 45-day plan for DGP&C's upcoming live meet or the contracts, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the 45-day plan and additional contracts as submitted by DGP&C. Commissioner Bair seconded the motion.

Commissioner Cutler noted that staff recommended that the motion include the following contingencies: the completion of all appropriate DCI backgrounds and that staff approve simulcast schedule requests to insure compliance with all regulatory requirements. Commissioners Jarding and Bair concurred with the addition of the above to the motion. The motion carried unanimously. (See Order No. 06-23)

Mr. Wentworth advised that March 1 marked the first day of table games on the main casino floor at DGP&C. The table games opened at 10:00 AM. Additional remodeling projects are expected to be completed between March 9 and April 1. With regard to previous comments concerning licensees with hotels, Mr. Wentworth advised the Marriott Garden Inn had a 70% occupancy rate in February, and was sold out every weekend in February. DGP&C's electronic attendance system allows them to scan individuals as they enter the casino and separate out the counters, which they did for a three-month period, and found that 7% of the total attendance comes from the connecting corridor between the hotel and the property.

Chair Hamilton moved to the review of the 2005 calendar year Economic Impact Reports submitted by the licensees. Mr. Ketterer advised that the licensees were to submit the year-to-date economic impact reports for 2005 by February 15, divided into approximately four categories:

- Payroll and related expenditures, salaries, wages and employee benefits totaled \$235 million,
- Statutorily required payments, which are basically taxes and fees, totaled \$288 million

- Charitable contribution donations from the not-for-profits, direct donations, and city/county contributions totaled approximately \$72 million.

Mr. Ketterer noted that the Commission tends to focus on the fourth category: equipment, supplies and services, which consist of the transaction approvals that are reviewed at each meeting. These areas are divided into sub-categories – Iowa Vendors, Non-Iowa Vendors, and Sole Source. Mr. Ketterer stated that the Commission is cognizant of the fact that gaming equipment and supplies are not readily available from Iowa vendors; sole source vendors provide transportation, media placement (Nebraska or Illinois); and that there are other non-Iowa vendors over which the casinos have control and the discretion to determine whether the product will be purchased from an Iowa vendor. In the last two years, the licensees have been fairly consistent in their use of Iowa vendors; usage of Iowa vendors has increased from 81% to 82% in 2004 and 83.5% in 2005. Mr. Ketterer stated that two licensees have been below 75% in their utilization of Iowa vendors: Ameristar was at 70% in 2004 and 68.5% this year; Argosy was at 61% in 2004 and improved to 67% this year. All other licensees have been above 75%. Mr. Ketterer requested that Ameristar and Argosy increase their usage of Iowa vendors, which should then increase overall usage closer to 85%. He stated this would be a worthy accomplishment in keeping with the Legislature's intent of having a substantial amount of goods and services purchased from Iowa vendors.

Commissioner Jarding acknowledged the four licensees that were above 90%: Catfish Bend, Diamond Jo, Rhythm City and Prairie Meadows. She noted that the Commission talks about "Buy Iowa" at every meeting, and congratulated those properties on their accomplishment.

Commissioner Bair asked Mr. Ketterer about the "Other Taxes" category, noting that every licensee except two reported a figure in that category. He asked what would be included in that category. Mr. Ketterer indicated that it could be anything – sales taxes, use taxes. Commissioner Bair stated that property taxes came to his mind. Commissioner Bair requested a report on this item.

Chair Hamilton moved to the next agenda item – National Problem Gambling Awareness Week, and called on Frank Biagioli, Executive Officer of the Iowa Gambling Treatment Program. Mr. Biagioli stated that the program promotes and protects the health of Iowans by reducing the effects of problem gambling behavior, and will be participating in National Problem Gambling Awareness Week March 6-12 in order to increase the recognition of problem gambling as a public health issue. He noted that the Commission, the Iowa Gaming Association and the licensees have been instrumental in helping to address the issue of problem gambling over the years. Mr. Biagioli advised that "Your First Step to Change" and "The House Advantage: A Guide to Understanding the Odds", a Harvard Medical School toolkit and a brochure from the American Gaming Association respectively, will be sent to the casinos for distribution to patrons. Mr. Biagioli stated that Governor Vilsack has signed a proclamation declaring March 6-12 as National Problem Gambling Awareness Week in Iowa, in an effort to increase awareness of

problem gambling behavior and to achieve an environment in which individuals and families obtain services and resources that facilitate healthy lifestyles. He thanked the Commission for their continued support over the years.

Following a short break, Chair Hamilton moved to the Excursion Gambling Boat License Renewals and called on IWRA and Ameristar Casino Council Bluffs, Inc. (ACCB) d/b/a Ameristar Casino.

Todd Graham, Executive Director of IWRA, noting that the next two agenda items pertained to the excursion gambling boat license renewals for Ameristar and Harrah's, requested the Commission's support in renewing both of the above-mentioned licenses as well as IWRA's license as the non-profit co-licensee for both facilities. Mr. Graham advised that in 2005 as a result of the fees collected from Ameristar and Harrah's (\$8.6 million) and investment earnings, IWRA was able to make significant contributions to the community. He noted that since its inception IWRA has contributed \$150 million in grants to the community.

Mr. Graham stated that both casinos have been excellent corporate partners for the region, noting that the area is marketed as "Iowa's Leading Edge" by the Council Bluffs Chamber of Commerce.

Mr. Graham introduced Teresa Meyer, Interim General Manager, and Jane Bell, Director of Government Affairs, who were present to answer any questions concerning the license renewal application. Ms. Meyer recapped Ameristar's accomplishments over the previous year: continued to reinvest in the Council Bluffs property - \$11 million for a total renovation of the hotel, which received the Triple A 4-Diamond rating for the eighth year in a row; and \$4 million for the total renovation of the buffet. The property celebrated its ten-year anniversary on January 19th for the community, and held a special celebration for the 108 team members who have been with the property since it opened. Ms. Meyer stated that Ameristar has purchased the industrial property located to the south, removed the commercial structures, and will be developing a riverside park-like setting that will improve the riverfront view of Council Bluffs.

Ms. Meyer stated that Ameristar's market share for fiscal year-to-date April 1 to January 31 is 43.2%, a casino growth of 3.5% for the same period during the previous year, and they are looking forward to the potential for additional market growth with the introduction of the Horseshoe Casino.

Ms. Bell requested approval of the license renewal application and the following contracts:

- Certegy Check Services – Check Cashing Guaranty Service (Increase)
- Cornerstone Energy – Natural Gas (Increase)
- Corporate Express – Office Supplies
- Harker's – Food Product

- Hawkeye Food – Food Product (Increase)
- National Paper Supply – Paper Supplies
- Omaha World Herald – Advertising (Increase)
- Charles Vrana & Son – Construction (Increase)
- Shuffle Master – Shufflers/Games (Increase)
- Western Money Systems – Ticket Redemption Kiosk (Increase)
- G&D America – Count Room Equipment
- Infogenesis – POS/Audit Software for F&B
- Award Wining Gardens & Design – Landscaping & Floral Arrangements
- Prairie Mechanical Corp. – Kitchen & HVAC Maintenance (Increase)
- Day Electric – Electrical Systems Maintenance (Increase)
- SATV Services – Audio Visual Equipment

Hearing no discussion concerning Ameristar's license renewal application or additional contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the excursion gambling boat license renewal application of IWRA/ACCB d/b/a Ameristar Casino from April 1, 2006 through March 31, 2007 and the additional contracts. Commissioner Jarding seconded the motion.

Commissioner Bair, referring to the Economic Impact Report, noted that Ameristar did improve from 2004. He stated that he felt being situated next to the Missouri River might have some effect, but noted that the properties located along the Mississippi River don't seem to experience the same problem. He asked if Ameristar had a program in place to seek Iowa vendors. Ms. Bell stated that Ameristar attempts to do bidding with Iowa vendors, but pointed out that many of the larger vendors come out of the Des Moines area and won't travel or can't provide the services. She stated that Ameristar will endeavor to improve their usage of Iowa vendors.

Hearing no further discussion, Chair Hamilton called for the vote. The motion carried unanimously. (See Order No. 06-24)

Chair Hamilton called on IWRA/Harveys Iowa Management Co., Inc. d/b/a Harrah's Council Bluffs Casino Hotel (Harrah's). Gaye Gullo, General Manager, stated Harrah's had a very good year: revenues increased 5% over the prior year as they were able to mitigate much of the construction destruction at BRC through the Total Rewards Program and retain those customers within their community. She stated that Harrah's appreciates doing business in Iowa's stable regulatory environment.

Ms. Gullo stated that Harrah's is committed to reinvesting in the region's economy. Through the Buy Iowa First policy, they spent approximately \$18 million in supplies, equipment and services with Iowa vendors. Approximately \$30 million was invested in wages and benefits for the 1100+ employees, one-half of who are Iowa residents. The State of Iowa received over \$25 million in gaming taxes. Harrah's had record admissions and revenues last year, including an all-time high for table win, which she credited to the

introduction of the only poker room in southwest Iowa. Ms. Gullo stated that the poker room in Council Bluffs has a higher win per unit than the Atlantic City property at the present time. They are hoping to attract more of the table game market with the opening of the larger Horseshoe property. Ms. Gullo stated that Harrah's posted their best season at the concert cove, attracting more national acts at the facility and drawing approximately 25,000 concert goers. They hope to improve that number this coming year with an even more dramatic schedule and a longer season.

Ms. Gullo advised that in addition to strengthening the regional economy, Harrah's employees provided 2,000 hours of community service last year. The commitment to the senior population is demonstrated by their financial donations and continued relationships with the Meals on Wheels program and the Alzheimer's Association. They also provide support to the following local organizations: the Jennie Edmundson Foundation, Micah House, Red Cross, Iowa Western Community College, and Heartland Family Service, southwest Iowa's local mental health provider to promote awareness and assistance with problem gambling. She noted that Harrah's Entertainment pioneered the gaming industry's first responsible gaming program two decades ago. Since that time, Harrah's has instituted Project 21, an industry-wide program that encompasses employee training and public awareness about underage gambling.

Ms. Gullo stated that Iowa has provided Harrah's with many opportunities to reach out to the community, invest in employees and expand their business.

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

- CAM Incorporated – Items for Promotions/Events
- Electric Company of Iowa – Wiring and Installation of Systems on Boat
- Graphic Controls, LLC – Slot Machine Tickets
- Honeywell/Building Solutions – Upgrade to Existing Temperature Control System
- IGT – Purchase and Installation of Table Ratings Software
- McGrath, Inc. – HVAC Upgrade
- MidAmerican Energy – Electric Utility Provider (Increase)
- Olson Brothers Construction – Remodeling Work for Retail Shop and On Boat

Hearing no comments or questions concerning the license renewal application for IWRA/Harveys Iowa Management Co., Inc. d/b/a Harrah's Council Bluffs Casino Hotel, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the excursion gambling boat license renewal application of IWRA/Harvey's Iowa Management Co., Inc. d/b/a Harrah's from April 1, 2006 through March 31, 2007 and the additional contracts as submitted. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 06-25)

Chair Hamilton called on Scott County Regional Authority (SCRA)/Isle of Capri Bettendorf, L.C. d/b/a Isle of Capri Bettendorf (IOCB). Mo Hyder, General Manager for

IOCB and Rhythm City Casino in Davenport, requested approval of the license renewal application for IOCB. Mr. Hyder stated that IOCB is excited about the ongoing renovation of the downtown area of Bettendorf. The \$65 million project will add approximately 250 hotel rooms, for a total of around 500 rooms in downtown Bettendorf. IOCB is also collaborating with the city on the Events Center, which is being funded by a Community Attraction and Tourism (CAT) Grant, the SCRA and the City of Bettendorf. The Events Center is expected to open sometime in 2007.

Mr. Hyder presented the following additional contracts for Commission approval:

- Metro Wrecking & Excavating, Inc. – Demolition and Crushing of Rubble from Past Construction Projects
- Swiss Valley Farms – Food Vendor
- Trinity Medical Center – Provides Health Services for Employees/Families (Name Change)
- CVPS d/b/a Computerized Valet Parking System – Purchase and Install Computerized Valet System

Hearing no comments or questions for Mr. Hyder, Chair Hamilton called for a motion. Commissioner Jarding moved to approve the excursion gambling boat license renewal application of SCRA/Isle of Capri Bettendorf, L.C. d/b/a IOCB from April 1, 2006 through March 31, 2007 and the additional contracts as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-26)

Chair Hamilton moved to the license renewal for Riverboat Development Authority (RDA)/IOC Davenport, Inc. d/b/a Rhythm City Casino. Mary Ellen Chamberlin, President of RDA, requested the privilege of the renewal of the excursion gambling boat license for the Rhythm City Casino. She noted that RDA continues to utilize their funds as a means of leveraging additional funds for other groups within the community. Ms. Chamberlin advised that the six largest attractions in the Davenport area have developed a joint web page and joint passport to attend those venues. She noted that it is easy to run a capital campaign and make a contribution, but it is also necessary to insure the feasibility and ongoing stability of those organizations. Ms. Chamberlin stated that RDA is working with various organizations to make better use of their resources, allowing RDA to make better use of their available funds. The above effort was leveraged by a \$50,000 grant from RDA. Over the years, RDA has contributed approximately \$40,000 per year for marketing and education to the Quad Cities Convention and Visitors Bureau.

Mr. Hyder advised that IOC also has a \$43 million project underway in Davenport, and is waiting for the US Army Corps of Engineer's permit to move the vessel approximately 350 feet from its current location so that it will be adjacent to the new hotel. They are ready to break ground as soon as the permit is received.

Mr. Hyder presented the following additional contracts for Commission approval:

- Advantage Commercial Construction – Construction Cost of Office Additions
- Hartford Life Insurance – Life Insurance Premium for Team Member Package
- Trinity Medical Center – Provides Health Services for Employees/Families (Name Change)
- CVPS d/b/a Computerized Valet Parking System – Purchase and Install Computerized Valet System

He requested approval of the license on behalf of the 1,500 employees in the Quad Cities.

Commissioner Bair asked if the boat was moving east. Ms. Chamberlin advised that was correct, noting that the new location was the preferred location as they will have the ability to expand their parking, one of the biggest advantages to moving the vessel upstream. She noted that the City of Davenport has submitted a major CAT Grant that is under consideration, which will be used to expand and improve the park system along the Mississippi River from downtown to the west.

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 RDA/IOC Davenport, Inc. d/b/a Rhythm City Casino from April 1, 2006 through March 31, 2007 and the additional contracts as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-27)

Chair Hamilton called on Clarke County Development Corporation (CCDC)/HGI-Lakeside, Inc. d/b/a Terrible's Lakeside Casino Resort (Lakeside). Damon Butler, General Manager, introduced Stacy Gibbs, Executive Director of CCDC. Mr. Butler noted that HGI-Lakeside has made substantial improvements to the property, and distributed two handouts showcasing the improvements and upcoming events. He noted that since Terrible's took over the property in February 2005, \$15.8 million in capital improvements have been made, with more to come. The next area to be renovated will be the land-based operations. Mr. Butler indicated they are starting to see the payoff from the marketing initiatives and capital improvements with increased revenues each month since September 2005. He noted that the patron count for January and February 2006 has averaged over 90,000 per month, second only to attendance records set the year the property opened.

Mr. Butler presented the following additional contracts for Commission approval:

- Baker Electric – Parking Lot Lights at the Casino, Truck Lot, and C-Store
- Berger Devine Yaeger, Inc. – Design/Architectural Plans for Remodel
- Brooner & Associates – Construction Work – Remodel Various Areas of Casino
- Core-Mark International – Purchases for Resale at the C-Store
- Spurrier Oil Co., Inc. – Fuel Purchase for Resale at C-Store

Mr. Butler requested approval of the excursion gambling boat license renewal application.

Hearing no comments or questions concerning the license renewal application or contracts, Chair Hamilton requested a motion. Commissioner Seyfer moved to approve the excursion gambling boat license renewal application of CCDC/HGI-Lakeside, Inc. d/b/a Terrible's Lakeside Casino Resort from April 1, 2006 through March 31, 2007 and the additional contracts as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-28)

Chair Hamilton called on Dubuque Racing Association (DRA)/Peninsula Gaming Company, LLC d/b/a Diamond Jo Casino. Natalie Schramm, General Manager, and Bruce Wentworth, President of DRA, were present to answer any questions. Ms. Schramm advised that net revenues for the Dubuque property were up 2% for the year, EBITDA was up 1%, and capital improvements were \$2 million. She noted that since DGP&C has expanded the property, there has been a 14% increase in gaming revenues in the market. Diamond Jo is excited about the growth in the market, and the fact that they maintained their fair share of the market.

Ms. Schramm stated that in June, the DRA and Diamond Jo entered into an agreement with the City of Dubuque that extended their agreement with the City through 2018 and allowed the track to have table games. The new agreement provides stability for the Diamond Jo employees as the previous agreement with the City would have ended in 2008.

Ms. Schramm requested approval of the excursion gambling license renewal application, as well as a contract with Midwest Casino Supply for new casino chairs for slots, tables and the deli.

Hearing no comments or questions concerning the license renewal application or contract, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the excursion gambling boat license renewal application for DRA/Peninsula Gaming Company, LLC d/b/a Diamond Jo Casino from April 1, 2006 through March 31, 2007, and the additional contract as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-29)

Chair Hamilton called on Missouri River Historical Development, Inc. (MRHD)/Belle of Sioux City, L.P. d/b/a Argosy Casino Sioux City. Frank Quigley, General Manager, provided the Commission with a brief resume of his employment in the gaming industry as he assumed this position in December 2005.

Mr. Quigley noted that the first full year of the renovated Sioux City property has been a significant success in all areas. Argosy is pleased with the success they are seeing from their investment in the property, and subsequently, Penn National Gaming is pleased with their investment. He noted that the MHRD representative had a scheduling conflict and

was unable to attend. Mr. Quigley stated that MHRD is also pleased with the success being enjoyed by the renovated property.

Mr. Quigley assured the Commission that he is very aware and sensitive to the importance of utilizing Iowa vendors, and offered his personal guarantee that their percentage will be significantly higher next year. He noted there were two significant expenditures last year that were detrimental to their percentage: one was an \$800,000 expense to bring the new boat to Sioux City, and \$100,000 in litigation expense.

Mr. Quigley requested approval of the excursion gambling boat license renewal and an additional contract with Penn National Gaming, Inc. for a corporate overhead assessment.

Hearing no comments or questions concerning the license renewal application or contract, Chair Hamilton requested a motion. Commissioner Bair moved to approve the excursion gambling boat license renewal application for MRHD/Belle of Sioux City, L.P. d/b/a Argosy Casino Sioux City from April 1, 2006 through March 31, 2007, and the additional contract as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-30)

Chair Hamilton called on Upper Mississippi Gaming Corp. (UMGC)/Isle of Capri Marquette, Inc. d/b/a Isle of Capri Marquette (IOCM). Barron Fuller, General Manager, and Lynette Sander, Executive Director of UMGC, were present to address the license renewal application.

Ms. Sander stated that she assumed her position in October 2004, and has enjoyed the opportunity to be involved in an industry that has such a profound affect on the residents of Iowa. She noted that Iowa Department of Economic Development statistics indicate that since 1994 there has been a 102% increase in the amount of tourism dollars generated in Clayton County alone. In the ten years since gaming first arrived in Clayton County, revenues have increased from \$12.3 million to approximately \$24 million. She highlighted some of the organizations and tourist attractions that have benefited from grants from UMGC. Ms. Sander noted that UMGC has contributed over \$3 million to various organizations since 1994. She stated that the UMGC board consists of members from throughout Clayton County, who are representative of the residents of Clayton County. She indicated the board does an excellent job of determining who will receive the grants, as well as encouraging organizations to develop ideas that support economic development, tourism, education, health and public assistance, public safety, community betterment, culture and recreation. Ms. Sander stated that Clayton County has the distinction of being one of the most scenic areas of Iowa, and until recently, one of the poorest. She stated that IOC is a valuable asset and has demonstrated its recognition of being a good corporate citizen by taking an active interest in the community, county and the state in which it operates.

Mr. Fuller noted that 2005 was a good year financially, and that over 50% of IOCM's revenues come from Wisconsin, Illinois, and Minnesota. IOCM paid out \$12 million in

payroll and benefits, with 60% going to Iowa team members. He noted that 30% of the team members have been with the property since the first day. Mr. Fuller requested approval of the excursion gambling boat license renewal application.

Commissioner Bair asked about the decline in grant distributions by UMGC over the last three years. Mr. Fuller advised that the funds received by UMGC are tied to the attendance at the casino, noting that win is up but attendance is down.

Hearing no further 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 as submitted by UMGC/Isle of Capri Marquette, Inc. d/b/a IOCM from April 1, 2006 through March 31, 2007. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-31)

Chair Hamilton called on Southeast Iowa Regional Riverboat Commission (SIRRC)/Catfish Bend Casinos, L.C. d/b/a Catfish Bend Casinos (CBC). On behalf of the Catfish Board and SIRRC, Jerry Baum, General Manager, requested approval of the excursion gambling boat license renewal application and a contract with Seabury & Smith for the purchase of marine, liability, etc. insurance.

Commissioner Cutler asked for any highlights from the previous year. Mr. Baum stated that last year was very similar to the previous year; CBC was within 5 patrons of having the same attendance in 2005 as in 2004. Revenues were within 1% of the previous year.

Hearing no further comments or questions concerning the license renewal or contract, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the excursion gambling boat license renewal application for SIRRC/Catfish Bend Casinos, L.C. d/b/a CBC from April 1, 2006 through March 31, 2007, and the additional contract as submitted. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-32)

Chair Hamilton called on Clinton County Community Development Association (CCCDA)/Mississippi Belle II Employees Ownership Co. d/b/a Mississippi Belle II (MB II). Bobby Kehl, President of MB II, requested approval of the excursion gambling boat license renewal application on behalf of the 300+ employees of the facility and CCCDA.

Chair Hamilton requested details from the previous year. Mr. Kehl stated that revenue was down slightly, but this year has started out very strong with revenues up 14.5% in January, and February is up about 2%. He noted that new carpet has been installed throughout the boat, and all of the machines were changed to ticket in/ticket out last year.

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 as submitted by CCCDA/Mississippi Belle II

Employees Ownership Co. d/b/a MB II from April 1, 2006 through March 31, 2007. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-33)

Commissioner Bair requested an update on the IOC Waterloo project before proceeding with the next agenda item. Mr. Ketterer advised that staff was going to have an update at the next meeting. Nancy Donovan, Regional Vice President for IOC, stated that the project was proceeding.

Chair Hamilton called on the Iowa Quarter Horse Racing Association (IQHRA). Butch Hammer, President of the IQHRA and a member of the national board of directors for the American Quarter Horse Association (AQHA), stated that during a planning session of the AQHA six years ago, he became intrigued by a youth program sponsored by the MBNA Credit Card Series in conjunction with the MBNA Challenge Championships held every year. Upon his return to Iowa, he approached the IQHRA board and asked if they would be willing to participate and have Youth Days in Iowa. The National Youth Days consists of twelve youths selected from around the United States, who are taught all the aspects of quarter horse racing during a one-week period. The youths are assigned to a specific trainer at the championships. The IQHRA board finally consented to participate. At that point he approached PMR&C to also be a partner in the program. The program started with 6 youths from around the state, and was for 3 days and 2 nights. The program was expanded to 4 days, 3 nights and 8 youth. It was decided to make a video during the third year of the program to show to other youth organizations around the country affiliated with quarter horse racing. Via a grant from MBNA, 100 videos were originally produced, with another 100 after that. The last 7 videos were distributed at the MBNA Championships last fall. The video was revised last fall. Mr. Hammer stated that in 2005, the program was expanded to 10 youth, and added another partner – the Iowa Thoroughbred Breeders & Owners Association (ITBOA).

The IQHRA gave a \$350 scholarship to the first youth that was an overall winner, who then competed in the MBNA Challenge Championships. Last year, \$11,000 in scholarships was given away. Youth who receive the scholarships are selected by a panel consisting of members from the IQHRA board, PMR&C board, ITBOA board and a member from a state or local government position. Mr. Hammer noted that 3 youth were selected to attend the national challenge championships last year, and that at least one individual has participated at the national level since the inception of the program.

Mr. Hammer advised that the individual narrating the video is a freshmen at Iowa State who participated in the Iowa program two year ago, and went on to participate in the national program. Mr. Hammer noted that two years ago the first scholarship winner completed her undergrad program at Iowa State University, and was accepted to the School of Veterinary Medicine at Iowa State.

Mr. Ketterer noted that Mr. Hammer has been the driving force behind this program from its inception to where it is now.

Chair Hamilton moved to Administrative Business. Mr. Ketterer stated that the Request for Proposal for Horse Racing Fund was in the Commissioner's meeting packet along with the history of past distributions. Commissioner Seyfer asked if the funds would be distributed in April or June. Mr. Ketterer indicated it would be one or the other.

Mr. Ketterer noted that the Commission has already heard from DJW and WRE concerning the proposed openings of those facilities. At the next meeting, the Commission will receive a more detailed update on all four facilities.

Chair Hamilton moved to Public Comment. Kim Miller, Executive Director of Worth County Development Authority, noted that their application talked about the importance of a gambler's treatment program in the area. After receiving the license, she contacted Jim Hanson, one of the Executive Directors at the Prairie Ridge Addiction Treatment Center, and worked with him on developing a program. She stated that Prairie Ridge just announced they had been awarded a grant that will allow them to treat gambling addiction.

Chair Hamilton asked if Prairie Ridge was just a treatment center, or if it was connected to a hospital. Ms. Miller indicated that she thought it was just an addiction center, and is located in Cerro Gordo. She is continuing to work with Mr. Hanson in an effort to get a satellite office opened in Worth County.

As there was no further Public Comment or business to come before the Commission, Chair Hamilton requested a motion to adjourn. Commissioner Bair so moved. Commissioner Cutler seconded the motion, which carried unanimously.

MINUTES TRANSCRIBED BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
APRIL 20, 2006**

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, April 20, 2006 at Harrah's Casino in Council Bluffs, Iowa. Commission members present were Diane Hamilton, Chair; Kate Cutler, Vice Chair; and members Joyce Jarding, Gerry Bair and Greg Seyfer.

Chair Hamilton called the meeting to order at 8:00 AM, and requested a motion to approve the agenda. Commissioner Bair moved to approve the agenda as amended. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Hamilton requested a motion to enter into Executive Session. Commissioner Cutler 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 Bair seconded the motion, which carried unanimously on a voice vote. (See Order No. 06- 34)

Following Executive Session, The Honorable Tom Hanafan, Mayor of Council Bluffs, welcomed the Commission to Council Bluffs. Mayor Hanafan stated that the gaming industry has done a tremendous job for Council Bluffs and the State of Iowa. He gave credit to the licensees in Council Bluffs: Ameristar, Harrah's and the Iowa West Racing Association. He commended the Commission members, noting that Iowa has the best run gaming operations in the country, and that he receives calls from around the country to speak about Iowa's gaming industry.

Chair Hamilton moved to the approval of the minutes from the March 2, 2006 Commission meeting. Hearing no comments or questions, Chair Hamilton 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 advised this was Commissioner Jarding's last meeting. He presented Commissioner Jarding with a plaque commemorating her service on the Commission from September 30, 2002 through April 30, 2006.

Mr. Ketterer recognized the following IRGC employees from the Council Bluffs facilities: Carol Fajen, Max Zaragosa, Cory Ostermeyer, Rob Washburn, Jennifer Eichmann, Jeff Rethmeier, Bryan Crowdy, and Lynette Masker.

With regard to upcoming Commission meetings, Mr. Ketterer advised there is no meeting in May, and that the June meeting will be held on June 8, 2006 at Stoney Creek Inn in Johnston. He noted that the Fiscal Year 2007 meeting dates were before the

Commission for consideration. As there were no requested changes to the proposed dates, the dates will stand.

Mr. Ketterer noted that there have been a couple of openings since the March meeting – Horseshoe Casino and Diamond Jo Worth (DJW). He noted that DJW actually opened on April 6th, but held their grand opening on April 19, 2006. The Commission will receive a report on the opening at the June Commission meeting.

Chair Hamilton called on Mr. Ketterer regarding the rules before the Commission for final adoption. He noted that the rules had been before the Commission under Notice of Intended Action at the January meeting, and recommended approval of the rules.

Hearing no comments or questions concerning the rules, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the rules for Final Adopt. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 06-35)

Chair Hamilton moved to the approval of the distribution of the Horse Racing Promotion Fund. Mr. Ketterer advised that two groups submitted applications for the available fund of \$4,158.39: the Iowa State University, College of Veterinary Medicine, Racing Chemistry and the Legacy Harness Horse Foundation.

Dr. Walter Hyde, representing the Racing Chemistry Lab, indicated he was available to answer any questions, and thanked the Commission for their consideration of the Racing Chemistry's application for the funds.

Hearing no comments or questions concerning either request for the Horse Racing Promotion Funds, Chair Hamilton requested a motion. Commission Seyfer moved to divide the available funds of \$4,158.39 with one-half going to Iowa State University, College of Veterinary Medicine, Racing Chemistry and one-half to the Legacy Harness Horse Foundation. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-36)

Dr. Hyde thanked the Commission for their support of the Racing Lab.

Chair Hamilton moved to the approval of the Agreements Pertaining to Racing at Prairie Meadows Racetrack & Casino (PMR&C) for the 2006 Season with the Iowa Quarter Horse Racing Enterprise, Inc. (IQHREI) and the Iowa Horse Benevolent and Protection Association, Inc. (IAHBPA).

Mr. Ketterer noted that these agreements were just reached within the last week, necessitating the amendment of the agenda. Both agreements call for payments by PMR&C to the two above-referenced organizations prior to the June 8 Commission meeting. Mr. Ketterer recommended approval of the agreements as submitted.

Hearing no comments or questions concerning the Agreements, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the agreements between PMR&C and the IQHREI and IAHBPA as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-37)

Chair Hamilton moved to the review of the financial audit of the Iowa Greyhound Association (IGA) and Iowa West Racing Association joint escrow account for the year ended December 31, 2005. Jon Garner, IGA's legal representative, stated that they feel the fund is being well-managed, and will continue to utilize the same management firms next year.

As there were no comments or questions for Mr. Garner concerning the audit, Chair Hamilton moved to the next agenda item: a request by the IGA for authorization to withdraw funds from the escrow account. Mr. Garner advised that the IGA is requesting the Commission's authorization to withdraw up to \$20,000.00 from the joint escrow account to pay all expenses related to the first annual IGA Auction to be held on May 20, 2006. The Commission will receive copies of all receipts and/or expenses related to the auction. Any funds not necessary for the auction will be returned to the escrow account. Mr. Garner stated that prior to the auction taking place; the numbers are hard to tie down.

Mr. Ketterer asked how many greyhounds are slated to be auctioned at this time. Mr. Garner indicated there are eight or nine litters with another five or ten individual pups; 16-20 greyhound stud services, and some equipment. Mr. Garner stated that he has been told to expect a "flood" of entries two or three weeks prior to the auction.

Hearing no further comments or questions concerning the request, Chair Hamilton called for a motion. Commissioner Cutler moved to approve IGA's request for authorization to withdraw up to \$20,000 from the joint escrow account to pay expenses related to the first annual IGA Auction on May 20, 2006. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 06-38)

Chair Hamilton moved to the review of the licensees' financial audits, and called on Ameristar Casino. Teresa Meyer, General Manager, noted that during 2005, Ameristar captured 43% of the Council Bluffs market, up from 41% in 2004; the overall Council Bluffs market revenue grew to \$434 million, up 3.8% from 2004, with Ameristar's 2005 gaming revenue increasing to \$187 million, an increase of 9% over 2004. She noted that the overall slot revenue for Council Bluffs increased by 3% to \$390 million, and table win increased 10.6% to \$44 million. Ameristar's slot revenue was up 9.6%, and table revenue increased by 7%. Admissions for the Council Bluffs market in 2005 was 7.9 million, a decrease of 3%; however, Ameristar's admissions increased to over 3.2 million, representing an increase of 4%. Ms. Meyer noted that Ameristar made two significant capital improvements to the Council Bluffs property: the total renovation of the hotel rooms at a cost of \$12 million, and a \$4 million renovation of the buffet.

Ms. Meyer noted that Michael Shelton, Vice President of Finance, and Greg Manthei, Financial Controller, were available to answer any questions concerning the audit.

Commissioner Bair noted that under Notes Payable, for Ameristar as well as some of the other licensees, there is a large amount payable to the corporate parent. He noted the amounts vary between 4-5%, and asked if the local property had any say in determining the rate. Mr. Manthei indicated the rate is determined by the corporate office, and is based on their lending rate. He noted that the amount payable is decreasing quickly.

Hearing no further comments or questions concerning Ameristar's financial audit, Chair Hamilton called on Argosy Sioux City. Brian Wessels, Director of Finance, stated that 2005 was another great year for Argosy Sioux City, noting that they were purchased by Penn National Gaming in October. He noted that casino revenues were up \$5.4 million, an 11% increase over 2004, which he attributed to the approximate \$20 million investment in the boat during 2004. The amount paid to Missouri River Historical Development increased by \$400,000 to \$1.7 million under a new agreement.

Chair Hamilton called on Catfish Bend Casino (CBC). Jerry Baum, General Manager, and Mary Kaye Vosberg, Controller, were available to answer questions concerning the audit. Mr. Baum gave the following highlights from CBC's audit: gaming revenue of \$30.7 million, a 2% decrease from 2004; admissions were 567,000, which was less than a 1/2% decrease from 2004; gaming taxes paid to the state, county and city were \$6.9 million, the non-profit license holder received \$932,000; gaming taxes to the city totaled \$283,000; local sponsorships amounted to \$235,000, and distributions to investors were \$4 million.

Mr. Ketterer asked Mr. Baum if he had any idea how much of CBC's business comes from Illinois, Missouri and Iowa. Mr. Baum stated that he did not have an exact percentage, but indicated that approximately one-third comes from Illinois, 10-15% from Missouri and the balance from Iowa.

Hearing no further comments concerning CBC's audit, Chair Hamilton called on Harveys Iowa Management Company, Inc. Gaye Gullo, General Manager of Harrah's and Horseshoe Casino, introduced Janae Sternberg, Director of Finance. Ms. Sternberg provided the following information for Harrah's 2005 fiscal year: revenues were \$125.1 million, a 5.6% increase; admissions were 2.2 million, gaming taxes of \$26.3 million were paid to the state, county and city, and \$4.2 million was paid to Iowa West Racing Association (IWRA).

Commissioner Bair asked if the management fee was a preset figure for the property. Ms. Sternberg answered in the affirmative; that the parent company sets the figure for each Harrah's property.

Commissioner Bair noted that corporate debt is approximately 11.8%, and wondered if the local property had any say in the amount charged to the property. Ms. Sternberg indicated the corporate office also sets that figure.

Hearing no further comments regarding the Harveys audit, Chair Hamilton called on HGI-Lakeside. Damon Butler, General Manager, and Lynette Bailey, Financial Controller, were present to answer any questions. Mr. Butler provided the following information for the 11 months of operation at Lakeside in 2005: gaming revenues of \$50 million, and just over \$56 million in total revenue. He noted that 2005 was a year of forward progress for the property with \$15.8 million in capital improvements. To date, capital improvements in 2006 total \$2.5 million. Mr. Butler indicated this number would continue grow. For the first quarter of 2006, Mr. Butler advised that hotel occupancy is approaching 90%, casino revenue is up \$1.8 million, representing a 13.4% year to year growth. He noted even with all of the construction, the patron count for the first quarter increased 29.5%.

Mr. Butler noted that the other major project for 2005 was the installation of the Mr. Terrible's sign along Interstate 35 in October. He noted that since the installation, new member counts are up, and that over 57% of those are from distances of 100 miles or greater with 36% having come back two or more times.

With regard to the "Buy Iowa" focus, Mr. Butler noted that Lakeside finished 2005 with a 91.3% rating and he is looking forward to maintaining that figure for 2006.

Mr. Ketterer congratulated Mr. Butler on the capital improvements at the property, with the corresponding increase in patron counts. Mr. Butler indicated that the casino improvements are complete, and work will now focus on the land-based operations. He indicated the plan is to complete the renovation of the land-based operations and restaurants by June 23rd in order to have a good July 4 celebration. The master plan calls for landscaping the entire property and expanding the hotel.

Hearing no further comments regarding the Lakeside audit, Chair Hamilton called on Mississippi Belle II (MB II). Gus Linke, Controller, reported that gaming revenues were \$27 million, a decrease of \$160,000; admissions were 456,000, a decrease of 56,000 or an 11% decline from 2004. The win per person increased from \$53 to \$59 per person, an increase of 11%, which helped offset the decrease in attendance.

Commissioner Cutler asked about the decrease in attendance. Mr. Linke stated that in 2005 MB II analyzed the bus program, and eliminated those routes that were not performing, and then put that money towards more advertising in an attempt to attract new quality customers. Commissioner Cutler asked about MB II's plan for 2006. Mr. Linke indicated they will continue to work on attracting more customers.

Hearing no further questions or comments concerning the MB II audit, Chair Hamilton called on Bluffs Run Casino (BRC). Ms. Sternberg provided the following information:

revenues were \$103.8 million, admissions were 3.2 million, and gaming taxes paid to the state, county and city totaled \$28.3 million. During 2005, the property saw the construction of the Horseshoe Casino and JB's Café, as well as a 1,000 stall parking garage.

Commissioner Bair commented on the decrease in the number of jackpots paid. Ms. Sternberg indicated that was due to the difference in the way the machines are set, as well ticket in/ticket out, so they are not doing as many hand jackpot payouts as before.

Mr. Ketterer congratulated Horseshoe on their opening, and the \$86 million investment, which has been rewarded with a wider circle of patrons. He noted that although Horseshoe has affected Ameristar and Harrah's somewhat, there is an additional \$1 million of revenue in the market.

As there were no further comments or questions, Chair Hamilton called on IWRA. Todd Graham, Executive Director, recognized IWRA Board members and staff present. He noted that 2005 was a good year for the riverboat operations and the sponsorship fees received from all Council Bluffs properties. IWRA received \$8,557,099 in sponsorship fees, with the breakout as follows: Ameristar - \$4,350,000 and Harrah's - \$4,207,099. These fees exceeded the 2004 sponsorship fees by \$143,309. Mr. Graham indicated the only other change in the way the figures are reported is the manner in which staff is paid due to a change in the organizational structure. Previously, employees were employed by a parent company, with IWRA reimbursing employee expenses. Now, the employees work directly for IWRA, so the audit shows an expense of \$95,335 for salaries and benefits.

Hearing no comments or questions concerning IWRA's audit, Chair Hamilton called on the Dubuque Racing Association (DRA). Roger Hoeger, Assistant General Manager and Controller, noted that the new casino opened on May 29th, representing six months of increased revenues based on 1,000 slot machines. They had revenues of \$7.7 million, or an increase of 18% over 2004. Net revenues were \$3.3 million, an increase of approximately 12%, while expenses increased about \$6.5 million, or 4.5%. Mr. Hoeger attributed the large increase in expenses to the loss on disposable fixed assets, a write-off of the old casino, and the table game license fee of \$3 million, for a loss of approximately \$1.7 million. Cash flows were healthy; and distributions to the city were in the proximity of last year's figures. Rent expense increased \$1.9 million, which is part of DRA's mission of lessening the burden of government by insuring that non-profit organizations receive a substantial portion of the proceeds.

As there were no questions concerning DRA's audit, Chair Hamilton called on Prairie Meadows Racetrack & Casino (PMR&C). Ann Long, Vice President of Finance and Chief Financial Officer, noted that 2005 was the first full year of table games at the property, and they started the \$62 million construction project, which consists of a paddock, walking ring, jockeys' quarters, a multi-purpose room, steak house and a new buffet. Portions of this project will not be totally complete until February 2007. Gross

revenues for 2005 were up 11.5%, attendance was up 13%, taxes paid to the state, county and city were \$44.4 million, and charitable distributions were \$18,963,000.

Mr. Ketterer congratulated PMR&C on the new paddock and jockeys' quarters, which the Commission has been requesting for ten years. He indicated they had done a terrific job on those two projects. Ms. Long indicated there would be a ribbon cutting ceremony for the paddock on May 11, 2006.

Hearing no further comments or questions concerning PMR&C's audit, Chair Hamilton moved to licensee updates and/or openings, and called on Wild Rose Emmetsburg (WRE). Kevin Preston, Vice President of Operations and Gaming, and Joe Phelps, General Manager, were present, and distributed pictures chronicling the project's progress. Mr. Preston indicated that things are going very well, with the project ahead of schedule. They are anticipating opening the property on May 28th for friends and family, to the public on May 29th, with the grand opening to occur on June 30th and July 1st. Mr. Preston indicated WRE would be a first class destination resort with 28,000 square feet of slot machines, an authentic Irish Pub, a 70-room hotel, buffet and a convention center that will seat 500 for a show, and 300 for sit-down wedding reception. There is an RV park with a 12.5 acre lake. Mr. Preston noted that the opening is less than 6 weeks away, and the employees are excited. Workers are finishing up the final touches. The casino floor will accommodate approximately 600 slot machines; they anticipate opening with 530 machines and 15 table games. Mr. Preston commented on the support from the community and the non-profit organization.

Commissioner Bair noted that during the last update, Mr. Preston talked about the job fair, and asked about employee training. Mr. Preston stated that dealer training started on March 1st at the Iowa Lakes Community College. He indicated that the setting is working out very well for the training. All of the management team has been hired, and they have hired all of their staff. A majority of the employees will come on board May 1st, with the balance starting on May 8th.

At this time, Mr. Preston introduced Joe Phelps, who provided some background information on himself. Prior to coming to Iowa, he worked at the Mohegan Sun Resort Casino in Uncasville, Connecticut for approximately 9.5 years, and has been involved in the casino industry since the early 1990's. He noted that he has been embraced by the community personally as well as in connection with the casino.

Commissioner Cutler asked for additional information concerning events surrounding the grand opening weekend. Mr. Preston advised that on May 28th, the facility would open at 6:00 PM for friends and family by invitation only, followed by the public opening on May 29th. The next month will be for the employees and dealers to get acclimated, and the actual grand opening will occur on June 30/July 1. There will be fireworks both nights. All details have not been worked out at this time.

Chair Hamilton called on Riverside Casino & Golf Resort (RC&GR). Joe Massa, General Manager, indicated the project is on budget and ahead of schedule. The projected opening date set forth in the application was November 2007, but is now projected for September 2006. The original budget for the project was \$107 million, which has increased to \$135 million. The budget increased due to the purchase of additional land, changing the hotel structure from a two-story, three-wing hotel to a five-story concrete and steel structure, upgrading the hotel and casino interior design, and adding an indoor/outdoor pool, spa, retail/boutique space, and an employee health and wellness center. Some aspects of the additions will not be completed until January 2007. The project is defined as a riverboat casino within the regulations allowing the gaming floor to be situated over water within 1,000 feet of the high water mark of the river. The water element has been installed, and everything went well.

Mr. Massa addressed how the facility complied with the requirement to represent Iowa's riverboat history. He noted that navigation started on the Iowa River in 1941, and lasted approximately 25 years. Steamboats spurred commercial construction along the riverbanks, which was characterized by massive masonry structures and posts for the exterior structure. The boats were elegant and extravagant in their exterior facades. Decorations were highlighted by rich colors and ornate columns. The property will have several restaurants, a brick exterior highlighted by massive stone structures, and an opulent interior throughout the facility. The property will have a 50' tall dome ceiling with water falling constantly, and lights. The golf course will open in May or June 2007.

The gaming floor started out at 35,500 square feet, but in the final design, it has been increased to 46,000 square feet. The floor will hold 1,400 slot machines; however, they intend to open the facility with 1,175 slot machines and 14 table games.

Hearing no comments or questions for Mr. Massa, Chair Hamilton called on Isle of Capri Black Hawk County. Nancy Donovan, Regional Vice President for Isle of Capri (IOC), advised that groundbreaking for the facility occurred on October 6, 2005, and they have been busy since then working with the Birch family and the City of Waterloo to create a 200-acre destination area, just over 50 acres of which will be IOC's. IOC is hoping the facility will attract visitors from a 200-mile radius, hopefully from Minnesota and Wisconsin to help generate revenues. Ms. Donovan stated that the site work and hotel foundation are 100% complete, earth moving is taking place, the site utilities are being installed, and the concrete super-structure is going up. She noted that 50% of the project has been bid to date. Ms. Donovan stated that the casino and pavilion are on target to open in April 2007 with all of the restaurants, meeting and office space in place. The hotel will sit atop the pavilion, and will be finished in the following months.

After reviewing the original project, IOC decided they wanted to offer a more spacious facility, and have increased the budget from \$119 million to \$134.5 million, an increase of approximately 14%. Square footage has increased to 241,000 square feet, approximately 41,000 more square feet than originally proposed. This will allow more space between the casino aisles. In addition to the traditional restaurants at IOC

properties, IOC added a full-service Starbucks coffee shop to the facility. The number of parking spaces has been increased to 1,100 from 1,000. Ms. Donovan stated that IOC re-evaluated the brand, and the Waterloo property will have an elevated color palette and finish to the property. They are looking to add some authenticity to the brand via added colors and naturals.

Ms. Donovan stated that the entire casino square footage will be 54,000. The property will open with 1,120 slots and 33 table games, just over what was originally proposed. The project has been planned to allow for significant expansion in the future. The pavilion will have 67,000 square feet to house the restaurants, hotel check-in, meeting space, which has been increased to 5,000 square feet, and other features common to the pavilion area. The hotel will be approximately 120,000 square feet, and will have 194 rooms with 26 suites. She described some of the amenities that will be available in some of the rooms and/or suites.

The Waterloo facility will be a moored barge facility on a man-made six acre lake that will be four to six-feet deep. Based on the site survey, IOC understands the facility is within 1,000 feet of the 100-year flood mark. The lake will be surrounded with native Iowa grasses, an observation area for individuals to view the plantings, and an educational trail through the grasses. Ms. Donovan stated the lake will be lined with natural clay.

Ms. Donovan noted that the exterior of the facility did take into account aspects of Iowa's riverboat history – the center will have a paddle wheel feature.

With regard to the hiring process, Ms. Donovan indicated that interviews for the general manager will take place in May; they hope to make a selection, with the possibility of introducing the general manager at the June Commission meeting. After the selection of the general manager, the hiring process will gear up, with the majority of the employees not coming on board until closer to the facility opening.

Ms. Donovan stated that IOC has been involved in the community and sponsored some aspects of Waterloo Days and the Waterloo Golf Tournament, and have been in or involved with various parades. She noted that IOC's gift of \$1 million to the City of Waterloo has been allocated by the City as follows: \$300,000 to youth educational programs; with additional funds going to the youth summer program, and increased the police and fire departments to full staff. Ms. Donovan stated that everything is going smoothly at this time.

Hearing no comments or questions for Ms. Donovan, Chair Hamilton moved to the next agenda item – IOC's request for approval of a Second Amendment to the Third Amended and Restated Credit Agreement, which would facilitate the sale of IOC properties located in Vicksburg, Mississippi and Bossier City, Louisiana. Curt Beason, Iowa legal counsel for IOC, advised that this amendment is a contract approval affecting all four of the Iowa IOC properties. These documents will allow the sale of the above-mentioned properties

and the reinvestment of those proceeds into other IOC properties, as well as the investment of insurance proceeds from the hurricane damage in the Gulf Coast.

Hearing no comments or questions for Mr. Beason, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the Second Amendment to the Third Amended and Restated Credit Agreement as submitted. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-39)

Chair Hamilton moved to the contract approval portion of the meeting, and called on Washington County Riverboat Foundation, Inc (WCRF). Mr. Ketterer indicated that a representative was not present, but noted there was a question at the March meeting as to what amendments were made to the By-Laws. The Commission received a set of By-Laws underscoring the changes which have been provided in the meeting packets. Mr. Ketterer recommended approval.

Hearing no comments or questions concerning the By-Laws for WCRF, Chair Hamilton requested a motion. Commissioner Seyfer moved to approve the By-Laws as submitted by WCRF. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-40)

Chair Hamilton called on CBC. Mr. Baum presented a contract with Aristocrat Technologies for the lease of six participation games.

Hearing no questions for Mr. Baum 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. 06-41)

Chair Hamilton called on IOC Marquette. Barron Fuller, General Manager, presented a contract with Trinity Work Fitness for a service agreement to operate the IOC Marquette Employee Health Center. This contract is with an approved vendor, and represents a name change.

Hearing no comments concerning the contract, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contract as submitted by IOC Marquette. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-42)

Chair Hamilton called on Argosy Sioux City. Mr. Wessels presented the following contracts for Commission approval:

- Penn National Gaming, Inc. - Inter-company Charges
- United Healthcare –Group Health Care Fees
- Delta Dental – Dental Insurance, including Fees and Claims

Commissioner Cutler asked if Argosy was purchasing insurance from United, or if they were a self-funded group and United would be handling the administrative duties. Mr. Wessels indicated United would be doing the administration, and the facility is partially self-funded. The funds going to Penn National are for the claims that are paid, and the \$250,000 to United is for administrative fees.

Hearing no further questions for Mr. Wessels, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Argosy Sioux City. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-43)

Chair Hamilton called on Ameristar Casino. Ms. Meyer presented a contract with Gaming Partners International for gaming chips for the table tracking system.

Hearing no questions for Ms. Meyer, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contract as submitted by Ameristar. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 06-44)

Chair Hamilton called on WRE. Mr. Phelps presented a contract with Reliable Technology, Inc. for computer hardware/software.

Hearing no questions for Mr. Phelps, Chair Hamilton requested a motion. Commissioner Jarding moved to approve the contract as submitted by WRE. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-45)

Chair Hamilton called on RC&GR. Mr. Massa presented the following contracts for Commission approval:

- Rheinschmidt Tile & Marble – Hotel Floor Coverings
- Knutson Construction – Spa Foundation
- Five Seasons Drywall – Casino Studs & Drywall
- Brintons US Axminster – Construction – Floor Coverings
- Control Installations of Iowa – Security/Surveillance Bid Package
- Brockway Mechanical – Wall Panels & Seam Metal Roofing
- MEPCO, Inc. – 12” Water Main
- Robert Dodd Drywall & Plastering – Hotel Structural Concrete
- Terry & Sons Painting – Hotel Painting/Drywall
- Innovative Openings, Inc. – Hotel Window Treatments
- Robert Dodd Drywall & Plastering – Casino Studs & Drywall
- Woodcraft Architectural Millwork, LLC – Casino Theming
- WMS Gaming – 162 Slot Machines
- Konami – 24 Slot Machines
- IGT – 769 Slot Machines
- Data Business Equipment – Ticket Exchange Kiosks

- The Boelter Companies, Inc. – Kitchen Equipment
- Impex Development – Bathroom & Closet Systems
- The Minnesota Chemical Co. – Iron/Folder
- DeVries Electric, Inc. – Installation TV Cable
- DeVries Electric, Inc. – Cable Tray – Premise Wiring
- Century Laundry Distributing – Washer & Dryer
- Century Laundry Distributing – Coat Check Room Conveyor
- Iowa Telecom – Telecommunications Service
- Slechta Communications – Advertising in Local Paper

Commissioner Cutler asked about the contract with Impex Development out of Seattle, Washington for the bathroom and closet systems, which was done through the general contractor. She felt there were surely Iowa companies that could provide the product. Mr. Massa indicated that a bid was received from an Iowa company; however, this company was substantially lower.

Commissioner Bair asked Commissioner Cutler if her question also included the contract with The Boelter Companies, Inc. for the kitchen equipment. Commissioner Cutler answered in the negative. Mr. Massa advised that no Iowa companies bid on this portion of the project.

Hearing no further questions or comments concerning the contracts, Chair Hamilton requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by RC&GR. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-46)

Chair Hamilton called on Harrah's. Ms. Gullo presented a contract with Game Plan Direct, LLC as an additional vendor for direct mail items.

Hearing no comments or questions for Ms. Gullo, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contract as submitted by Harrah's. Commissioner Jarding seconded the motion, which carried unanimously. (See Order No. 06-47)

Chair Hamilton called on Horseshoe Casino. Ms. Gullo presented the following contracts:

- Glazer's Distributors of IA – Vendor for Wine/Spirits
- Johnson Bros./IA Wine & Beverage – Wine/Beverage Vendor
- MFT Construction – Storm Sewer Repairs/Maintenance for Renovated Building

Commissioner Cutler asked if Horseshoe/Bluffs Run also had another vendor besides the two listed for wines, etc. Ms. Gullo indicated the property also utilizes Metro Liquor as the primary vendor, but the two listed here provide special liquors.

Hearing no further questions for Ms. Gullo, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Horseshoe Casino. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-48)

Ms. Gullo noted that the primary direct mail vendors previously approved for Harrah's/Horseshoe Casino/Bluffs Run Greyhound Park have become primary vendors for other Harrah's properties, necessitating the contract with Game Plan Direct as a backup vendor.

Chair Hamilton called on DGP&C. Bruce Wentworth, General Manager presented the following contracts for Commission approval:

- American Trust & Savings Bank – Banking Agreement (RP)
- Cintas – Employee Uniforms
- Tricor Insurance – Property and Casualty Insurance
- AC Coin & Slot Service Co. – 10 Slotto Lease Games
- AC Coin & Slot Service Co. – 4 Slotto-Popcorn Lease Games
- IGT – Machine Purchase & Parts (Revised)

Hearing no questions for Mr. Wentworth 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. 06-49)

Chair Hamilton called on PMR&C. Ray Sears, Director of Logistics, presented the following contracts for Commission approval:

- All Makes Office Interiors – Purchase Office Equipment & Supplies (Increase)
- Aristocrat Technologies, Inc. – Purchase of 32 Premium MAV 500 MK VI Slot Games & Accessories
- Automated Technologies & Integration (ATI) – Surveillance Equipment, Parts, Supplies & Service
- AVI Systems Inc. (Audio-Visual Inc.) – Audio-visual Equipment, Parts & Services (Increase)
- Bally Gaming Inc. – Purchase of 22 Game Cabinets, 12 M 9000, 8 S 9000, 2 CineVision
- Becker Equipment (Hockenbergs) – Food Service Equipment, Parts & Service (Increase)
- Bolton and Hay – Food Service Equipment, Parts, Supplies and Service (Increase)
- Business Furniture & Design – Furniture & Accessories
- Control Installations of Iowa (C13) – Surveillance Equipment, Parts, Supplies & Service (Increase)
- Corporate Express – Furniture & Accessories

- Global Spectrum, LP (Wells Fargo Arena) – Contract for the Lease of a Skybox in the Wells Fargo Arena
- Hawkeye Foodservice Distribution – Purchase of Food & Supplies
- IGT – Purchase of 20 AVP Trimline Video Slot Games
- Iowa Des Moines Supply – Equipment, Paper Goods, Maintenance and Misc. Supplies
- Maroevich O’Shea and Coghlan – 2006 Jockey’s Accident Insurance
- Microsoft Corporation – Microsoft Software Enterprise Agreement
- Monroe Manufacturing, LLC – Furniture and Accessories
- Pratt Audiovisual & Video Corporation - Audio-visual Equipment, Parts & Service
- Shattuck/Johnson Partnership – Office Building Lease (Increase)
- Spielo Manufacturing Incorporated – Purchase 10 Video Slot Games
- Storey-Kenworthy – Furniture, Office Supplies & Accessories
- Taylor Industries Inc. – Misc. Equipment Purchases & Maintenance
- Triad AV Services – Audio-visual Equipment, Parts & Service
- Waldinger Corporation – Contractor for Various Construction Projects
- WMS Gaming Inc. – Purchase of 35 Bluebird Slot Games (27 Video; 8 Reel)

Hearing no questions for Mr. Sears 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. 06-50)

As there was no Administrative Business or Public Comment, Chair Hamilton requested a motion to adjourn. Commissioner Jarding so moved. Commissioner Cutler seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
JUNE 8, 2006**

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, June 8, 2006 at Stoney Creek Inn, Johnston, Iowa. Commission members present were Diane Hamilton, Chair; Kate Cutler, Vice Chair; and members Gerry Bair and Greg Seyfer. Commissioner Toni Urban was absent.

Chair Hamilton called the meeting to order at 8:30 AM, and requested a motion to approve the agenda. She advised of the following modifications to the agenda: move Item 9 to Item 5 and renumber accordingly, and Item 7C is withdrawn. Commissioner Bair moved to approve the agenda as amended. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Hamilton requested a motion to go 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 and advice from legal counsel pursuant to Iowa Code Section 21.5(1)c. Commissioner Cutler seconded the motion, which carried unanimously on a roll call vote. (See Order No. 06-51)

Following Executive Session, Chair Hamilton requested a motion to approve the minutes. Commissioner Cutler moved to approve the minutes from the April 20, 2006 meeting as submitted. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-52)

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

- July Commission Meeting – July 13, 2006 – Stoney Creek Inn, Johnston, IA (Submissions due by June 28, 2006)
- August Commission Meeting – August 31, 2006 – Stoney Creek Inn, Johnston, IA (Submissions due by August 17, 2006)
- September 2006 – No Commission Meeting
- October Commission Meeting – October 5, 2006 – IOC Bettendorf, Bettendorf, IA (Submissions due by September 21, 2006)

He noted that the meeting dates had been arranged so they would not conflict with the G2E Gaming Expo, which many in the industry attend.

Mr. Ketterer introduced Tammy Storey and Jesse Goldstein, IRGC employees at Prairie Meadows Racetrack & Casino (PMR&C).

Chair Hamilton called on Wild Rose Clinton, L.L.C (WRC)/Clinton County Community Development Association (CCFDA) and Catfish Bend Casinos II, LLC (CBC II)/Southeast Iowa Regional Riverboat Commission (SIRRC) regarding their license

applications to acquire the Mississippi Belle II and Catfish Bend Casino facilities respectively.

Jamie Beult, representing Wild Rose (WR), spoke about the Upper Mississippi River and how little is written about it. She indicated the proposals before the Commission today plan to change that. Ms. Beult stated that as the proposals were put together, the applicants kept the Commission's directives from a year ago in mind: maintain a thriving industry, promote responsible gaming, community development, and economic growth. She stated that the presentation would be given in two parts beginning with WR, followed by Huckleberry Entertainment, LLC (HE), an investment company based in southwest Iowa, led by Randy Winegard.

Ms. Beult noted that WR is the newest gaming company in Iowa, founded by Gary Kirke and Dr. Mike Richards. These gentlemen like Iowa projects, and this proposal is no different. Ms. Beult stated the only part of this project that will not be all Iowa is the visitors to the facility, with the majority coming from Illinois. She noted that the Wild Rose Emmetsburg (WRE) property opened recently, and that WRE, as well as Mr. Kirke and Dr. Richards personally, have already made significant investments in the community. They recently saved the country club from bankruptcy, and have acquired additional land for development. Ms. Beult gave the following quote from Julie Clarkson, President of Palo Alto County Gaming Development Corporation: "We couldn't be more proud of our gorgeous facility in Emmetsburg. It has met and exceeded all of our expectations. More important, Palo Alto County has already experienced economic development and new businesses, including our first McDonald's. These are things that will make a difference in years to come." Ms. Beult stated that WR's vision for this facility extends beyond acquiring a riverboat; they will be creating a land-based facility with additional amenities, including a hotel, on the west side of Clinton. She noted that until the land-based facility is complete, WR will operate the MB II as a riverboat, maintaining the cruising schedule and name. At the completion of the relocation sometime in late 2007, the name of the facility will be changed to WRC.

Ms. Beult introduced Kevin Preston, Director of Operation for WR, noting that his latest accomplishment in the gaming industry was opening WRE on budget and on time. Mr. Preston noted that WR is excited about this new opportunity to grow in Iowa, stating that the WR management team is one that will make a difference in gaming in Iowa. The primary goal in Clinton is to reinforce the value of the casino as an active, engaged member of the community. He noted that the impact on jobs is a primary concern in the community. Mr. Preston advised that WR intends to maintain the current level of employees, and create additional jobs with the new facility and expansion.

Mr. Preston stated that during the first year of operations, WR plans to increase revenues from \$27 million to \$29 million, donate in excess of \$1.5 million to the local community, and pay more than \$6.5 million in state gaming taxes. As WR builds the new resort, hotel and convention center, they believe Clinton, the county and region will benefit from the economic benefits. Mr. Preston stated that once the new facility is completed,

revenues are projected to climb to \$32 million and will slowly continue to increase thereafter. The number of slot machines and table games at the new facility will be increased from 506 to 650 and 14 to 20 respectively.

The Clinton area is a natural market for gaming due to its many other recreational activities: water, sports, ballet, recreational theater, and many festivals already drawing on the riverfront, which draw approximately 1.5 million visitors per year. Mr. Preston noted that even though the population of Clinton County has declined 14.5% since 1980, the 2005 population within a 75-mile radius has increased 6.6% since the 1990 census. He noted that the core market area for the MB II is western Illinois, Wisconsin and Iowa, with approximately 66% of the 450,000+ patrons coming from Illinois. Another 26% come from Iowa.

Mr. Preston stated that WR's projections for an immediate increase in revenue are based on several changes: upgrading 35-40% of the slot machines; redesigning the slot floor to provide more comfort and room for players; and upgrading the buffet. The long-range goal is to build a distinctive resort to make the WRC a preferred destination for tourists and players. He noted that Clinton has received a Great Places Grant, which will be utilized to refurbish the riverfront park, create a distinctive board walk, build a multi-station community exercise area; create walking/hiking trails in Eagle Point Park and possibly build a riverfront museum. WR believes these improvements will help draw visitors from greater distances, such as Rockford, Chicago, and Milwaukee.

Mr. Preston stated that with two facilities, WR will be able to co-market their properties through their Players Club and awards programs. He noted that Players Points from the MB II would immediately transfer to the WR program.

Mr. Preston concluded his remarks by stating that the community is rallying behind WR's efforts with regard to the Clinton facility. Ms. Buelt advised that WR is aware of how important community support is to the Commission. She noted that Clinton was one of the first Iowa cities to embrace riverboat gambling; and this proposed transaction has been well received by the city, county, and residents.

Ms. Buelt introduced Tom Fullerton, Vice President of the Clinton National Bank, and a board member of the CCCDA. Mr. Fullerton stated that since 1991, CCCDA has returned over \$10 million to Clinton County communities and various non-profit organizations. The funds have supported economic development, tourism and improved the quality of life in every community within the county. He noted that everyone is pleased with the proposed sale to another Iowa-based investor. Mr. Fullerton stated that the Kehl family has been a great owner/operator of the MB II since the beginning, but now choose to focus their time and effort on the Riverside project. He indicated that WR's plan to relocate to the west side of Clinton will bring a new and exciting entertainment center to the community, and will stimulate additional economic development opportunities. He requested the Commission's support of this transaction.

Ms. Buelt advised that LaMetta Wynn, Mayor of Clinton, was unable to attend the meeting, but had written a letter in support of the transaction. Mayor Wynn requested that the following excerpt be read: "When news began to circulate that the Kehl family might be selling its interest in the Mississippi Belle II, those of us in elected office, as well as those who enjoy this form of entertainment, were quite concerned. We were very pleased to hear that the leading suitor was an Iowa company with Iowa roots and an Iowa commitment. Wild Rose plans to be part of our community and is actively working to make this casino resort bigger and better. While we know that Wild Rose is the newest Iowa gaming company, we have been impressed with the level of investment and development it has made in Emmetsburg. We look forward to seeing their vision take form in Clinton."

Ms. Buelt advised the Commission that the Mississippi Belle II Employees Ownership Trust overwhelmingly voted to support the transfer of ownership with a 99.8% approval out of the 124,662 votes. The Trustee for the group also approved the transaction.

Ms. Buelt reiterated WR's intent to make the Clinton property a land-based facility. She introduced Pierce Coady, the lead architect for the project, to provide further information. Mr. Coady advised that the site acquisition has not yet been finalized, so the drawings being presented are preliminary concepts. Final plans will be presented in the near future. WR plans to purchase 29 acres on Clinton's west side, which is adjacent to Highway 30, Mill Creek Parkway and a new road that will connect to another major thoroughfare. The proposed facility is immediately across Highway 30 from where the Kehls proposed to move the MB II. Mr. Coady discussed the proposed site layout, noting that there would be a large water feature at the entrance. He stated that as the community continues their plans for riverfront development in the area, WR would continue to evaluate how their facility would be assimilated into the community. They will be looking to the local community for inspiration during the architectural and design aspect. Mr. Coady noted that Clinton has a very rich architectural history, and offers a surplus of materials to choose from. WR has elected to focus on the prominent natural materials found along the river – two of which are heavy timber and limestone. These materials will allow WR to connect to Clinton's past within the river and timber community.

The casino floor will have space for 650 slot machines, 23 table games, a separate high level playing area, a VIP lounge, and a casino bar with table top video poker machines. Additional components include a 45-room hotel, an Iowa store, a sports bar with casual dining, buffet-style dining, and meeting space for up to 150 people in a banquet setting. The site is laid out to allow the casino floor and hotel to eventually double in size as WRC's market share increases.

Chair Hamilton asked for clarification on the number of hotel rooms. Mr. Coady advised there will be 45 built during the first phase of construction.

Commissioner Bair asked how far the proposed site is from the river. Mr. Coady stated that it is not immediately adjacent to the river; however it does meet the regulatory statute

of being within 1,000 feet of the river's high water mark. He estimated it is three-fourths to one mile from the river to the south.

Ms. Buelt called for any further questions concerning the presentation. Commissioner Bair asked how the city feels this project adds to the riverfront. Ms. Buelt stated that the city is continuing to work on developing their riverfront. With the boat moving, the riverfront area can take on a different character. Mr. Fullerton stated that Clinton has had a revamped marina in their plans for quite some time. The city has also received funds from the Iowa Values Fund. The marina site is currently being dredged, and the current MB II location will become an expanded, modern and improved marina facility. Mr. Fullerton advised that approximately \$7 million is being spent on the park, which will have improved RV parking, marina, swimming pool, skate board parks, summer theater, etc. He indicated that he is not aware of any organized opposition to the riverboat leaving the waterfront.

Ms. Buelt moved to the CBC II portion of the transaction, noting that Randy Winegard is the president of Winegard Realty, and has been involved in several local projects, as well as casino developments in Black Hawk County, Colorado. His most recent project is the continued development of the Pzazz Hotel with the addition of Fun City, an entertainment complex. Future plans for development include a casino, convention and hotel center.

Mr. Winegard provided some background information concerning the current operation, noting that the local investors and the Kehl family have been very successful for twelve years. He pointed out that the current operation is unique in that it operates out of two locations in two counties under one license. Mr. Winegard stated that CBC has been a very successful regional operation. He advised that the main goal of the organization was, and still is, to provide community benefit and improve the quality of life within the communities. The non-profit organization, SIRRC, has benefited the communities of Keokuk, Burlington and Fort Madison. The riverboat is located very close to the Missouri border, and right on the Illinois border. In comparing the demographics of Worth County, and comparing it to Burlington/Fort Madison, Mr. Winegard pointed out that if you draw a 35-mile circle around the Worth County location, 65% of the population is in Minnesota. If a person drew a similar circle around Burlington and Fort Madison, 60% of the population is located in Illinois. He stated that a significant amount of CBC's gaming revenue comes from outside the state of Iowa.

Mr. Winegard stated that in order for the operation to continue to be successful, CBC II needs the Commission's approval for permanently moored facilities in both counties. Under the Kehl's management, the riverboat moved between Burlington and Fort Madison every six months, making it difficult to invest in land-based facilities. He believes that land-based facilities, such as hotel rooms, restaurants, and convention facilities, will significantly increase CBC's ability to increase their tourism base.

Mr. Winegard stated that with the addition of the amenities, the market study performed by Innovation Group shows revenues in both communities should almost double, with a

significant amount coming from outside Iowa. The two facilities will also provide better visibility, more traffic, and allow for more convenient parking in both communities.

Mr. Winegard stated that CBC is looking forward to continuing operations, improving the facilities and generating more revenue for the state of Iowa, the non-profit license holder and the communities in general.

At this time, Mr. Winegard turned the presentation over to Gary Hoyer, legal counsel for CBC, to walk the Commission through the purchase transaction, the legalities and financial aspects.

Mr. Hoyer stated that the application before the Commission is about community pride, southeast Iowa, Iowans investing in Iowa, reinvesting in order to survive and thrive, and local ownership and control. He indicated this transaction started about a year ago when Dan Kehl received a phone call from an Illinois gaming company seeking to purchase the CBC and MB II. He noted that the Kehls received a generous offer for both properties; however, following weeks of discussion and debate, there was a difference of opinion between the Kehls and the local investors. The Kehls wanted to accept the offer; however, the local board members, while not disputing the offer was fair, wanted to retain local ownership and control.

Mr. Hoyer stated the application contained information outlining the number of transfers, creation of subsidiaries and the organizational changes, which were done in an effort to accomplish the following: 1) sell the Kehl equity in the CBC southeast Iowa operation to a local group, HE; 2) to allow any CBC member who elected to sell their interest to do so on the same terms as the Kehls; 3) give CBC members an opportunity to invest in HE; and 4) improve the facilities in southeast Iowa to better serve the market, grow revenues and to continue their presence in both Burlington and Fort Madison to preserve the regional gaming license which includes three cities and two counties.

Mr. Hoyer noted that the Commission had already received three volumes of material concerning this transaction. He pointed out that CBC has three assets: the southeast Iowa operation, the equity investment in the Washington County Casino Resort (WCCR) and a management contract with MB II. The only asset to be sold is the southeast Iowa operation. In order to accomplish that, CBC was split into two subsidiaries: CBC II will own the southeast Iowa operations while CBC Riverside will own the management contract as well as the equity investment in WCCR. New operating agreements have been submitted for each entity. The board structure for each entity will remain similar to the current structure. The Kehl representatives will resign from the CBC II board, and Randy Winegard will resign from the CBC Riverside board.

The application before the Commission includes the continuation of CBC's tradition of serving both Fort Madison and Burlington. However, rather than changing the location of the vessel every six months, it is proposed that there will be year-round facilities in both communities. Mr. Hoyer stated that the proposal has been enthusiastically received

by both communities. A new agreement has been entered into with SIRRC, with revenues nearly doubling following the completion of this transaction and the enhancements.

As previously stated, current CBC investors were given the opportunity to sell their interest in CBC if they chose to do so. Mr. Hoyer stated that it is a testament to the community's support of this transaction that only approximately 4% of the nearly 450 local investors elected to take the money.

Mr. Hoyer stated that the information before the Commission also contains a conceptual lease for the CBC II property from HE for the casino facility in Burlington. A final draft will be submitted in a couple of months. A new building will be built to house the Burlington operation in an improved facility and location. These and other amenities will improve the facilities' ability to attract visitors from beyond Iowa's borders.

Mr. Hoyer turned the presentation back to Mr. Winegard, who gave a brief description of the proposed new facility in Burlington, noting that the history of Burlington and Fort Madison are tied to the river, the railroad and the steamboats. He indicated that the goal in both properties is to maintain the character of riverboat operations and the rail service. Mr. Winegard stated that CBC has approximately 24 acres of ground, which is already the site of "Fun City", an entertainment complex built by Mr. Winegard. The following amenities are being proposed: a recreational lake, a casino, an event center to seat 1,000 people, a parking garage with space for 740 cars, and a surface parking lot that will hold approximately 450 cars. There will be a "river walk" containing large photographs from postcards and advertisements depicting river scenes, riverboats, and rail service in Burlington. There will be a spa on the top floor of the hotel.

This site sits at the corner of Highway 61 and Highway 34 in Burlington, and is passed by 22,000 cars per day with 5,000 of those coming from outside Des Moines County. Mr. Winegard provided details of the various areas of the proposed facility in Burlington. The lobby will have a "winter garden". There will be a "Riverwalk" giving visitors a view of the lake and will also have a mural designed from old photographs borrowed from the Burlington and Fort Madison Historical Societies. The interior of the casino will try to take on the architecture of old riverfront buildings in Burlington and Fort Madison. There will also be murals depicting vintage travel brochures, as well as local amenities such as river recreation and riverboat travel. The events center will be able to be divided into two rooms with a permanent stage, but there will also be pull-out theater seating for 1,000. The room will hold approximately 700 for banquets. On the mezzanine level, there will be additional office space and a break-out room with seating for approximately 200. It is hoped the banquet facilities will bring additional events to the area, and additional visitors. The VIP Lounge and poker lounge are being designed to replicate an old Pullman railroad car.

Mr. Winegard stated that the current Catfish Bend facility would be permanently moored on the riverfront in Fort Madison, Iowa.

Chair Hamilton called for any questions for Mr. Winegard. Mr. Ketterer, noting there are concerns about minors gaining access to the casino, asked Mr. Winegard to describe the segregation of Fun City and the casino. Mr. Winegard, referring to the floor plan, indicated that he did not see the lobby entrance as a primary entrance into the casino due to the location of the parking garage. He noted that hotel guests would probably utilize that entrance. He noted that the main entrance to Fun City is on the south side, approximately 450 to 500 feet from the casino operation. He indicated most of the facilities for the children are west of the casino operation, with the exception of the indoor water park. Mr. Winegard stated that 21 is the legal gambling age in Iowa, and they will enforce the laws.

Mr. Ketterer asked why Mr. Winegard did not consolidate the license into one facility when the decision was made to purchase the CBC. Mr. Winegard stated that the 400 local investors are pretty evenly divided between Des Moines and Lee Counties, and have a great sense of community and community pride. He felt it would be a mistake from a business standpoint, as well as ethical, to choose between the communities. Mr. Winegard feels that both communities should share in the opportunities to develop their city. In his opinion, it would be detrimental to choose one community over the other.

Larry Smith, Chairman of SIRRC, stated that he has been involved with SIRRC almost from its inception, and is happy to be associated with an organization that makes a difference. Mr. Smith indicated that CBC is responsible for approximately 400 additional jobs in the area, and they hope to increase that if the proposal before the Commission is approved. He noted that the riverboat and revenue have been shared by Keokuk, Burlington, Fort Madison, and Des Moines and Lee counties, adding that these communities and counties are living regionalism every day. Ms. Smith stated that he was on the board when the decision was made to eliminate Keokuk from the operating schedule. He indicated that it was a difficult task, and does not want to be placed in that position again. He noted that the operation is Iowa-owned and operated, and the profits stay within the communities. He indicated he had concerns when he was first approached about the proposed sale, but those were alleviated when he heard that the local owners and investors were going to purchase the facility. He was pleased to hear that the proposal called for an expansion so that CBC would operate in both communities.

Mr. Smith noted that as part of the application there is a new operating agreement between CBC and SIRRC that is contingent upon the Commission's approval. The agreement requires CBC to continue to operate in both communities. He noted that CBC has agreed to convert its fee formula to SIRRC so that it is based on a percentage of revenue rather than per capita, which should nearly double the revenue received by SIRRC, and therefore, the revenue received by Burlington, Fort Madison, Keokuk and Des Moines and Lee Counties. Mr. Smith requested the Commission's approval of the application.

Commissioner Bair asked if immediate growth would occur in Fort Madison. Mr. Smith stated that \$2.5 million was spent to improve the riverfront at the current location, with additional funds expended when operations began. He indicated there are long-range

plans to convert the facility to a moored barge facility, which will allow Fort Madison to encourage additional development along the riverfront, as well as around the facility.

Mr. Smith introduced Bruce Slagle, Burlington City Manager, who stated that gaming has had a positive impact on southeast Iowa. He noted that voters in Des Moines and Lee Counties have supported gaming through three referendums, and overwhelmingly voted for the continuation of gaming in the area each time by at least 70%. Mr. Slagle pointed out that CBC and SIRRC have invested in the communities and created jobs. He noted that Burlington recently received Vision Iowa Funds, which will allow improvements to the minor league baseball park and a new library among many other improvements as well as commercial and private development. Mr. Slagle also commented on the regionalism of the operations.

Mr. Slagle introduced Dennis Hinkle, President of the Burlington/West Burlington Chamber of Commerce. Mr. Hinkle called this proposal a tremendous economic development project for southeast Iowa. He indicated the best economic growth occurs when existing businesses grow and expand. This proposal will create approximately 300 new jobs with a payroll of \$7.5 million and increase the tax base. The facility will draw additional visitors to the area who will spend money, which will then circulate around the community. Mr. Hinkle stated that the proposal also adds job diversity to the area, noting that the area has lost over 5,000 manufacturing jobs since 2001, and the jobs created by this proposal are desperately needed. Mr. Hinkle also requested approval of this project for the benefit of the region.

Mr. Hinkle introduced Dick Canella, Vice President of the Fort Madison Economic Development Corporation, and a former member and Chair of the Commission. Mr. Canella stated that the CBC II application has been the subject of much discussion and debate in Fort Madison, and shared some of the concerns of the community. He noted that Fort Madison had spent millions to renovate the riverfront; however, in 1993 the riverboat operating in the city left because of the state laws and rules regulating gambling. SIRRC was unable to locate an operator for the area, and determined it was necessary to reduce the schedule to serve two versus three communities, and decided to eliminate Keokuk. Mr. Canella indicated this decision was very hard on the three communities, even though the funds would continue to be equally divided between the three communities. After a year of trying to attract an operator, local investors stepped forward and developed the CBC project. Mr. Canella noted that the riverfront debt has been retired, and the casino continues to operate half of the year in Burlington and the other half in Fort Madison. He stated that CBC and SIRRC have been good corporate citizens, making many donations to worthwhile organizations in the region, as well as providing jobs and increased tourism.

Mr. Canella noted that the gaming industry has changed dramatically since his tenure on the Commission, and has become more competitive with the new moored barge facilities. He stated that it is imperative for southeast Iowa to stay competitive, which is not possible with a rotating schedule. Mr. Canella pointed out that politicians are always

talking about regionalism, and stated that Burlington, Fort Madison, Keokuk and Des Moines and Lee Counties have been practicing that concept for many years. He reiterated Mr. Hinkle's comment that the area has been plagued with plant closings over the last several years. Mr. Canella concluded his comments by voicing the Fort Madison Economic Development Corporation's support of the application as submitted to the Commission.

Mr. Hoyer asked for any additional questions. Commissioner Bair asked about the market for the current MB II boat. Mr. Preston indicated the current vessel is more conducive to dinner cruises, and there appears to be a market for those types of vessels.

Hearing no further comments, Chair Hamilton requested action on the applications. Commissioner Cutler stated that the Commission members had a lot of information to read; and that there are a number complex transactions within the request. However, what this application comes down to is the sale of two licenses to two entities, and then to allow Burlington and Fort Madison to expand their facilities to allow year-round operations rather than six months in each location.

Chair Hamilton stated that this application is what the Commission is looking for – Iowa investors and economic development. She noted that Mr. Winegard would have to face the members of his community on a daily basis, and, therefore, he would do right by his community in whatever he does.

Commissioner Cutler moved to grant the request for approval of an excursion gambling boat license to facilitate the sale of the Mississippi Belle II assets to Wild Rose Clinton L.L.C. and a request for approval of an excursion gambling boat license to facilitate the division of the existing Catfish Bend Casinos, LLC into two separate entities: 1) Catfish Bend Casinos II, LLC (Catfish II) which will own and operate the existing casino operations in Des Moines and Lee Counties, Iowa, and 2) Catfish Bend Riverside, LLC (Catfish Riverside) which will continue to own an interest in, and perform existing management agreements for Washington County Casino Resort. Commissioner Bair seconded the motion, which carried unanimously.

Commissioner Bair commented on the amount of material to review in a short time frame, but was comfortable with the legal aspects and the economic impact for southeast region of Iowa. Commissioner Seyfer concurred with Commissioner Bair's comments.

Hearing no further comments or discussion concerning the application, Chair Hamilton called for the vote. The motion carried unanimously. (See Order No. 06-53)

Following a short break, Chair Hamilton called on Natalie Schramm, General Manager of Diamond Jo, for a report on their 2005 financial audit. Ms. Schramm noted that net revenues increased to \$54.9 million, a 3% increase over 2004; EBITDA increased from 18.2% to 18.9%; net income was \$4.9 million, an increase of 8.3% from 2004. Capital expenditures totaled \$2 million, mostly for slot machines.

Chair Hamilton called on Mr. Preston for an update concerning the WRE property. Mr. Preston stated that to date 30,000 customers have visited the facility, with 10% of those coming from Minnesota. WRE has served 6,100 in their restaurant outlets. The third floor of the facility has opened up, and the leased space will be open for the grand opening. Mr. Preston indicated that everything is going well, with the numbers from the first weeks exceeding their expectations. The grand opening will be held on June 30th and July 1st, with entertainment and fire works both nights.

Chair Hamilton moved to the contract approval portion of the agenda, and called on Palo Alto County Gaming Development Corporation (PACGDC) regarding their request for approval of changes to their By-Laws. Ms. Clarkson advised that after receiving the license, PACGDC studied the by-laws of other non-profits. The request before the Commission today allows PACGDC a window of time within which to hold their annual meeting rather than a specified time.

Hearing no comments or questions, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the Amended By-Laws for PACGDC as submitted. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-54)

Chair Hamilton called on Black Hawk County Gaming Association (BHCGA) regarding their request for approval of changes to their By-Laws. As no one was in attendance, Mr. Ketterer noted that the Commission had received a letter setting forth the requested changes, and recommended approval.

Commissioner Seyfer requested that future requests along these lines be submitted in red-line in order to better highlight the changes being made.

Hearing no further comments or questions, Chair Hamilton requested a motion. Commissioner Seyfer moved to approve the Amended By-Laws of BHCGA as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-55)

Chair Hamilton called on Catfish Bend Casino (CBC). Jerry Baum, General Manager, presented a contract with the United States Postal Service in Burlington for the renewal of the lease for office space for the IRGC and DCI offices. Chair Hamilton commented on the increased value of the contract. Mr. Baum advised that the rates had been increased.

Hearing no further comments or questions, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contract as submitted by CBC. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 06-56)

Chair Hamilton called on Argosy Casino Sioux City (Argosy). Frank Quigley, General Manager, presented the following contracts for Commission approval:

- IGT – Lease of 8 Fort Knox Slot Machines
- Williams Gaming – Lease of 8 Jackpot Party Slot Machines
- HyVee Food Stores – Catering Services, Liquor and Groceries
- AC Coin – Lease of 8 Bankroll Slot Machines

Hearing no comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Argosy. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-57)

Chair Hamilton called on HGI-Lakeside (Lakeside). Damon Butler, General Manager, presented the following contracts for Commission approval:

- Aristocrat – Lease 6 Slot Machines
- Coventry Health Care of Iowa, Inc. – Health Care Insurance Coverage for Employees
- Golden Eagle Distributing – Purchase of Beer for Resale at Casino and C-Store
- Grimes Asphalt and Paving Corp. – Repaving Parking Lot
- Hawkeye Foodservice Distribution – Food/Supplies for Kitchen (Increase)
- Loffredo – Purchase Fresh Produce for Kitchen
- Martin Brothers Distributing – Food/Equipment for Kitchen (Increase)
- Micros Systems, Inc. – Point of Sale Upgrade and Maintenance Agreements
- Reinhart Food Services – Food & Supplies for Kitchen
- W.H. Sutton – Repairs & Maintenance of Various Equipment & Equipment Purchases

Hearing no comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Bair moved to approve the contracts as submitted by Lakeside. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-58)

Chair Hamilton called on Diamond Jo Worth (DJW). Jesus Aviles, General Manager, presented the following contracts for Commission approval:

- A. H. Hermel Co. – Cigarettes/Groceries for The Jo Stop; Cigarettes for Casino
- Kabrick Distributing Co. – Beer Products
- Lane & Waterman, LLP – Legal Fees
- Mayer, Brown, Rowe & Maw, LLP – Legal Fees
- PeopleService, Inc. – Operate/Maintain Water Tower and Sewage Treatment Facility
- Premium Beverage, LLC – Beer Products

- Reinhart FoodService – Food, Non-Alcoholic Beverages, Paper Supplies, Smallwares, Etc. (Increase)

In response to a question concerning the contract with Mayer, Brown, Rowe & Maw, LLP, Mr. Aviles advised that the firm is responsible for handling bond issues for the entire company.

Hearing no further comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by DJW. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-59)

Mr. Aviles gave a brief update on the operations at DJW. He indicated that the opening on April 4th and 5th was an indication of what was to come, noting that the impact of the facility on Worth County has been tremendous. Over 127,000 individuals visited the property in the first 24 days, more than double what was projected. There was a 4-1 ratio for the slot machines during the opening. Revenues were also double what were projected. During the opening days, 65% of the cars in the parking lot were from Minnesota with another 13% coming from Wisconsin. Mr. Aviles indicated that revenues for the second month were exceeding April revenues. Their 102-room/suite hotel will be opening in November.

Mr. Aviles noted there were several issues during the opening, two of which were individuals waiting for slot machines, and the cash machines in the facility ran out of money.

As there were no questions for Mr. Aviles on the opening of the DJW, Chair Hamilton called on Riverside Casino & Golf Resort (RCGR). Joe Massa, General Manager, presented the following contracts for Commission approval:

- Dubuque Bank & Trust, Washington County, City of Riverside – Tax Revenue Shortfall Agreement
- Dubuque Bank & Trust, Washington County, City of Riverside – Advance of Proceeds Agreement
- Washington County, City of Riverside, County Assessor – Assessment Agreement
- IGT – Agreement for Wide Area Progressives
- Konami Gaming – Casino Accounting System
- North Country Business Products – MICROS POS System
- Corridor Paint & Drywall – Casino Interior Framing of Kitchen/Restaurant
- Eastern Iowa Light & Power Cooperative – Substation Property Lease
- Aristocrat Technologies, Inc. – 220 Slot Machines
- Agilysys NV, LLC – MMS System
- Cummins Allison Corporation – MPS Currency Counters

- E-GADS, LLC – Slot Displays
- Mid States Steel Corp. – Spa Structural Steel
- Allied Construction Services – Casino Operable Wall System
- Knutson Construction Services – Spa Erection Steel
- East Moline Glass Company – Casino Windows
- Corridor Paint & Drywall – Casino Studs and Drywall
- CJ Moyna & Sons – Golf Course Clearing and Excavations
- Pool Tech Midwest, Inc. – Pool/Tub
- Knutson Construction Services – Casino Finish Carpentry
- Liberty Doors, Inc. – Casino Doors & Hardware
- Brockway Mechanical – Casino Water Features
- Feaker Painting, Inc. – Casino Painting/Wallcovering
- Rheinschmidt Tile & Marble – Casino Ceramic/Stone
- Rheinschmidt Tile & Marble – Casino Floor Coverings
- WMS Gaming – Slot Machines
- Brockway Mechanical – Kitchen Exhaust Hoods
- Springer Miller – PMS
- Vital Support Systems – Network Hardware and Phones
- HP Software Licensing & Management Solutions – Server Hardware and Licenses
- Rheinschmidt Tile & Marble – Hotel Floor Coverings
- Midwest Glazing, LLC – Aluminum Framed Entrances & Curtain Walls
- Brockway Mechanical – Pool/Spa/Pro Shop Metal Walls & Soffit Panels

Hearing no comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by RCGR. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-60)

Mr. Massa advised that construction continues to proceed ahead of schedule, with the back office area being worked on last week. There are 1,000 slot machines ready to go on the floor once the gaming floor is carpeted this week. Mr. Massa stated there are currently 50 plus employees working, and close to 200 are enrolled in the dealer's school. He indicated that security is being tightened, with all employees and contractors required to have a badge; over 800 badges have been issued to date. Mr. Massa stated that everything is on schedule for a September 1 opening.

The golf course is under construction, with eight holes mostly finished. The grass seeding will be done in August, with the course to open in the spring of 2007.

Hearing no further comments or questions for Mr. Massa, Chair Hamilton called on Harrah's. Mike Rich, Assistant General Manager, presented the following contracts for Commission approval:

- Agilysys NV, LLC – New SDS Server and Hardware

- Dell Computer Corp. – Computers and Equipment
- Horizon Media, Inc. – Buyer for TV, Radio and Newspaper Advertising
- Sobel Linen Company – Sheets and Linens for Hotel Rooms
- Southwest Airlines – Business Travel and Customer Travel

Commissioner Seyfer asked about the contract with Horizon Media. Mr. Rich advised that the company purchases advertising for Harrah's company-wide. Gaye Gullo, General Manager, stated that Horizon Media works with local media to get the advertising on air. As they are an agency, they work with the major affiliates versus the local stations in order to achieve the best economies of scale and make sure it is cost effective. She indicated that Harrah's will probably spend close to \$100 million this year on advertising; with approximately \$650,000 for the Bluffs properties. Ms. Gullo stated that the amount listed on the contract is what will be going to the local markets, not Horizon Media.

Hearing no further comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Harrah's. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-61)

Chair Hamilton called on Horseshoe Casino/Bluffs Run Greyhound Park HC/BRGP). Mr. Rich presented the following contracts for Commission approval:

- Agilysys NV, LLC – New SJS Server and Hardware
- Horizon Media, Inc. – Buyer for TV, Radio and Newspaper Advertising
- Paramount Linen & Uniform – Linen and Uniform Vendor
- Pegler Sysco – Smallwares and Food Unavailable from Primary Food Vendor
- Show Productions, Inc. d/b/a Audio Visions – Audio Production for Concerts at Whiskey Roadhouse

Hearing no comments or questions, Chair Hamilton requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by HC/BRGP. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 06-62)

Chair Hamilton called on Dubuque Greyhound Park & Casino (DGP&C). Bruce Wentworth, General Manager, presented a contract with Shuffle Master Gaming for novelty games and shufflers for Commission approval.

Hearing no comments or questions, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contract as submitted by DGP&C. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-63)

Chair Hamilton called on Prairie Meadows Racetrack & Casino. Tom Flynn, legal counsel, presented the following contracts for Commission approval:

- Deloitte & Touche – Consulting Services, Management and Organization
- Iowa Horseman’s Benevolent Protection Association – One Year Supplemental Agreement
- IGT – Lease Renewal – Slot Games
- Iowa Quarter Horse Racing Enterprise, Inc. – One Year Supplemental Agreement (RP)
- Jack Bishop – Employment Agreement

Chair Hamilton asked how the search for the new general manager was going. Mr. Flynn advised that the Board of Directors for PMR&C interviewed four search firms – two national and two from Des Moines. They chose to hire one of the Des Moines firms at the May meeting, and the firm is in the process of locating possible candidates. The firm, which has been encouraged to move as quickly as possible, is to report back to the Board by mid-July.

Chair Hamilton asked about Gary Palmer serving as CEO or Interim CEO. Mr. Flynn stated that Mr. Palmer has indicated an interest in the position, and will be submitting an application. Mr. Flynn advised that when Bob Farinella, former CEO, gave a 30-day notice, the Board decided to conduct a national search for a replacement. The Board felt that naming Mr. Palmer as the interim CEO would have a “chilling” effect on the search.

Commissioner Bair noted that Jack Bishop has served on the Polk County Board of Supervisors for 28 years, and was around PMR&C in the early formative years

Chair Hamilton asked if Mr. Bishop has any experience in the gaming industry. Mr. Flynn answered in the negative, but noted that he is currently serving as Chair of the PMR&C Board and is a past Chair of the Polk County Board of Supervisors. He noted that the county has over 1,000 employees, and Mr. Bishop is familiar with unions.

Chair Hamilton asked if the contract with Mr. Bishop would be renegotiated if the position is filled by August 1, or if Mr. Bishop would actually serve in the position for a year. Mr. Flynn answered in the negative, stating that the contract is actually on a month-to-month basis; Mr. Bishop is considered an at-will employee and receives no benefits other than reimbursement for out-of-pocket expenses. The employment contract can be terminated by either party on 30 days notice.

Mr. Flynn advised that Mr. Bishop served in the CEO position for four months with no compensation as the Board conducted a study to determine what would be considered a reasonable fee for an interim general manager. The study found that the fee would be \$275,000 plus a percentage for a performance bonus for an individual who knows the gaming and pari-mutuel industry. The salary agreed to by Mr. Bishop and PMR&C is less than what was recommended. Mr. Flynn noted that the Board and employees are pleased with the way operations have gone since Mr. Bishop’s arrival. He advised that the employment agreement was submitted to the IRS at the same time it was submitted to

the Commission. Mr. Flynn stated that he does not anticipate there being a problem with the IRS based on the study conducted by DeLoitte and Touche.

Commissioner Cutler asked about the out-of-pocket expenses. Mr. Flynn indicated they would be for his cell phone. In the event that Mr. Bishop would attend any conferences on behalf of PMR&C, PMR&C would pay the associated expenses.

Hearing no further comments or questions concerning the contracts, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the contracts as submitted by PMR&C. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 06-64)

Chair Hamilton moved to the Hearing for PMR&C for a violation of Iowa Code Section 99F.9(5) (Wagering – Age restriction). Mr. Ketterer stated that PMR&C and the Commission have entered into a Stipulated Agreement concerning this matter, which stems from a minor gaining access to the casino floor. The individual walked past a security officer who did not request identification. The individual was on the floor for 40 minutes and gambled at a slot machine prior to another security officer requesting identification. Mr. Ketterer noted that the Commission did acknowledge that during the time frame of March 5, 2005 through March 5, 2006, PMR&C requested identification from 291,237 individuals and denied access to 2,390 of those individuals. Additionally, the Commission acknowledges that PMR&C was previously sanctioned for allowing a minor to gain access to the casino on March 8, 2005 and July 3, 2005, making this the third such violation within a year. This third violation within the one-year period increases the administrative penalty to \$15,000. The Stipulated Agreement is binding on the parties upon approval by the Commission. Mr. Ketterer recommended approval of the Stipulated Agreement.

Hearing no comments or questions concerning the Stipulated Agreement, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the Stipulated Agreement as submitted. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 06-65)

Chair Hamilton called on the Iowa Greyhound Association (IGA) for a report on the greyhound auction held on May 20th for which the Commission approved the withdrawal of funds from the Iowa West Racing Association/IGA escrow account. Jon Garner, legal representative for the IGA, stated that the auction was a success with over \$116,000 in total sales. Individuals from a number of states attended the auction. The auctioneer firm of Ryan Mahan & Associates conducted the auction. Mr. Mahan was very impressed with the quality of the racing stock offered for sale, and has already expressed an interest in helping with future auctions. Mr. Garner indicated that the IGA has only received positive feedback, and have already begun planning next year's auction.

Chair Hamilton moved to Administrative Business, and called on Mr. Ketterer. Mr. Ketterer advised that the Commission was giving public notice that requests for the Dog

Racing Promotion Fund for Fiscal Year 2007 are due in the Commission's Des Moines office by June 30, 2006.

The next item under Administrative Business was a discussion concerning the Commission's schedule for sanctions. Mr. Ketterer noted that a minor violation at PMR&C approximately ten years ago laid the ground work for these violations coming before the Commission based on three thresholds being in place: no identification requested, the minor was on the gaming floor for more than 30 minutes, and they had gambled and/or consumed alcohol. The fine for the first incident is \$10,000, and increases to \$15,000 for multiple violations.

Mr. Ketterer stated there is a need for a pre-conceived penalty, noting that the facts and/or situation are rarely in dispute. The Commissioners have no knowledge of how these fines and Stipulated Agreements are conceived. Mr. Ketterer indicated that he felt it was time to review the thresholds as they have not been addressed in quite some time. He suggested that the Chair and Vice Chair consider the issues and report back at the July meeting.

With regard to the regulatory fees for Fiscal Year 2007, Mr. Ketterer noted these fees are dependent upon the Legislature's approval of the budgets for the Commission and Department of Public Safety/Division of Criminal Investigation. Budget bills are normally one of the last bills to be passed by the Legislature, and the Governor, who has line item veto power, takes his time in approving the budget bills. Mr. Ketterer stated the fees for Fiscal Year 2007 have been calculated; however, they need further review and he would like to send a draft to the licensees. He noted the Commission does have the ability to make adjustments in the fees. Mr. Ketterer stated that he was seeking permission to collect the first week's payment due July 6, with the actual approval of the fees taking place at the Commission's meeting on July 13th on a retroactive basis. Permission was granted.

As there was no 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
JULY 13, 2006**

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, July 13, 2006 at Stoney Creek Inn, Johnston, Iowa. Commission members present were Diane Hamilton, Chair; Kate Cutler, Vice Chair; and members Gerry Bair, Greg Seyfer and Toni Urban.

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

Chair Hamilton then moved to the approval of the minutes from the June 8, 2006 Commission meeting. As there were no corrections, Chair Hamilton requested a motion. Commissioner Cutler moved to approve the minutes from the June 8, 2006 Commission meeting as submitted. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Hamilton called on Jack Ketterer, Administrator for IRGC, regarding announcements. Mr. Ketterer introduced Commissioner Urban, who was appointed to the Commission effective May 1, 2006 to replace Mike Mahaffey. Commissioner Urban was unable to attend the June meeting due to surgery. She is the owner/operator of Letter Perfect in West Des Moines.

Mr. Ketterer provided the following information concerning upcoming Commission meetings:

- August Commission Meeting – August 31, 2006 – Stoney Creek Inn, Johnston, Iowa (Submissions due by August 17, 2006)
- September 2006 – No Commission Meeting
- October Commission Meeting – October 5, 2006 – IOC Bettendorf, Bettendorf, IA (Submissions due by September 21, 2006)
- November Commission Meeting – November 9, 2006 – Stoney Creek Inn, Johnston, Iowa (Submissions due by October 26, 2006)
- December 2006 – No Meeting

Chair Hamilton moved to the election of Chair and Vice Chair for Fiscal Year (FY) 2007. Commissioner Seyfer moved to elect Commissioner Cutler as Chair and Commissioner Bair as Vice Chair for FY 2007. Chair Hamilton seconded the motion. Hearing no further nominations, Chair Hamilton called for the vote. The motion carried unanimously. (See Order No. 06-66) Commissioner Hamilton turned the gavel over to Chair Cutler for the remainder of the meeting. Chair Cutler thanked Commissioner Hamilton for her two years of service as Chair, noting that they had been eventful.

Chair Cutler moved to the regulatory fees for FY 2007. Prior to discussing the fees, Mr. Ketterer advised that the Iowa Code requires the Commission to meet in Des Moines every July and to elect a Chair and Vice Chair. He stated that Commission members elected to adopt a rule that limited the Chair to two consecutive one-year terms quite some time ago.

Mr. Ketterer moved to the regulatory fees, noting that a copy of the proposed fees had been sent to the licensees following the June meeting, and that the Commission had not received any feedback. He noted that the first payments under the proposed fees were made on July 6, 2006. For regulation of the excursion boats, IRGC was appropriated approximately \$3 million and the Division of Criminal Investigation (DCI) Gaming Unit received approximately \$7 million. These costs were divided among the thirteen riverboats. Mr. Ketterer stated that the appropriation to IRGC to regulate the racetracks enclosures was approximately \$2.6 million, while the DCI Gaming Unit received approximately \$700,000. The costs were apportioned to each racetrack. The fee to each track will vary somewhat as the costs associated with IRGC personnel and drug testing are different for greyhounds and horses. Mr. Ketterer recommended that the Commission approve the regulatory fees retroactive to July 1, 2006.

Hearing no comments or questions concerning the regulatory fees, Chair Cutler requested a motion. Commissioner Bair moved to approve the Excursion Boat and Racetrack Enclosure Regulatory Fees for FY 2007 as submitted. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-67)

Chair Cutler moved to Public Comment, and called on Chris Duster. Mr. Duster asked the Commission to re-evaluate Administrative Rule 491-5.4(5)d, which allows a licensee to eject or exclude any person, licensed or unlicensed, from the premises of the facility, on the licensee's own volition without any reason or excuse given, provided the ejection or exclusion is not founded on constitutionally protected grounds. He noted that while casinos are privately owned, they are very public places. Mr. Duster referenced various areas of the Iowa Code in Chapters 89 and 99F. He pointed out that Iowa Code Section 89.2(5) defines a public assembly as any place the public is able to assemble, and specifically mentions a casino. He noted the US Supreme Court heard a case against the Resort International Hotel who excluded patrons who had not broken any laws or rules. The Court determined that any business that opens its doors to the general public does not have the right to exclude anyone unreasonably.

Chair Cutler asked Mr. Duster if he was asking the Commission to overturn the exclusion rule. Mr. Duster stated that he was asking the Commission to review the fairness of the rule. She asked Mr. Ketterer if there was a procedure that needed to be followed in challenging a rule. Mr. Ketterer stated that Mr. Duster could file a Petition for Rulemaking.

Mr. Duster stated that he was just trying to get a better understanding of the exclusion rule. He stated that he feels the rule is liberal and allows casinos to unfairly exclude the

public without any accountability. He requested that the Commission review the rule and determine if it is fair to the public. Mr. Duster pointed out that the Commission's web page indicates that one of its duties is to protect the public.

Chair Cutler called on Worth County Development Authority/Diamond Jo Worth (WCDA/DJW). Jesus Aviles, General Manager, provided the following information regarding their request to remodel the facility, as well as an update on the three months of operation. He noted that the independent market studies completed in 2005 projected revenues for that market in the low \$30 million range. Mr. Aviles stated that the facility has exceeded those expectations, but in order to ensure that continues, WCDA/DJW needs to act quickly in order to avoid erosion of revenues and patrons due to capacity constraints. The previous market studies also predicted an annual visitation rate of 600,000; in just over three months there have been 343,000 visitors, or 57.3% of the projected visitors. Revenues for three months are close to \$17 million or 53% of the yearly projected revenues. Mr. Aviles stated that DJW is on pace to more than double the projected first year revenue and visitor numbers.

Mr. Aviles stated that the win per unit for their slot machines is the highest in the state, approximately \$330 per slot machine. The facility is experiencing high usage of the slot machines during the week as well as weekends. He indicated the key to the facility's continued success is the successful marketing of the property to the secondary market extending 25-75 miles north of Northwood, but excludes the suburb of St. Paul, Minnesota. It is estimated this market will grow by approximately 15% over the next year. One of the challenges facing the facility is that many patrons travel anywhere from 50-100 miles to visit, not due to a lack of options in their own state, only to arrive at a packed entertainment center. In a survey of visitors to the facility, most indicated an increase in the number of machines would make their visit to the property more enjoyable, and insure their return to the property.

Mr. Aviles stated that WCDA/DJW is proposing to remodel the facility to provide guests with additional facilities to compliment the current facility. He noted the hotel broke ground in early June, and should be open by mid to late November. The hotel, a Country Inn and Suites, will have four floors.

The expanded facility will allow DJW to reopen their poker room, which was very successful in its two months of operation. Plans call for the construction of a 190-seat buffet, which will be available to hotel guests and casino patrons. The buffet will increase the number of dining choices to four for visitors to the facility. As access to the buffet is through the hotel entrance, it will also provide another dining option for area residents.

Mr. Aviles stated that plans call for the expansion of "Center Stage", which is used to provide live music Thursday through Saturday nights in order to attract big name headliners to the stage.

Mr. Aviles requested approval of an additional 800 slot machines and eleven table games, which are very popular with the out-of-state visitors who do not have table games at their local casinos. The square footage of the facility would increase to approximately 30,000 square feet at a cost of around \$20 million. He noted that the Commission members had architectural renderings of the proposal before them. Mr. Aviles pointed out that DJW has already added extensively to their parking facilities.

Mr. Aviles stated that the driving force behind the request to remodel the facility is to retain the current level of patronage from the north, capture the potential growth in the secondary northern market, promote Worth County as a viable location for future economic development by reinvesting in the community and encouraging others to do so, an ability to increase revenues to WCDA, county, and provide additional jobs in the area.

Chair Cutler called for any questions concerning the remodel request. Commissioner Bair asked how many months the facility had been open. Mr. Aviles indicated three months, ten days. Commissioner Bair asked about the natural ebb and flow of business; and where DJW projected the facility would be in six months if the Commission elected not to take action today. Mr. Aviles stated that at the current rate, revenues are projected to reach \$90 million. He noted that many patrons will visit a facility to try it out; however, they will not continue to visit if they continually have to wait to play. Mr. Aviles stated that a facility will look at expanding when slot machines are receiving 60-70% utilization during the peak times; DJW is experiencing 75-76% utilization during their "down" times and 93-95% during peak times. He stated that DJW offers a variety of machines and table games that are not available in Minnesota. Another indication that a facility is reaching capacity on slot machine usage is the win per unit. The average win per unit in Iowa is approximately \$200; DJW has had a consistent win per unit of \$330. Mr. Aviles stated that DJW has experienced 3-4 people waiting for one slot machine. He indicated people expect a wait during the opening weeks of a facility; however, if the wait continues, they will quit patronizing a facility.

Commissioner Bair asked if there were any rumors of Minnesota changing their gambling laws. Mr. Aviles answered in the negative; however, the properties in northern Minnesota have started to market aggressively in the Mason City/Clear Lake region in an attempt to regain some of the lost market share.

Mr. Aviles presented the following contracts for Commission approval:

- Henkel Construction Company – Construction Contract
- Jefferies & Company, Inc – Financing for Expansion (Increase) (RP)
- Johnson Golf Group – 2006 Golf Course Improvement Project, Pheasant Links Golf Course
- Truman and Lorraine Julseth – Real Estate Ground Lease
- Larson Contracting, Inc. – Remodeling of Club House at Pheasant Links Golf Course

Chair Cutler noted that DJW is doing a wonderful job in tapping the out-of-state market. Hearing no further comments or questions for Mr. Aviles, she called for a motion concerning the remodel request and contracts.

Commissioner Bair moved to approve the expansion request and the contracts as submitted by DJW. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 06-68)

Commissioner Bair asked about the projected completion date for the expansion. Mr. Aviles stated that with the Commission's approval, they will start very quickly with the hope of being ready by the end of the fourth quarter or early in the first quarter of 2007 depending on the weather.

Chair Cutler moved to the contract approval portion of the agenda, and called on HGI Lakeside (Lakeside). Damon Butler, General Manager, presented the following contracts for Commission approval:

- McKinley Inc. – Purchase Resale Items for Gift Shop
- ProPetroleum Inc./CT Corp. Systems Fuel Purchase for Resale at C-Store

Hearing no comments or questions, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Lakeside. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-69)

Chair Cutler called on Catfish Bend Casino II (CBC II). Gary Hoyer, Legal Counsel, presented the final Lease Agreement by and between Huckleberry Entertainment, LLC and Catfish Bend Casinos II, LLC, noting that a draft was submitted during the request for approval of sale at the June meeting.

Hearing no comments or questions for Mr. Hoyer regarding the lease, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the lease agreement as submitted by CBC II. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 06-70).

Chair Cutler called on IOC Marquette (IOCM). Barron Fuller, General Manager, presented a contract with International Game Technology for the ABS System, Options, and Upgrades.

Hearing no comments or questions, Chair Cutler called for a motion. Commissioner Bair moved to approve the contract as submitted by IOCM. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 06-71)

Chair Cutler called on IOC Bettendorf (IOCB). Mo Hyder, General Manager, presented the following contracts for IOCB and Rhythm City Casino respectively:

- Davenport One – Employee Incentive Program
 - Business Telephone Supply – Supply and Install Cable
 - A Beautiful Clothing Company – Employee Uniforms
 - International Game Technology (IGT) – Gaming Equipment Conversion (Increase); and
-
- Davenport One – Employee Incentive Program
 - Business Telephone Supply – Supply and Install Cable
 - International Game Technology (IGT) – Gaming Equipment Conversion (Increase)

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by IOCB and Rhythm City Casino respectively. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 06-72)

Chair Cutler called on Ameristar Casino (Ameristar). Teresa Meyer, General Manager, presented the following contracts for Commission approval:

- Microvantage – Computer Equipment (Increase)
- Holiday Inn Hotel & Suites – Hotel Rooms (Increase)
- Hawkins Construction, Inc. – Miscellaneous Construction Projects

Mr. Ketterer asked Ms. Meyer how many rooms were involved in the Holiday Inn request. Ms. Meyer stated that Ameristar is currently comping approximately 30 rooms on weekends.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Ameristar. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 06-73)

Chair Cutler called on Riverside Casino and Golf Resort (RCGR). Joe Massa, General Manager, presented the following contracts for Commission approval:

- Ritters, Inc. – Irrigation System/Sod/Seeding
- Iowa City Landscaping – Landscaping
- Myers Construction, Inc. – Hotel Guest Rooms
- Five Seasons Drywall – Spa Enclosure
- Brockway Mechanical – Spa Plumbing
- DeVries Electrical, Inc. – Spa Electrical
- Dodd Drywall – Spa Interior Finishing
- Woodcraft Architectural Millwork – Spa/Pool Casework
- D&R Masonry – Porte Cochere & Event Center

- Mid States Steel Corp. – Casino Porte Cochere
- Hargers Acoustics, Inc. – Casino Ceilings
- Brinton's – Carpet Installation
- Edward Don & Company – Kitchen Smallwares
- Rankin Communication Systems – Sound System
- The United States Playing Card Company – Playing Cards
- Midwest Casino Supply – Casino Chairs
- Midwest Game Supply – Blackjack, Craps, Poker & Roulette Tables & Accessories
- Martin Bros. – Event Center Equipment
- LG Electronics – Hotel & Casino TVs
- GrayBar – Fiber Optic Wire
- Impex Development – Hotel Room Headboards & Tables
- Sign Productions – Lighted Signs
- CSS Marketing de no-vo – Hotel Room Linens
- Denver Mattress Company – Hotel Room Beds
- Kirk Gross Company – Office Furniture

Chair Cutler requested a construction update. Mr. Massa advised that ground was broken on July 10, 2005, and RCGR is planning to open on August 31, 2006. He stated that slot machines are on the floor, the slot accounting system was to arrive today, office furniture is slated to arrive on July 15, and the fire marshal will be on site on Monday, July 17th for an occupancy permit. They anticipate being able to move into the facility on July 27th. Mr. Massa stated that RCGR is well on the way to hiring the projected 850 employees, with approximately 625 already hired. He indicated the majority will start on August 1 for training purposes.

Commissioner Bair asked if RCGR outsourced the hiring of its employees. Mr. Massa answered in the negative. Commissioner Seyfer asked how the employment fairs were going. Mr. Massa stated that RCGR held several informational sessions earlier for dealers, with the dealer school being in operation for about two months. He indicated the first full blown job fair for front line employees was held the previous weekend, Friday – Sunday. Mr. Massa stated that approximately 800 individuals attended. He estimates that throughout the hiring process RCGR has received around 4,000 applications via mail, internet, information sessions, etc. With just over 200 positions to fill, Mr. Massa is confident RCGR will be able to find suitable employees.

Commissioner Bair asked if the hotel would open at the same time as the casino. Mr. Massa answered in the affirmative; however, there is some question as to the pool and spa area.

Commissioner Hamilton asked if the grand opening would be taking place on September 10th. Mr. Massa indicated that the grand opening would be taking place on August 31st. Chair Cutler asked what is being planned for the grand opening. Mr. Massa stated there

would be a private opening for the approximately 700 Iowa investors on Thursday around 3:00 PM, and the facility would then open to the general public around 5:00 PM. He indicated there are numerous events planned at the facility for the week preceding the opening of the facility, but assured the Commission no gaming would be allowed.

Commissioner Bair asked about further development around the location of the casino. Mr. Massa indicated there has been interest expressed in the general area. He noted that the highway expansion, which includes a turning lane, was to be completed this week.

Chair Cutler asked Mr. Massa if he knew the percentage of new employees that are moving into the area rather than just changing jobs. Mr. Massa answered in the negative, noting that the majority are residents of the area. He estimated that over 50% are from the Washington County area. Mr. Massa stated that the hiring process has been a challenge due to the low unemployment rate in the area. He indicated the starting wage level and benefit package being offered to employees by RCGR is aggressive; they are doing what is necessary in order to provide good careers for individuals.

Commissioner Bair asked about total employment. Mr. Massa indicated approximately 850 full and part-time employees with some seasonal employees with the golf course. Commissioner Bair asked about the projected opening of the golf course. Mr. Massa stated that it is projected for spring of next year, with approximately twelve holes already completed. He indicated that seeding of the course would commence in early August. Commissioner Bair asked if the course could be a potential site for major golfing tournaments. Mr. Massa indicated that it would qualify in terms of the quality of the course. Commissioner Bair asked if Reece Jones would stay involved with the course once it was completed. Mr. Massa answered in the negative.

Commissioner Hamilton asked Mr. Massa what is being done in terms of marketing in preparation for the opening and thereafter, and asked if RCGR would be renting busses to bring patrons from the Iowa City area.. Mr. Massa answered in the negative as they are not that far from the area. He indicated that a significant amount of funds would be spent with the media over the next month, and noted that they are receiving numerous calls now.

Commissioner Bair asked about reactions from the residents of the Kalona area. Mr. Massa stated that he has visited the area numerous times, and has spoken to service organizations with very good reception. He stated that RCGR understands the trepidation of the residents. Mr. Massa advised that he has had discussions with the Kalona Chamber, who has expressed an interest in RCGR providing a marketing opportunity for the local artisans in the gift shop. There have also been discussions about developing a dual marketing plan where each would promote the other attraction. Mr. Massa stated that some of the management people have located in the Kalona area. He indicated RCGR's intent is to be a good neighbor.

Hearing no further comments or questions for Mr. Massa, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by RCGR. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 06-74)

Chair Cutler called on Harrah's. Tom Thanas, Senior Attorney for Harrah's, presented the following contracts for Commission approval:

- 5 Star Interior Services, Inc. – Bedding for Hotel Rooms
- Bijoux Ternier, LLC – Inventory for New Bijoux Ternier Retail Shop
- Lambourne Environmental Diving Services, Inc. – Diving/Dredging Services
- Manpower, Inc. – Temporary Labor
- Monterey International, Inc. – Talent Agency for Artists Performing at Stir Concert Cove

Mr. Thanas stated that he was representing Gaye Gullo, General Manager, who was hosting corporate meetings in Council Bluffs. He is an in-house attorney for Harrah's and covers Illinois and Iowa.

Hearing no comments or questions, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Harrah's. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 06-75)

Chair Cutler called on Bluffs Run Greyhound Park/Horseshoe Casino (BRGP/HC). Mr. Thanas presented the following contracts for Commission approval:

- Country Inn & Suites – Complimentary Offers for VIP Guests (Increase)
- Dell Marketing, LP – Computers and Equipment for New Offices (Increase)
- Midwest Sign Crafters – Maintenance of Interior/Exterior Signage

Hearing no comments or questions, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by BRGP/HC. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-76)

Commissioner Bair asked about Binion's and the marketing of the brand. Mr. Thanas indicated that everything was going well, noting that representatives from facilities in other areas where Harrah's operates are coming to Council Bluffs to see how the operation is going. He stated that the Horseshoe brand has been so effective there have been discussions about expanding the brand with the Council Bluff's property becoming the prototype should that occur.

Chair Cutler called on Dubuque Greyhound Park & Casino. Bruce Wentworth, General Manager, presented a contract with Aristocrat for new slot machines and related software.

Hearing no comments or questions, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contract as submitted by DGP&C. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-77)

Chair Cutler called on Maggi Moss for her comments. As Ms. Moss was not present at this time, Ms. Cutler indicated that the Commission would return to that agenda item later.

Chair Cutler called on Prairie Meadows Racetrack & Casino (PMR&C). Derron Heldt, Director of Racing, gave a report on the results of the Thoroughbred only meet which ran from April 21 through July 4, 2006. Prior to the start of this meeting, PMR&C completed a new paddock, walking ring and jockeys' quarters. PMR&C received rave reviews from patrons over the opening weekend regarding these changes. He noted that staff and horsemen were complimentary of the design. Mutual handle during the first meet was mixed with on-track handle decreasing approximately 3.5% and off-track increasing about 5.3%. Mr. Heldt indicated these results are representative of the racing industry at the current time. He noted the weather was great opening weekend but following weekends were chilly, which prevented some individuals from going to the track. The field size averaged 7.5 horses per race. Last year PMR&C raced four days per week with nine races per day. This year, they have raced four days per week with ten races per day, or 33 more races during the first meet than last year. There were 249 horses that competed in those races. Mr. Heldt stated that the additional races kept the field size comparative to last year. He stated that the Horsemen's Benevolent and Protection Association (HBPA) conducted a survey during May and June and compared six different tracks – Belmont, Arlington, Delaware, Calvert, Canterbury and Fairmont Park; the HBPA found that the field size at PMR&C was very competitive, and was actually in the upper echelon when compared with those six tracks. While Mr. Heldt conceded that 7.5 entries per race was not a great number, PMR&C is pleased with their field sizes for the meet. He pointed out that the thoroughbred only meet closed on a high note with the Festival of Racing, which has eight major stakes races. Mr. Heldt advised that horses from New York, Kentucky, south Florida, and California flew into the Des Moines International airport for the races. The cornerstone of the Festival is the Cornhusker Stakes Race, a Grade 2 race, which had thirteen entries. Mr. Heldt stated PMR&C received national recognition on the cable horse channels across the country, and radio interviews with media in Las Vegas to help promote the races. He noted that many industry leaders felt the Cornhusker was one of the better races held over the Fourth of July weekend.

Mr. Heldt indicated that he would commence his report on the transition between the first and second meets, provided there were no questions concerning the first report.

Mr. Ketterer stated that this year was the first time PMR&C held ten races per day during the spring meet, which was agreed to between PMR&C and the horsemen. He noted that the horse inventory this year was 50-100 horses below last year. Mr. Ketterer asked Mr. Heldt for his opinion on the decreased number of horses in lieu of the higher purses. Mr.

Heldt stated that PMR&C has 1,350 stalls, which were all allocated. However, two 40-horse operations cancelled. Mr. Heldt stated that PMR&C expects trainers to bring enough horses to fill the stalls allocated to them.

Commissioner Bair asked if the trainers provided an explanation for canceling their stall request. Mr. Heldt stated that PMR&C is competing with other tracks for horses. One of the trainers has seven different operations at various tracks, and was unable to find the necessary help to bring horses to Iowa. Commissioner Bair asked if there were any consequences to the trainer for failing to fulfill his stall request. Mr. Heldt answered in the negative.

Mr. Ketterer stated that during the first four days of the meet the field size was 8.3; however, from that point until June 10th, the field size dropped to 7.1. During the last 14 days of the meet, the field size increased to 8.0. Mr. Ketterer stated that in searching for an answer to the changing field size, he looked at the two-year old races. Noting that this is the first year horses are able to run, and based on when they were foaled, the two-year olds will not run until the end of the season. This creates somewhat of a liability for the racing department as trainers request stalls for these horses, but the track will not see many starts from them. Mr. Ketterer stated that during the first 30 days, PMR&C had eight races with 52 starters, with the field size being 6.5 for two-year olds. In the last 15 days, there were 18 races with 145 starters with a field size of 8.1. Mr. Ketterer stated that in his opinion the two-year old entries were the reason behind the fluctuating field size, and that is something that will not change. Mr. Heldt concurred with Mr. Ketterer's assessment of the situation. Mr. Ketterer stated that eight or nine race cards would be more realistic than ten races. Mr. Heldt indicated that he and the racing staff would concur; that they are able to fill the first seven or eight races, but then struggled to find sufficient entries for the last two. Mr. Ketterer stated that if the two races with the lowest field size were eliminated each day, the field size in the remaining races would increase approximately one-quarter point.

As there were no further comments or questions concerning the thoroughbred only meet, Mr. Heldt proceeded to the report on the transition between the thoroughbred and mixed meet. He advised that the second meet would be starting that evening with ten races per card – five thoroughbred and five quarter horse. Because of the mixed meet, PMR&C needs to divide the stall space equally between the two breeds – 675 for each. He noted that during May and most of June, there were 1,050 thoroughbreds on the backside, meaning the thoroughbred population needed to be reduced by approximately 400 horses. Mr. Heldt stated there were some transition problems, which PMR&C is addressing. He attributed some of the problems to communication issues. He indicated that PMR&C was striving to help the horsemen; noting that from the time stalls are allotted the first of June to the end of the meet July 4th, there are many situations that can occur. Mr. Heldt stated that it might have been better to provide a hard answer earlier rather than later, but pointed out that PMR&C still needed to fill the race cards for the remainder of the first meet.

Mr. Ketterer noted that PMR&C has always had the issue of removing thoroughbreds from the backside when they are getting ready to start the mixed meet. He stated that the only negative he heard from many of the trainers and horsemen was that they wanted answers earlier; they did not like being in limbo with regard to stalls. Mr. Ketterer stated that he understood PMR&C was trying to accommodate the horsemen by waiting. Mr. Heldt stated there were around six to eight trainers with approximately 48 horses that needed to be moved from the first meet. Mr. Ketterer noted that PMR&C used to attempt to change from the thoroughbred to mixed meet in one to two days, which put more pressure on the racing staff to fill the race cards. Now, with a week between the meets, there is more time for interest to build. Mr. Ketterer noted that during the first two programs for the mixed meet, the field size is averaging 9.5 horses per race. Mr. Heldt pointed out that the coming weekend will be the opening weekend for the mixed meet, and expressed his hope that PMR&C will be able to maintain the field size throughout the meet.

Chair Cutler moved to the next item under PMR&C, a request for approval of the 2006 Agreement with the Iowa Harness Association. Mr. Heldt advised that PMR&C is still in negotiations with the Harness Association, with an Ancillary Agreement having been forwarded to them. PMR&C did receive a letter advising of two points needing further discussion. Mr. Heldt stated that a meeting has been set for July 25th to work on the final details of the agreement.

Chair Cutler asked if the above situation would affect the next agenda item, a proposed change in the start date for the harness meet. Mr. Heldt stated that the above agenda item is on going; and that with regard to the start date for the harness meet, PMR&C has decided to stay with the dates recommended by the Commission last November. The harness meet will commence on September 22nd and will conclude on October 14, 2006.

Commissioner Bair asked if the negotiations with the Iowa Harness Association would impact the start date of the harness meet. Mr. Heldt answered in the negative. Commissioner Bair clarified that the additional discussions for the agreement between PMR&C and the Iowa Harness Association were for points within the area of the harness meet. Mr. Heldt answered in the affirmative.

Hearing no further comments or questions for Mr. Heldt on the above issues, Chair Cutler moved to the contracts submitted by PRM&C. Mr. Heldt presented the following PMR&C contracts for Commission approval:

- All Makes Office Interiors – Purchase of Office Equipment and Supplies (Increase)
- Bally Gaming, Inc. – Lease of 1 Bally Cash Wheel Game (Replacement)
- Becker Equipment (Hockenberg's) – Food Service Equipment, Parts & Service (Increase)
- Corporate Express – Furniture and Accessories (Increase)
- Design Centre Collections – Furniture and Accessories

- IGT – Lease of 6 Jackpot Hunter Series Video Slot Games (Replacements)
- Storey-Kenworthy – Furniture, Office Supplies and Accessories (Increase)
- WMS Gaming, Inc. – Lease of 8 Bluebird Upright Video Slot Machines

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by PMR&C. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-78)

Chair Cutler called for any further comments or questions for PMR&C. Commissioner Hamilton asked if it would be appropriate to request an update on the construction project at PMR&C, as well as the search for a new general manager.

Jack Bishop, interim General Manager, advised that the construction project is on schedule. He stated that the grand opening for the casino expansion on the second level of the facility will take place on August 8th; the auditorium, buffet and fine food restaurant are under construction on the first level and should be open by the first of February. The auditorium will be 14,000 square feet, which will seat 800 individuals for a sit-down dinner, or 1,200 individuals in classroom-style seating.

Mr. Bishop stated that all of the table games are being moved into the new expansion, along with 119 slot machines. More slot machines may be added later in the year.

Commissioner Hamilton asked about the search for a new general manager. Mr. Bishop indicated that he is the interim General Manager/CEO. He noted that the search committee has contacted several individuals, with 39 of them expressing an interest in the position. The committee will interview nine individuals; and the PMR&C Board of Directors will interview three to five finalists on August 5th. Mr. Bishop stated that he is hopeful the Board will be able to make a decision, make an offer, and proceed with negotiating a contract with the selected individual.

Commissioner Cutler asked about the August 5th date. Mr. Bishop indicated this is the date PMR&C is shooting for; however, the date will be dependent upon everyone's availability.

Commissioner Bair asked if the three to five finalists would interview with the full Board. Mr. Bishop advised there are five board members on the search committee who will interview approximately nine individuals, and make a recommendation to the full board. Mr. Bishop stated that PMR&C will move the process along as quickly as possible.

Chair Cutler moved to the next agenda item, Approval of the Dog Racing Promotion Fund as authorized by Iowa Code Section 99D.12(2)C. Mr. Ketterer advised the Commission that the Iowa Greyhound Association (IGA) was the only applicant for the funds. He noted that Linda Vanderloo, Director of Racing, had prepared a

recommendation for the Commission's review. Mr. Ketterer stated that contingent upon the eight recommendations, staff would recommend approval of the IGA as the recipient of the Dog Racing Promotion Fund.

Hearing no further comments or questions concerning IGA's application for the funds, Chair Cutler requested a motion. Commissioner Seyfer moved to approve IGA as the recipient of the Dog Racing Promotion Fund 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, 2006 through December 31, 2006, and be submitted to the Iowa Racing and Gaming Commission by April 2, 2007.
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 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, 2006.

Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 06-79)

Following a short break, Chair Cutler called on the Iowa Gaming Association (Association). Wes Ehrecke, Executive Director, provided an update on the State-wide Self-Exclusion Program, which was mandated by the 2004 Legislative session. The ban is a life-time ban, and requires that anyone in the program caught entering a casino would be charged with trespassing and any winnings would be forfeited. The Association implemented the program in November 2004. The Association established a confidential internet database system so that Association members have the ability to upload/download information, which is archived, between them. The information is also

shared with the gambling treatment providers, who also have the ability to provide the necessary information to add individuals to the program. Mr. Ehrecke stated that 1,220 individuals have enrolled in the program since its inception on November 1, 2004. He provided the Commission members with a copy of the form, which was recently updated by adding a line for the witness to print their name, added the names of the new casinos to the list of properties to which the exclusion applies, and added a bullet to reflect that the Association is an agent of the Iowa casinos. There is also a statement advising that two of the properties have taken the stance of excluding an individual completing the self-exclusion form from all of their properties across the country.

Commissioner Bair asked if the Association has ever encountered a situation where a spouse or other individual has attempted to submit the form on behalf of someone. Mr. Ehrecke stated that the form is required to be submitted in person.

Commissioner Hamilton stated that she had spoken with an individual who banned themselves from PMR&C, and has been for quite some time; however, they were able to gain entrance to the casino in Osceola. She asked how security personnel at the various facilities check to determine whether or not an individual is banned. Mr. Ehrecke stated that the program is intended to act as a deterrent; that individuals need to have accountability and take responsibility for their own actions. This is a tool to help individuals help themselves. There is also a reliance on friends and family to provide support to these individuals. Security officers at the facilities can not be expected to recognize everyone; there are those individuals who will attempt to change their identity or appearance. Mr. Ehrecke stated that individuals who have been banned have been caught either attempting to enter a facility or claim winnings and have been charged with trespassing. Any forfeited winnings are given to the Iowa Gambling Treatment Program.

Mr. Ketterer concurred with Mr. Ehrecke's comment that the security officers can not be expected to recognize everyone as in some cases they would not have seen the individual or a picture of them before. He asked Mr. Ehrecke if it was reasonable for the Commission to expect that the licensee would check the self-exclusion database prior to paying out any winnings. Mr. Ehrecke stated that once the system is downloaded, it is available to the cashiers' cage, Players' Club and the Marketing Department so the individual no longer receives any mailings. Additionally, the database is checked anytime an individual is required to present identification, i.e. cashing a check. Mr. Ehrecke stated that he feels the program has worked well to this point.

Hearing no further comments or questions concerning the Self-Exclusion Program, Mr. Ehrecke moved to his report on the Responsible Gaming Education Week, which will be held August 7th to the 11th. The theme this year is "Be Responsible; Get Educated". He indicated that the vast majority of individuals patronizing casinos are able to do so for the fun and entertainment as intended. Mr. Ehrecke stated that the licensees are committed to responsible gaming every week of the year. There will be a press release on a study to be released later this month, "Behavioral Risk Factor Surveillance System" conducted by the University of Northern Iowa, which interviewed over 5,000 households by telephone. Mr.

Ehrecke indicated the results of this study have been consistent over the last several years. There will also be an emphasis on the various resources available through the Association's website, www.iowagaming.org. Mr. Ehrecke stated that the National Center for Responsible Gaming has instituted on-line training for casino staff.

Hearing no questions or comments for Mr. Ehrecke on the Responsible Gaming Week, Chair Cutler moved to Administrative Business. Mr. Ketterer indicated there was none.

At this time, Chair Cutler recognized Maggi Moss for her comments. Ms. Moss stated that she was not speaking as a horse owner, but as a citizen of Des Moines and Polk County. She noted that she does own race horses throughout the country; affording her the opportunity to visit a number of tracks and racinos. Ms. Moss stated that she felt she had some comments to make concerning PMR&C that the Commission needed to hear, although they might not be pleasant for others to hear. She pointed out that PMR&C is the only horse track in Iowa, but believes it has the reputation of being the bad relative, etc.; a necessity in order to have gambling in central Iowa. Ms. Moss indicated her philosophy is that if Iowa is going to have horse racing, or any type of racing, it should be the best it can be. She stated that she is aggrieved by the conditions and attitude toward horse racing on the backside at PMR&C this year.

Ms. Moss provided the following example to support her previous comments: She noted that Iowa/PMR&C had one of biggest weekends of racing in Iowa over the 4th of July weekend; that it was a privilege to have the quality and type of horses in Iowa for those races. She was able to read about the races and horses in various types of media. After learning that some of the "movie stars" of the racing industry would be flying into Des Moines International Airport to race at PMR&C, Ms. Moss rearranged her schedule to go to the airport to watch the planes with the horses arrive; thinking it would be a good publicity event for Iowa/PMR&C. While driving to the airport, she called a friend at a local TV station to see if they were covering the arrival of the horses; Ms. Moss was surprised to learn that her friend had no idea what she was talking about. When she arrived at the airport to watch the planes arrive and the horses deplane, she looked around and discovered that she and Scott Pope were the only individuals there. She then went to the track where she started hearing comments from the individuals from New York, Colorado, Kentucky, etc., who were saying "Only in Iowa could this be happening," due to the lack of organization. Ms. Moss stated that it is time for PMR&C to be treated as, and start acting like a premier track, or it is not worth doing.

Another point: She read articles in the national media about the horses coming to Iowa; however, the event did not even make the "Top 6 or 10 Things to Do in Des Moines" in the Datebook published by The Des Moines Register the Thursday prior to the weekend of racing.

Ms. Moss concluded her comments by stating that the only person she has seen trying to promote horse racing is Dan Johnson, a The Des Moines Register reporter, who wrote a story about Suzanne Evans and the horse tours she gives on the back side at PMR&C.

Prior to his article, maybe 30-40 people would attend; over 200 people attended the week after the article was published. Chair Cutler thanked Ms. Moss for her comments. Representatives for PMR&C had already left the meeting.

Chair Cutler moved to the Petition for Declaratory Order filed by Isle of Capri Casinos, Inc. (IOC) for the purpose of determining whether or not non-redeemable promotional downloaded credits are to be treated as revenue for gaming tax purposes and whether or not winnings to a player using the credits are deductible for gaming tax purposes. Nancy Donovan, Regional Vice President for IOC, stated that IOC was before the Commission to discuss the approval of technology for the slot system that would combine with equitable tax treatment for the operators to provide an opportunity for a win-win formula for revenues for Iowa. She stated the customer, the State of Iowa and the operator would all benefit from the approval of this request. Ms. Donovan advised that Steve Kastner, an International Game Technology (IGT) representative, was present to provide the Commission with a demonstration of IGT's system, which IOC is hoping to use. She reminded the Commission of the similar capabilities in each licensee's respective slot system. Following Mr. Kastner, Rob Norton, Vice President of Gaming Operations for IOC, will provide the Commission with an overview of how IOC has successfully utilized this technology in an equitable tax environment in Mississippi. Ms. Donovan stated the members of the Iowa Gaming Association have expressed unanimous support of IOC's Petition for Declaratory Order.

Ms. Donovan stated that the objective of IOC's Petition was not to create cannibalization of revenues within the State of Iowa or increased competition among other Iowa operators. The strategy is to be more competitive in an effort to attract out-of-state visitors and dollars into Iowa. She noted that over 50% of Isle's revenue at the three Iowa properties comes from outside Iowa. Ms. Donovan stated that a favorable ruling would allow IOC to capture even more of the out-of-state players from Chicago, Illinois and Madison, Wisconsin. She pointed out IOC's proven track record of re-investing in Iowa. Ms. Donovan stated that the cost to IOC of installing IGT's system at all of its Iowa properties would be \$10 million; but their reinvestment calculation works much better if the Commission grants IOC's Petition. IOC believes the \$10 million investment could strengthen their position of continuing to reinvest in Iowa.

At this time, Ms. Donovan turned the presentation over to Mr. Kastner, who advised the Commission that IGT is just one vendor for this type of product. IGT calls their system "Extra Credit". He indicated that their system is installed all over the world, and has been in use for approximately ten years.

Mr. Kastner directed the Commission's attention to the brief power point presentation concerning IGT's "Extra Credit" system. Benefits of the extra credit system are: activity is tracked by the slot accounting system; convenient for players; creates efficiencies that can result in increased revenues; and extra credit rewards can not be cashed out. Since extra credit must be played through a slot machine, the activity is tracked and verified by the system, which also reports where and when the extra credit rewards were used by the

player. Players have the ability to redeem extra credit rewards at any slot machine, giving them the ability to move about the casino floor. No cash is involved with the extra credit incentive, resulting in increased profits for the operator and increased revenues for the jurisdiction. Lastly, since extra credits can not be cashed out, it lowers the promotional fulfillment of casino promotions.

As there were no questions for Mr. Kastner following the presentation, Mr. Norton took the floor to provide the Commission with information on IOC's experience with this system in Mississippi. He advised that the Mississippi Gaming Commission approved IOC's Petition with regard to downloadable promotional credits for the following reasons:

- Good business sense: For every dollar provided to the customer and the customer subsequently wins back that dollar, the casino has gained nothing. If the State taxes that dollar, the casino is being penalized for aggressive marketing; and
- The dollar is an after-tax net receipt. By taxing the dollar a second time, it is double-taxation.

Mr. Norton then covered how the Mississippi ruling has affected IOC's operations in that state other than the tax benefit. Since the Mississippi ruling, IOC has installed IGT's extra credit system in all four of their locations and market it as "Isle Play". IOC's slot revenues in Mississippi have increased 51% when compared year over year. Mr. Norton advised that customer counts have also increased 100% for the same time frame; the property with the lowest customer counts saw a 64% increase.

Mr. Norton stated that based on the favorable tax environment in Mississippi, IOC has been able to utilize those funds to reinvest back in the market. IOC has increased their direct mail incentives to their customers by 63%, and has increased their mailings by 95%. He stated that the value of each piece mailed to a loyal customer was 60% greater than what was sent. Mr. Norton advised that the average coin-in per trip increased by 32%, and the customer stayed 17% longer during each trip. IOC increased their outer market, new member programs by 38% year over year. Mr. Norton stated that he believes IOC's results in Mississippi are indicative of what IOC could achieve in Iowa.

Hearing no questions for Mr. Norton, Mr. Ehrecke took the floor to reiterate the Association's support of IOC's Petition, noting that the Commission had received copies of letters from each facility expressing their support. He indicated a favorable ruling would allow Iowa casinos to compete with other jurisdictions that have approved this technology.

In closing, Ms. Donovan advised that last year IOC's three Iowa properties redeemed over \$11.3 million in coin coupons. During the same period, IOC cashed over \$206 million in slot revenue. She advised that for every dollar redeemed through the coin coupon, \$18 in slot revenue was generated. The State of Iowa received tax revenue of approximately \$2.5 million on those coin coupons. As in Mississippi, should Iowa

approve IOC's Petition, their strategy in Iowa would be to reinvest those tax dollars back into the marketing program if given a similar tax treatment. Based on their experience in Mississippi, IOC would have the ability to reinvest \$13.8 million in non-redeemable downloadable credits (\$11.3 million in coin coupons + \$2.5 million in tax savings). Using the same ratio of generated slot revenue as experienced in Mississippi, and an expanded market, IOC believes slot revenue would increase to \$252 million; after taking the necessary deductions, there would be an incremental increase of \$32 million in slot revenue, or a 15% increase. The State would receive \$7 million in incremental tax revenues, or an increase of 15% over current receipts. Ms. Donovan stated IOC believes these figures would be a minimum as there are many factors that come into play. She reiterated that any calculations regarding Iowa figures do not include their facility in Waterloo or any other potential revenues from other Iowa facilities.

Mr. Ketterer asked Ms. Donovan if there were any other contributing factors to the increases seen in Mississippi. He asked Ameristar representatives if they were utilizing this system or a similar one at their property in Vicksburg. Troy Stremming, Vice President of Legal & Government Affairs, answered in the negative. Mr. Ketterer asked if the Vicksburg property experienced similar increases during this same time frame. Mr. Stremming advised the Ameristar has seen significant revenue increases at that property, but stated that he felt Mr. Ketterer was comparing apples to oranges in light of the hurricanes that hit the Gulf Coast area. Mr. Ketterer stated that was the point he was trying to make. Mr. Stremming stated that it would be difficult at this time to pinpoint the impact that the system could or would have had on the property. He noted that IOC would have the hard numbers to back up their information, but Ameristar would not be able to delineate what would have happened compared to what they did experience in increases taking other factors into account. Mr. Ketterer stated he was trying to show that IOC was stating they experienced increases based on the implementation of the "Isle Play" system; however, Ameristar also experienced an increase. He is wondering if there is a way to determine how much of the increase is attributable to the extra credit system versus other external forces.

Mr. Norton advised Mr. Ketterer that IOC was impacted by the hurricanes that hit the Gulf Coast area. He stated the best way to clarify the situation was to exclude the Biloxi property from the numbers and use the three remaining properties, one of which (Lula) was not impacted by the hurricanes. Mr. Norton stated that Lula was the property that experienced the 64% increase in customer counts. Non-Biloxi revenue increase was over 20% for the remaining properties. Mr. Norton conceded that the Biloxi property did have a dramatic impact on the numbers, but feels the results from employing the technology are remarkable.

Commissioner Bair asked how many states have allowed this technology. Mr. Kastner stated that IGT has their product in 15 states. Commissioner Bair asked if any other states outside of Mississippi have ruled on this technology. Mr. Kastner advised that Nevada has taken action; most of the jurisdictions allowing the technology only offer tribal gaming, which does not pay taxes. Commissioner Bair asked about other states.

Mr. Norton advised that of the states in which IOC does business Colorado allows the technology; Missouri has not taken any action, Florida is in the process of drafting rules, and Louisiana currently does not allow the technology but is also in the process of drafting rules. He stated that at this time Mississippi is the only jurisdiction in which IOC operates that allows the technology, thus offering IOC the opportunity to discuss their results.

Chair Cutler stated that the technology provides an excellent marketing technique; creating a significant increase in the number of visitors to the property and funds played. She asked if IOC would go ahead and install the technology if the Commission did not grant the request. Mr. Norton stated that whether or not the technology was installed would be based on the goal of keeping IOC as a company on one system, and not for the goal of deriving more revenue. He pointed out that IOC has 14 properties, and it is not realistic to have two different operating systems. Mr. Norton stated his belief that not granting the tax credits would impact revenue going forward as the reason for the success of the program is their ability to reinvest the money with their customers more aggressively than they can under the current system. Mr. Norton stated that IOC's increased spending in Mississippi was 12%, which equals the tax rate in Mississippi.

Ms. Donovan advised the Commission that just installing the technology does not change anything other than the fact that the process is automated rather than the patron bringing in the redeemable coupon, thus providing better customer service. The power of the system is having the additional funds to reinvest and reach out to a larger market area. Visitors visiting the property for a longer period of time tend to spend more per visit than the local patrons coming for the day. Ms. Donovan stated that the Native American casinos have the technology and have the ability to use it.

Commissioner Bair, noting the focus on attracting more patrons from out of state, asked if the additional customer visits in Mississippi were from out-of-state visitors. Mr. Norton stated that the break-out was for a 100-mile radius from their properties, and took into account that Lulu is on the border of Arkansas with 99% of their patrons coming from Arkansas. Vicksburg is on the border of Louisiana and Mississippi, with its major feeder market coming from a radius of less than 50 miles, and Biloxi is close to the Alabama and Louisiana border. Mr. Norton stated that he could not represent that the 38% increase was totally attributable to out-of-state visitors, but believes that a majority were from out of state.

Commissioner Bair, noting that the Iowa Gaming Association supported IOC's Petition, stated that they must not be concerned about cannibalization of the market. Mr. Norton indicated there was no need as all licensees in the state would have the same opportunity to utilize this technology, regardless of their slot system. He noted that not all systems work the same. Commissioner Bair asked how many other systems were available. Mr. Norton stated there are two or three other key competitors.

Chair Cutler asked if the technology was already available to the facilities with the systems installed at the properties, or if they would have to purchase the technology. Mr. Norton stated that in most cases, the property would be able to utilize the same system, and would just need to purchase a module.

Mr. Ketterer, to clarify the discussion, stated that it appears IOC is asking for this favorable tax treatment in order to reduce expenses in their marketing program and that they would reinvest those dollars, which IOC feels would account for the lost tax revenue due to increased revenues based on increased business. Mr. Norton stated that IOC plans to shift the dollars from the tax line to marketing, which they expect to generate a multiple up-growth on the revenue side, which would in turn increase the taxable revenue to the State of Iowa by approximately 15%.

Mr. Ketterer asked how the projections would be affected if Illinois would allow the same favorable tax treatment. Mr. Norton stated that Illinois has been very unstable in many different ways when discussing tax treatment. He noted that Illinois recently reduced the tax rate for the riverboats from 75% to 50%, and would be surprised if Illinois would allow this technology.

Hearing no further comments or questions for Mr. Norton, Chair Cutler asked if there were comments from the public. Hearing none, she requested a motion to go into Executive Session. Commissioner Hamilton moved to go into Executive Session for the purpose of discussing strategy with legal counsel in matters where litigation is imminent where disclosure would be likely to prejudice or disadvantage the position of the governmental body. Commissioner Seyfer seconded the motion. The motion carried unanimously on a roll call vote. (See Order No. 06-80).

Following Executive Session, Chair Cutler called for a motion regarding IOC's Petition for Declaratory Order. Commissioner Seyfer made the following motion in response to the questions posed by the Petition:

- Question 1: Are non-cashable, promotional credits "gross receipts" under section 99F.1? Yes, non-cashable, promotional credits are gross receipts. The Commission concludes that total sums wagered include more than cash, including the non-cashable promotional credits. We request the Attorney General's Office prepare the Order for the Chair's signature consistent with this motion.
- Question 2: Are the winnings paid to patrons using promotional credits deductible when calculating adjusted gross receipts under 99F.1(1)? Yes.

Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 06-81)

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As there was no further business to come before the Commission, Chair Cutler called for a motion to adjourn. Commissioner Hamilton so moved. Commissioner Seyfer seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
AUGUST 31, 2006**

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, August 31, 2006 at Stoney Creek Inn, Johnston, Iowa. Commission members present were Kate Cutler, Chair; Gerry Bair, Vice Chair; and members Diane Hamilton and Greg Seyfer. Commissioner Toni Urban was absent.

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

Chair Cutler moved to the approval of the minutes from the July 13, 2006 Commission meeting. Commissioner Hamilton noted one correction: on Page 5, the sixth paragraph should read "Chair Cutler" not "Chair Hamilton".

Hearing no further corrections to the minutes, Chair Cutler requested a motion. Commissioner Bair moved to approve the minutes from the July 13, 2006 Commission meeting as corrected. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Cutler called on Mr. Ketterer for announcements. Mr. Ketterer recognized former Commission Chair Diane Hamilton for her service to the Commission during one of the most challenging times the Commission has faced recently - the application process for new excursion gambling boats. He presented Commissioner Hamilton with a plaque with her gavel on it.

Continuing, Mr. Ketterer introduced Mark Vander Linden, the new director of the Iowa Gambling Treatment Program in the Department of Public Health. Mr. Vander Linden holds a BA in Social Work from the University of Iowa and a Master's Degree in Social Welfare from the University of California, Berkley. Previously, Mr. Vander Linden has been involved in clinical social work in the areas of children and families, substance abuse and HIV/AIDS. He has also served as director of school-based services at Seneca Center in Oakland, California, overseeing mental health programs in a three-county area. Just prior to joining the Department of Public Health, Mr. Vander Linden was a clinical supervisor at Mid Eastern Council on Chemical Abuse in Des Moines.

Mr. Ketterer provided the following information concerning upcoming Commission meetings:

- September 2006 – No Commission Meeting

- October Commission Meeting – October 5, 2006 – IOC Bettendorf, Bettendorf, IA (Submissions due by September 21, 2006)
- November Commission Meeting – November 9, 2006 – Stoney Creek Inn, Johnston, Iowa (Submissions due by October 26, 2006)
- December 2006 – No Meeting
- January Commission Meeting – January 11, 2007 – Stoney Creek Inn, Johnston, Iowa (Submissions due by December 27, 2006)
- February 2007 – No Meeting
- March Commission Meeting – March 1, 2007 – Terrible's Lakeside Resort, Osceola, Iowa (Submissions due by February 15, 2007)

Additionally, Mr. Ketterer advised that the Commission would be considering the racetrack renewal licenses and granting of race dates and racetrack enclosure gambling and table games license renewals at the October meeting. Those applications are due in the Commission's Des Moines office by the close of business on September 7th. During the March Commission meeting, the Commission will be taking up the renewal of the excursion gambling boat licenses.

Commissioner Bair noted that when the Commission awarded the four new licenses in May 2005, Commission members indicated their desire to wait 18-24 months before reviewing the direction of gambling in the state. He proposed that discussions be started at the March Commission meeting to determine the direction of the industry in the state for two reasons – the Commission members at that time indicated their desire to not review additional license applications until such time as the newly granted licensees had an opportunity to commence operations and there are two new members on the Commission who have not had an opportunity to voice their views on this subject. Commissioner Bair reiterated that the purpose of this agenda item would be to start discussions on this issue, nothing further.

Chair Cutler clarified that the discussion at the March meeting is not to determine a schedule for additional applications, but is a time for the Commission to hold a discussion on the direction of the gaming industry and establish an appropriate timeline. She noted that applications can be submitted at any time, but individuals following the Commission's business know that the Commission has made its view known with regard to additional applications at this time. Chair Cutler stated that any questions on this issue should be directed to Mr. Ketterer.

Chair Cutler called on Randy Winegard for an update concerning the site plan for the Burlington facility. Mr. Winegard stated that they had hoped to begin construction about a month ago; however, they encountered challenges with utilities at the site. This provided an opportunity to revisit the site plan and significant changes were made. Mr. Winegard advised that all of the structures remain the same except for the parking garage. Essentially, the site plan has been flipped; the parking garage will now be behind, and attached, to the casino. The revised plan provides better visibility of the recreational

lake, casino, and event center. All surface parking will be located next to the casino and event center.

Mr. Winegard noted that concerns had been raised regarding the proximity of the casino to the Fun City facility. He advised that with the site plan changes, the casino will be farther away from the hotel lobby of the Fun City hotel and a retail link will join the two facilities. The Fun City hotel and casino will no longer share a common lobby.

Mr. Winegard stated that they now plan to break ground between September 14th and 18th, 2006. Depending upon the weather, they hope to have the casino, event center and parking structure finished around Memorial Day. The hotel will be completed a month or two later.

Mr. Winegard stated that the changes will allow the addition of a large outdoor amphitheater for summer/good weather events. The stage will be located on an oversight area on the recreational lake, which can also be used as a stage. The amphitheater will have seating for over 2,000.

Chair Cutler asked what impact these changes would have on the projected costs. Mr. Winegard stated that he felt the changes would result in a reduction in costs. He stated the impetus for reviewing the site plan was the significant cost of burying some high voltage lines. When this project was first being looked at, copper prices were much lower than today, and the estimated cost to bury those lines was \$400,000. The latest estimate from Alliant Energy was \$1.1 million with no guarantee due to the volatility in copper prices. Mr. Winegard reiterated his opinion that the revised site plan is much better than the original; the only drawback is the delay in starting construction.

As there were no further questions for Mr. Winegard, Chair Cutler thanked him for the update, and called on Isle of Capri Bettendorf (IOCB). Mo Hyder, General Manager, for IOCB and Rhythm City Casino (RC), introduced Ken Ostempowski, Senior Director of Finance for the two properties.

Mr. Hyder provided a quick update on projects previously approved by the Commission. He noted that IOCB has made an investment of approximately \$65 million in downtown Bettendorf with the construction of a 258 room, twelve-story hotel. They expect to top off the hotel sometime in September, and it will be ready to be enclosed when the Commission is in Bettendorf in October. It is also anticipated that ground for the Event Center, being built by IOCB and the City of Bettendorf, will be broken in September. The IOCB hotel is expected to be completed sometime in April 2007, and the Event Center in July 2007.

At this time, Mr. Hyder turned the floor over to Mr. Ostempowski for review of the annual financial audit for IOCB. Mr. Ostempowski reported that the property had excellent cash flows, and a net income of \$3.7 million. In the last year, IOCB paid approximately \$29 million in gaming taxes - \$21 million to the state and \$4.2 million to

the Scott County Regional Authority. Eleven million was reinvested back into capital improvements - \$6.7 million for construction of the new hotel with the balance reinvested in the existing property.

Commissioner Bair noted that adjusted revenues for the first week of July, as reported on the Schedule of Adjusted Gross Revenue and Taxes and Fees, for Bettendorf and Davenport both dropped between 50-60%. He asked if the decrease was attributable to the 4th of July holiday. Mr. Ostempowski advised that the decrease was due to the timing of when the payments come through. He indicated that if Commissioner Bair would review the previous years' audits he would probably see the same drop. Mr. Ostempowski further indicated that it could be attributable to the adjustment of how the taxes are paid based on the State's fiscal year.

Hearing no further questions concerning the IOCB report, Mr. Ostempowski moved to the audit for RC. He stated that RC also had excellent cash flows, and net income of \$2.6 million. He reported that RC paid approximately \$22 million in gaming taxes - \$16 million to the state and \$3.2 million to Riverboat Development Authority. Additionally, approximately \$2.5 million was reinvested back into the existing property.

Commissioner Bair, referring to his earlier question, stated that he raised the issue as the cash flow appeared to have increased in Marquette during the time frame in question. Mr. Ostempowski reiterated that it has to do with the timing of the payments. Commissioner Bair stated that what he was hearing is that the procedure is not the same at all IOC properties. Mr. Ostempowski indicated that was correct.

Mr. Ketterer stated that it appeared the net income of the properties was contingent on how much is paid to the parent company, which was reduced significantly from 2005 to 2006. Mr. Ostempowski concurred. Mr. Ketterer asked the reason. Mr. Ostempowski stated that IOC restructured their debt; therefore the interest associated with the parent company debt decreased significantly, benefiting all IOC properties.

Hearing no further questions regarding the RC audit, Chair Cutler called on Isle of Capri Marquette (IOCM). Barron Fuller, General Manager, and Pam Colter, Senior Director of Finance, were present to address questions. Mr. Fuller advised that IOCM saw a 2% growth in year-over-year gaming revenue, with 57% of the total win coming from outside the state. Twelve million was spent on payroll expenses, with 53% going to Iowa-based team members. Additionally, all team members have access to an on-site health care clinic, with the majority of general services being offered free of charge. IOCM spent \$3.5 million on capital updates, which included a \$1 million update of the Calypso Café with all of the work provided by Iowa vendors. Gaming taxes - \$9 million to the state, \$200,000 to the Iowa Gambling Treatment Program, \$300,000 to Upper Mississippi Gaming Corporation, \$219,000 each to Clayton County and the County Endowment Fund and \$1.2 million to the City of Marquette. He indicated the City of Marquette has started the largest housing development in the history of the city. Another \$51,000 was disbursed through the property's Clayton County Community Development Fund. IOCM

is a strong supporter of United Way and contributed over \$33,000 the past year; team members raised over \$8,000 for their own Hurricane Relief Fund.

Commissioner Bair asked for a breakdown of the 57% win coming from out-of-state. Mr. Fuller provided the following break down: Wisconsin – 45%; Minnesota – 9%, and Illinois – 1%, and the rest is “other”.

Commissioner Bair noted that interest expenses were down. Mr. Fuller indicated that was the first time in the history of the property; he noted that operating expenses were up slightly.

Mr. Ketterer asked if the parent company has any long-term plans for the IOCM property that would impact the accumulated debt. Mr. Fuller stated that capital expansion projects are being looked at frequently. He indicated IOC was looking at purchasing a hotel located next door to the property; however, the asking price was too high for the property and three acres of land. He noted IOCM has experienced difficulties in the mitigation process for the twelve acres of wetland located behind the property in an attempt to expand parking and the property. Mr. Fuller indicated there is some development occurring in the area. The question has been raised as to whether the property would grow in Marquette. They are working with the City of Marquette at this time in an attempt to remedy the parking situation, which would allow them to expand the property on its current footprint.

As there were no additional questions for Mr. Fuller, Chair Cutler moved to the next agenda item – Argosy Casino Sioux City. Lorraine May, legal counsel for Belle of Sioux City and Penn National Gaming (PNG), stated that PNG, in connection with their purchase of Argosy, developed a new corporate structure that would more effectively incorporate Argosy into PNG. Ms. May pointed out that the license holder, Belle of Sioux City, LP, would remain the same and no new entities were added to the structural hierarchy or ownership of the licensees; and in fact, the change resulted in fewer entities. She requested the Commission’s approval.

Commissioner Bair stated his understanding of this request was that it would not result in any additional management fees, interest expenses, etc. Ms. May stated that the request before the Commission does not contain any operational changes; it is a simplification of the corporate structure and does away with one or two taxable entities.

Chair Cutler requested a motion. Commissioner Seyfer moved to approve the restructuring of PNG’s corporate structure. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 06-82)

Chair Cutler moved to the proposed sale of the Argosy V vessel. Richard Vitali, Associate General Counsel for Argosy Gaming, stated that when a larger vessel was brought to Sioux City, the Argosy V was sailed to Alton, IL, where it has been docked for the last two years. Argosy recently received a bid from Steiner Shipyard, Inc., a well-

known U.S. shipbuilder in Alabama. Mr. Vitali stated that it is a straight cash transaction that will close in approximately two weeks if the Commission approves the sale today.

Hearing no questions concerning the proposed sale of the Argosy V, Chair Cutler requested a motion. Commissioner Bair moved to approve the sale of the Argosy V to Steiner Shipyard, Inc. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 06-83)

Chair Cutler moved to the contract approval portion of the agenda and called on Harrah's. Mike Rich, General Manager, presented the following contracts for Commission approval:

- Cornerstone Energy, Inc. – Retail Provider of Natural Gas Services (Replacement)
- Game Plan Direct, LLC – Additional Vendor for Direct Mail Items (Increase)

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Harrah's. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 06-84)

Chair Cutler called on Diamond Jo (DJ). Jesus Aviles, General Manager for Diamond Jo Worth (DJW), presented the following contracts for Commission approval on behalf of DJ:

- McLeod USA – Telecommunications
- Sysco Food Services of Iowa – Food, Non-alcoholic Beverages, Smallwares and Equipment

Hearing no questions concerning the contracts, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by DJ. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-85)

Chair Cutler called on DJW. Mr. Aviles presented the following contracts for Commission approval:

- A.H. Hermel Co. – Cigarettes, Grocery Items for The Jo Stop; Cigarettes for Casino (Increase)
- AON Risk Services – Insurance (Property, Equipment, Business, Auto, Pollution, Crime, etc.)
- Church Offset Printing – Printing and Direct Mail Services
- Cummins-Allison Corp. – Soft Count and Cage Equipment
- Deloitte & Touche, LLP – Audit, Consulting and Tax Service

- Flight Options, LLC – Air Travel
- Ron and Cathy Rofshus – Purchase of House Adjacent to Pheasant Links Golf Course

Mr. Aviles advised that the last contract is for a home located by the Emmons, MN golf course that DJW is purchasing. The home will be redecorated and utilized as part of the facility. Chair Cutler asked if it would serve as the club house for the course. Mr. Aviles stated the home is adjacent to the club house.

Commissioner Bair asked about the location of the golf course. Mr. Aviles stated that it is located on the opposite side of State Lake, approximately 7 miles west of the property. He stated that the hunting portion of the golf course/hunt facility is due to open in September, with the golf course opening next spring.

Commissioner Bair asked about the contract with Flight Options. Mr. Aviles stated that it is a brokerage firm that makes travel arrangements for all Peninsula Gaming executives. Commissioner Bair asked if the Iowa Travel Association submitted a bid. Mr. Aviles stated that Peninsula has utilized this company for some time; and that most of the money goes to the various airlines. Flight Options only receives a commission.

Hearing no further comments concerning the contracts, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by DJW. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 06-86)

Commissioner Bair, noting that he had driven by the property recently, requested an update. Mr. Aviles stated that the hotel should be up and running by mid-November. Groundbreaking for the expansion took place three weeks ago. The moat portion of the construction is completed, and they hope to have it covered prior to winter setting in, so that work can continue inside over the winter. Mr. Aviles stated that patrons will be shielded from the construction as it will take place behind existing walls which will be removed once the expansion construction is completed.

Chair Cutler called on HGI Terrible's Lakeside (Lakeside). Damon Butler, General Manager, presented the following contracts for Commission approval:

- Bally Gaming Systems – Purchase 29 Slot Machines
- Brooner & Associates – Construction Work for Remodeling (Increase)
- IGT – Purchase Slot Machines

Commissioner Seyfer requested an explanation concerning the \$2 million increase to Brooner & Associates. Mr. Butler advised that Brooner is the contractor for all of the remodeling projects at the property, as well as current construction. He noted that HGI intends to continue making improvements to the C-Store, parking areas, the hotel and event center. They chose to submit an increase now rather than getting too close to the

approved amount. Contracts for actual work to be performed by vendors will be submitted.

Hearing no further questions, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Lakeside. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 06-87)

Chair Cutler called on Riverside Casino and Golf Resort (RCGR). Ken Bonnet, Chief Financial Officer, advised that the casino, restaurants and event center were completed a couple days ago; staff is tidying up and organizing the hotel today, but he feels the property will be 100% ready, except for the golf course, when the facility opens later today. He stated that three or four holes had been seeded and growing until the previous Saturday, when the area received a torrential rain. Mr. Bonnet noted that groundbreaking for the facility occurred on July 19, 2005, and offered his congratulations to everyone involved in the construction of the facility. He thanked IRGC and Division of Criminal Investigation staff for their part in testing the equipment and review of the surveillance system.

Mr. Bonnet presented the following contracts for Commission approval:

- Ahrens Concrete Floors, Inc. – Sidewalks and Paving
- D & R Masonry – Masonry Work
- Culvers Lawn & Landscape – Pool/Pro Shop Pavers
- Rheinschmidt Tile and Marble – Pool/Spa Flooring
- Leibold Irrigations, Inc. – GC Construction
- Interstate Power & Light Company – GC Electrical
- HP Software Licensing & Management Solutions - PC/Printers
- Trilix Marketing Group – Website Development
- Vital Support Systems – Services Support
- Valiant Manufacturing – Drapery
- Sysco Food Services of Iowa – Food

Hearing no questions concerning the contracts, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by RCGR. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-88)

Commissioner Bair noted that RCGR made the front page of The Des Moines Register, not for the casino, but for their skybox at the University of Iowa. Mr. Bonnet stated they are receiving numerous calls on the golf course, but are getting calls from individuals inquiring if the facility has football seats, whether they provide a shuttle, have tailgate parties, etc. RCGR feels the tie-in with Iowa City will be a fun part of their on-property activities on property. Commissioner Bair asked if RCGR had a sports bar. Mr. Bonnet

stated that there is a series of large screen TVs around the feature bar in the middle of the property, but not a specific sports bar.

Chair Cutler asked when the golf course would be ready. Mr. Bonnet indicated RCGR is hoping for June or July, depending on the growing season. The original plan was to have the course totally seeded by September, which will not occur due to the significant rainfall in the area. The Pro Shop and other areas will be ready in about a month.

Hearing no further questions for Mr. Bonnet, Chair Cutler called on Mississippi Belle II/Wild Rose Clinton (MB II/WRC). Kevin Preston, General Manger, presented the following contracts for Commission approval:

- Aristocrat Gaming – Conversions/New Slot Product
- Bally Gaming – New Slot Product
- IGT – Conversions/New Slot Product
- WMS Gaming – Conversions/New Slot Product
- Simonson & Associates – Architecture Firm for New Casino Property in Clinton
- Wild Rose Entertainment – Management Contract for Clinton (RP)

Hearing no discussion concerning the contracts, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by MB II/WRC. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-89)

Chair Cutler called on Wild Rose Emmetsburg (WRE). Mr. Preston presented the following contracts for Commission approval:

- ABC Electric – Services for Casino/Hotel
- Belin, Lamson, McCormick, Zumbach, Flynn – Legal Services
- Corporate Décor & More – Design/Decorations for Casino/Hotel
- Emmetsburg Utilities – Lift Station needed for Site & Surrounding Land
- IGT – Conversions/New Slot Product
- Johnson Brothers – Alcohol for Casino & Restaurant
- Kabrick Dist. Co. – Alcohol for Casino & Restaurant
- Martin Brothers – Food & Beverage/Kitchen Equipment
- Pepsi – Soda for Casino & Restaurant
- Rheinart Foods – Food for Casino & Restaurant
- RSM McGladrey – Accounting/Audit Services
- Sysco Food Services of Iowa – Food for Casino/Hotel
- Signs Plus – Additional Signage for Property
- Wild Rose Entertainment – Management Contract for Emmetsburg (RP)

Commissioner Hamilton asked about the contract with IGT, and if the property was already converting slot machines. Mr. Preston advised that they are doing some

conversions, and made some changes regarding machines during the opening. They are just insuring that they have a sufficient amount of funds approved for IGT.

Hearing no further questions concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by WRE. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 06-90)

Commissioner Bair noted that the facility had been open for about one quarter, and asked how operations were progressing. Mr. Preston stated that results are little ahead of expectations, and they are looking forward to continued progress. He feels the facility will see an increase in patronage during the winter as many residents/visitors to the area spend the bulk of the day on the water, arriving at the property later in the day, decreasing the amount of time they spend at the property.

Chair Cutler called on Bluffs Run Greyhound Park/Horseshoe Casino (BRGP/HC). Mr. Rich presented the following contracts for Commission approval:

- Cornerstone Energy, Inc. – Retail Provider of Natural Gas Services (Replacement)
- Pegler Sysco – Food Distributor

Hearing no questions concerning the contracts, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by BRGP/HC. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-91)

Mr. Ketterer asked Mr. Rich to give Gaye Gullo, General Manager, the Commission's regards as today is her last day at the property. Mr. Rich advised that Ms. Gullo had indicated that of the seven gaming jurisdictions in which she has worked, Iowa was her favorite in terms of a working relationship with the Commission.

Commissioner Bair asked Mr. Rich if the Bass Pro Shop was having any impact on attendance at the property. Mr. Rich stated that the Bass Pro Shop has done OK, but are in a slow season right now until the hunting season arrives. He noted they have three larger festivals a year which drives some traffic to the facility, but overall, they have not had a major impact on attendance at BRGP/HC.

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

- Pepsi – Non-alcoholic Beverages
- Operating Engineers – Labor Agreement for Maintenance Department
- WMS Gaming – Lease Slot Machines and Replacements

- United Steelworkers – Labor Agreement for Security Department

Hearing no questions for Mr. Wentworth, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by DGP&C.

Commissioner Seyfer asked a question concerning the dates on the union agreements. Mr. Wentworth advised that Commission staff informed DGP&C that one of the agreements was an older contract. DGP&C submitted one that the Commission had already approved meaning the Commission approved a separate third agreement twice. However, Commission staff indicated that the issue had not been resolved. At that point, DGP&C went back and reviewed all of their contract submissions and found two that had not been approved. Approval of these two contracts, which are renewals of previous contracts, brings the facility up to speed on contract approvals. Mr. Wentworth noted that DGP&C has had labor agreements for a number of years. No further labor agreements should be coming before the Commission until next August.

Chair Cutler requested a second to the prior motion. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-92)

Chair Cutler called on Prairie Meadows Racetrack & Casino (PMR&C). Derron Heldt, Director of Racing, was present to address questions concerning the 45-day season approval submission for the harness meet. He advised there were some changes since the plan was submitted in August: two racing officials submitted to work the harness meet will not be doing so, and under contracts, there is an agreement pertaining to harness racing for the 2006 season; however, at this time, the agreement has not been signed by either party.

Chair Cutler called for any comments and/or questions. Mr. Ketterer indicated there was an issue as to whether or not the individual named as Racing Secretary had taken the necessary United States Trotting Association (USTA) test. Mr. Heldt advised that the individual took the required test on Wednesday, August 30th.

Mr. Ketterer asked Mr. Heldt to comment on the position taken by PMR&C regarding the scraping of the track surface. Mr. Heldt advised that PMR&C has decided not to remove the surface utilized for the thoroughbred and mixed meets; believing they can sufficiently pack the current surface to simulate a limestone surface to make it safe for both horses and humans. Mr. Ketterer asked the last time PMR&C packed the racing surface versus scraping the track. Mr. Heldt stated that PMR&C packed the surface for six days of harness racing in 1999; however, in the ensuing years, they have removed the surface.

Chair Cutler asked PMR&C's reason for deciding not to remove the surface this year. Mr. Heldt reiterated his previous reason –PMR&C believes they can compact the current surface sufficiently to simulate a limestone base.

Commissioner Hamilton asked for the racetrack veterinarians' opinion on this topic. Mr. Heldt stated that since harness racing resumed at PMR&C in 1999, there has not been a catastrophic breakdown in either scenario – packed surface or limestone.

Commissioner Bair asked Mr. Heldt to explain what he meant by the term packed. Mr. Heldt stated that the facilities and track maintenance teams can roll the track and pack the whole surface used by the thoroughbreds and quarter horses in one day and achieve a compaction rate of approximately 90%.

Commissioner Hamilton asked about the costs associated with removing the current surface, putting down the limestone, and then resurfacing the track. Mr. Heldt indicated that cost is approximately \$230,000. Chair Cutler asked if that was approximately the same amount PMR&C has spent the last few years to have the track resurfaced. Mr. Heldt indicated the figure was in the ballpark. Commissioner Hamilton stated that she felt the Commission had received information that the scraping and resurfacing could be done for less than that amount.

Commissioner Bair asked what the usual procedure is at other tracks hosting harness racing – compaction or scraping the surface. Mr. Heldt stated that if Commissioner Bair was addressing the surfaces in Iowa where the Harness Racing Association (HRA) races, the surface the State Fair and county fairs would be similar to what PMR&C is proposing – hard, compacted; however, he can not address whether those tracks are strictly for harness racing, or if other racing (stock cars, etc.) take place on those tracks as well. Mr. Heldt stated there are several tracks around the country that have harness racing; however, PMR&C is unique in that it only has 14 days of harness racing. He stated there are six or seven thoroughbred/standard bred tracks around the country that run between 33 and 60 days of harness racing; those tracks remove the surface.

Commissioner Hamilton stated that she would like to hear from the harness racing group.

Commissioner Bair asked if PMR&C was leaving the facility open to liability issues due to injuries. Mr. Heldt answered in the negative; that it is the trainer's responsibility if a horse is injured on the track. Commissioner Bair stated that what he was hearing is that PMR&C is not accountable for injuries to the horses regardless of what they do to the track surface. Mr. Heldt stated that PMR&C and the three breeds racing there try to provide the safest track surface for both horses and humans. He noted that injuries can occur at any time in horses.

Royal Roland, President of the Iowa Harness Horsemen's Association (IHHA), stated that the IHHA has not been able to reach an agreement with PMR&C regarding the upcoming harness meet due to PMR&C's position regarding the track surface. Mr. Roland cited Commission rule 491-9.2(10)a which states: "The surface of a racetrack, including cushion, subsurface, and base, must be designed, constructed, and maintained to provide for the safety of the drivers and racing animals." Based on the reading of that rule, the IHHA feels PMR&C's request is contrary to IRGC rules. He stated that the

safety of the racing animal is of prime concern as the owners/trainers have invested several months in training, and do not wish to increase the possibility of injury. Mr. Roland submitted letters from two veterinarians that specialize in the treatment of horses. He agreed that it is impossible to predict what will cause an injury to a horse; but both veterinarians state that a packed track surface would increase the likelihood of injuries. Mr. Roland also submitted a letter from Eric Sharbaugh, Executive Vice President of the USTA, which states that to the best of his knowledge, there are no other pari-mutuel racetracks in North America that pack the racing surface; that all the other tracks hosting both thoroughbred and harness racing meets in the same year remove the surface.

Mr. Roland, referring to Mr. Heldt's comments regarding the track surface, wondered if PMR&C had done or reviewed any studies or sought professional expertise regarding their ability to safely pack the surface. Additionally, the IHHA believes PMR&C has made this decision based on economics because they don't want to spend the funds. Mr. Roland reiterated the IHHA's stance that PMR&C's request is contrary to Commission rules.

Commissioner Bair asked Mr. Roland to address Mr. Heldt's comments regarding the surfaces at the county fairs. Mr. Roland advised that the IHHA races at 13 different county fairs during the summer with some of the tracks having a limestone base, which is what they expect PMR&C to provide, while others have a dirt base consisting of a firm base, not loose material similar to a thoroughbred surface.

Commissioner Bair clarified his understanding that a packed track at PMR&C would not provide the same firmness as a county fair track. Mr. Roland answered in the affirmative.

Mr. Ketterer asked Mr. Roland to explain some of the issues leading to the decision to run on a packed track in 1999, and then to scrape the track surface in recent years. Mr. Roland prefaced his statement by indicating that in 1998 and 1999, harness racing occurred at PMR&C on a packed track but he was not sure whether the rule concerning track responsibilities was in effect at that time; nor had harness racing been held at the track from 1991 through 1998. The IHHA agreed to race on a packed track for two weeks in order to get harness racing back at PMR&C.

Commissioner Hamilton asked if the original agreement contained any requirements pertaining to the track. Mr. Roland stated that IHHA and PMR&C have had two agreements over the past eight years. A three-year agreement for 2003-2005 included the requirement that the track surface be scraped, and the last two years of the five-year agreement contained the same requirement.

Tom Flynn, legal counsel for PMR&C, Inc., stated that while this matter has been packaged and portrayed as a safety issue to get within the Commission's jurisdiction, it is really a money issue on both sides. He stated that in all of PMR&C's discussions with the IHHA to negotiate a contract, track safety has never been an issue; the issue has been that the IHHA wants PMR&C to remove the surface so the horses can achieve faster

times to allow the owners to sell their horses for a higher price following the conclusion of the harness meet. Mr. Flynn noted that Mr. Roland made such a statement to Dan Johnson, a writer for The Des Mines Register, which is consistent with the position taken by the standard bred during negotiations.

Mr. Flynn stated that if the safety of the horses and jockeys [drivers] was the real issue, this discussion would not be taking place as PMR&C would not allow the meet to occur on an unsafe surface exactly for the reasons raised earlier by Commissioner Bair. He stated that PMR&C has to be accountable for the track surface; it has to be safe for the jockeys [drivers] and horses; and PMR&C believes they can achieve that with a packed surface. He noted that with the removal of six inches of dirt from the track, taking it down to a limestone surface, the surface of the track has been changed from dirt to a sidewalk-type surface. Mr. Flynn stated that if a jockey [driver] or horse would happen to fall on the limestone surface, they could sustain much more serious injuries than a ligament injury if a head or leg would hit the limestone surface. He indicated that he had not seen the veterinarians' letters, but suggested that the standard bred could be exchanging a potential ligament strain for broken legs on the horses or skull damage for jockeys [drivers], which would be much more serious for either the jockey [driver] or horse should they fall. Mr. Flynn stated there is an exchange of safety risks going from one surface to the other..

Mr. Flynn reiterated his earlier comment that money, not safety, has been the main issue during negotiations between PMR&C and the IHHA. He conceded that, historically for the last five years, PMR&C has agreed to remove the surface as a luxury for the standard bred during negotiations. However, this year PMR&C was required to take \$1.3 million out of their charitable funds to support the standard bred at the county fairs in addition to paying the 11% required by statute; thus reducing the charitable budget from \$4 million to \$2.7 million. PMR&C receives over 300 applications each year for charitable bequests. Last year, PMR&C was able to give out \$4 million; this year they expect to receive more than 300 requests in excess of \$7 million but will only have \$2.7 million available. Mr. Flynn stated that PMR&C had received two quotes - \$234,000 and \$236,000 - to remove and then replace the track; and PMR&C would have to spend another \$50,000 for additional dirt. He stated these amounts could be taken out of the charitable budget as well. Mr. Flynn stated that PMR&C believes the standard bred are being well served by the track; pointing out that the \$1.3 million received for the county fair circuits does not fall under the jurisdiction of the Commission or PMR&C, nor does the IHHA provide an accounting of how the funds are spent. Mr. Flynn stated that PMR&C's Board of Directors feels this is a money issue, and does not believe they should be compelled to spend the additional funds to scrape the track so that owners can achieve faster track times in order to sell their horses for more money. He reiterated that PMR&C would not allow the meet to go on if they felt the potential for increased injuries to either horses or jockeys [drivers] would occur with packing the track rather than scraping it.

Commissioner Hamilton asked if there were a number of injuries when PMR&C did change the track surface to limestone. Mr. Flynn answered in the negative; indicating that he did not think there had been injuries under either scenario; just that the potential exists for more severe injuries on limestone surface than a packed surface. Commissioner Hamilton asked how he would respond to the letters from the veterinarians submitted by Mr. Roland. Mr. Flynn stated that his understanding is that the vets indicated there could be increased ligament issues which he feels is a risk of horse racing in general, and one that the thoroughbreds and quarter horses could make regarding the current track surface. Mr. Flynn stated had he been given an opportunity to interrogate the veterinarians, he would ask what risks they saw if the standards bred horses raced on limestone – a chance for a jockey [driver] or horse to have even more severe injuries than just a muscle strain.

Commissioner Hamilton stated that she would hate to think the veterinarians were submitting letters with incorrect information. Mr. Flynn stated that he was not saying the information was correct. Commissioner Hamilton stated that was her assumption based on Mr. Flynn's response. Mr. Flynn stated that he was not provided a copy of the veterinarian's letters. After reviewing Commissioner Hamilton's copies, Mr. Flynn again noted that the veterinarians are indicating a potential for ligament injuries,

Chair Cutler expressed concern about the safety issues and the proposed change requested by PMR&C; that she did not see a justification for the change except for economic reasons. She expressed her hope that PMR&C would not have to significantly reduce the charitable contributions; that the Board would determine a way to increase revenue to fund charitable donations to the same level.

Commissioner Bair stated that after reading the letters from the veterinarians, he does not believe there is any evidence to support the risk of increased or more severe injuries, and advised he would like to see some studies or something more substantial than a couple of letters. He stated that he also saw the comment in the newspaper regarding the increased times and the ability to receive more for their horses. Commissioner Bair stated that he would like to see further evidence concerning the injury situation to the horses based on a packed surface versus rhetorical evidence that they would be injured racing on such a surface when they race on something similar at the county/state fair.

Having made those comments, Commissioner Bair also expressed his concern about making the change after six years of scraping the track surface. He reiterated his request for additional information concerning injuries on a packed surface versus a limestone surface. Commissioner Bair asked Mr. Flynn if he felt PMR&C could be held accountable if they did not provide a safe racing surface. Mr. Flynn stated they are accountable under the Commission's rule, but also as the race meet host; PMR&C could not invite individuals to participate in a meet without providing a safe track.

Commissioner Hamilton asked when the harness meet would start. Mr. Heldt advised that it commences on September 22nd. Chair Cutler and Commissioner Hamilton noted

that does not provide the Commission sufficient time to receive additional information. Commissioner Bair stated his request was more long-term.

Commissioner Bair asked if this was the only issue preventing the two sides from signing a contract. Mr. Roland stated that PMR&C has not made a firm commitment as to whether or not the harness races will be simulcast outside the state of Iowa. He advised that the IHHA has agreed to pay half of the uplink costs. The proposed agreement states that PMR&C would accept one-half of the costs if they decided to simulcast the races. He requested an answer from PMR&C. Mr. Heldt advised that PMR&C would simulcast the races with the IHHA paying half the costs.

Mr. Ketterer asked Mr. Heldt if there was any indication on the stall applications sent to the harness owners that they would be running on a packed surface versus a limestone surface. Mr. Heldt answered in the negative.

Judy Roland, a Director on the USTA Board for Iowa, addressed Commissioner Bair's comments concerning the surfaces over which the different breeds race. Ms. Roland stated that nearly every track that races both thoroughbred and harness changes the track surface which she attributed to the different gait of the horses during a race. The resulting injuries from the softer surface are soft tissue injuries. Commissioner Bair thanked Ms. Roland for her comments; reiterating that the Commission does not have information reinforcing that fact. He concurred that they are doing it for safety, while PMR&C is maintaining that the harness owners want the change for economic reasons. Commissioner Bair stated they have received information that injuries increase by 43% when harness races take place on a packed surface. He stated that he would like to see any studies available on this issue. Ms. Roland stated more than likely the studies do not exist because harness races are not held on soft surfaces.

Ms. Roland asked Mr. Ketterer and PMR&C about a time five or six years ago when there were numerous injuries during the thoroughbred and quarter horse meets. After the completion of those meets and prior to the next meets being held, PMR&C totally redid the track as they found defects in the subsurface as a result of the manner in which the track had been maintained. Ms. Roland noted that since that time PMR&C has removed the rock surfaces. She inquired as to whether or not they have seen as many injuries as they did during that one season. Her reasoning: removal of the surface could be of value to PMR&C, allowing them to evaluate the subsurface for the safety of the thoroughbreds and quarter horses as well.

Mr. Ketterer indicated his concurrence with Ms. Roland's comments, but noted that racetrack composition and maintenance is a moving target – different tracks for different breeds, different climates, and the track consists of many different materials. Based on the weather, how often it's raced upon and maintenance, the track surface can change from season to season and day-to-day. Mr. Ketterer gave the following example: Arlington Park has experienced a substantial number of injuries and fatalities of horses this summer. The track brought in an expert to examine a specific area in a turn where

the problems had occurred; he could not find any problem. The Commission retained another two separate experts to examine the track; neither could find a problem that would cause the injuries and/or fatalities. Mr. Ketterer stated that injuries occur, sometimes in multiples that do not have a rational explanation; however, that does not mean that safety issues should be disregarded.

Mr. Ketterer questioned why PMR&C chose this method as a way to save money since they are trying to elevate the quality and stature of the racetrack in other areas to either meet or exceed industry standards. He stated that a limestone track for harness racing seems to be the standard in the industry. He noted that the stall applications have been sent out across the country to attract the best horses, trainers and drivers, and these individuals could arrive without knowing they will not be racing on a limestone surface. Mr. Ketterer stated that he felt that would be their expectation if they raced at harness tracks in other parts of country or at least one of PMR&C's stature.

Mr. Ketterer stated that the track surface issue concerns him, but is secondary to the safety issue. He stated that he was not sure if a definitive answer could be reached one way or the other; noting that there are differing opinions about how a packed surface would impact soft tissue injuries to standard bred horses. Mr. Ketterer noted that a packed track would maintain some moisture, and would become looser after three or four races. He recognized the fact that the IHHA has agreed to race on a packed track in the past, but is unsure whether they were gambling and were fortunate there were no injuries or if the surface was safe for the horses. Mr. Ketterer stated that he does not believe there is a definitive answer to the question.

Commissioner Seyfer stated he was not willing at this late stage, based on the information available, to allow PMR&C's request to run the harness meet on a packed track.

Commissioner Bair stated that if the Commission mandates the track be scraped, they would be interpreting the rule previously cited as being part of a safety issue as the Commission does not have any jurisdiction to mandate better times. He indicated that he concurred with Commissioner Seyfer's comments that the track should be scraped until such time as the Commission receives more definitive evidence regarding a limestone surface versus a packed surface. Commissioner Bair, noting that the process is costly, suggested that funds could be saved in some other area.

Commissioner Hamilton agreed with the previous comments, and indicated a desire to see additional information as well.

Hearing no further comments or questions, Chair Cutler requested a motion regarding the season approvals for the harness meet. Commissioner Hamilton moved to approve the 45-day season approvals for the harness meet with the following contingencies:

- The immediate written notification of any change in racing official positions.

- The completion of all 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.
- The track surface must be scraped and resurfaced with limestone as in the past.

Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-93)

Chair Cutler moved to the additional contracts submitted by PMR&C. Gary Palmer, General Manager, presented the following contracts for Commission approval:

- Aristocrat Technologies, Inc. – Annual Maintenance for Slot and Table Games Tracking Systems (Increase)
- Atlantic City Coin & Slot Service – Lease of 2 Slot Machines
- Atlantic City Coin & Slot Service – Lease of 2 Slot Machines
- Atlantic City Coin & Slot Service – Lease of 2 Slot Machines
- Bally Gaming, Inc. – Lease Renewal for 1 Slot Machine
- Delta Dental Plan of Iowa – Dental Insurance for Employees
- Garner Printing – Printing Services
- IGT – Purchase of 4 Slot Machines
- IGT – Lease Renewal for 1 Slot Machine
- Nesbit Distributing Co. – Beer & Other Products for Resale (Increase)
- Pepsi Americas – Five Year Pour-Rights Agreement for Soft Drinks
- Slot Tickets – Purchase of Slot Game Tickets (Increase)
- U.S. Motorsports Corporation, d/b/a Iowa Speedway – Three Year Agreement for Promotion and Sponsorship
- Wellmark Blue Cross Blue Shield – Medical Insurance for Employees
- WMS Gaming Inc. – Purchase of 22 Slot Machines

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by PMR&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 06-94)

Following a short break, Chair Cutler called on a representative from PMR&C to respond to comments made by Maggi Moss at the Commission's July meeting. Mr. Palmer stated he had provided Commission staff with a summary of all expenses incurred relating to the Festival of Racing held the first weekend in July, as well as a compilation of the various media exposure given to the Festival of Racing, both local and nationally. He advised that following the meeting with IRGC staff, PMR&C staff also met with representatives of the ITBOA and IQHRA, who had nothing but praise for how the Festival was handled. Mr. Palmer stated that PMR&C takes racing very seriously.

Commissioner Hamilton noted that the audience reached through The Blood Horse, Thoroughbred Times, and the Daily Racing Form would already be familiar with the Festival of Racing, and suggested that PMR&C should be trying to attract people outside the racing industry to the facility to experience the Festival of Racing.

Chair Cutler asked Mr. Palmer if PMR&C representatives had met with Ms. Moss. Mr. Palmer answered in the negative.

Commissioner Hamilton noted that Ms. Moss had indicated that no media was present at the airport when the horses arrived; however, it appears the media was informed and had the opportunity to be present if they so desired.

Chair Cutler requested a construction update. Mr. Palmer advised that the second floor addition, which added 25,000 square feet of casino floor, opened the first week of August. He indicated the project is progressing on schedule and under budget.

Chair Cutler moved to the update on the search for a new general manager at PMR&C. Mr. Palmer advised that PMR&C's Board of Directors had selected him as the new CEO/General Manager, and would be voting on his employment contract at their meeting later today.

Chair Cutler asked when Jack Bishop's term and compensation as interim general manager would end. Mr. Bishop stated that once the Board voted on Mr. Palmer's employment agreement, he would submit his resignation effective immediately, with compensation to continue for one month. Mr. Bishop stated that he felt operations had gone smoothly for the last few months and that everyone had done a good job.

Chair Cutler indicated that Commissioner Urban requested that the following questions be answered by a member of PMR&C's Board concerning a situation involving Mr. Palmer.

The first question requested verification of the settlement amount, the extent of the claims made by the individual, and the reason behind the settlement. Mr. Bishop stated that PMR&C has a binding agreement with the insurance company, and that it would be more appropriate for legal counsel to answer the questions. Mr. Flynn stated that the insurance company made the decision to settle the claim. He stated that once the claim was filed, the insurance company and complainant entered into negotiations and settled the matter without input from PMR&C. He indicated that he was not sure why the insurance company chose to handle the matter in that manner. Mr. Flynn stated that he does not have a firm settlement amount, noting that the settlement agreement contained a confidentiality clause. He stated that he would have to talk with the insurance company's legal counsel to determine if he can provide the information to the Commission via a sealed document.

Commissioner Bair noted that PMR&C had made a \$50,000 payment. Mr. Flynn advised that once the insurance company approved the settlement, PMR&C had to make the payment. Should the Board have elected to go against the insurance company's settlement, PMR&C would have been liable for the full amount.

Chair Cutler asked if PMR&C's Board was initially aware of the claim. Mr. Flynn noted that Board members had indicated they were not aware of the situation until an article appeared in the Des Moines Register. He stated there was an article in the paper in 2002 after a claim was filed with the Civil Rights Commission. PMR&C did respond to the claim; however the Civil Rights Commission, after collecting evidence from people involved, failed to take any action and never issued a ruling. Nothing further occurred until 2005 when the complainant requested permission from the Civil Rights Commission to file a civil lawsuit. Permission was granted, and a lawsuit was drafted, but was never filed as the parties entered into negotiations.

Chair Cutler asked if this issue was an agenda item at PMR&C Board meeting so that members were kept current. Mr. Flynn stated there were probably times when it could have been discussed. The agenda simply states "Closed Session for Purposes of Discussing Litigation". He indicated that he could not state for sure that specific issue was always the reason for the closed session.

Chair Cutler asked if the Board discussed this issue with anyone prior to offering the CEO/General Manager to Mr. Palmer. Mr. Flynn advised that the Board had discussions with Mr. Palmer and the head of Human Resources. The Board was comfortable with the responses and voted to offer Mr. Palmer the position.

Chair Cutler, noting that a motion to more fully investigate this matter was defeated, asked the Board's rationale behind the decision. Mr. Flynn reiterated that the Board was satisfied with the responses received during their discussions with Mr. Palmer and Human Resources, and felt there was no need to be concerned.

As there were no further questions or comments concerning the General Manager search at PMR&C, nor any Public Comment, Chair Cutler moved to the hearings for Harrah's and Argosy Casino – Sioux City for violations of Iowa Code Section 99F.9(5) for underage gambling.

Mr. Ketterer advised that a Stipulated Agreement had been reached in both instances. He provided the following scenario regarding the violation at Harrah's: On July 16, a minor male entered through the hotel turnstiles and was not asked for identification by the security officer, who was distracted by other patrons at that time. The minor was on the floor in excess of one hour, and consumed two alcoholic beverages, both of which were served by the same beverage server. Surveillance coverage shows the minor walking around the casino floor and sitting at various table games, but does not show him gambling. The minor came into contact with several casino employees, none of whom requested identification. The minor's mother approached facility staff later that day and

informed them that they had allowed her minor son to enter the casino and served him alcoholic beverages. Mr. Ketterer stated that Harrah's acknowledges the violation and has agreed to a \$10,000 administrative penalty. He requested the Commission's approval of the Stipulated Agreement.

Hearing no discussion or questions concerning the proposed Stipulated Agreement, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the Stipulated Agreement between IRGC and Harrah's as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 06-95)

Mr. Ketterer provided the following summary of the situation at Argosy Casino – Sioux City (Argosy): On June 9, a minor and two companions entered through the turnstiles and walked by a security officer, who failed to ask for identification. The minor was able to gamble at several blackjack tables, and was also approached by a beverage server, which he declined. Approximately one hour after entering the casino, the minor was spotted by a dealer, who contacted her supervisor. When asked his age by the supervisor, the minor responded, "18". Mr. Ketterer stated that Argosy acknowledges the violation and agrees to pay an administrative penalty of \$10,000. Mr. Ketterer recommended approval of the proposed Stipulated Agreement.

Commissioner Bair commented on the fact that the minor was honest when questioned about his age. Chair Cutler stated that she liked the fact that the mother approached the facility about the situation in Council Bluffs.

Hearing no further comments or questions concerning the proposed Stipulated Agreement, Chair Cutler requested a motion. Commissioner Bair moved to approve the Stipulated Agreement between IRGC and Argosy as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 06-96)

Frank Quigley, General Manager of Argosy, advised the Commission that Argosy does take this issue seriously, and is proud of its track record pertaining to underage gambling. He indicated the facility has taken steps to correct the situation; discussions have been held with the appropriate employees and more emphasis placed on screening by all employees, not just security officers. Changes were made to the entrance to prevent patrons from being able to walk three or four abreast when entering the facility; the entrance was narrowed to allow only one person to enter at a time.

Mr. Rich advised that all employees are being required to retake the training on responsible gambling, and the security officers are going through an extensive training program. He stated that the security officer on duty at the time was disregarding policy when he was talking with a patron. Mr. Rich stated that Harrah's has installed hand-held scanner to insure that presented identifications are appropriate and legal. Mr. Rich stated that all patrons are asked questions regarding the identification being used to gain entrance to ensure it is their ID rather than someone else's.

Commissioner Bair asked if similar technology is being used at other facilities. Mr. Ketterer stated that the Commission does not dictate the method used to check identification; we are only interested in ensuring that no minors gain entrance to the gaming floor.

Commissioner Bair asked if it would be possible to conduct a quick survey of the facilities to determine what methods are utilized to check identification.

Chair Cutler moved to Administrative Business, and called on Mr. Ketterer to address the penalties for underage gambling. He stated that in order for a violation to come before the Commission there are three thresholds that have to be met: no identification requested when the minor passes through the entrance; the minor is on the gaming floor in excess of thirty minutes, giving other casino employees an opportunity to request identification; and whether or not the individual gambled or consumed alcohol. Mr. Ketterer stated that it is the responsibility of every casino employee to look for minors and check identifications, not just the security officers.

Mr. Ketterer stated that when the thresholds were established, an administrative penalty of \$10,000 for the first offense was agreed upon so that everyone would know what to expect. He indicated that all facts are recounted by reviewing surveillance tapes. Mr. Ketterer noted that it has been several years since the policies and penalties for underage gambling were established, and current members were not involved in the process. He feels now is an appropriate time for members to review this issue rather than just saying "This is the way it has always been done." Mr. Ketterer advised that he had asked Diane Hamilton and Kate Cutler, Chair and Vice Chair respectively at the time, to review the process and penalties and make recommendations to the Commission.

Chair Cutler stated that penalty has remained the same for ten years, and that it is time to review the penalty structure. Chair Cutler stated that discussions have been held, and she recommended that the penalties be raised as follows: \$20,000 for the first violation and \$30,000 for the second.

Mr. Ketterer advised that under the previous schedule if more than two violations occurred within 365 days, the penalty increased from \$10,000 to \$15,000, and if three or more violations occurred, the penalty was \$20,000.

Chair Cutler stated that the increases would be across the board and apply to all facilities. The Commission is looking at doubling the penalties, although the actual penalty would be subject to individual circumstances. She indicated the current penalties could be viewed as just a cost of doing business; however the increased penalties could entail a significant monetary outlay. Noting that the Commission had heard from both facilities involved today that they had taken steps to further address this issue, Chair Cutler encouraged all facilities to adopt procedures in order to protect Iowa's image.

Commissioner Bair noted that Riverside Casino and Golf Resort is close to the University of Iowa in Iowa City. He asked if a motion was necessary to double the penalties.

Mr. Ketterer stated that a motion was not necessary; that the Commission could just direct the staff to advise the licensees and Iowa Gaming Association of the revised administrative penalty schedule with regard to underage gambling violations.

Mr. Ketterer moved to the penalties for payments made to voluntarily excluded patrons. He noted there was some discussion at the July meeting concerning the Legislature's intent in this section of the Code and the lengths they went to in order to set up a self-exclusion program which could be shared by all facilities. Mr. Ketterer stated that under this program, it is realistic to expect that when identification is required for disbursements, tellers will cross-check it with the voluntary exclusion program in order to prevent payouts to voluntarily excluded patrons. Should a payout be made to a voluntary excluded patron, the facility is responsible for paying an equivalent amount to the Iowa Gambling Treatment Program (IGTP). Mr. Ketterer stated the question to the Commission is whether they want to establish penalties above and beyond the payment to the IGTP.

Commissioner Seyfer asked if the matter had to be decided today. Mr. Ketterer answered in the negative, and proceeded to recommend that Commissioners Bair and Seyfer review the matter to determine an amount, if any, that the facility would be required to pay in addition to the payment to the IGTP. He stated that the Commission doesn't expect everyone to recognize every individual in the program, but does expect that when an identification is checked and or required, that there are procedures in place to ensure that it is cross-checked with the database to avoid jackpot payouts to excluded patrons.

Mr. Ketterer stated that individuals could contact Commissioners Bair or Seyfer directly or the Commission office. Commissioner Bair requested that all contact be made through the Commission office.

Chair Cutler moved to the Petition for Declaratory Order, and called on Rick Olson. Mr. Olson stated that the term "jointly submitted" frustrated all parties during contract negotiations last year, and all felt there was no need to commence negotiations this year due to the Commission's stance on the issue last year, which was that "jointly submitted" meant that there had to be an agreement between all three breeds and PMR&C. Mr. Olson stated that the position of the Iowa Thoroughbred Breeders and Owners Association's (ITBOA) position is the same as he is articulating today. He noted that he had sent a letter summarizing his position on how the term "jointly submitted" should be interpreted and applied to minimum purse pools. Mr. Olson noted that previous to the 2006 race season, the ITBOA and Iowa Quarter Horse Racing Association (IQHRA) had negotiated long-term contracts with PMR&C, while the standard breeds have been unable to do so. He stated that the way in which the Commission interpreted the term for the 2006 race season would tie the hands of any of the horse groups if one group had veto power.

Chair Cutler asked Mr. Olson why he thought the legislature added the words “jointly submitted”; that they have some meaning. Mr. Olson stated they were included to establish minimum purse pools; however, the argument can be made that they were not necessary as the Commission already has the authority to regulate purse pools. He suggested the terminology was intended to codify past practice of the Commission, but established a dedicated amount from casino revenue that would go toward the minimum purse pool for which the breeds negotiate. Mr. Olson suggested that “jointly submitted” means an agreement reached between PMR&C and any one of the three horse groups, whether that be the thoroughbreds, quarter horses or standard bred.

Chair Cutler noted that the particular statute only went into effect in January of this year. Mr. Olson reiterated that it was for clarification of past practice regarding actions taken by the Commission.

Brad Schroeder, legal counsel for IHHA, advised that “jointly submitted” is meant to mean something entirely different than what the Commission was lead to believe in Mr. Olson’s recently submitted letter in which he suggests that “jointly submitted” agreement means PMR&C and one other group. Mr. Schroeder stated that “jointly submitted to the commission” means that PMR&C has to submit agreements with all three groups at the same time. He stated that the wording of the statute is plain, and there is no need to look at legislative intent. Mr. Schroeder pointed out that IHHA had been able to reach an agreement with PMR&C up until last year, at which time they looked to the Commission for assistance.

Mr. Schroeder stated that if the statute were interpreted in the manner suggested by Mr. Olson, PMR&C could negotiate contracts with the ITBOA and IQHRA that would leave nothing for purses for the standard bred, which would adversely affect the future of harness racing in the state.

Commissioner Bair asked if a group were left out if it would be due to the fact that no agreement had been reached. Mr. Schroeder indicated that would be a correct assumption; noting that the harness group had only encountered this problem in the last year following the language change; prior to that the IHHA had been party to a five-year agreement in the late 90’s and most recently a three-year agreement with the same terms reached with the other horsemen groups.

Chair Cutler stated that she is not a statutory interpreter attorney, but pointed out that the statute uses the term “agreements”, plural. Mr. Schroeder stated that the word “jointly” should be interpreted in the normal sense – jointly.

Scott Weiser, representing the Iowa Horsemen Benevolent and Protection Association, advised the Commission that he worked extensively on lobbying on the issue. He noted that the Legislature rejected language requiring all three breeds to reach an agreement; that there were several amendments submitted containing that language and all were rejected by the Senate leadership.

Commissioner Bair asked Mr. Weiser what he thought the term “jointly” meant. Mr. Weiser indicated his agreement with Mr. Olson; that he felt the Legislature was codifying past practice. Commissioner Bair asked Mr. Weiser if he thought the Legislature was reacting to the Commission’s action concerning purses and race dates for the 2006 racing season at PMR&C. Mr. Weiser answered in the negative; that this occurred after the Commission’s action.

Commissioner Bair asked what drove the legislation. Mr. Weiser stated that he was not sure, but pointed out that the IHHA proposed legislation requiring that PMR&C negotiate with all three breeds. He reiterated his belief that the Legislature was codifying past practice.

Commissioner Hamilton stated that she was sure why a change was needed if the only reason was to set in stone current practice. Mr. Weiser stated that the initial reason was to offer Code protection to the parties.

Chair Cutler wondered if the three breeds were not named due to the possibility that eventually there could be more than three breeds racing at PMR&C. Mr. Weiser stated naming the particular breeds would serve to invalidate negotiations and agreements reached with other breeds.

Mr. Schroeder advised that when the Commission last visited this issue, a letter was submitted that set forth the legislative process, which was very different than what was just presented. He indicated the legislative history on the books is the only way to know legislative intent for sure.

Mr. Olson stated that under statutory reconstruction law, the Iowa State Code requires interpretation in such a manner so as to avoid an absurd result. The way in which Mr. Schroeder is indicating the statute should be interpreted would allow one breed to prevent PMR&C to enter into, and submit, an agreement with any other breed. Mr. Olson stated this is the very reason he is seeking the Declaratory Order.

Mr. Roland advised that there has already been a meeting, in which the IHHA was not included, between PMR&C and the ITBOA and IQHRA. He reiterated the IHHA’s belief that “jointly submitted” means agreements between PMR&C and the three horsemen groups need to be negotiated and then submitted for the Commission’s approval at the same time.

Hearing no further comments or questions, Chair Cutler requested a motion to go into Executive Session. Commissioner Bair moved to go into Executive Session pursuant to Iowa Code Section 21.5(1)c for the purpose of discussing strategy with legal counsel in matters where litigation is imminent where disclosure would be likely to prejudice or disadvantage the position of the governmental body. Commissioner Hamilton seconded the motion, which carried unanimously on a roll call vote. (See Order No. 06-97)

Upon returning to open session, Chair Cutler requested a motion regarding the Petition for Declaratory Order. Commissioner Hamilton moved that the Commission would interpret “jointly submitted” to mean that purse agreements for all groups identified in the licensee’s application for race dates must be submitted together when the Commission considers the licensee’s race dates. Commissioner Bair seconded the motion, which carried on a 3-1 vote, with Commissioner Seyfer voting nay. (See Order No. 06-98)

Chair Cutler directed the Attorney General’s Office to prepare an Order consistent with the Commission’s motion.

As there was no further business to come before the Commission, Chair Cutler requested a motion to adjourn. Commissioner Hamilton so moved. Commissioner Bair seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
OCTOBER 5, 2006**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, October 5, 2006 at the Isle of Capri Bettendorf (IOCB), 1777 Isle Parkway, Bettendorf, Iowa. Commission members present were Kate Cutler, Chair; Gerald Bair, Vice Chair; and members Greg Seyfer and Toni Urban. Commissioner Diane Hamilton was absent.

Chair Cutler called the meeting to order at 8:30 AM, and requested a motion to approve the agenda. Commissioner Bair moved to approve the agenda as submitted. Commissioner Urban seconded the motion, which carried unanimously.

Chair Cutler moved to the next agenda item and recognized Bernie Goldstein, Chairman of the Board and CEO of Isle of Capri, who welcomed the Commission to Bettendorf. Mr. Goldstein stated that Iowa was the site of the first riverboat casino in the United States, with the first licenses being issued in 1990. The first riverboat to set sail, the Diamond Lady in Bettendorf, sailed at 7:00 AM on April 1, 1991. He stated that an important part of the initial lobbying for the riverboat legislation was the concept of the not-for-profits with a sum of money going to that organization for distribution to local charities, and the riverboats were not allowed any control over those funds. Mr. Goldstein indicated that he felt that was important, but noted that not one state that has allowed riverboat gambling has followed Iowa's lead in that respect.

Decker Ploehn, Bettendorf City Administrator, also welcomed the Commission to Bettendorf. He noted that there will be a ground breaking ceremony at 3:00 PM this afternoon for the Event Center that will connect to the new hotel on the Isle of Capri Bettendorf (IOCB) property.

Chair Cutler moved to the approval of the minutes from the August 31, 2006 Commission meeting. Commissioner Seyfer moved to approve the minutes as submitted. Commissioner Urban seconded the motion, which carried unanimously.

Chair Cutler called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer recognized the following IRGC employees from the IOCB and Rhythm City Casino facilities: Betty Clark, Debbie Douglas, Shirley Stokes, Stan McClelland and Dan Martens.

Mr. Ketterer made the following announcements regarding future Commission meetings:

- November Commission Meeting – November 9, 2006 – Stoney Creek Inn, Johnston, Iowa (Submissions due by October 26, 2006)
- December 2006 – No Meeting
- January Commission Meeting – January 11, 2007 – Stoney Creek Inn, Johnston, Iowa (Submissions due by December 27, 2006)
- February 2007 – No Meeting
- March Commission Meeting – March 1, 2007 – Terrible's Lakeside Resort, Osceola, Iowa (Submissions due by February 15, 2007)

Chair Cutler moved to the contract approval portion of the agenda, and called on Ameristar Casino. Jane Bell, Director of Government Relations, presented the following contracts for Commission approval:

- Charles Vrana & Son – Construction Projects
- Hawkins Construction – Master Agreement for Construction
- Kone, Inc. – Elevator Service & Repair
- Global Surveillance – Cameras & Related Equipment
- Data Business Equipment – Cage Equipment & Service Contract
- Leick Landscaping – Landscaping & Snow Removal

Commissioner Urban, noting that the \$3 million contract with Hawkins Construction is with an out-of-state company, asked Ms. Bell how close the bids were. Ms. Bell indicated that they were not close at all as there was a variation of two or three percent on the cumulative totals as well as the general conditions.

Hearing no further comments concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 06-99)

Chair Cutler called on IOCB. Mo Hyder, General Manager for IOCB and Rhythm City, requested permission to combine Rhythm City's contract approvals with IOCB's. The Commission agreed. Mr. Hyder presented the following contracts for Commission approval:

- Isle of Capri Bettendorf
 - Green Bridge Company – Purchase of Land (RP)
 - Trinity Medical Center – On-Site Health Care & Rehabilitation Service for Employees
 - Terracon – Engineering Services & Labor Fees
 - Co-Engineering, LLC d/b/a PIICO – Engineering Services & Labor Fees

- Rhythm City Casino
 - Trinity Medical Center – On-Site Health Care & Rehabilitation Services for Employees
 - Terracon – Engineering Services & Labor Fees
 - Co-Engineering, LLC d/b/a PIICO – Engineering Services & Labor Fees
 - Radisson d/b/a John Q Hammons Hotels – Guest Lodging

Mr. Hyder noted that the land being purchased by Green Bridge Company will be donated to the City as part of the collaborative agreement on the Event Center.

Hearing no questions for Mr. Hyder, Chair Cutler requested a motion. Commissioner Urban moved to approve the contracts for IOCB and Rhythm City Casino as submitted. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-100)

Commissioner Bair asked the projected completion date on the new hotel. Mr. Hyder stated that the topping off party would be taking place later today and the hotel is expected to open in early May of 2007.

Chair Cutler called on Terrible's Lakeside Resort. Damon Butler, General Manager, presented the following contracts for Commission approval:

- Aristocrat Technologies, Inc. – Purchase Replacement Slot Machines
- Konami Gaming, Inc. – Purchase of Replacement Slot Machines

As there were no comments or questions, Chair Cutler requested a motion. Commissioner Urban moved to approve the contracts as submitted by Terrible's Lakeside Resort. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-101)

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

- Alan's Carpet & Floors – Installation of Carpet on Boat
- E-GADS (Electronic Gizmos & Display Systems) – New Slot Signage
- Ulster Carpet Mills – Purchase Carpet

Hearing no comments or questions, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Harrah's. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 06-102)

Chair Cutler asked Mr. Rich about the proposed acquisition of Harrah's. Mr. Rich stated that the Commission probably knew as much as he did, but that he expected to learn more later in the day.

Chair Cutler called on Wild Rose Emmetsburg (WRE). Tom Timmons, Interim General Manager, presented a contract with WMS Gaming for slot machine replacements.

As there were no comments or questions concerning the contract, Chair Cutler requested a motion. Commissioner Bair moved to approve the contract as submitted by WRE. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 06-103)

Commissioner Bair asked Mr. Timmons how things were progressing at WRE. Mr. Timmons indicated that business has been steady, but noted that winter is coming.

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

- AC Coin & Slot Service Company – Slot Leases
- Flight Options – Air Service

Mr. Ketterer asked Ms. Schramm about the announcement concerning the new location. Ms. Schramm stated that Peninsula Gaming had paired up with the Historical Society to work on America's River, Phase 2. Part of the agreement is that the Historical Society will take over the Portside Building and the riverboat, and the Diamond Jo would build a moored barge concept on the current parking lot located on the left-hand side upon entering the Ice Harbor. She indicated that the project will be themed similar to Diamond Jo Worth. Ms. Schramm stated that the project is being presented to Vision Iowa next week. Mr. Ketterer asked Ms. Schramm when the Commission could expect the project to be brought before them for approval. Ms. Schramm indicated it would either be in January or March.

Commissioner Bair asked how much funding was being requested from Vision Iowa. Ms. Schramm indicated they are requesting funds from both Vision Iowa and a CAT grant, for a total of \$9 million, but advised the project is not contingent upon receiving these funds. She advised that the funds will be utilized to construct an IMAX theater and a river research center in the current portside building. Commissioner Bair asked about projected opening dates. Ms. Schramm advised that the Diamond Jo's portion would open in 2008, and a portion of the Historical Society's project would open in 2008, with the balance opening in 2009.

Hearing no further comments or questions for Ms. Schramm, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by Diamond Jo. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 06-104)

Chair Cutler called on Diamond Jo Worth (DJW). Jesus Aviles, General Manager, presented a contract with YWS Architects for architectural services for Commission approval.

Hearing no comments or questions, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contract as submitted by DJW. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 06-105)

Chair Cutler asked Mr. Aviles how business was going at DJW. Mr. Aviles advised that business was holding up very well. Chair Cutler asked about the construction project. Mr. Aviles advised that construction is ahead of schedule; the foundation is finished and framing has started. He stated the hotel should be ready to open early next month.

Chair Cutler called on Riverside Casino & Golf Resort (RCGR). Joe Massa, General Manager, presented the following contracts for Commission approval:

- GRP & Associates – Waste Disposal
- Eastern Iowa Light & Power – Electrical
- Eastern Iowa Light & Power – Electrical (Customer Generation Agreement)
- Data Business Equipment (DBE) – Kiosks
- Tri State Company – Equipment
- Leibold Irrigation, Inc. – Golf Course Construction
- Big Dog Productions – Entertainment
- Cintas Corporation – Uniforms
- Turfwerks – Golf Course Construction

Chair Cutler asked Mr. Massa for an update on the opening. Mr. Massa advised that the property opened on time, and everything went well. He stated that the patron count and revenues are close to the projections. All of the facility, except for the golf course, is open. Due to heavy fall rains, the golf course is now projected to open in June or July 2007. Mr. Massa stated that the Employee Wellness Center, consisting of approximately 3,000 square feet, will be opening this week. He noted there is a separate center for facility patrons.

Commissioner Bair asked about the status of some land that was optioned by the Kehl family for Earthpark in the event Riverside was selected as the site. Mr. Massa stated that alternatives for the utilization of the property were under discussion at this time.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by RCGR. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 06-106)

Chair Cutler moved to the renewal of the racetrack licenses and granting of race dates and racetrack enclosure gambling licenses, and called on Iowa West Racing Association/Bluffs Run Greyhound Park and Horseshoe Casino (IWRA/BRGP and Horseshoe). Todd Graham, Executive Director of IWRA, requested the Commission's support of the greyhound racetrack license, proposed race dates, and the racetrack enclosure gambling license for Horseshoe. He noted that BRGP has had and continues to

hold an important place in Council Bluff's history. IWRA was granted a license in 1984 to operate a pari-mutuel track, which opened in 1986. Mr. Graham listed the various attractions that have located in the vicinity of the racetrack/casino in recent years. He turned the floor over to Mr. Rich for any detailed questions.

Mr. Rich noted that BRGP was the first facility under the Harrah's Entertainment umbrella to be re-branded as something other than Harrah's. He provided the following information regarding the past year of operations:

- Through the Buy Iowa first policy, BRGP and Horseshoe Casino will spend approximately \$22 million with Iowa vendors for supplies, equipment, and services in 2006.
- Of \$63 million spent on general construction for the Horseshoe property, the amount subcontracted to Iowa vendors over the past year exceeded \$13 million. An average of 76% of the general contractors' workforce was comprised of Iowa residents.
- Over 300 employees were added to staff when Horseshoe Casino opened, increasing the number of employees to 1,172 with 614, or 52%, of those employees being Iowa residents.
- Wages and benefits will be \$28 million. The State of Iowa will receive over \$42 million in gaming taxes. The 2006 purse supplement will pay out almost \$8.7 million to the BRGP kennel and greyhound owners.

Mr. Rich stated that it is also important for Harrah's/BRGP and Horseshoe to support the community where their employees live and work. Volunteerism amongst the employees is exemplary, with over 3,000 volunteers hours given during 2005, and they are on pace to meet or exceed that number for 2006.

Mr. Rich indicated the property celebrated two major milestones in 2006: one being the completion of the expansion of the Horseshoe Casino, which has received rave reviews for its restaurants since opening; and the other is that upon opening the new facility, Horseshoe took the market share lead in Council Bluffs and has maintained that lead.

The other milestone was the five-year purse supplement agreement reached with the Iowa Greyhound Association at the end of 2005, which allows both parties to enjoy a win-win situation while providing stability to the owners and breeders and BRGP/Horseshoe for an unprecedented period of time.

Chair Cutler called for any comments or questions for either Mr. Graham or Mr. Rich. Mr. Ketterer asked Mr. Graham the amount of distributions by IWRA to Pottawattamie County and the surrounding counties in 2005. Mr. Graham advised that approximately \$17.7 million was distributed to approximately 147 different projects. Chair Cutler asked for the total distribution amount since IWRA's inception. Mr. Graham advised that IWRA reached a milestone in the past year; they have distributed \$150 million to approximately 100 communities in southwest Iowa.

Chair Cutler called for a motion regarding the renewal of the licenses. Commissioner Seyfer asked if that would include the additional contracts. Chair Cutler agreed, and called on Mr. Rich regarding the additional contract submissions. Mr. Rich presented the following contracts for Commission approval:

- Concert Security Services – Concert Production Services & Labor
- Doll Distributing – Alcoholic Beverages Distributor
- Golden Boy Pies – Sugar-free Cream Pies
- Loffredo Fresh Produce – Fresh Produce & Seafood Supplier
- The Dallas Marketing Group – Marketing Research
- VitalSigns Unlimited, Inc. – Maintenance of Interior/Exterior Signage

As there were no comments or questions for Mr. Rich, Chair Cutler again requested a motion. Commissioner Seyfer moved to approve the renewal of the racetrack license and granting of race dates and the racetrack enclosure gambling license for IWRA/BRGP and Horseshoe Casino, and the additional contracts as submitted.. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 06-107)

Chair Cutler called on Dubuque Racing Association/Dubuque Greyhound Park & Casino (DRA/DGP&C). Bruce Wentworth, General Manager, and Brian Carpenter, Director of Racing, were present to answer any questions. Mr. Wentworth stated this would be the 23rd racing season at DGP&C, noting that the racetrack opened on June 1, 1985. He stated that over that time period, DRA has shared over \$82 million with the City of Dubuque and gave \$24 million to non-profit groups. Mr. Wentworth noted that DRA recently awarded \$500,000 from a “Future Fund” to a local community health center effort. Immediately following that announcement, another foundation donated \$1.3 million to the project.

Mr. Ketterer asked Mr. Wentworth about the announcement of a new facility for Peninsula Gaming, noting that it was his understanding there was a question concerning the agreement between DJ and DRA. Mr. Wentworth stated that the announcement was made a week ago, and took a majority of Dubuque residents by surprise. He indicated he has been trying to get the DRA Board members together for a meeting. Mr. Wentworth indicated it was early in the process for him to say whether there was an issue. He noted some board members may have definitive ideas, and he feels there needs to be some discussion as to whether the plans fit within the parameters of the agreement between DRA and DJ.

Mr. Ketterer stated that one of the issues for the Commission is that the Code requires that there be an agreement between the racetrack and the riverboat. One of the prerequisites for the Commission being able to issue a table game license to DGP&C was that the riverboat had an opportunity to become a moored barge; and vice versa, if the boat became a moored barge, the track would get table games. Mr. Wentworth stated that there is an agreement in place, noting that it was filed with the Commission at 11:50 PM

on the last day that it could be filed with the Commission. He stated that the agreement is in place; it is just a matter of interpreting what the agreement says at this time.

Mr. Ketterer asked the Commission members if it would be prudent to defer the renewal of the pari-mutuel and racetrack enclosure license until the November meeting, thus giving DRA/DGP&C an opportunity to confirm that there is an agreement in place. Mr. Wentworth stated that it would be DRA's position that an agreement is in place; they just need to review the agreement and have had less than a week to do so.

Commissioner Bair stated that what he was hearing in Mr. Ketterer's statements was that even though an agreement is in place it appears that what the agreement actually says appears to be in question based on the interpretation of some DRA Board members. He indicated that he felt the Commission would be more comfortable with postponing this agenda item for a month; thus giving the DRA/DGP&C and the DJ an opportunity to get together and resolve any issues or agree on an interpretation that would allow the Commission to issue the licenses at the November meeting.

Chair Cutler called for a motion. Commissioner Bair stated that he would like to hear from Mr. Wentworth.

Mr. Wentworth stated that the licenses are very important to the facility and would prefer that the Commission would grant the licenses at this time; allowing the parties to sit down and work out the issues among themselves. It would be DRA's preference that this issue be considered as a side issue to the licenses. Mr. Wentworth stated that he was not sure that he could speak as to the DRA Board's position on this matter at this time.

Commissioner Bair stated that he would feel more comfortable waiting until the November meeting based on Mr. Wentworth's comments. Chair Cutler stated there appears to be whorl of information, and it is unclear to the Commission at this time as to what it could mean going forward. She concurred with Commissioner Bair's comments.

Chair Cutler again requested a motion. Commissioner Urban moved to defer action on the pari-mutuel and racetrack enclosure gambling licenses for DRA/DGP&C until the November meeting. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 06-108)

Mr. Wentworth asked if it was possible to receive approval on the additional contracts submitted. Chair Cutler answered in the affirmative. Mr. Wentworth presented the following contracts for Commission approval:

- The Lamar Company – Outdoor Billboard
- The Lamar Company – Outdoor Billboard
- McCullough Creative Group – Advertising Services
- Union Hoerman Press – Printing & Direct Mail Services
- US Postal Service – Postage for Direct Mail

- Hilton Garden Inn – Hotel Services
- Telegraph Herald – Advertising Services
- Atronic Americas, LLC – Slot Machine Games
- Shuffle Master Gaming – Novelty Games & Shufflers
- Shuffle Master Gaming – Novelty Games & Shufflers

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the additional contracts as submitted by DGP&C. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 06-109)

Chair Cutler called on Prairie Meadows Racetrack & Casino, Inc./Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer, General Manager, and Derron Heldt, Director of Racing, were present to seek approval of the pari-mutuel and racetrack enclosure gambling licenses and race dates for 2007 and answer any questions.

Mr. Palmer stated that PMR&C opened as a racetrack on March 1, 1989, and became one of the first racinos in the country on April 1, 1995. In 1989, they had approximately 200 employees; and now have 1,515. He noted that the track has experienced good growth, and has given back to the community through charitable contributions, community betterment grants and rent to Polk County in the amount of \$275 million since 1995. PMR&C is close to completing a \$60 million expansion, which includes a conference center, new buffet, restaurant, and new 25,000 square foot addition to the casino. He advised that the casino addition is complete, and the conference center and restaurants will be completed in February 2007. Mr. Palmer stated that the construction project is on schedule and under budget.

Chair Cutler asked about the new parking facility. Mr. Palmer stated that the facility has outgrown its current parking. The five-year plan includes a hotel and parking garage, but currently do not have the funds to build the garage. He noted that the facility will need an additional 400-500 parking spaces when the conference center opens next year. There have been four Saturday nights so far this year when PMR&C has had to close their parking lot as there were no more parking spaces, causing them to turn patrons away. PMR&C sought and received permission from Polk County to add approximately 442 parking spots and 21 semi parking spaces. These will be located directly east of the marquee on Adventureland Drive. The cost will be approximately \$1.2 million, not \$14 million as reported by The Des Moines Register.

Chair Cutler asked if the parking lot would remain when PMR&C eventually constructs the parking garage. Mr. Palmer answered in the affirmative. Chair Cutler asked if the new parking is replacing current parking. Mr. Palmer stated that when PMR&C added on, they lost approximately 500 spaces; this would just replace the lost spaces.

Chair Cutler asked Mr. Palmer where PMR&C was at regarding the purse issue. Mr. Palmer advised that PMR&C paid \$18.1 million in purses this racing season, and

anticipates they will pay \$18.2 million next year. Commissioner Bair asked how that figure was calculated. Mr. Palmer stated that it is based on PMR&C's adjusted gross revenue – the 11% required by statute – minus the Iowa Events Center deduction contained in their contract with Polk County. Commissioner Bair asked if this issue had been worked out with the horsemen. Mr. Palmer stated that purse levels are now mandated by statute. He noted that purses will increase somewhat as the payment to the Iowa Values Fund will decrease and remain constant for 18 years.

Commissioner Bair asked if PMR&C interprets the 11% as a mandate. Mr. Palmer answered in the affirmative. Commissioner Bair noted that the statute reads “at least”. Mr. Palmer stated that is the position of PMR&C's Board of Directors.

Commissioner Bair asked if everything was in place for the 2007 racing season. Mr. Palmer indicated it was not. Mr. Palmer advised that PMR&C had sent a letter from Ann Long, Vice President of Operations, and Mr. Heldt to all three of the horsemen groups asking them to meet among themselves to work out the purse distribution issue prior to any meeting with PMR&C to determine race days and finish up the contracts for 2007. He indicated the horsemen are working on that issue at this time, but have not responded to PMR&C.

Chair Cutler asked Mr. Ketterer if the Commission needed the agreements prior to approving the licenses and request for race dates. Mr. Ketterer informed Mr. Palmer that he and the Commissioners were interested in hearing what PMR&C would propose. He noted that PMR&C had submitted racing dates in their license renewal application, and asked if there had been any discussion with the horsemen concerning those dates. Mr. Palmer answered in the affirmative, but indicated there is no written agreement at this time. He indicated that PMR&C was very satisfied with this year's racing season which was 81 days for the thoroughbred and mixed meet and 14 days of harness racing. For 2007, PMR&C is proposing 82 days of racing for the thoroughbreds and mixed meet with harness again having 14 days at the end of the season.

Mr. Ketterer advised that the Commission had received input from the horsemen that they would like to have a discussion with PMR&C concerning the race dates, as well as the purses. He indicated that he believes the horsemen groups, based on past history, are dubious of their ability to reach an agreement as to how the purses should be distributed among them. Mr. Ketterer stated that he was curious about PMR&C's plans for their racing program beyond 2007.

Mr. Heldt noted that the racing landscape is constantly changing around the country. He advised that over the last few years, PMR&C has taken it year by year. Mr. Heldt indicated that in discussions with the racing staff, they feel the thoroughbred meet works very well; there are some problems with the transition from the thoroughbred meet to the mixed meet regardless of the number of days between the two, and then they move into the harness meet. He noted that on and off track handle increased; and participation and field size increased. On the flip side, the thoroughbreds may feel there were not enough

racers for them; however, there is a caveat which allows for a sixth race if there are a sufficient number of entries.

Mr. Ketterer stated that the change up of the format this year was very revealing and believes there are a number of things to be learned. He felt it would be to PMR&C's benefit to have a discussion with the horsemen and receive the official input from each organization, but it is ultimately PMR&C's decision as to the number of race days and distribution of purse money requested in the application. He reiterated his earlier statement that the horsemen themselves are dubious they can reach an agreement as to purse distribution.

Mr. Ketterer stated that one of the reasons he asked about long term plans was that the application refers to capital improvements and a master development plan, all being subject to financing. He noted that a turf track has been discussed since 1997, but now there is a substantial amount of discussion in the industry about artificial surfaces and the safety they bring to the horses as well as the rider. Mr. Ketterer pointed out that the California Racing Commission has mandated artificial surfaces for all tracks. He stated that he did not feel the Commission wanted to mandate the use of artificial surfaces, but feels it is something that PMR&C should be investigating and taking any necessary steps in order to procure financing. Mr. Ketterer stated that the Commission would not want to hear that PMR&C could not proceed in this area for three to five years if it is a safety issue for the horses and riders because they are unable to secure the necessary financing.

Mr. Ketterer wondered if the purse situation could be resolved by the November meeting; noting that the Commission would like to review them at the November meeting. Additionally, PMR&C would be able to share the input received from the three horse breeds concerning the race dates. Mr. Ketterer also requested that PMR&C be prepared to present information concerning their near and long-term plans for parking and other matters.

Commissioner Bair, noting that he has been on the Commission for three years, concurred with Mr. Ketterer's statement that the Commission needs more than just a year-to-year plan, and indicated that this time of year always seems to be a sticking point with regard to racing. He requested a three to five year strategy, with funding in place so that each side has some type of blueprint to work from that would allow everyone to move forward. Commissioner Bair stated that he feels the current process is beginning to foster ill will on both sides.

Mr. Palmer agreed that a three to five year plan does need to be in place. He indicated that he had talked with each of the horse organizations individually, and concurred that there is a difference of opinion between leadership and membership, but most collectively agree that they would prefer a three to five year plan as well, which would allow the breeders to have an idea of where the track is going. Mr. Palmer indicated that everyone is optimistic this can be achieved.

Commissioner Bair expressed the opinion that if the Commission accepts short-term plans financed this year that they should mandate a three to five year plan be submitted with the 2008 license renewal.

Mr. Ketterer indicated that another source of irritation to the Commission is reading that PMR&C has given \$27-28 million to Polk County on a yearly basis, and then reading that numerous items in the Master Development Plan are contingent or subject to financing. There have been two separate instances in The Des Moines Register recently indicating that businesses or proposed businesses in the Des Moines metropolitan area have been granted low or no interest loans by Polk County utilizing funds from PMR&C. Mr. Ketterer questioned why PMR&C is unable to secure Polk County's cooperation in receiving the necessary financing as opposed to Polk County granting those funds to other businesses.

Mr. Palmer advised that PMR&C is working on several different financing scenarios. He indicated that if PMR&C is going to continue to grow, financing is a necessity which is unavailable to them under the current scenario. Up to this point financing has been short term, and the projects started/completed right away. Mr. Palmer stated that PMR&C has the business, will and determination to be more and more successful each year. He noted that PMR&C has to answer to the County, the horsemen, unions, etc.

Hearing no further comments, Chair Cutler requested a motion. Commissioner Urban moved to defer PMR&C's racetrack license renewal application and granting of race dates, and the racetrack enclosure gambling license until the November meeting and receipt of purse information. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-110)

Chair Cutler moved to the additional contracts submitted by PMR&C. Mr. Palmer submitted the following contracts for Commission approval:

- AC Coin & Slot Service – Renewal Lease for Slot Machines
- Aristocrat Technologies, Inc. – Purchase of 12 Slot Machines & Accessories
- Bally Gaming, Inc. – Purchase of 21 Slot Machines
- Farner Bocken Company – Candy, Food Tobacco & Other Supplies
- IGT – Lease of 9 Slot Machines
- IGT – Renewal Lease of 6 Slot Machines
- Iowa Harness Horsemen's Association – Standard bred Agreement for the 2006 Racing Season
- On Media – Advertising Expense
- WMS Gaming, Inc. – Renewal Lease of 2 Slot Machines

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by PMR&C. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 06-111)

Chair Cutler moved to the hearings before the Commission and called on Jeremy Strickland. Mr. Strickland is appealing the Decision of the Administrative Law Judge (ALJ) rendered in August, which upheld the Commission's decision to revoke his gaming license. Mr. Strickland noted that he did not have all of his supporting documentation at the time of the hearing, and felt some mistakes had been made by the Isle of Capri Bettendorf (IOCB) and IRGC.

Mr. Strickland stated that another reason for the review is that he had previously sought help on his own for the problem that was presented. He recently submitted a letter from his counselor setting forth how long he had been under his care. This treatment was previous to May 26th when his license was suspended and then revoked. Mr. Strickland stated that the information provided by IOCB on August 1st that lead to his termination was not complete and forthcoming. He feels the ALJ's Decision was incorrect and should be overturned.

Chair Cutler called on Brian Meyer, Assistant Attorney General, serving in the capacity as prosecuting attorney. Mr. Meyer indicated this is a straight-forward case. During the Administrative Hearing, facts were presented that Mr. Strickland had tested positive; and when confronted about the positive test, admitted to smoking marijuana and having a substance abuse problem. Mr. Meyer stated that he did not think Mr. Strickland would contest the facts that he tested positive and has a substance abuse problem. He further stated that Mr. Strickland's contention that he was entitled to a second test is negated, even if there were mistakes, by the fact that he admitted to smoking marijuana and having a substance abuse problem. Mr. Meyer stated that the Commission could have revoked Mr. Strickland's license under both Iowa Administrative Rules 491-4.4 and 491-6.5(1)i which states that a license shall be denied if the applicant has a current addiction to alcohol or a controlled substance or has a mental illness without sufficient evidence of rehabilitation. Mr. Meyer asked the Commission to uphold the ALJ's Decision.

Mr. Ketterer advised that the Commission simply reviews the ALJ's Decision in these matters to determine if an error was made. He indicated they would be able to conduct their deliberations in Executive Session prior to making that decision if they so choose. Chair Cutler indicated she felt the matter should be continued to the end of the meeting, allowing the Commission to go into Executive Session, and called for a motion to that effect. Commissioner Bair moved to defer a decision on this matter until the end of the meeting. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-112)

Chair Cutler moved to the hearing involving Diamond Jo Worth (DJW) for a violation of Iowa Code Section 99F.9(5) (Wagering – age restriction). Mr. Ketterer advised that the Commission staff had reached a Stipulated Agreement with DJW concerning this matter. Mr. Ketterer stated that the situation occurred on July 4 when a minor female and her mother entered the turnstile unnoticed by a security officer and entered the gaming floor unchallenged. After approximately an hour in the casino and having played various slot machines, the minor female left the floor and returned, again walking past a security

officer at another entrance without being challenged, and again gambled at various slot machines. She once again left the casino, returned again at another entrance and security officer without being challenged and left again 15 minutes later. When she attempted to re-enter, she was denied entrance. She returned to her car, and then entered the casino a fourth time without being challenged. The security officer who did deny her entrance saw her on the floor and called the matter to the attention of another security officer. At that time, in the presence of the Division of Criminal Investigation (DCI), the minor female was asked to come to the security offices for questioning. At this time, it was learned she was 15 years old. Commission staff took the position that the age of the minor, the length of time she was on the floor (4.5 hours) and the fact that she was allowed to enter the gaming floor unchallenged on four occasions requires a penalty beyond what is set forth in the guidelines. Commission staff set a penalty of \$25,000, to which the DJW has agreed. Mr. Ketterer recommended approval of the Stipulated Agreement. He noted that Mr. Aviles wished to address the Commission concerning this matter.

Mr. Aviles stated that the facility takes full responsibility and that the facts as stated by Mr. Ketterer were accurate and to the point. He stated that the newness of the facility played some part in the incident. He indicated that some of the issues have been corrected through additional training, doubling up on entrance security officers, and steps are being taken to change some of the entrances that are very susceptible to being breeched. He stated that DJW hopes this situation is not repeated in the future.

Mr. Ketterer stated that he did not wish to single out DJW or WRE as they are new facilities, but pointed out that when an entity accepts a license, they accept the responsibility of upholding the requirements of the Iowa Code and Administrative Rules. Mr. Ketterer stated this particular situation **can not** happen at Iowa's casinos, noting the reaction of the citizens of Iowa to the touch play machines, which they deemed to be no different than the machines offered by the licensed facilities. He pointed out that the reaction was not to the games, but to their placement, access, and the lack of restrictions. Mr. Ketterer stated the facilities **must** do a better job in this respect.

Hearing no further comments or questions, Chair Cutler called for a motion. Commissioner Seyfer moved to approve the Stipulated Agreement as submitted between IRGC and DJW. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 06-113)

Chair Cutler moved to the hearing for WRE for a violation of Iowa Code Section 99F and Administrative Rules 491-11.2(2)b and 491-11.2(2)c. Mr. Ketterer advised that staff had also reached a Stipulated Agreement with WRE. This matter involves a couple, Mr. and Mrs. Ricky Estlund, who entered the facility on the afternoon of July 14th and over a five hour period, Ms. Estlund consumed numerous beers and was cited by a dealer, and a security officer at a later time, for removing her cards from the table on a three-card poker game. The security officer noted slurred language and asked her to step away from the poker table and advised her that she was being cut off from consuming additional

alcoholic beverages. Following conversations between Mr. Estlund and various supervisors, including the casino manager at WRE, Ms. Estlund was summoned from her hotel room at which time the casino manager apologized and comped Mr. & Mrs. Estlund for food and beverage in the Irish Pub on the second floor of the facility. The casino manager also advised Ms. Estlund that she could not consume additional alcoholic beverages until 9:00 PM, but could re-enter the casino. Mr. & Mrs. Estlund returned to the casino, and played Blackjack. Ms. Estlund was observed drinking from her husband's alcoholic beverage (comped by the facility). The DCI asked both individuals to submit to a breathalyzer test. Mr. Estlund tested at .099 and Mrs. Estlund tested at .259. IRGC's Administrative Rules require that an individual not be allowed to participate in gambling while intoxicated. Mr. Ketterer stated that the parties had agreed to an administrative penalty of \$10,000, and recommended approval of the Stipulated Agreement as submitted. He noted that Mr. Timmons, the current general manager, would like to address the Commission; and advised that he was not the general manager at the time of this incident.

Mr. Timmons stated that WRE accepts responsibility and agrees to the facts as set forth by Mr. Ketterer. He noted that most, if not all, of the individuals involved in the incident are no longer employed by WRE. Mr. Timmons stated that since his arrival at the property, WRE has been working very hard to change some of the internal procedures. He noted that it is difficult to administrate some of these issues, but accepted that it is part of their license and will continue to work to prevent future incidents of this nature.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Bair moved to approve the Stipulated Agreement between IRGC and WRE. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 06-114)

As there was no Administrative Business or Public Comment, Chair Cutler called for a motion to go into Executive Session. Commissioner Bair moved to go into Executive Session pursuant to Iowa Code Section 21.5(1)f to deliberate the decision to be rendered in a contested case conducted according to the provisions of Iowa Code Section 17A. Commissioner Urban seconded the motion, which carried unanimously on a roll call vote. (See Order No. 06-115)

Upon returning to open session, Chair Cutler called for a motion concerning the Jeremy Strickland Appeal of the ALJ's Decision. Commissioner Seyfer moved to uphold the ALJ's Decision. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 06-116)

As there was no further business to come before the Commission, Chair Cutler called for a motion to adjourn. Commissioner Urban so moved. Commissioner Seyfer seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
NOVEMBER 9, 2006**

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, November 9, 2006 at Stoney Creek Inn, Johnston, Iowa. Commission members present were Kate Cutler, Chair; Gerry Bair, Vice Chair; and members Diane Hamilton, Greg Seyfer and Toni Urban.

Chair Cutler called the meeting to order at 8:30 AM and requested a motion regarding the proposed agenda. Commissioner Bair moved to approve the agenda as presented. Commissioner Urban seconded the motion, which carried unanimously.

Chair Cutler requested a motion regarding the minutes from the October 13, 2006 Commission meeting. Commissioner Urban moved to approve the minutes from October 13, 2006 as submitted. Commissioner Seyfer seconded the motion, which carried unanimously.

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

- December 2006 – No Meeting
- January Commission Meeting – January 11, 2007 – Stoney Creek Inn, Johnston, Iowa (Submissions due by December 27, 2006)
- February 2007 – No Meeting
- March Commission Meeting – March 1, 2007 – Terrible's Lakeside Resort, Osceola, Iowa (Submissions due by February 15, 2007)
- April Commission Meeting - April 19, 2007 – Ameristar Casino, Council Bluffs, Iowa (Submissions due by April 5, 2007)
- May 2007 – No Meeting
- June Commission Meeting – June 7, 2007 – Stoney Creek Inn, Johnston, Iowa (Submissions due by May 23, 2007)

He noted that that the Commission would be dealing with the riverboat license renewals at the March Commission meeting.

Mr. Ketterer then recognized Linda Vanderloo, Director of Racing, noting this will be her last Commission meeting as she is retiring on December 15th. Ms. Vanderloo commenced her service with the State of Iowa under Commissioner Bair in the Department of Revenue. After working at Iowa Public Television, she joined IRGC in 1990. During her time with the Commission, she has held the team together, and every

decision is based on how it will reflect on the integrity of the Commission. Mr. Ketterer stated that he valued their working relationship and friendship.

Ms. Vanderloo stated that Mr. Ketterer has provided opportunities for the growth for the leadership team, that he is loyal and dedicated to all of his staff. She noted that some IRGC staff has been with the Commission since 1985; adding that most either stay for a few months or they will retire with the Commission. Ms. Vanderloo stated that the various racing departments around the state are committed to the racing animal. She indicated the integrity of the individuals at the various facilities is a reflection on the Commission, and challenged them to maintain that integrity.

Ms. Vanderloo stated that her replacement, Karlyn Dalsing, comes to the Commission with tremendous experience, and has come up through the ranks.

Chair Cutler voiced the Commission's gratitude for Ms. Vanderloo's service, help and support; noting some are even envious.

Chair Cutler moved to Contract Approvals, and called on Isle of Capri Bettendorf (IOCB). Mo Hyder, General Manager, requested permission to combine the Rhythm City contracts with IOCB. Chair Cutler agreed. Mr. Hyder presented the following contracts for Commission approval:

- IOC Bettendorf
 1. Sealy Corporation – Purchase New Mattresses
 2. Standard Textiles – Purchase New Bedding Materials
- Rhythm City – Northwest Mechanical, Inc. – Modification to Existing Chilled Water Air Conditioning Units

Hearing no comments concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 06-117)

Mr. Ketterer asked Mr. Hyder for a construction update. Mr. Hyder stated that the construction in Bettendorf is progressing very well, and is on schedule for an early May opening.

Chair Cutler called on Diamond Jo (DJ). Natalie Schramm, General Manager, presented a contract with Medical Associates Health Plan for employee health insurance premiums.

Hearing no discussion concerning the contract, Chair Cutler requested a motion. Commissioner Urban moved to approve the contract as submitted by DJ. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 06-118)

Ms. Schramm then moved to the update on the proposed new facility, and introduced Brent Stephens, Chief Executive Officer, and Jerry Enzler, Executive Director of the National Mississippi River Museum and Aquarium.

Mr. Stephens noted the development that has taken place in the Ice Harbor due to various efforts from Vision Iowa funding and private investment, making the Ice Harbor a place of pride for the City of Dubuque and the DJ. He noted there has been approximately \$100 million of capital invested in the Ice Harbor since 2001, resulting in the America's River Phase 1, known as the River Museum and the Grand Harbor Hotel, a 200-room hotel that was built with private funds, and the Grand River Center, a convention center attached to the hotel. There is an upcoming investment of approximately \$32 million by McGraw Hill for a new office building in the Ice Harbor at the corner of 5th and Bell. Mr. Stephens indicated there is still untapped potential in the Ice Harbor, excess capacity at the hotel, an ability to drive more business to the Grand River Center, and additional potential at the River Museum.

Mr. Stephens stated that changes in gaming regulations in 2005 and a desire by the River Museum to be on the riverfront has created a transaction that will create tremendous value and change the face of the Ice Harbor. The River Museum will lease the DJ's portside building where they currently house their operations for \$1 per year for 99 years. The DJ will purchase 2.4 acres from the Museum which are contiguous to land utilized by DJ for employee parking. The DJ will make a \$3 million contribution to the Historical Society. The Historical Society will also receive the rights to operate and ownership of the DJ vessel.

Mr. Stephens turned the floor over to Mr. Enzler, who covered the Historical Society's plan. Mr. Enzler stated that the America's River project, which currently attracts 23,000 visitors, is the most significant project the Society has undertaken. At this time, the Historical Society will make an additional \$32 million investment, which includes a \$5 million endowment. He noted that the Museum does not have any debt, and has an endowment of approximately \$4.5 million to help support ongoing operations. The program will be funded by the DJ's contribution, possibly Vision Iowa funds, \$4.9 million in federal funding, \$1.8 million in private gifts beyond an \$11 million contribution from DJ, and local funding. Mr. Enzler indicated the Vision Iowa application requesting \$9 million has been filed, and a meeting between the Historical Society and Vision Iowa took place yesterday. He is hopeful that the Vision Iowa Board will elect to enter into negotiations with the Historical Society in December or January. The funds will be utilized to build a River Max Theater, Great Rivers Center (the DJ portside building) and a significant retail expansion.

Mr. Enzler advised that the River Max Theater will be the first large format theater in Dubuque; cost \$8 million, have a capacity of up to 250 seats, and be a 3D/4D digital high-depth theater utilizing the latest digital technology. It is the Society's goal to create a feature film about the Mississippi River and the rivers of America. The business plan

calls for the renting of at least eight additional films each year. This project will double the size, scope and impact of the River Museum and focus on the rivers of America.

The Great Rivers Center will be located in the existing DJ portside building, which will be leased to the Historical Society for 99 years. The Center will have a River Research Center, National Rivers Center, galleries and significant storefront retail. Mr. Enzler advised that the river is significant to the health and environment of the entire nation. He stated this facility will draw an additional 216,000 visitors to the facilities. He indicated that being located on the riverfront will establish the future of the National River Museum for decades into the future.

Commissioner Hamilton asked what the vessel would look like. Mr. Enzler indicated they are open to creative solutions and suggestions; noting that one option would be to make it a floating showboat for entertainment, restaurants, refreshments; a floating hotel, or another option, not necessarily the first choice, would be to sell the vessel and utilize the funds to construct the museum project. Mr. Enzler stated that as a Museum, the Board knows that it should stick with what they do best – creating a dynamic visitor experience, films, exhibits, research, etc.; so will be seeking a partner to develop the concept and share the financial risks.

Commissioner Urban asked Mr. Enzler how much private funding the Historical Society anticipates receiving for the project. Mr. Enzler stated there will be \$11 million from DJ; \$1.6 million that has already been secured, and another \$6 million, for a total of \$19 million.

Mr. Stephens presented the DJ's plan, which is a \$50-55 million investment for the construction of a barge compliant with Iowa regulations, similar to the DJ Worth facility and additional amenities that will focus on creating cross-traffic and patronage to all the tenants of the Ice Harbor, including the DJ. The facility design is still changing; but at this time, it includes a 45,000 square foot casino, a 36-lane bowling/entertainment center, three restaurants utilizing 12,000 square feet of space, and an entertainment venue of approximately 4,000 square feet. The casino itself will have approximately 1,000 slot machines, 20 table games and a 5-table poker room. The bowling/entertainment center will include 36 lanes with a state-of-the-art scoring system, and high fidelity sound and lights. Mr. Stephens indicated the center is being designed to attract Midwest bowling tournaments. He advised that there is a very vibrant market for bowling in the Dubuque area. The newest bowling facility in Dubuque was built 48 years ago. The entertainment center will include party and event rooms for corporate events. This area will be designed as a family attraction, and can be utilized without having any interaction with the gaming aspect of the operation due to a separate ingress/egress. The DJ will enter into a cooperative marketing program with the Grand Harbor Hotel. The hotel/water park, casino, bowling center, and museum will work together to bring more visitors to the Ice Harbor.

Mr. Stephens moved to the financial aspect of the project, noting that DJ will be utilizing approximately \$36.5 million of additional 11% senior secured notes at DJW, approximately \$27 million from the restricted group, up to \$13 million of FF&E financing, as well as the ability to expand the current revolving loan up to an additional \$15 million.

Mr. Stephens provided the following highlights as to why the project should proceed:

- Community – Increased revenues to the State, County and City;
- Museum – Creates riverfront exhibition hall and RiverMax Theater of \$50+ million and charitable contributions, and expands the endowment by \$5 million
- Diamond Jo – Expands reach into underserved regional markets, and
- Ice Harbor – Increased patronage.

Mr. Stephens stated that DJ expects to announce the general contractor, who will be from Iowa, for the project within the next week. The intent is that this will be an Iowa project utilizing Iowa vendors throughout the project. The DJ expects to submit plans to the City of Dubuque by the end of the month, and come back before the Commission in January. The plan is to have the new facility open no later than the end of 2007 or the first quarter of 2008.

Chair Cutler called for any other comments or questions concerning the information received. Commissioner Bair asked if there are other long-range development plans being discussed for the Ice Harbor. Mr. Stephens indicated there has been a lot of discussion about retail. He believes this project will create the need for retail. He further believes, and feels the City would concur, that there is an opportunity for residential construction in the Ice Harbor as well.

Chair Cutler called on Diamond Jo Worth (DJW). Jesus Aviles, General Manager, presented the following contracts for Commission approval:

- Aristocrat Technology – New Slot Machines, Parts and Enhancement Services
- Bally Gaming – Slot Machines, Parts and Repairs
- Electronic Gizmos and Displays – Slot Signage and Plasma Displays
- IGT – Networked System for Casino
- IGT – Slot Machines; Lease Slot Machines and Parts
- Microsoft Licensing – Software Licensing Costs
- Preferred Health Choices, LLC – Employee Medical/Dental Premiums
- WMS, Inc. - Slot Machines, Lease Machines and Parts

Hearing no discussion concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by DJW. Commissioner Urban seconded the motion.

Commissioner Bair asked if the slot machine contracts were for replacing existing slot machines or new slot machines for the expansion. Mr. Aviles advised that they are new machines for the expanded facility, and represent increases to existing contracts.

Hearing no further discussion, Chair Cutler called for the vote. The motion carried unanimously. (See Order No. 06-119)

Chair Cutler requested an update on the expansion project at DJW. Mr. Aviles advised that the hotel should be opening on November 15th. The expansion is proceeding on schedule, and will hopefully open early in the second quarter of 2007. Various entertainment venues are being contemplated.

Chair Cutler called on Ameristar Casino. Jane Bell, Director of Government Affairs, presented a contract with Buller Fixture Company for kitchen equipment.

Hearing no discussion concerning the contract, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contract as submitted by Ameristar Casino. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 06-120)

Chair Cutler called on Argosy Casino – Sioux City (AC – SC). Frank Quigley, General Manger, presented the following contracts for Commission approval:

- Holtze Construction – Construction and General Maintenance Projects
- Chesterman Company – Coke Products for Bar and Restaurant
- Record Printing Company – Direct Mail Service
- L & L Distributing – Alcoholic Beverages for the Bar and Restaurant

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by AC-SC. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 06-121)

Chair Cutler called on HGI Lakeside (Lakeside). Damon Butler, General Manager, presented the following contracts for Commission approval:

- Alliant Energy – Gas & Electric Service
- Aristocrat Technologies, Inc. – Slot Lease, Hardware/Software Maintenance Agreement, Parts & Supplies
- Baker Electrical – Electrical Work on Property
- Bally Gaming Systems – Slot Leases, Parts & Supplies
- Brooner & Associates – Construction Work (Remodel Various Areas of Facility)
- ColorFx – Marketing Services
- Consolidated Energy Co., LLC – Purchase Fuel for Resale at C-Store

- Core-Mark International – Purchases for Resale at C-Store
- Golden Eagle Distributing – Purchase Beer for Resale at Casino & C-Store
- Holmes Murphy – Property, Casualty, Liability & Workers Comp Insurance
- IGT – Slot Machine Leases, Parts, Supplies, Etc.
- Iowa Megajackpots – Slot Machine Leases
- Loffredo Fresh Produce, Inc. – Purchase Fresh Produce for Kitchen
- Martin Brothers Distributing – Food & Supplies for Kitchen
- McKinley, Inc. – Purchase Resale Items for the Gift Shop
- Metro Fish – Food & Supplies for Kitchen
- Global Payment Check Services (NDC) – Patron Check Processing Guarantee Services
- Osceola Municipal Services – Water & Sewer Service
- Pepsi – Beverages for Customers & Employees
- Principal Financial Group – 401K and Dental Insurance
- Pro Petroleum Inc. (CT Corp. System) – Fuel Purchase for Resale at C-Store
- Reinhart Food Service – Food & Supplies for Kitchen
- Sigler Companies – Purchase Resale Items for Gift Shop
- Solutions, Inc. – Marketing Services
- Spurrier Oil Co., Inc. – Fuel Purchase for Resale at C-Store
- WMS Gaming, Inc. – Lease of Slot Machines, Parts & Supplies

Mr. Ketterer commented on Terrible's marketing promotion at the C-Store connected to their property – the lowest priced gas in the nation, noting that they have received national recognition as well. Mr. Butler stated that the promotion is running through the end of November, and has been quite successful at pulling cars off the interstate. At the time of purchase, the patron is given a voucher for use at the casino. This has proven to be a good way to get people into the casino.

Hearing no further comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Lakeside. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 06-122)

Chair Cutler asked for any updates. Mr. Butler advised that the remodeling project taking place over the past year is coming to a close. The last area to be completed is the gift shop area. The restaurants, casino, and exterior remodel have been completed. Discussions for the future include additional hotel rooms and expansion of the gas station to include a diesel fueling station as they estimate approximately 5,000 semis pass by daily on the interstate, many of whom stop now as the facility has a truck parking area.

Commissioner Bair asked if the local gas stations had experienced a drop in business due to the gas promotion. Mr. Butler noted that he drives past the local stations at least once a day, and feels they are still seeing plenty of traffic. He noted that the Herbst family history centers around fuel and gas stations, pointing out that in other regions, Herbst sets

their fuel price one to two cents lower than competing stations. Mr. Butler indicated that the gas promotion is not only helping the casino, but is also making travelers aware of what Osceola has to offer.

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

- C.A.P. (Charles Attal Presents) – Entertainment Programming Services
- Country Inn & Suites – Complimentary Offers for VIP Guests

Hearing no discussion concerning the contracts, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Harrah's. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 06-123)

Chair Cutler asked Mr. Rich to update the Commission on the change in management. Mr. Rich advised that Harrah's formally announced the hiring of a new general manager for the Council Bluffs properties – Michael Silberling. Mr. Silberling is returning from New Zealand the beginning of January and will be the general manager of the Iowa properties and the new Regional Vice President for Iowa and Missouri. Mr. Silberling formerly worked for Harrah's at their Las Vegas property, Laughlin, and was the general manager at Reno for a number of years. Chair Cutler asked if Mr. Silberling's main office would be located in Council Bluffs. Mr. Rich answered in the affirmative.

Chair Cutler called on Iowa West Racing Association (IWRA) d/b/a Horseshoe Casino/Bluffs Run Greyhound Park (HC/BRGP) regarding their request for season approvals for the upcoming live meet commencing January 1, 2007. Mr. Rich requested approval of the season approvals as submitted; noting that Jerry Mathiason representing IWRA, and Rory DeSantiago, Director of Racing at BRGP, were also available to answer any questions.

Mr. Ketterer asked Mr. Rich to address the capital improvements made to the kennel compound. Mr. Rich, noting there had been numerous capital improvements over the last 18 months, indicated approximately \$100,000 - \$125,000 was spent remodeling the club house, and they are in the process of spending approximately \$400,000 redoing the turnout pens and foundations. The plan was to commence the work last month; however, the work was more complex than anticipated. Architectural plans are being finalized, and work will begin as soon as possible. Mr. Rich indicated that between \$50,000 and \$75,000 will be spent refurbishing the grandstand area next year.

Commissioner Hamilton thanked BRGP for working out the five-year purse supplement agreement with the Iowa Greyhound Association.

Commissioner Hamilton asked if Mr. DeSantiago had any comments concerning the 45-day plan. Mr. DeSantiago answered in the negative, but did invite everyone to attend the

\$425,000 Breeder's Classic Race on Saturday evening. He pointed out that BRGP is one of the featured racetracks for the Night of Stars which is a nationally simulcast event from 16 different racetracks from around the country. They will be the fourth featured track. Commissioner Hamilton asked what time racing would commence. Mr. DeSantiago advised that BRGP racing starts at 4:00 PM, with the Night of Stars race scheduled for 7:24 PM. Chair Cutler asked if BRGP would adhere to that schedule. Mr. DeSantiago answered in the affirmative.

Chair Cutler moved to the additional contracts submitted by HC/BRGP. Mr. Rich presented the following contracts for Commission approval:

- Burton Plumbing – Emergency Plumbing Services and Drainage Maintenance Agreement
- C.A.P. (Charles Attal Presents) – Entertainment Programming Services for Horseshoe
- Commonwealth Electric Company – Emergency Maintenance and Installation of Electrical Lines and/or Equipment
- Harveys Iowa Management Company, Inc. – Transfer 59 Sets of Poker Cards from Harrah's to Horseshoe (RP)
- North Central Group d/b/a Hilton Garden Inn – Hotel Rooms for Patrons

Hearing no discussion concerning the contracts, Chair Cutler requested a motion concerning the Season Approvals and the additional contracts. Commissioner Bair moved to approve the Season Approvals and additional contracts as submitted by HC/BRGP. Commissioner Seyfer seconded the motion. Commissioner Bair amended his motion to include the staff recommendation that the simulcast schedule requests continue to be submitted for approval by IRGC staff in order to insure compliance with all regulatory requirements. Commissioner Seyfer concurred. The motion carried unanimously. (See Order No. 06-124)

Chair Cutler moved to the renewal of the racetrack licenses and granting of race dates and renewal of the racetrack enclosure gambling licenses, and called on Dubuque Racing Association/Dubuque Greyhound Park & Casino (DRA/DGP&C). Bruce Wentworth, General Manager of DGP&C, stated that DRA/DGP&C is seeking approval of their racing license and race dates, racetrack enclosure license and contracts.

Chair Cutler asked if there were additional questions of Mr. Wentworth based on the discussion at the October 25th Commission meeting. She asked Mr. Wentworth to update the Commission on the status of the situation in Dubuque. Mr. Wentworth advised that the information DRA/DGP&C was working with last month was new to DRA, and the Board needed time to gather, review and digest that information to determine how DJ's plans would impact their operations. He noted that the DRA Board met in late October and moved to support the proposed move and expansion by DJ, as well as the entire Port of Dubuque project. He noted the community is fairly united regarding the proposed project.

Chair Cutler called for any questions concerning the renewal of the racetrack license and race dates, and renewal of the racetrack enclosure gambling license. Hearing none, she moved to the additional contracts submitted by DGP&C. Mr. Wentworth presented the following contracts for Commission approval:

- Scientific Games Racing – Totalizator Services
- Alliant Energy – Electrical Services
- Medical Associates HMO – Employee Health Insurance
- Aristocrat – Slot Machines and Parts
- Simplexgrinnell, LP – Servicing Fire Alarm System

Mr. Ketterer asked Mr. Wentworth if the Commission had seen the original contract between DGP&C and Scientific Games Racing. Mr. Wentworth stated that he understood that Karlyn Dalsing, IRGC Director of Racing, was working with DGP&C on this issue. Mr. Ketterer noted that the Commission has received the amendment, but needs to receive a copy of the original contract.

Hearing no discussion concerning the contracts, Chair Cutler requested a motion covering the renewal of the pari-mutuel license, granting of race dates, renewal of the racetrack enclosure gambling license, and the additional contracts.

Commissioner Bair so moved, including the amendment to the Scientific Games Racing contract. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 06-125)

Following a short break, Chair Cutler called on Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer, General Manager, and Derron Heldt, Director of Racing, were present to answer questions. Mr. Palmer noted that PMR&C was still negotiating with the horsemen's groups regarding the purse supplement agreements. Chair Cutler indicated the Commission could proceed with the additional contracts in order to keep things moving forward. Mr. Palmer presented the following contracts for Commission approval:

- Air Filter Sales & Service – Air Filter Supplies and Service
- Beeline & Blue – Printing Services, Supplies & Equipment
- Garner Printing – Printing Services
- IGT – Purchase of 12 Video Slot Machines
- Iowa Beverage Systems – Beer & Other Products for Resale
- Nesbit Distributing co. – Beer & Other Products for Resale
- Palmer Group – Management Personnel Recruiting Services
- Snyder & Associates, Inc. – Consulting & Engineering Services
- US Playing Card Company – Purchase of Playing Cards
- WMS Gaming, Inc. – Lease Renewal for 6 Slot Machines
- WMS Gaming, Inc. – Lease 5 Video Slot Machines

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 06-126)

Mr. Palmer provided an update concerning the parking situation, which was discussed at the October Commission meeting. He advised that PMR&C has increased their capacity by 18%, and parking space was increased by 22% with the addition of 657 additional spaces. He indicated that Mark Wandro, from the engineering company of Snyder & Associates, was present to answer any questions.

Mr. Ketterer indicated that he had some questions, and requested that Mr. Wandro approach the podium. Mr. Ketterer noted that the Commission received information concerning the capacity of the facility prior to and after the expansion, as well as parking stall numbers prior to and after the expansion – from 3,000 to just shy of 3,700. There is a statement that prior to the parking lot expansion, the parking lot capacity was 2.81 people per parking stall; the current parking lot capacity is 3.73 people per parking stall, which then declines to 3.26 people per parking stall following the completion of the additional parking stalls in the spring of 2007. Mr. Ketterer, drawing on previous experience, stated that racetracks used to figure 2.5 people per car in terms of the capacity of the facility and peak attendance in order to determine how much parking to allocate. The concern of the Commission is that after the facility expansion is complete, capacity will be 11,987 people; and the people per parking stall is 3.26, meaning that for every person arriving alone, there would have to be another car with 5-6 people if PMR&C were to have a capacity crowd. Beyond that, after looking at the top ten attendance dates for PMR&C for the building, there were between 7,000 -13,000 people, making the number per car quite high.

Mr. Wandro stated that PMR&C requested Snyder & Associates to look at the long and short term parking issues at the facility. He noted that PMR&C is adding a surface parking area in the spring that will help alleviate the short-term parking issue. Noting there is more than just racing taking place at PMR&C, Mr. Wandro stated that if individuals were going to PMR&C for something other than racing/gaming; the occupancy rate per vehicle will be higher than if they are just going out to watch the races or gamble. He stated that Snyder & Associates is looking at the various options at this time, and hopes to have some numbers available in the next couple of weeks. They will then work with PMR&C to determine the amount of parking space to build. Mr. Wandro stated that it would cost approximately \$15,500 per stall to build a parking garage with 100 stalls.

Mr. Ketterer thanked Mr. Wandro for his comments, and noted that the Commission's Administrative Rules require that the licensees provide facilities, including parking, for the safety and enjoyment of the patron and employees. He suggested that if the Commission proceeds with renewing the pari-mutuel license for PMR&C that it be

conditioned on the Commission receiving a report from PMR&C on the parking study prior to the new facility opening.

Derron Heldt, Director of Racing for PMR&C, prefaced his comments by stating that during the October Commission meeting, the Commission gave PMR&C a directive to negotiate with the three horsemen groups. He noted that PMR&C met with the groups numerous times, held conference calls, etc. He advised the Commission that PMR&C had just reached an agreement with the harness group, but had no agreement with the thoroughbred or quarter horse associations. Mr. Heldt stated that the plan put together for the Commission is accurate with the thoroughbreds and thoroughbred/quarter horse mixed meet. He indicated that he would walk the Commission through the plan for the thoroughbreds.

Mr. Heldt stated that PMR&C staff put together the plan being presented, and believes it is a solid plan. The plan calls for a 46-day thoroughbred only meet, five days of transition time between the first and second meets followed by a 40-day mixed meet. He indicated the percentage of purses remains the same as this and previous years. During the first meet, PMR&C is proposing nine thoroughbred races with a tenth race available if the horsemen meet the criteria of 83 entries in ten races. He noted PMR&C utilized this in the second meet this year, and it worked very well.

Mr. Heldt stated that PMR&C is looking at changing the way in which stalls are allocated between the first and second meets when they experience difficulty in getting the quarter horses in. It is their intent to empty out two barns, leaving them available for the quarter horse entries arriving, which should help them keep and retain the loyal horsemen and attract new horsemen. He noted that PMR&C offers a higher purse to the thoroughbreds during the first meet than the second meet as they are attempting to attract new horsemen to the track during the first meet. Mr. Heldt stated that PMR&C has found their niche in the racing industry; PMR&C is able to attract a number of the horses from Oaklawn when that meet ends, and they can then move on to Remington or Ellis Park at the end of the first meet, or stay for the second meet if they so choose. Stall structure for the first and second meets will be 810 stalls. There will be an additional week of racing during the mixed meet, 40 days this year versus 36 last year. Mr. Heldt stated that during negotiations with the horsemen, PMR&C learned that the horsemen felt the 36 race days did not provide a sufficient opportunity for them to race – particularly on the thoroughbred side. He noted the thoroughbred owners were not satisfied with five races per day, so PMR&C added a sixth race with the caveat that if there are sufficient entries, a seventh race could be run.

Commissioner Hamilton asked if the additional races would cause any staffing issues. Mr. Heldt indicated it would not.

Mr. Heldt indicated PMR&C is going to concentrate on the transition week this year in order to prevent some of the issues that occurred last year.

On the quarter horse side of the mixed meet, the quarter horses will see a decrease from five to four races per day; however, there is also a provision that if there are sufficient entries, a fifth race can be run. The quarter horse owners also expressed the need for more opportunities to race, and will also benefit from the additional week of racing during the mixed meet. Mr. Heldt indicated the extra week is for 2007 only, but would be evaluated to ensure the field sizes are adequate, competitive, and that the horsemen work with PMR&C to fill the races to determine if it would be continued in future years.

With regard to the harness meet, Mr. Heldt advised there will be 18 days of racing, with the purses and supplements being increased to \$800,000 for racing at PMR&C. There will be ten races per day, 4 days per week starting on September 22, 2007 and conclude on October 20, 2007. Mr. Heldt stated that if the proposals for the thoroughbreds and quarter horses were approved by the Commission, PMR&C would have an additional one million dollars available on the county and state fair levels for the harness horsemen for 2007.

There was a discussion concerning the purse amount for the harness meet. Commissioner Bair asked if the total amount for purses was higher than last year, or if the harness purse was higher because PMR&C had reduced purses for the other breeds. The original purse level for the harness meet was \$642,000, and PMR&C is adding another \$150,000. Mr. Heldt indicated these funds are not being shifted from the other breeds. He further indicated that the additional one million dollars is coming out of the operating expenses for the track.

Mr. Heldt stated that during conversations with the horsemen, the horsemen expressed the opinion that purse monies for two-year olds should be equal between the thoroughbred only and mixed meets. The purse is higher for the thoroughbred only meet, and decreases for the mixed meet. Mr. Heldt stated that if the two sides could continue to negotiate the issue, PMR&C would be willing to try to equalize the purses for the two-year olds.

Mr. Ketterer stated that the Commission's approval of the purse agreements would eventually come to end, and then the issue is between the Racing Department of the track and the horsemen's organization representing that breed. He indicated it would be appropriate for the track and the Iowa Thoroughbred Breeders & Owners Association (ITBOA) to work on that issue.

Chair Cutler called on the representatives of the horsemen's organizations in attendance. Leroy Gessman, representing the Iowa Horsemen's Benevolent & Protective Association, Inc. (IHBPA), advised that the group had submitted a proposal to the Commission that they felt was good for the horsemen, the State of Iowa, and the breeding industry. Mr. Gessman indicated the organization is attempting to achieve some continuity throughout the year in the number of race days and the amount of purses.

Mr. Gessman advised that the plan just presented by Mr. Heldt had changed from the previous day. Average overnight purses during the first meet are \$23,000 and \$11,000 during the second meet. The organization is attempting to eliminate the wide disparity between meets. Mr. Gessman stated that the individuals raising the horses feel they need more stability in order to be able to operate their farms and build their breeding stock. Since 2002 when the thoroughbreds received \$17.5 million in purse money over 98 days of racing, the number of foals has decreased each year; the number of individuals coming to Iowa to foal mares has decreased, as well as the number of mares owned by Iowa individuals. Mr. Gessman indicated all of these decreases are related to the amount of purse money available to support the Iowa breeding industry across Iowa. Mr. Gessman referenced a study, "Analysis of the Importance of Purses to the Iowa Thoroughbred Race Horse Industry" performed by Thalheimer Research Associates in 2003.

Mr. Gessman, noting the Commissioners' comments about licensee management and purchases being in and/or from Iowa, advised that racehorses are bred in 98 of Iowa's 99 counties; and funds need to be funneled to those counties to support the Iowa residents.

Mr. Gessman advised that the IHBPA could live with the proposal presented by Mr. Heldt, but again raised the disparity in purses between the first and second meets. He stated that the IHBPA proposal called for one meet straight through with the same purse levels throughout. Mr. Gessman indicated the purse disparity was the sticking point in negotiations between the track and the IHBPA.

Chair Cutler asked Mr. Gessman if he was indicating the total purse amount is not in dispute, just how it's distributed. Mr. Gessman indicated their proposal included an additional \$400,000 in purse money compared to PMR&C's proposal; that the purse amount would not make or break the deal. He indicated the IHBPA would like to have \$17.5 million total, but PMR&C is adamant that they will not pay more than 11% of AGR in purses.

Commissioner Bair asked Mr. Gessman if the IHBPA wanted to eliminate the disparity in purse amounts between the first and second meet, or just reduce the amount of disparity. Mr. Gessman advised that IHBPA's proposal only had one meet, a mixed meet, with the same average purse throughout the season. The IHBPA would accept different purse levels between the first and second meets, but like to see a difference of 25% versus the 50% in PMR&C's proposal. Mr. Gessman indicated there are a greater percentage of Iowa horses that race during the second season, and that is when the purse money goes back to Iowans.

Commissioner Bair asked the percentage of Iowa horses that run during the first and second meet. Mr. Gessman stated that there are Iowa thoroughbreds in the first meet, but horses come from all over the country for the first meet. Following the conclusion of the first meet, a number of the out-of-state horses/people move on to other tracks. Commissioner Bair asked if numbers were available. Mr. Gessman indicated he did not

have the figures with him. Chair Cutler asked if PMR&C representatives had the information available. They answered in the negative.

Mr. Gessman stated that the IHBPA presented their proposal to PMR&C management in late June, and PMR&C made no attempt to contact them until after the Commission's October meeting. He reiterated that the industry is looking for stability; that they have not had a long-term contract for several years, and is usually before the Commission at the last minute seeking approval of an agreement. Mr. Gessman indicated that breeding decisions are currently being made for foals that will be born in 2008, and those individuals will not reap any benefit from those foals until 2010/2011. He noted that at this point in time, the horsemen do not know what will be occurring in 2007, indicating that does not instill confidence for those in the breeding industry.

Commissioner Bair asked Mr. Gessman what three things he would like to see stability-wise in a long-term plan. Mr. Gessman responded with racing opportunities, the amount of purse money, and a guarantee that it will be available in future years.

Chair Cutler asked Mr. Gessman for clarification concerning the IHBPA's proposal regarding the first and second meet and purse disparity. She asked if Mr. Gessman was stating that the IHBPA was asking for a reduction in the purse disparity between the first and second meet. Mr. Gessman advised that the purse level was the same for both meets in the plan presented to the IRGC by the IHBPA; that the IHBPA is willing to have a difference in purses between the first and second meet, but feels PMR&C's proposal of 50% less for the second meet is too much. Chair Cutler asked what the IHBPA would agree to, or what they would propose. Mr. Gessman indicated that is where the parties were unable to reach an agreement the previous day, but suggested a 25% decrease would be more acceptable.

Erik Helland, representing the Iowa Quarter Horse Association (IQHA), stated that he and Butch Hammer, President of the IQHA, met with the members to set forth some goals for the Iowa program and the quarter horse racing industry as a whole. Those goals are to expand the racing program and maintain and/or increase the current level of racing at PMR&C. IQHA members indicated that a 52-day meet commencing on June 13th and extending through September 8, 2007 with four quarter horse races per day with an option to have five races per day in August provided there are sufficient horses at the track would provide them with more racing opportunities. A minimum of four races per day would provide the quarter horses with 208 racing opportunities spread over a longer period of time. The current proposal for the quarter horses, which they raced under last year, does not offer enough opportunities to race their horses, nor does it provide a sufficient number of racing opportunities to help expand the program. Additionally, the IQHA asked for an increased purse allocation of \$3.65 million, with 23% going to the futurity programs, this would give the quarter horses an average purse per race of \$12,500. This purse amount keeps PMR&C in line, but behind Oklahoma's Remington Park purse level for 2005. The IQHA's major concern with Remington Park and the Oklahoma races is the recent supplementation of purse levels and the fact that they will

continue to grow their purse levels. IQHA does not want to be left behind since they are viewed as Iowa's competition.

Commissioner Bair asked for clarification on the amount of purse money requested. Mr. Helland advised \$3.65 million. Commissioner Bair then asked for the purse level for 2006. Mr. Helland indicated \$2.5 or \$2.6 million. Commissioner Hamilton clarified that the average purse amount would increase from \$11,700 to \$12,500. Mr. Helland concurred. He reiterated that the IQHRA feels the increased purse amount allows them to remain in a competitive position with tracks in Oklahoma and New Mexico.

Mr. Ketterer advised that PMR&C did add a week to the end of the second meet so that it will end on September 15th, providing four additional racing days as well as the ability to run five races a day if there are sufficient entries. Mr. Helland indicated that 40 days of racing would still be below what the IQHRA considers to be the optimum number of racing opportunities needed in order to maintain and grow the IQHRA program.

Royal Roland, President of the Iowa Harness Horse Association (IHHA), advised that the IHHA reached an agreement with PMR&C regarding purses and fair supplements for 2007. He noted that county fair racing is not regulated by the Commission but they do report the purse payments. Mr. Roland stated that the IHHA feels somewhat more vulnerable than the other two horse breeds on the Commission's authority to tell PMR&C to meet certain standards with regards to purse levels.

Mr. Roland stated that the agreement between IHHA and PMR&C calls for \$800,000 in purse money in 18 racing days and a \$1 million payment for the county fair races. He concurred with Mr. Gessman's comments regarding a long-term agreement for the benefit of the harness racing industry, and the horse industry in general.

Mr. Ketterer commenced his comments by thanking all of the horse breeds and PMR&C for the time spent over the last three weeks attempting to resolve the issues. He indicated that he urged the parties to really work on the issues in order to reduce the number of issues and have a framework of what was agreed upon.

Mr. Ketterer advised PMR&C that he somewhat agreed with Mr. Gessman's comments concerning a lack of response to the initial proposal. He noted PMR&C does have a right to submit what they feel is best for their program as far as race dates and purses; however, he encouraged them to start the process earlier and be responsive to the horsemen, or at least request their input prior to submitting their proposal. Mr. Ketterer stated that the initial submission lacked input, thought and preparation; however, he then expressed his appreciation for all of PMR&C's work over the last few weeks to meet with the horsemen and resolve various issues. He indicated he especially appreciates the final submission as there are indications that PMR&C moved substantially from their original position on some issues.

Mr. Ketterer did a comparison of the 2006 and 2005 meet regarding field size. During the first meet, the field sizes continued to be low on the thoroughbred side, as well as horse inventory. There was a maximum of 1100 horses in 2005, with 1000+ this year. On opening day this year, there were less than 900 horses on the backside. Based on these figures, Mr. Ketterer stated that there will be insufficient numbers to have ten races per day for 46 days. He noted that there are individuals who spend the money to send their horses to training farms in order to have them ready to go on opening day; however, field sizes have been seven or less for the first week or two. The purse money is sufficient, but racing opportunities are being lost.

During the second meet, the thoroughbreds showed a marked improvement in field size; the best since 2002. He did not know if the improvement was due to the elimination of the September dates which are historically low, or reducing the number of races from six to between five and six; or having horses available early because there were nine days between meets. Mr. Ketterer attributed the increase to a combination of the above. Mr. Ketterer stated the issue that raised the most discontent was the length of time between the first and second meets, and the fact that the transition period did not proceed smoothly. He indicated that the season approvals before the Commission in January should include a detailed transition plan signed by representatives of all parties – PMR&C, thoroughbreds and quarter horses. Mr. Ketterer stated the quarter horses had five races, and that field size decreased somewhat.

Regarding the harness meet, the number of entries increased; there were almost 8 entries per race. He indicated the increase could be attributable to the decrease in race days; however, they had the same field size two years ago with more race days.

Mr. Ketterer indicated the horsemen's submissions were well done, and really liked the Thalheimer study which gave the Commission members good information about the impact of race dates and purses on the industry. He noted that of the seven racino states where purses are supplemented by casino revenue, the median percentage is 15%, placing Iowa toward the bottom with its 11% supplement. Mr. Ketterer stated that PMR&C's Board should take into account that 11% may not always be the maximum or the possibility that the Commission would consider approving more than 11%.

Mr. Ketterer stated that the race dates submitted by the thoroughbreds and quarter horse groups had some merit with racing to start in June with an 8 thoroughbred-4 quarter horse racing format, but that PMR&C is committed to the current format with the initial thoroughbred meet. The issues for the thoroughbreds and quarter horses for the transition period are fairly consistent as PMR&C needs to hold a certain number of stalls open for the quarter horses, or someone has to leave in order for the quarter horses to come in. Mr. Ketterer stated that PMR&C's latest submission, adding 4 days each to the mixed meet and harness meet provides more racing opportunities, and during the mixed meet, both breeds have the opportunity to have an extra race if there are sufficient entries to warrant another race.

Mr. Ketterer stated that the disparity in purses between the first and second meet is a borderline issue as to whether or not the Commission should get involved. He believes the IHBPA and PMR&C should negotiate how much money will be available for the two-year old maiden races between the two meets. It is his opinion that part of the reason for the disparity is the number of races for the thoroughbreds – fewer races during the first meet (10 down to 9) and in the mixed meet (5/6 or more), which dilutes the average purse value in the second meet versus the first meet. He suggested the parties negotiate to at least get the purse levels in line with the 2006 levels. Mr. Ketterer suggested the Commission approve the total purse amount, and then the parties could negotiate the purses for each meet, with the opportunity to bring the matter back to the Commission in January if they are unable to reach an agreement.

Mr. Ketterer stated that if the Commission was looking to him for a recommendation, he advised approving the latest submission from PMR&C with the amendment to the harness meet, and continued negotiations with the thoroughbreds concerning purse disparities between the first and second meet. With regard to purses, Mr. Ketterer indicated that he felt the proposal from the quarter horses was somewhat unrealistic. Last year their purse value increased 78% per race, and they are seeking an additional 35% increase this year. The IHBPA and PMR&C are close in their negotiations for purses for the thoroughbreds.

Chair Cutler asked what happens if PMR&C and the IHBPA continue negotiations regarding the disparity in purses between the first two meets and are unable to reach an agreement. She asked if the Commission had the authority to set the purse level. Mr. Ketterer indicated the Commission could establish the purse amount, but believes the parties can resolve the issue if they have the time to work on it. He noted Iowa statute gives the Commission the authority to establish the minimum purse. Chair Cutler asked if the Commission would have the ability to change the total purse amount as well. Mr. Ketterer indicated the Commission could approve the total purse amount, allowing the parties to negotiate within that parameter to determine the purse amount between the first and second meet.

Commissioner Bair asked if there was information PMR&C needed to distribute now in order to prepare for the first meet or if January would be too late. Mr. Ketterer indicated there are some issues, but didn't know when PM&RC would publish the first condition book. He indicated the stakes book would not be impacted. Mr. Palmer indicated the condition book would be going out the first part of January. Mr. Palmer stated that PMR&C is committed to working with the IHBPA over the next thirty days to resolve the purse issue.

Commissioner Hamilton asked if there was any possibility of the horsemen organizations and PMR&C working out a 3-4 year purse agreement similar to what the greyhound tracks and the Iowa Greyhound Association negotiated. Tom Flynn, legal counsel for PMR&C, Inc., indicated they would like to do so, and have done so in the past. He noted that each side wants the long-term agreement on their own terms. Mr. Flynn indicated

discussions on a long-term agreement were held this year; but the parties have not been able to reach a consensus.

Chair Cutler noted that PMR&C did not respond to the IHBPA's proposal. Mr. Flynn indicated that was not accurate. He stated that PMR&C sent a letter in July to representatives of the three breeds asking them to reach a consensus among themselves, and then come back to PMR&C. The three groups advised PMR&C that they could not reach an agreement, and PMR&C started negotiations with the three groups at that time.

Commissioner Hamilton stated that she is cognizant of the fact that it is 2-3 years after a horse is bred before it is ready to race; and that it would be beneficial to the horsemen to have a long-term agreement to know that there will be funds available cover fees.

Mr. Flynn stated that PMR&C has had two long-term contracts with the breeds in the past. Chair Cutler encouraged PMR&C to continue working on negotiating long-term agreements with the three breeds. Mr. Flynn indicated the parties would continue to try to reach a consensus for a long-term agreement.

Chair Cutler called on Mr. Gessman for an update on the negotiations between PMR&C and the IHBPA. Mr. Gessman pointed out that the thoroughbreds only have 20 racing opportunities a week and if the stakes races were removed, that number would decrease to 16, 17 or 18 opportunities per week. He advised that with maiden specials for two-year olds and three-year olds, and maiden special claiming races, the IHBPA found that the majority of the second meet is maiden races.

Mr. Ketterer stated that is part of the point – when the IHBPA had the additional days in September, there was a steady decline in entries. He does not feel it is PMR&C's responsibility to run a parade of six or seven horse fields on which no one wants to bet. At this point, PMR&C is offering the thoroughbreds an extra race in the second meet or two extra races in addition to four more days. Mr. Gessman stated that he felt part of the field size problem last year was not the number of races, but the September dates. He noted that Hoosier opens on September 1st, and Hawthorne opens in mid-September, and most thoroughbred owners/trainers leave for those tracks. Mr. Ketterer concurred with that assessment.

Mr. Gessman stated that if the thoroughbreds could get approximately \$15.5 million in total purses, with the extra funds going to purses in the second meet, it would help decrease the disparity between the first and second meets. Chair Cutler asked Mr. Gessman if the IHBPA had made that proposal to PMR&C during the recent negotiations. Mr. Gessman advised that PMR&C will not go above the 11% purse supplement set out in the Code.

Commissioner Bair asked if the extra \$450,000 would soften the disparity if it were put in the second meet. Mr. Gessman indicated that would help. He noted that part of the disparity is due to the fact that the racing program this year provides the thoroughbreds

with fewer races in the first meet, increasing the purse amount; and more races during the second meet which reduces the purse amount.

Commissioner Bair asked PMR&C if they were still at the 11% purse supplement following negotiations over the last couple of weeks. Mr. Palmer indicated that was correct, but noted that PMR&C added \$1 million to the harness group for the county fairs and \$150,000 for on track purses.

Chair Cutler moved to the capital improvements schedule at PMR&C. Mr. Palmer stated that the submission includes capital improvements for 2007 and 2008, with some detail on the top three items dollar-wise. There are no additional items for 2007. In 2009, money has been dedicated for a synthetic track surface, which has become popular. He noted that California recently mandated that all racetracks go to a synthetic surface. Mr. Palmer stated that he would travel to other racetracks next spring/fall that have installed the new surfaces to study the surfaces.

Commissioner Bair asked how PMR&C established their capital improvement priorities. Mr. Palmer, noting that PMR&C is an aging property, stated that the dollar amounts shown are a line item per year. The bulk of the improvements are normal maintenance items, many of which have been raised by the horsemen.

Commissioner Hamilton pointed out that the artificial track surface is included twice – 2009 and 2010. She wondered if the cost of the surface would be \$4.5 million or \$9 million. Mr. Palmer stated that PMR&C does not have an exact cost at this time, but believes it will be somewhere between the two figures. Commissioner Hamilton asked if the track surface would be replaced in 2009 or 2010. Mr. Palmer indicated it would be in both years as it would be done between the 2009 and 2010 race meets.

Chair Cutler noted that in the business world, the horsemen are PMR&C's customer, and feels it would behoove PMR&C to ask them for their opinion on the surface which would enhance the working relationship between all parties. She pointed out that PMR&C does not have to listen, but the feedback would allow everyone to know where everyone stands on a particular issue. Chair Cutler noted that these discussions might lessen the animosity between the groups that the Commission has to deal with when the parties can not resolve the issues among themselves.

Commissioner Bair asked Mr. Heldt if there had been discussions with the horsemen regarding the transition between the first and second meet. Mr. Heldt answered in the affirmative. Commissioner Bair requested that Mr. Heldt provide the Commission with a one-page report as that time approaches. Mr. Heldt advised that all of transition issues would be outlined in the 45-day season approval request that would be before the Commission in January.

Mr. Ketterer stated that with respect to the all-weather surface, the cost would be contingent upon the information received as there are three different types available; a

fourth track just started racing on the surface, and the California Racing Commission has mandated that all California tracks have the surface by January 1, 2008. He indicated that unless adverse information is received, PMR&C should be prepared to install an all-weather surface by 2008 or by 2009 at the latest unless reports would surface that it does not significantly impact the safety of the horses and riders unlike the early reviews. Mr. Ketterer stated that if the reviews hold up, the Commission may want to look at making the installation of an all-weather track a requirement for 2008, or at the latest, the 2009 racing season.

Commissioner Hamilton asked how the proposed track surface would work for the harness people. Mr. Palmer indicated that enough research was not yet available. Commissioner Hamilton asked Mr. Roland if he had any information. Mr. Roland concurred with Mr. Palmer, noting there has been some preliminary testing. Commissioner Hamilton requested that the information be sent to her. Mr. Palmer stated that all of the information would be gathered during the upcoming travels to look at the surfaces. Chair Cutler indicated the Commission would also seek independent information because if the track is as successful as the initial reports suggest, and PMR&C is not willing to install the track on its own in a timely manner, then the Commission may mandate they do so. She indicated PMR&C should consider this their notice.

Chair Cutler called for any additional comments regarding the proposed capital improvements. Hearing none, she called for any additional comments from Commission members concerning the proposed submission for the 2007 race meet. Hearing none, she called on Mr. Ketterer for a summary.

Mr. Ketterer stated that it appeared the Commission was comfortable with the proposed dates submitted by PMR&C. As of right now, the purses are what PMR&C has proposed with the amendment of increasing the purse level to \$800,000 for the harness meet and providing funding of \$1 million to the county fair races. With respect to the 11%, PMR&C has proposed \$108,000 above the 11%, which is the difference between the \$800,000 and \$642,000 for the harness meet. The thoroughbreds are asking whether they can get an extra \$300,000 to help alleviate the purse disparity between the first and second meet. Mr. Ketterer stated that if the PMR&C does anything for the thoroughbreds, they should also do so proportionately for the quarter horses. He reminded the Commission members that the agreement between the harness group and PMR&C is contingent upon the Commission approving what PMR&C submitted for the thoroughbred and quarter horse purses. Mr. Ketterer asked if his summarization was correct.

Mr. Flynn stated that he thought the calculation was wrong on the \$108,000; that it should be \$158,000. Mr. Ketterer clarified that PMR&C has proposed 11% for the purse supplement plus \$158,000 to the harness purses, plus \$1 million to fund the county fair races. Last year, PMR&C gave \$1.3 million over the 11%.

Commissioner Urban advised Mr. Palmer that the Commission would like to visit the facility during the racing season prior to one of the regularly scheduled meetings. Mr. Palmer indicated he would see that it is arranged.

Chair Cutler asked for comments from the Commission members. Commissioner Bair moved to approve PMR&C's proposal as submitted. Chair Cutler stated that she was inclined to increase the purses proportionately for the thoroughbreds and quarter horses, and leave the harness purses as proposed.

Brad Schroeder, legal counsel for the Iowa Harness Horsemen's Association (IHHA), referring to Chair Cutler's comment concerning purse levels, requested that if the Commission was inclined to increase purses that the harness group be included in those discussions as PMR&C has voiced their intent to challenge the issue of the county fair purse structure, meaning the IHHA would not have an agreement with PMR&C if that is the action taken by the Commission.

Mr. Flynn stated that Mr. Schroeder had correctly stated the situation. Mr. Flynn stated that PMR&C was volunteering to give \$1 million to the county fair races if their proposal was approved as modified by the Commission at this meeting. PMR&C considers the \$1 million to be an increased purse; however, if the plan is not approved as submitted, the \$1 million would come off the table and all purses paid to the harness group would be paid at the licensed facility under the Commission's jurisdiction.

Chair Cutler asked for clarification from Mr. Ketterer as to what would happen if the Commission does not approve the amended proposal as submitted and all agreements are negated. Mr. Ketterer stated that decision was in the Commission's hands. Chair Cutler asked PMR&C if they were willing to increase the purse levels in order to resolve the issue, noting that they hold the purse strings and the Commission is giving them an opportunity to increase the purse levels slightly for the thoroughbreds and quarter horses without impacting the harness purse agreement.

Mr. Ketterer suggested a short break in order to allow PMR&C and the horsemen to negotiate. Following the break, Mr. Flynn advised that PMR&C would be willing to further modify its proposal by adding an additional \$100,000 to the thoroughbred and quarter horse purse for the mixed meet to be divided pro rata between the two breeds similarly to what was previously proposed. Chair Cutler clarified that what she was hearing is that this proposal would be an amendment to the original plan and the amended plan.

Commissioner Bair asked if negotiations would continue on how the \$100,000 would be utilized. Mr. Flynn answered in the affirmative, stating that it would help to reduce the purse disparity between the first and second meets.

Chair Cutler asked for clarification that the most recent change would not affect the agreement reached between PMR&C and the harness group. Mr. Flynn advised that the agreement with the harness group was preserved.

Mr. Gessman stated that \$300,000 would work much better, but the IHBPA would accept the \$100,000; and expressed the hope that the parties could continue to work on the disparity issue between meetings. Chair Cutler indicated that was what the Commission requested, and expressed her hope that the parties would have the issue resolved at the January Commission meeting.

Chair Cutler requested a motion. Commissioner Seyfer moved to approve the plan as submitted by PMR&C, as amended, for the racing dates and purses. The approval is conditioned upon PMR&C submitting a detailed transition plan for the time period between the meets, and that by January 9, 2007 they submit a long-term plan for their parking situation. Commissioner Hamilton seconded the motion.

Commissioner Bair, noting the Commission had received an amended plan, asked if the original plan included the amendments to the harness race. Chair Cutler and Mr. Ketterer answered in the affirmative. The approval would include the \$100,000, the \$1 million for the county fair races, and the 18 days of harness racing.

Hearing no further discussion, Chair Cutler called for the vote. The motion carried unanimously. (See Order No. 06-127)

Chair Cutler thanked everyone for their efforts in resolving this issue.

Chair Cutler moved to PRM&C's application for the renewal of the Racetrack Enclosure Gambling License for 2007 and any contracts contained within the submission.

Hearing no discussion concerning the application, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the Racetrack Enclosure Gambling License for 2007 and the contracts therein. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 06-128)

As there was no Administrative Business or Public Comment, Chair Cutler requested a motion to adjourn. Commissioner Bair so moved. Commissioner Urban seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK