

**IOWA RACING AND GAMING COMMISSION  
MINUTES  
JANUARY 11, 2007**

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, January 11, 2007 at Stoney Creek Inn, Johnston, Iowa. Commission members present were Kate Cutler, Chair; Gerry 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. Jack Ketterer, Administrator of IRGC, advised there was an addition to the agenda – adding “Transition Plan” as number 11 under Item 9B. Hearing no further corrections or changes to the agenda, Chair Cutler requested a motion to approve the agenda as amended. Commissioner Bair moved to approve the agenda as amended. Commissioner Urban seconded the motion, which carried unanimously.

Chair Cutler moved to the approval of the minutes from the November 9, 2006 Commission meeting. Commissioner Bair noted one correction on Page 4 with a reference to “Chair Hamilton”. Commissioner Bair moved approval of the minutes as corrected. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Cutler moved to announcements and called on Mr. Ketterer. Mr. Ketterer advised that in addition to the future meetings listed, he had two additional announcements. He introduced Brian Ohorilko, who has accepted a promotion to the Public Service Executive 3 position, and will replace Terry Hirsch, Director of Riverboat Gambling upon his retirement this spring. Mr. Ohorilko is a graduate of Iowa State, and worked in racing at the simulcast center at Prairie Meadows Racetrack & Casino (PMR&C) prior to joining IRGC three years ago as a gaming representative. Most recently Mr. Ohorilko was a Gaming Representative Supervisor supervising the gaming representatives on the eastern side of the state and carrying out policy decisions for Mr. Hirsch. Mr. Ohorilko is certified to officiate football, basketball, softball and baseball at all levels in Iowa.

Mr. Ketterer then recognized Maggi Moss, an Iowa thoroughbred owner for approximately five years, who was named the most winning thoroughbred owner in the nation in terms of the number of races won in 2006. Mr. Ketterer cited the following statistics from Equibase concerning Ms. Moss’ achievement:

- Started 756 horses in 2006, or just over 2 per day;
- Started 212 different horses;
- Had 211 wins, with 125 different horses winning;
- Had 18 different trainers who won races, and

- 53 different jockeys at 30 different tracks where she won at least one race.

Mr. Ketterer advised that Ms. Moss achieved this goal through claiming races, which is a means of the racing department maintaining close competition and competitive races. When a horse is entered into a claiming race, anyone can purchase the horse. When a horse is purchased through a claiming race, the new owner does not receive any purses from that particular race. Should the new owner choose to enter the horse in another claiming race, a typical price is \$15,000-20,000. Should the horse win, the owner receives 60% of the purse (\$9,000-12,000), and 10% each goes to the jockey and trainer. Should the horse come in second, the owner's share drops to 20%. Mr. Ketterer reminded everyone that the previous owner would not have entered the horse in the claiming race if they believed the horse was worth more. The horse could be entered into a \$10,000 claiming race, and the owner would have a better chance of winning the race with a smaller purse; however, the purse would not cover the loss incurred on the sale. Ms. Moss claimed 181 different horses in 2006 and had 124 different horses claimed from her. Mr. Ketterer stated that the claiming race game was the game in which Ms. Moss competed and excelled in 2006, and was more successful than anyone in America. Mr. Ketterer noted that this success required a tremendous amount of time, research and hard work, a little bit of a woman's intuition, and a sprinkle of luck. Mr. Ketterer presented Ms. Moss with a small bouquet in recognition of her achievement.

Ms. Moss thanked everyone. She indicated this was a personal goal, one that no woman had done in 60 years. Ms. Moss indicated that she loves horse racing, and is proud of Iowa. She thanked Jerry Crawford who helped her in this pursuit.

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

- 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 indicated that the Commission will be setting the dates and locations for the next fiscal year in the spring. Chair Cutler noted that the Commission would be starting a discussion/dialogue about the benefits and non-benefits of expanding gaming in Iowa at the March Commission meeting. She indicated that anyone wishing to speak to that issue should contact Commission staff. This is a discussion only; there will be no presentations and comments should not address specific proposals. The Commission is simply seeking to receive input on the impact of gaming on the state, communities, etc.

Chair Cutler called on Mr. Ketterer regarding the Rules being presented under Notice of Intended Action. He provided the following information:

Item 1: Division of Criminal Investigation (DCI) has indicated a need to increase the down payment required for the investigative fees for background investigations from \$15,000 to \$30,000. This is just an initial payment; the actual cost is the cost to the DCI. Final costs could be higher or lower.

Item 2: Provides for revocation of a license for those refusing drug testing. The Commission has a rule stating that if an individual has been convicted or had a positive drug test, that individual loses their license. The Commission does not want to allow a benefit to an individual who may choose to refuse a drug test.

Item 3: Provides an additional resolution in lieu of a hearing before the Board of Stewards, allows a Stipulation as a means of resolving a violation.

Item 4: Relates back to refusing the drug test, and indicates that information in that regard is available to the Commission.

Item 5: Changes the Commission's web site to conform to state government.

Items 6-9: Deal with medications for horse racing that is in uniformity with the Racing Medication and Testing Consortium, a 25-person blue ribbon panel from all segments of the industry that has come up with recommendations "to provide for a uniform medication and also to provide stricter and more consistent penalties for those who abuse those standards." Mr. Ketterer advised that the Commission also has some proposed Legislation under Administrative Business at the end of the meeting that addresses some statutory language that could not be accomplished through the rule making process.

At Commissioner Bair's request, Mr. Ketterer gave a brief outline of the rulemaking process. He noted the process can take anywhere from 100 – 120 days, depending on how the calendar falls. The Commission staff has always taken the position that IRGC rules will come before the Commission first, then proceed to the Notice of Intended Action, and then come back before the Commission prior to being final adopted.

Item 10: Provides for signage that will direct the public to an area where they can view the rules of the game if they have any questions concerning a specific game. The DCI had concerns on this issue as the result of an adverse court decision.

Item 11: Provides that a facility must provide written notice prior to moving any gambling games or implements of gaming. This is in addition to the requirement that they must notify the Commission prior to moving or removing any games.

Item 12: Provides for closure on unclaimed tickets. Mr. Ketterer explained that most tickets are printed out from slot machine. For those that have not been redeemed, the

licensee has 90 days from the end of their fiscal year to recognize expired tickets. If those tickets have been treated as a deduction and paid, then the licensee would be required to adjust their figures and add the ticket back in. He noted that when the rule was first put in place, the Commission was concerned about someone from the public having a ticket, forgetting to cash it and returning the following week only to find that it had expired. Mr. Ketterer noted that the licensees instituted expiration dates that were far enough out to prevent that situation; however PMR&C had a situation with a ticket that did not have an expiration date so there would never be an event that would cause that deduction to be recognized.

Mr. Ketterer recommended approval of the rules as submitted under Notice of Intended Action.

Hearing no comments or questions from Commission members, Chair Cutler requested a motion. Commissioner Bair moved to approve the rules as submitted under Notice of Intended Action. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-01)

Chair Cutler moved to the contract approval portion of the agenda and called on Wild Rose Clinton/Mississippi Belle II (WRC/MBII). Tom Timmons, Vice President of Operations for Wild Rose Casino, introduced Tim Bollman, the new general manager for the WRC/MBII property effective January 1, 2007. Mr. Bollman was formerly employed with the Isle of Capri Casinos.

Mr. Bollman provided the following background information: Employed by Isle of Capri Casinos for the last 13 years traveling around the country and is originally from Davenport, Iowa. Mr. Bollman presented the following contracts for Commission approval:

- Eva Architects – Architecture for Clinton
- FoxCor, Inc. – Construction Management
- Valley Bluff Corporation –Purchase Land for New Facility

Commissioner Seyfer noted that the contract with EVA Architects indicates additional bids were received, but none were listed. Mr. Bollman deferred to Kevin Preston, Senior Vice President of Corporate Development for Wild Rose Entertainment (WRE), who stated that additional bids were obtained from Simonson and another firm out of Kansas City. He indicated WRE would get those figures to the Commission. Mr. Preston advised that EVA's whole package was priced much better than the two other bids. Commissioner Seyfer asked if there were any Iowa bids. Mr. Preston answered in the negative, except for Simonson.

Commissioner Seyfer noted no additional bids were sought for the construction management contract with FoxCor, Inc. Mr. Preston stated that WRE decided to go with FoxCor as they have done extensive work for Harrah's and the Station properties. They

will oversee day-to-day operations during construction of the property. Chair Cutler asked if FoxCor has Iowa-based staff that would be utilized for this project. Mr. Preston answered in the negative. Chair Cutler advised Mr. Preston that the Commission has been looking closely at out-of-state contracts, and encouraged WRE, or any facility, bringing any out-of-state construction contracts before the Commission, that the company employ Iowans. Mr. Preston advised that Regency Construction would be doing the actual construction of the property.

Hearing no further comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by WRC/MBII. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-02)

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

- Diamond Marketing Solutions – Additional Vendor for Direct Mail Pieces and Printing
- Jubitz Corporation – Fuel Expense Agreement for Fuel Purchased at Sapp Brothers

Hearing no comments or questions for Mr. Rich, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Harrah's. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 07-03)

At this time, Mr. Rich introduced Michael Silberling as the new general manager for Harrah's and Horseshoe Casino/Bluffs Run Greyhound Park and the Regional Vice President for Harrah's properties in Missouri and Iowa. Mr. Silberling comes to Harrah's from Australia where he oversaw operations for Sky City, including operations in Abilene and Darwin. He was employed by Harrah's from 1993-2004, including serving as Senior Vice President and General Manager of Harrah's Reno. Mr. Silberling was a member of the opening team for Harrah's first international property in Auckland, New Zealand – Harrah's Sky City.

Mr. Silberling stated that he began his new duties on January 2<sup>nd</sup>, and is excited to be back in the United States and in Iowa. He stated that Harrah's thinks very highly of doing business in Iowa, which is evidenced by their recent investment in the Horseshoe Casino/Bluffs Run Greyhound Park facility.

Commissioner Bair asked if the approach to and fever for gambling in Australia is similar to the United States. Mr. Silberling stated that Australia has the highest per capita gambling spending in the Western measured world; noting that in Australia gambling is called "punting". On the other hand, there will occasionally be articles in the newspapers questioning the proper role of the casinos in the community.

Commissioner Bair asked if the casinos are required to give funding back to the local community similar to Iowa's requirement. Mr. Silberling answered in the affirmative, noting that it is done through the tax rate and a voluntary and unanimous contribution to gambling treatment funds and significant contributions to local communities.

Hearing no further questions for Mr. Silberling, Chair Cutler called on Ameristar Casino. Teresa Meyer, General Manager, presented the following contracts for Commission approval:

- Bally Gaming, Inc. – Slot Machines, Equipment and Leases
- OS Sales Company – Meat Inventory
- Prairie Mechanical – Kitchen and HVAC Maintenance

Ms. Meyer advised that Prairie Mechanical has given a strong indication that they will be opening an office in Council Bluffs.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Ameristar. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-04)

Chair Cutler called on IOC Bettendorf (IOCB). Curt Beason, legal representative, presented the following contracts for Commission approval:

- Wells Fargo – Increase Transaction Amount to Cover Company Credit Cards
- International Gaming Technology – Increase Transaction Amount to Cover Gaming Equipment Conversion
- All Star Incentive – Merchandise for Isle Mile Redemption
- Shuffle Master – Increase Transaction Amount for Gaming Equipment
- At Work – Upgrade Team Member Uniforms

Mr. Beason advised that the contract with Wells Fargo is for credit card purchases, and none of the individual purchases will exceed the contract limit, and if they did, they would be submitted separately and brought before the Commission.

Hearing no comments or questions for Mr. Beason, Chair Cutler requested a motion. Commissioner Urban moved to approve the contracts as submitted by IOCB. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 07-05)

Chair Cutler called on Rhythm City. Mr. Beason presented the following contracts for Commission approval:

- Wells Fargo – Increase Transaction Amount for Company Credit Cards

- Radisson Quad City Plaza Hotel – Increase Transaction Amount for Guest Lodging
- Ryan Companies – Miscellaneous On-going Construction Projects

Hearing no comments or questions, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Rhythm City. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 07-06)

Chair Cutler called on HGI Lakeside. Damon Butler, General Manager, presented a contract with Loomis Company to serve as the third party administrator for Herbst Gaming's self-funded health insurance.

Chair Cutler asked why Lakeside had an out-of-state administrator for their health insurance. Mr. Butler noted that the rates from the current carrier were almost going to double, so corporate elected to go the self-funded route. The home office for the company is in Pennsylvania. The good news for the employees is that they will receive a better prescription rate, and nothing will really change for them with regard to health providers, doctors, hospitals, etc. Chair Cutler asked if Loomis negotiates the contracts with the providers or if the contracts were already in place. Mr. Butler indicated the contracts are in place, and that the contracting services are provided by an Iowa firm.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Bair moved to approve the contract as submitted by HGI Lakeside. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-07)

Chair Cutler called on Wild Rose Emmetsburg (WRE). Mr. Timmons presented a contract with Elbert Construction, Inc. for construction projects and equipment rental.

Hearing no comments or questions, Chair Cutler requested a motion. Commissioner Urban moved to approve the contract as submitted by WRE. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-08)

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

- Trane/American Standard Inc. – Service Agreement – Air Conditioning
- Zender's at Riverside, LLC – Spa Business Lease and Agreement
- Midwest Coca-Cola Bottling Company of Cedar Rapids – Beverage Products
- Can & Bottle Systems, Inc. – Glass Crusher Equipment Lease Agreement
- USCOC of Greater Iowa, Inc. – Interior Cellular Antenna Lease Agreement
- Altorfer, Inc. – Extended Service Coverage for Caterpillar Generator
- Iowa City Landscaping – Plant Material for Golf Course

- Brockway Mechanical & Roofing Company – Golf Course Cart & Maintenance Building
- Brockway Mechanical & Roofing Company – Golf Course Cart & Maintenance Building/Mechanical
- Brockway Mechanical & Roofing Company – Golf Course Cart & Maintenance Building/Roof
- D&R Masonry – Golf Course Cart Storage Building
- DeVries Electric, Inc. – Golf Course Electrical
- Rheinschmidt Tile & Marble – Casino Ceramic Tile/Stone

Chair Cutler asked when work would begin on the golf course. Mr. Massa advised that construction began last summer. Chair Cutler asked if anything was happening with the golf course at the present time. Mr. Massa advised that irrigation systems are being installed, and various structures are under construction. He indicated that the golf course will be open no later than August 1<sup>st</sup>. Chair Cutler asked if there was a possibility that some ground lost to extensive rains last fall could be made up. Mr. Massa indicated there is always a chance, based on the weather.

Commissioner Bair asked if RCGR has had any interest in golf tournaments. Mr. Massa indicated RCGR has had numerous inquiries regarding tournaments, but nothing on a national level.

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. 07-09)

Chair Cutler called on Diamond Jo Casino (DJ). Natalie Schramm, General Manager, presented the following contracts for Commission approval:

- Aristocrat Technologies, Inc. – Slot Machines, Parts and Enhancement Services
- Bally Gaming – Slot Machines, Leased Slot Machines, Parts and Repairs
- Electronic Gizmos and Displays – Slot Signage and Plasma Displays
- Flight Options – Air Travel
- Midwest Casino Supply – New Casino Chairs for Tables, Slots, Deli, Etc.
- VSR Lock, Inc. – Slot Machines Bases and Locks
- Williams Gaming – Slot Machines, Lease Machines, Parts and Conversions
- YWS Architects – Architectural Services

Hearing no comments or questions, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by DJ. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-010)



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

- Commercial Flooring Co. – Carpeting
- Electronic Gizmos and Displays – Slot Signage and Plasma Displays
- Hewlett-Packard – Computers and Hardware
- InfoGenesis – Food and Beverage Point of Sale System
- Midwest Casino Supply – Gaming Chairs
- Midwest Game Supply – Table Games, Layouts, Gaming Dice and Chips, Etc.
- Reliable Technology, Inc. – Computer Hardware and Networking Components
- VSR Lock, Inc. – Slot Machines Bases and Locks

Hearing no comments or questions, Chair Cutler requested a motion. Commissioner Urban moved to approve the contracts as submitted by DJW. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 07-11)

Chair Cutler asked how the expansion project was progressing. Mr. Aviles stated that the expansion was framed, roofed and skinned prior to the arrival of the big snow, so all future work will take place inside. Commissioner Bair asked about the hotel occupancy. Mr. Aviles indicated that occupancy has been very good for a hotel that opened in mid-November during a cold snap. He indicated that it has created a good amount of foot traffic for the casino, noting that the majority of the rooms are rented to customers from southern Minnesota.

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

- IGT – Slot Machine Leases
- Qwest Communication Corp. – T1 Phone Line
- Hilton Garden Inn – Hotel Services
- Bally Technologies – Slot Machines
- WMS Gaming, Inc. – Slot Machines
- Atronic Americas, LLC – Lease 6 Slot Games

Hearing no comments or questions, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by DGP&C. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-12)

Chair Cutler asked how business was in Dubuque. Mr. Wentworth advised that DGP&C had a record-breaking week between Christmas and New Year's with 35,825 patrons in one week, which would be the equivalent of more than half of Dubuque's residents going to the facility in one week. That was an all-time attendance record for the property. Mr.

Wentworth advised that the hotel had a 75% occupancy rate for their first full year of operation, and is looking for 80% this year.

Chair Cutler called on Peninsula Gaming, LLC, Diamond Jo, LLC and Diamond Jo Worth, LLC regarding their request for approval of financing for the Diamond Jo expansion project in Dubuque. Natalie Schramm, General Manager at Diamond Jo, advised that this is the financing that was presented to the Commission as part of their presentation at the November Commission meeting. She noted there are three arms to the financing.

Hearing no comments or questions for Ms. Schramm, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the financing request as submitted by Peninsula Gaming, LLC, Diamond Jo, LL and Diamond Jo Worth, LLC. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-13)

Chair Cutler called on Isle of Capri Waterloo (IOCW) regarding their request for approval of modifications to the gaming floor plan for the facility. Mr. Beason distributed a sheet showing the project as originally presented to the Commission, previously approved amendments and what is before the Commission today. The following changes have been approved or are proposed for the project:

- Budget: \$119 million – Increased to \$175 Million
- Total Project Square Footage: 201,000 sq. ft.; Increased to 340,000 sq. ft.
- Casino Footage: 35,000 sq. ft.; Increased to 60,000 sq. ft.
- Pavilion Footage: 62,000 sq. ft; Increased to 68,285 sq. ft.
- Entertainment & VIP: None originally; Now 23,000 sq ft.
- Pool: None originally; Now 8,000 sq. ft.
- Spa: None originally; Now 8,000 sq. ft.
- Slots: 1,100; Now 1,130
- Table Games: 30; Now 35
- Parking Spaces: Originally 1,000; Increased to 1,100 in April 06; Now decreased to 1,000

Mr. Beason indicated the facility would be constructed with a bladder system similar to what was approved for Lakeside with the balance being built over the water feature. As this is an expansion of the gaming floor, it requires the Commission's approval. The other amenities are located in outlying areas. Mr. Beason advised that due to the additional amenities, IOC has to obtain additional permits. He stated that Nancy Donovan, Regional Vice President for IOC, advised that IOC anticipates opening the casino portion of the facility in May.

Chair Cutler asked about the letter from the City of Waterloo indicating that the casino floor would be located within 1000 feet of the 100-year flood plain of the Cedar River. She asked if this letter was to allow IOC to obtain flood insurance. Mr. Beason answered

in the negative, stating that in order to construct the bladder system within 1000' of the 100-year flood plain; Iowa statute requires a letter from the City showing that the casino floor would be within 1,000 feet of the flood plain.

Commissioner Urban asked about the time frame for the casino. Mr. Beason advised that the casino portion would open in May, and the hotel would open soon thereafter. He stated that in a meeting with the construction company last week, Ryan Company representatives indicated June or the first part of July for the hotel. Commissioner Urban asked if IOC was originally aiming for an April 1 opening. Mr. Beason answered in the affirmative. Commissioner Urban asked if there was a definite date in May. Mr. Beason indicated they would try to have a firm date in May at the March Commission meeting.

Commissioner Bair noted that the current facility is considerably different than what was originally presented to the Commission in 2005, and asked what had precipitated the change or was the project a work in progress. Mr. Beason indicated the project was a work in progress; that IOC was continuing to work with the city in order to make this the best destination resort possible, which has caused the project to grow.

Commissioner Bair noted that the Commission was hoping to have all of the projects up and running in order to determine the impact of those facilities on gaming in Iowa.

Chair Cutler clarified that an opening date would be available at the March meeting. Mr. Beason answered in the affirmative.

Hearing no further comments or questions for Mr. Beason, Chair Cutler requested a motion. Commissioner Urban moved to approve IOCW's request to further modify the gaming floor plan. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-14)

Chair Cutler called on Horseshoe Casino/Bluffs Run Greyhound Park (HC/BRGP). Mr. Rich first addressed the request to make a change in their previously approved racing dates. The proposed change would eliminate the performance on Thanksgiving Day, November 22, 2007, and add a performance on Tuesday, April 10, 2007. The Iowa Greyhound Association has no objection to the proposed change.

Hearing no comments or questions for Mr. Rich, Chair Cutler moved to the contracts submitted by HC/BRGP. Mr. Rich presented the following contracts for Commission approval:

- Cintas Corporation – Uniforms
- C Rallo Contracting Co., Inc. – Kennel Modification Project
- Deloitte & Touche – Professional Services
- G&T Lawn & Landscape – Grounds Maintenance
- Jubitz Corporation – Fuel Expense Agreement for Fuel Purchased at Sapp Brothers

- Landlocked Seafoods, Inc. – Fresh Seafood
- Rotella's Italian Bakery – Breads and Other Baked Goods Supplier
- Shuffle Master Gaming – Purchase of Table Games and Lease Fees

Chair Cutler asked about the fuel expense agreement with Jubitz Corporation. Mr. Rich explained that Jubitz is a service that allows Harrah's and HC/BRGP to purchase fuel from a local truck stop at a significant discount as they purchase in excess of 3,000 gallons per month.

Hearing no further comments or questions for Mr. Rich, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the requested change in race dates and the contracts as submitted by HC/BRGP. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-15)

Chair Cutler called on PMR&C. Gary Palmer, General Manager, noted that the first item was a presentation on the proposal for short and long-term parking resolutions. Mr. Palmer introduced Mark Wandro of Snyder Engineering, who advised that the firm has been working with PMR&C for six or seven months on this issue. He provided the following information to help the Commission understand how the firm reached its numbers, which follows the basis used by the Traffic Engineering Institute (Institute). The Institute studies facilities across the nation to help get an idea of the parking needs required by different venues. Mr. Wandro noted that PMR&C has several different venues within the facility. The studies have resulted in the following:

- Dining Out – Minimum of 2 people per car whether it is fine dining or buffet;
- Multi-Purpose Facility (Entertainment) – 3 people per car;
- Casino – Just over one person per car;
- Racetrack – 2.5 people per car; and
- Employees – 1 person per car

Mr. Wandro advised that the firm looked at a busy night and what would be required for a "perfect storm", but did not take cross-venues into account, so the numbers being provided are very conservative. He indicated that on a busy night, approximately 3,400 parking spaces would be needed. On an absolutely "perfect storm" night, with everyone present at the horse track, all gaming positions filled, all seats occupied in the multi-purpose facility, buffet and fine dining, and all necessary staff to support that attendance, nearly 5,000 parking spaces would be required.

Mr. Wandro advised that the area along Adventureland Inn Drive would be developed as parking. A set of plans have been submitted to the City of Altoona, and the Planning and Zoning Commission will review and possibly approve the proposal this month, and be before the full City Council in February. If all of the necessary approvals are obtained, construction could commence in March. The estimated cost is \$1,250,000 and would provide approximately 463 stalls, with 21 of those being for semis.

Chair Cutler asked when it is anticipated construction would begin. Mr. Wandro indicated construction would begin as soon as the weather permits. Chair Cutler asked how long construction would take. Mr. Wandro stated that he anticipates two-three months.

Mr. Wandro advised that the long-term parking resolution is to construct a parking garage located on the southeast corner of the existing property. The net gain in parking spaces would be 1,400 as the garage footprint would include 100 existing parking stalls. Should PMR&C elect to proceed with the parking garage, Mr. Wandro advised they would be in good shape regarding a long-term parking solution. With regard to short-term parking, Mr. Wandro noted it would be a rare occasion that PMR&C would need 5,000 parking stalls.

Commissioner Bair asked how many parking stalls PMR&C would have if they proceeded with the additional 463 parking spaces. Mr. Wandro indicated they would have approximately 3700 parking spaces.

Commissioner Bair asked if PMR&C still operated a shuttle to and from the property from hotels located downtown. Mr. Palmer advised that they still offer the service on request, but that it does not amount to much.

Commissioner Urban asked if there was other nearby parking available for PMR&C's use. Mr. Palmer noted that PMR&C has utilized the Shriners' parking lot across the street, and that there are other parking lots available for their use, but the need to do so has not arisen on a routine basis. Commissioner Urban asked if it was possible for the parking ramp to be added onto. Mr. Wandro indicated that was an area currently being looked at, but it would add a substantial amount to the cost; that it would be better to add additional parking in another location.

Commissioner Bair asked if the parking ramp would be in conjunction with the hotel. Mr. Palmer answered in the affirmative. Chair Cutler asked about the time line for the long-term parking solution, and whether it had been approved. Mr. Palmer advised that the parking garage has not been approved by PMR&C's Board; that approval had been given for Snyder Engineering to proceed with drawings. PMR&C would need to acquire the necessary financing and get the necessary approvals from Polk County and IRGC. Chair Cutler asked how long it takes to build a parking garage. Mr. Wandro stated that he suspected it would take two years from design to finish.

Commissioner Bair asked how much of the current parking is taken up with employee parking. Mr. Wandro indicated that employees utilize approximately 300-500, depending on the forecast.

Hearing no further questions concerning the long and short-term parking plans, Chair Cutler moved to PMR&C's request for approval of the season approvals for the thoroughbred only and the thoroughbred and quarter horse mixed meet. Derron Heldt,

Director of Racing, advised that there would not be an agreement between PMR&C and the thoroughbreds or quarter horse groups as the parties have been in negotiations following the discussion at November's Commission meeting. He expressed his optimism that an agreement would be reached in the next few days, which would be presented to the Commission along with the 45-day plan at the March Commission meeting.

Mr. Heldt noted that PMR&C was directed to include a transition plan in the 45-day season approvals. He distributed a letter that outlined the steps to be followed to cover the changeover from the thoroughbred only meet to the mixed meet. Mr. Heldt noted that the plan had been signed off on by both the Iowa Horsemen's Protective and Benevolent Association and the Quarter Horse Association. He expressed his confidence that the process would work as outlined in the letter and that the transition would go smoothly.

Chair Cutler asked Mr. Ketterer if he had had an opportunity to review the transition plan. Mr. Ketterer answered in the negative, indicating that he was not concerned about how he would feel, but how the horsemen that are involved and PMR&C would feel.

Commissioner Bair stated that he is looking forward to PMR&C coming before the Commission at the end of this year with three-year agreements with the three horsemen's groups.

Mr. Ketterer advised that he and Commissioner Bair had a meeting with members of the Harness Horsemen's Association who are interested in trying to preserve the purse levels at the county fairs in the future. He indicated that he and Commissioner Bair reinforced the fact that there is nothing the Commission can legally do about that issue, but encouraged them to sit down with PMR&C to determine their position in order to help the harness industry determine what their legislative needs might be in that area. Mr. Ketterer advised that he passed that information on to Mr. Heldt as well. Mr. Heldt advised that a meeting has been tentatively scheduled for January 23<sup>rd</sup> to get the dialogue started.

Hearing no comments or questions concerning the 45-day plan, Chair Cutler moved to the additional contracts submitted by PMR&C. Mr. Palmer presented the following contracts for Commission approval:

- ABC Electric of Des Moines – Various Electrical Construction Projects
- American Teletimer Corporation – 3-Year Agreement for Live Racing Photo-Finish and Timing Services
- Baker Electric - Various Electrical Construction Projects
- Bakeris Roofing – Roof Replacement Contractor
- Bankers Trust Company – 1-Year Extension of the ATM Services Agreement (RP)
- Dennis Parking Lot Maintenance – Parking Lot Maintenance
- Des Moines Asphalt & Paving – Asphalt and Paving Services

- Durkan Patterned Carpet – Specialty Carpet for Casino
- Garner Printing – Printing Services
- IGT – Lease Renewal for 8 Video Slot Games
- IGT – Lease Renewal for 4 Slot Games
- IGT – Lease Renewal for 4 Slant Top Slot Games
- IGT – Lease of 6 Slot Games (Replacements)
- NALCO – HVAC Water Treatment Service
- Scientific Games Racing – 5-Year Agreement to Provide Pari-Mutuel Wagering Totalisator Services
- Snyder & Associates, Inc. – Consulting and Engineering Services
- United Tote Company – 5-Year Agreement to Provide Pari-Mutuel Wagering Totalisator Services
- Waldinger Corporation – Contractor for Various Electrical and Mechanical Projects
- WMS Gaming, Inc. – Lease Renewal for 2 Slot Games
- Wood Roofing and Sheet Metal – Roof Replacement Contractor

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Urban moved to approve the 45-day Season Approvals, with the following conditions, and contracts as submitted by PMR&C:

- The immediate written notification of any change in racing official positions.
- The completion of necessary IRGC licensing and DCI backgrounds.
- Continuation of all import/export simulcast contracts being reviewed and approved by IRGC office staff.
- Prior notification and approval of any schedule changes.
- Submission of a transition plan to ensure a smooth transition between meets.

Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 07-16)

Chair Cutler moved to the hearings before the Commission and called on Mr. Ketterer. Mr. Ketterer advised that Stipulated Agreements had been reached with the licensees in both instances regarding the violation of under age gambling.

Mr. Ketterer provided the following synopsis regarding the DJW incident: A young lady played slot machines for approximately one hour and thirty minutes after gaining entrance to the casino without being challenged or asked for identification. Surveillance tapes show that she stood back and waited for the right opportunity to do so. Upon entering the casino, she played several slot machines. A Division of Criminal Investigation (DCI) agent confronted her as she was leaving; at which time she admitted to being 16 years of age. She was in the company of her parents. The young lady and her parents were cited for underage gambling by the DCI. Under the new guidelines

approved by the Commission previously, the penalty to DJW for this violation would be \$20,000.

Chair Cutler, noting that the parents had been fined, asked if they were also banned from the facility. Mr. Aviles advised that the parents were each fined \$700. He advised that the parents had left the teenager outside. A blind individual with a seeing-eye dog approached the turnstile, which distracted the guard, and allowed the underage person to enter the casino unchallenged. Upon gaining entrance to the casino floor, she sat by her parents to gamble.

Hearing no discussion concerning the proposed Stipulated Agreement, Chair Cutler requested a motion. Commissioner Bair moved to approve the Stipulated Agreement between IRGC and DJW as presented. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-17)

Mr. Ketterer provided the following synopsis regarding the underage gambling violation that occurred at RCGR: On October 15, 2006, a lady entered the gaming floor unchallenged, and was on the floor for over four hours, playing numerous hands of black jack at various tables. She was identified as being underage on a subsequent trip, but did not meet the threshold for the violation to come before the Commission. She was not asked for identification. Mr. Ketterer recommended approval of the Stipulated Agreement as presented.

Commissioner Urban asked whether RCGR has turned away a significantly higher number of underage gamblers due to its proximity to the University of Iowa, noting that its location is a concern to many parents. Mr. Massa indicated that he did not have that information with him. He stated that management and employees are very cognizant of the age requirement and the concerns of the parents of university students; that it was an issue during the licensing process. Commissioner Urban encouraged them to continue that vigilance. Mr. Massa advised that RCGR will be pursuing legal action against this individual in order to recover some of their losses. He indicated that the penalty for trespassing is \$200 in Riverside; that each community has the ability to establish their own fee. Mr. Massa stated that he feels the facilities need to pursue action against these under aged gamblers so that they share in the consequences of their "game".

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Urban moved to approve the Stipulated Agreement between IRGC and RCGR as submitted. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-18)

Chair Cutler moved to Administrative Business and called on Mr. Ketterer to discuss proposed legislation being submitted by IRGC. Mr. Ketterer stated that the proposed legislation would bring Iowa into further uniformity with other jurisdictions and the recommendations of the Medication and Racing Testing Consortium. The proposed rules pertain to medications that are already allowed, but set forth administration levels for



furosemide and how horses qualify to be treated with furosemide. The rules also address the use of phenylbutazone, the concentration allowed for testing, and provides the Commission with more flexibility in assessing penalties and affecting the placing of a horse for purse distribution.

Mr. Ketterer stated that he had talked to all of the representatives of the horsemen's organizations in Iowa, and they were supportive of these proposed Code changes. He expressed his hope that these rules are specific enough that the Legislature would not see these changes as a vehicle to attach other legislation to that is not racing related that would prevent these proposed changes from making it through the process.

Chair Cutler asked if it was necessary to vote on the proposed Code changes. Mr. Ketterer requested that they do so that the Legislature is aware the Commission is aware of the proposed changes and it is just not something staff is doing. Hearing no comments or questions for Mr. Ketterer, Chair Cutler requested a motion. Commissioner Bair moved to approve the proposed Code changes as submitted. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-19)

Mr. Ketterer advised Chair Cutler that Kim Miller, representing Worth County Development Authority, wished to address the Commission. Ms. Miller advised the Commission of the amount of funds distributed since the opening of the Diamond Jo Worth facility. Noting the main reason she sought to bring a riverboat to Worth County was to benefit education, Ms. Miller pointed out that 46.50% of the funds, or \$1,146,260.06 was given to the schools of Worth County. A point of pride is that each of the 96 graduating seniors will receive \$3,980.07 toward tuition at a university or trade school. As funds increase, she plans to institute a program that will provide free pre-school education to all pre-school children in Worth County.

Mr. Ketterer asked Ms. Miller how the scholarships are tracked. Ms. Miller advised that the individual must be a resident of Worth County while in grades 11 or 12. The student will then have up to four years to use the funds. The checks will be written directly to the college or trade school.

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

MINUTES TAKEN BY:

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JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION  
MINUTES  
MARCH 1, 2007**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, March 01, 2007 at Terrible's Lakeside Casino in Osceola, 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 advised that due to the severity of the weather forecast, the Commission would move through the agenda as quickly as possible. Chair Cutler requested a motion to approve the agenda. Commissioner Bair moved to approve the agenda as submitted. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Cutler called on Damon Butler, General Manager of Terrible's Lakeside, for welcoming remarks. Mr. Butler thanked the Commission for coming to Osceola, providing an opportunity for them to show off the remodeled property. Sean Higgins, representing the Herbst Corporation, also thanked the Commission for coming to Osceola; that the family is excited to be doing business in Iowa, and appreciates the opportunities provided. Mr. Higgins introduced Will Reisinger, representing Clarke County Development Corporation. Mr. Reisinger advised that Herbst Gaming is a pillar within the community, has improved the facility by a factor of ten, and is very hospitable and open to anything the non-profit brings to them. Chair Cutler, speaking on behalf of the Commission, stated that the stay had been comfortable, and the facility looks great.

Chair Cutler moved to the approval of the minutes. Commissioner Urban moved to approve the minutes of the January 11, 2007 Commission meeting as submitted. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Cutler called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer introduced Hal May and Linda Ballard, IRGC staff at Terrible's Lakeside.

Mr. Ketterer then recognized Terry Hirsch, Director of Riverboat Gambling, who will be retiring at the end of the month. He stated that he hired Mr. Hirsch 22 years ago, prior to the opening of Dubuque Greyhound Park, and upon his return to Iowa fourteen years ago, promoted him to his current position – Director of Riverboat Gambling. Mr. Ketterer noted that Mr. Hirsch possesses great technical and analytical skills, and that it was a rare occasion when he did not bounce a pending decision off of him. There were times before Mr. Ketterer could call him that Mr. Hirsch would call regarding a pending decision that he had to make or counsel Commission members on. The conversation would always

start with “It really doesn’t matter to me, but”; “It’s not any of my business, you can do what you want, but”; “Don’t get me wrong, I don’t care what you do, but”. Mr. Ketterer indicated those clauses would grab his attention because he knew Mr. Hirsch had been thinking about the issue for quite some time prior to picking up the phone and giving him his take on the situation. Mr. Hirsch’s decisions were always made consistent with the best interest of the Commission and, if they did not conflict, with the best interest of the industry in the State. Mr. Ketterer stated that he never questioned Mr. Hirsch’s loyalty – when Mr. Hirsch knew about a situation, he knew about it. To those who did not know Mr. Hirsch, it was easy to underestimate him; but those who did, often found themselves in a perilous position.

Mr. Ketterer noted that Mr. Hirsch has avoided even the appearance of impropriety or any personal benefit. Mr. Ketterer stated that Mr. Hirsch is one of the brightest people he knows, but his desire to be in the spotlight ranks right along that of Count Dracula. Mr. Ketterer concluded his remarks by noting that Mr. Hirsch provided strict instructions concerning the meeting: “If you have to say something, and I’m not asking you to, OK, but no plaques or pictures, etc.” Mr. Ketterer stated he considered invoking executive privilege, but decided to honor the request for the time being. Mr. Ketterer advised Mr. Hirsch that the State of Iowa, the Commission, industry and he personally, can’t offer enough thanks for all that he has done for them. Mr. Ketterer presented Mr. Hirsch with a designer beer stein decorated with various playing cards.

With regard to upcoming Commission meetings, Mr. Ketterer made the following announcements:

- 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)

Mr. Ketterer noted that the Commission would probably do the license renewals en masse, and acknowledged that some had come prepared with updates. He suggested they save those remarks for the April meeting in order to expedite today’s meeting.

Chair Cutler moved to contract approvals and called on Horseshoe Casino/Bluffs Run Greyhound Park (HC/BRGP). Mike Rich, Assistant General Manager, presented the following contracts for Commission approval:

- Konami Gaming – Slot Machine Purchases and Parts
- Players Travel – VIP and Group Travel Arrangements
- Premier Midwest – Beverage Vendor

Hearing no comments or questions, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by HC/BRGP. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-20)

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

- Aristocrat Technologies, Inc. – Lease Renewal for 8 Cash Express Series Games
- Atronic Americas – Lease of 6 Deal or No Deal Slot Games
- Baker Electric – Various Electrical Construction Projects
- Biermann Electric - Various Electrical Construction Projects
- Correl Contractor, Inc. – Contractor for Excavating and Grading Projects
- Des Moines Asphalt & Paving – Asphalt and Paving Services
- Eco-Tech Construction – Contractor for Concrete Paving
- Elder Corporation - Contractor for Excavating and Grading Projects
- Grimes Asphalt and Paving – Contractor for Asphalt Paving
- Heard Gardens, Ltd. – Landscaping Contractor
- McAninch, Inc. – Racetrack Surface Maintenance, including Excavating and Grading Projects
- Miller Nursery – Landscaping Contractor
- Nuckolls Concrete Services – Contractor for Concrete Paving
- Perennial Gardens – Landscaping Contractor
- Soil-Tek – Soil Erosion Contractor
- Sternquist Construction, Inc. – Contractor for Concrete Paving
- WMS Gaming, Inc. – Lease of 2 Bluebird Upright Video Slot Games
- WMS Gaming, Inc. – Lease of 6 Lives of Luxury Slot Games

Hearing no comments or questions for Mr. Palmer, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by PMR&C. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-21)

Chair Cutler called on Dubuque Greyhound Park & Casino (DGP&C). Bruce Wentworth, General Manager, presented the 45-day Season Approval Plan for the upcoming 23<sup>rd</sup> year of live racing, which mirrors the plan submitted in previous years.

Hearing no comments or questions for Mr. Wentworth, Chair Cutler requested a motion. Commissioner Bair moved to approve DGP&C's 45-day Season Approval plan as submitted, including the staff recommendation that all appropriate occupational licensing/DCI backgrounds be completed and that DGP&C continue to submit simulcast requests to insure compliance with all regulatory requirements, and the additional contract with United Armored Services for armored car service. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-22)

Chair Cutler advised those in attendance that the next two agenda items – Review of the Year-to-Date Economic Impact Reports and National Problem Gambling Awareness Week – would be tabled until the April meeting.

Chair Cutler moved to the next agenda item – a discussion on whether the Commission should consider additional licenses. She indicated the Commission would hear Public Comment on this matter prior to making their comments. At this time, Steve Siegel, Chairman of the River Hills Riverboat Authority in Ottumwa and a member of the Wapello County Board of Supervisors, advised the Commission that Ottumwa is still interested in having a casino in their community/county. He noted there have been some good things occurring in Ottumwa recently – will be getting a Job Corps facility which will bring approximately 200 jobs, and some of the local businesses have been expanding. Mr. Siegel stated that Ottumwa feels a casino would help both economically and culturally. He feels the proposal submitted in 2004 was good, and will submit another good proposal when the Commission is ready.

Chair Cutler called on Mr. Ketterer, who noted he had two letters – one from Chris Bearden, the Mayor of the City of Tama, and the other from Steve Daniel from Fort Dodge in Webster County. Mr. Ketterer stated that rather than reading them verbatim, he would get copies to the Commission members. Mr. Ketterer stated the letters mirror Mr. Siegel's comments – the communities are supportive of going forward with a licensed casino, and that they are ready whenever the Commission is ready to consider an application process.

As there were no further public comments, Chair Cutler called on Commissioner Urban, who indicated one of the dilemmas facing the Commission at this point is the fact that Waterloo has not yet opened, and the Commission wants to see the impact of that facility on the rest of the state.

Commissioner Hamilton noted that when the Commission granted the four licenses two years ago, they indicated at that time they were going to wait until these four were up and running and the Commission had an opportunity to see the impact on the state and local region, as well as the other casinos before considering any additional licenses. Commissioner Hamilton stated she was going to stand by that statement.

Commissioner Bair stated that he agreed with the comments made by Commissioners Urban and Hamilton, but also noted that by this point in time the Commission indicated they would be looking at possible expansion at locations throughout the state. Commissioner Bair indicated it was difficult to establish a time frame at this time, noting that some of the facilities will be open a year this spring. He voiced his hope that Waterloo would be opening soon and that he would like to give them a few months of operation prior to considering additional licenses in order to see the immediate impact after the newness wears off. Additionally, he would like see how Riverside does this summer when patrons will be able to take full advantage of destination packages and the professional golf course. Commissioner Bair recommended the Commission move

cautiously, that they need to work with the existing properties, and feels it would be late this year before the Commission can earnestly begin looking at any expansion.

Commissioner Seyfer stated that he concurred with the previous comments, and feels the wisest position on this issue would be to wait until later this year or early next year before considering any further expansion.

Chair Cutler stated that she concurred with the comments made by the Commission on May 11, 2005 when the four licenses were granted and it was believed that all would be up and running at this time. Since Waterloo has not yet opened, the Commission can not get accurate data in order to analyze the impact on existing properties, state, etc. She indicated that it would probably be early 2008 before the Commission entertained this discussion again.

At this time Chair Cutler moved to the renewal of the excursion gambling boat licenses, advising that they would be approved en masse, including the contracts, with the Commission reserving the right to ask any questions at the April Commission meeting concerning the renewal applications or contracts. She noted that all Commissioners had reviewed the material, and no one raised any questions, however, they are reserving the right to raise those issues at the April meeting if necessary.

Mr. Ketterer advised that Diamond Jo Worth, Catfish Bend Casino II in Burlington, and Wild Rose Clinton should be prepared to provide construction/progress updates at the April meeting. He suggested approving all of the licenses except Black Hawk County Gaming Association/IOC Black Hawk County, Inc. in order to allow them an opportunity to address the Commission regarding the proposed opening date.

Chair Cutler requested a motion to approve the license renewal applications of the excursion gambling boat licenses except Waterloo.

Commissioner Seyfer moved to approve the following license renewal applications:

- Iowa West Racing Association/Ameristar Casino Council Bluffs, Inc. d/b/a/ Ameristar Casino;
- Iowa West Racing Association/Harveys Iowa Management Co., Inc., d/b/a Harrah's Council Bluffs Casino Hotel;
- Scott County Regional Authority/Isle of Capri Bettendorf, L.C. d/b/a/ Isle of Capri Bettendorf;
- Riverboat Development Authority/IOC Davenport, Inc. d/b/a/ Rhythm City Casino;
- Washington County Riverboat Foundation, Inc./Riverside Casino & Golf Resort, LLC d/b/a Riverside Casino & Golf Resort;
- Clarke County Development Corporation/HGI-Lakeside, Inc. d/b/a Terrible's Lakeside Casino Resort;

- Missouri River Historical Development, Inc. /Belle of Sioux City, L.P. d/b/a/ Argosy Casino Sioux City;
- Worth County Development Authority/Diamond Jo Worth, LLC d/b/a Diamond Jo Worth;
- Dubuque Racing Association/Peninsula Gaming Company, LLC d/b/a Diamond Jo;
- Upper Mississippi Gaming Corp. /Isle of Capri Marquette, Inc. d/b/a Isle of Capri Marquette;
- Southeast Iowa Regional Riverboat Commission/Catfish Bend Casinos II, L.C. d/b/a Catfish Bend Casinos II;
- Clinton County Community Development Association/Wild Rose Clinton, L.L.C. d/b/a Wild Rose Clinton; and
- Palo Alto County Gaming Development Corporation/Wild Rose Emmetsburg, L.L.C. d/b/a Wild Rose Emmetsburg.

Commissioner Urban seconded the motion.

Commissioner Bair suggested that Commissioner Cutler see if there was anyone representing the licensees that would like the opportunity to address the Commission at this time. Seeing and hearing none, Chair Cutler called for the vote. The motion carried unanimously. (See Order No. 07-23)

Chair Cutler called on Black Hawk County Gaming Association/IOC Black Hawk County, Inc. d/b/a The Isle Casino & Hotel Waterloo. Kim Hardy, General Manager, advised the Commission that IOC Black Hawk is hoping for a Certificate of Occupancy in mid-June, and to open the doors to the public 10-12 days after that, with the latest possible opening date being July 1<sup>st</sup>.

Mr. Hardy, noting that the information had not been previously shared with the Commission, advised that Isle of Capri experienced a 12-week delay in steel, which they were hoping to be able to make up due to the staggered construction between the hotel and casino. They have not been able to erase the 12-week delay, which is causing the delay in getting the facility opened.

Commissioner Bair expressed his concern about the projected opening date, and the amount of revenue being lost by the state, which is in the thousands of dollars every day. He wondered if there was any way to expedite the construction process. Chair Cutler stated that she thought the amount of revenue being lost by the state amounted to around \$50,000 per day.

Mr. Hardy assured the Commission that from the owners down to the contractors, everything possible is being done to expedite the process. He noted that the situation is outside his control, and is a very frustrating situation for him as well.

Commissioner Bair asked Mr. Ketterer if there was anything the Commission could do in this situation. Mr. Ketterer advised that the Commission has the authority to fine, suspend, issue, renew or revoke licenses. Chair Cutler asked if it was possible for the Commission to establish a date certain by which they felt the project should be completed, and if it was not, could assess a fine of a certain dollar amount per day

Commissioner Urban noted that she had asked about an opening date at the January meeting and was told May, when the Commission was expecting April, and they are now being told it could be as late as July. Mr. Hardy stated that he could not respond to the date provided in January, but noted that the proposed opening date has been moved in either direction several different times in an effort to open the facility at the earliest possible date in the safest way possible. He noted that different individuals have differing opinions on when that could be accomplished, and then something would occur in the process causing another delay, moving the May date to June. Mr. Hardy, noting that this is his first time before the Commission since being reassigned, stated that he was not aware there was an issue with the opening date until he read the comments in the newspaper following the January Commission meeting. Until that time, he did not realize the project was that far behind expectations. He indicated that Isle has done everything possible to expedite the project.

Commissioner Seyfer asked about the two-week delay between receiving the Certificate of Occupancy and the actual opening date. Mr. Hardy advised that it would give management and staff an opportunity to get the property ready for business – slot machines, kitchen wares, etc. He indicated that staff is working on that process at this time in order to expedite that timeline as well.

Commissioner Bair asked for a detailed explanation of the opening delays going back to the proposed date utilized in the original application prior to the April Commission meeting. He again referenced the lost revenue to the state, as well as the lost entertainment to area residents.

Chair Cutler stated that she would like to see a date certain, which she feels should be no later than the middle of June at which time the Commission would hold discussions as to whether to levy a fine on a per day basis for every day past that date. She indicated there was probably some date set out in the construction contracts for completion of the project, or the contractors would be facing penalties.

Mr. Hardy advised that the construction schedule and expense has been expedited going back for the last six weeks. He indicated he would prepare the written statement requested by Commissioner Bair.

Hearing no further discussion concerning the license renewal for Black Hawk County Gaming Association/IOC Black Hawk County, Inc. d/b/a The Isle casino & hotel waterloo, Chair Cutler requested a motion.



Commissioner Bair moved to approve the license renewal application of Black Hawk County Gaming Association/IOC Black Hawk County, Inc. d/b/a The Isle casino & hotel waterloo, subject to providing the information requested by the Commission. The motion was seconded by Commissioner Urban, which carried unanimously. (See Order No. 07-24)

Chair Cutler called on Catfish Bend Casinos II, LLC regarding their request for approval of the merger of Catfish Bend Casinos II, LLC (CBC II) and Huckleberry Entertainment, LLC into Great River Entertainment, LLC. Gary Hoyer, legal counsel, advised the Commission that member meetings have been held at both the CBC II and Huckleberry Entertainment levels. Huckleberry has approximately 610 shareholder members, 93.9% of the members cast votes, and of that 99.7% voted in favor of the merger. On the CBC II side, 93.5% of the members cast votes with 94.1% of those voting yes, meaning both sides substantially exceeded the required 60% level.

Commissioner Hamilton stated that at the April meeting she would like to walk through, via a diagram, from the beginning of Huckleberry and CBC II through the various mergers to the final company, Great River Entertainment.

Mr. Hoyer stated that in the most simplistic form, through CBC and Huckleberry, a parent holding company is being created. Both sets of ownership are exchanging their shares/units for units in the parent holding company. The holding companies will be single member entities owned by the parent company.

Hearing no further comments or questions for Mr. Hoyer, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the merger of Catfish Bend Casinos II, LLC and Huckleberry Entertainment, Inc. into Great River Entertainment, LLC. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-25)

Chair Cutler called on Mr. Ketterer for Administrative Business. Mr. Ketterer advised that a question had been raised as to whether the motion approving the license renewals for the excursion boats included the additional contracts. He suggested the Commission do a separate motion. Chair Cutler requested a motion to approve the additional contracts for the excursion boat licensees. Commissioner Hamilton moved to approve the following additional contracts as submitted:

- Ameristar Casino
  - Absolutely Fresh Seafood – Seafood Purchases
  - Fulfillment Xcellence Inc. – Mail House
  - Hartford Specialty Company – Insurance Provider

- Harrah's
  - Players Travel – VIP and Group Travel Arrangements
  - Premier Midwest – Beverage Vender
  
- IOC Bettendorf
  - Premier Linen & Dry Cleaning – Laundering Services for Hotel Linens
  - Gaming Partners International – Provide Specialized Radio Frequency Identification (RFID) Gaming Chips
  
- Riverside Casino & Golf Resort
  - Pohaku – Marketing – Prospect for Test Campaign
  - Altofer, Inc. – Repair & Maintenance Agreement – Lift Truck
  - Trane – Maintenance Agreement – Chillers
  
- The Isle casino & hotel waterloo
  - Isle of Capri, Booneville, MO – Transfer of Roulette Wheel for Table Games School
  - International Gaming Technology – Purchasing Slot Accounting System, Table Games Accounting System and Slot Machines
  - Aristocrat Technologies, Inc. – Purchase Slot Machines
  - Konami Gaming, Inc. – Purchase of Slot Machines
  - WMS Gaming – Purchase of Slot Machines
  - Bally Technologies – Purchase of Slot Machines
  - Atronic Americas, LLC – Purchase of Slot Machines
  - AC Coin and Slot Service Company – Purchase of Chairs, Slot Bases, Slot Machine Rental Fee
  - Midwest Gaming Supply Co. – Purchase of Tables, Roulette Wheels, and Table Game Layouts
  - VSR Industries – Purchase of Locks
  - Gaming Partners International – Provide Specialized Radio Frequency (RFID) Gaming Chips, Table Game Equipment, Table Game Layouts
  - Gemaco – Provide Table Game Cards, Table Game Dice and Table Game Layouts
  
- Lakeside
  - AC Coin & Slot Service Company – Slot Leases, Parts & Supplies
  - Shuffle Master – Lease Games & Table Supplies
  
- Diamond Jo Worth - True Concepts – Construction of a Maintenance Building/Shed at Pheasant Links
  
- Diamond Jo
  - Port of Dubuque Public Parking Facility Development Agreement between the City of Dubuque, Iowa and Diamond Jo, LLC

- Maintenance Services Agreement between the City of Dubuque, Iowa and Diamond Jo, LLC
- Real Estate Ground Lease by and between Diamond Jo, LLC and Dubuque County Historical Society
- Offer to Purchase Real Estate, Acceptance and Lease between Diamond Jo, LLC and Dubuque County Historical Society
  
- Catfish Bend
  - Control Installations of Iowa, Inc. – Purchase of Surveillance Equipment
  - Cummins-Allison Corp. – Purchase of Count Room Equipment
  - IGT – Purchase of Slot Machine Equipment
  - Midwest Casino Supply – Purchase of Live Games
  - Midwest Game Supply – Purchase of Slot Machines
  - Tiger Direct – Purchase of Computer Equipment
  - WMS Gaming, Inc. – Purchase of Slot Machines
  
- Wild Rose Emmetsburg - Atlantic City Coin & Slot Service – Equipment Lease

Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-26)

Mr. Ketterer advised that the Notice of the Horse Racing Promotion Fund was attached to the agenda and was also available on the Commission's website: [www.iowa.gov/irgc/](http://www.iowa.gov/irgc/). Requests to receive the available funds are due in the Commission's Des Moines office by close of business on April 2, 2007.

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

MINUTES TAKEN BY:

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JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION  
MINUTES  
APRIL 19, 2007**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, April 19, 2007 at Ameristar Casino, 2200 River Road, Council Bluffs, Iowa. Commission members present were Gerry Bair, Vice Chair; and members Diane Hamilton, Greg Seyfer and Toni Urban. Chair Kate Cutler was absent.

Vice Chair Bair called the meeting to order at 8:30 AM, and advised that Item 12E(1), a contract for Harrah's, had been withdrawn. Vice Chair Bair called for a motion to approve the agenda as amended. Commissioner Hamilton moved to approve the agenda as amended. Commissioner Urban seconded the motion, which carried unanimously.

Vice Chair Bair called on Mayor Tom Hanafan, who welcomed the Commission to Council Bluffs. Mayor Hanafan offered many complimentary remarks concerning Chair Cutler and her involvement in the community. He introduced the following representatives of the Iowa West Racing Association (IWRA): Emma Chance, President; Todd Graham, Executive Director, and Jerry Mathiason. Mayor Hanafan stated that when gaming first came to Iowa, there were a lot of concerns as to what would happen; and noted that Council Bluffs is very happy with the outcome. Council Bluffs has experienced significant economic growth and development, as have other areas of the state. Mayor Hanafan stated that he has spoken in nine different states on the gaming experience in Iowa; noting that he emphasizes the rules and regulations set up in advance, and the Commission itself.

Vice Chair Bair called for a motion concerning the minutes. Commissioner Seyfer moved to approve the minutes from the March 1<sup>st</sup> Commission meeting as submitted. Commissioner Urban seconded the motion, which carried unanimously.

Vice Chair Bair called on Jack Ketterer, Administrator of IRGC for announcements. Mr. Ketterer recognized IRGC employees domiciled in the Council Bluffs area; and provided the following information concerning upcoming meetings:

- May 2007 – No Meeting
- June Commission Meeting – June 7, 2007 – Stoney Creek Inn, Johnston, Iowa (Submissions due by May 23, 2007)

With regard to the proposed meeting dates for Fiscal Year 2008, Mr. Ketterer advised that everyone was in agreement on the proposed meeting dates except for October. He

recommended approval of the meeting dates for FY 08 with the exception of October, which will be determined at the June meeting.

Mr. Ketterer advised that the Commission's bill on horse medication had passed in both houses without one dissenting vote, was signed by the Governor and will be effective with the beginning of the live race meet at Prairie Meadows Racetrack & Casino on Friday evening, April 20th. He indicated the rules before the Commission today primarily consist of horse racing medication rules that were noticed under intended action at the January Commission meeting. These rules are up for final adoption, and will also be emergency filed.

Mr. Ketterer noted that the March 1<sup>st</sup> Commission meeting was accelerated due to weather conditions. He invited anyone who had comments prepared for that meeting to make those comments when they addressed the Commission concerning the yearly financial audit. Isle of Capri properties, which have a different fiscal ending, were invited to do so during the contract approval portion of the agenda.

Mr. Ketterer requested that the Commission approve the proposed meeting dates, with the exception of October, which will be determined at the June meeting. Vice Chair Bair requested a motion. Commissioner Hamilton moved to approve the meeting dates with the exception of October. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-27)

Vice Chair Bair called on Mr. Ketterer for rules. Mr. Ketterer again pointed out that the majority of the rules being submitted for Final Adoption are related to the administration of horse medication. The proposed rules were proposed by the Racing Medication and Testing Consortium panel due to the confusion and difficulty experienced by veterinarians, trainers, and horse owners in the various states that had different testing and administration rules. These rules were presented under Notice of Intended Action in January. Mr. Ketterer noted the rules also contain a couple of gaming rules pertaining to the expiration and deductibility of expired tickets, and rules of play, pay out schedules, and permitted wagering amounts at the facilities. Mr. Ketterer recommended the Commission approve the rules for final adoption.

Hearing no comments or questions, Vice Chair Bair requested a motion. Commissioner Urban moved to approve the rules presented for final adoption. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-28)

Vice Chair Bair moved to the rules being filed emergency. Mr. Ketterer advised that the horse racing rules submitted for final adoption were also being filed emergency so they can take effect immediately. The rules are filed final adopt and emergency as the burden and proof and challenges are different. Under the final adopt process, the burden of proof falls on the person challenging the rules; under the emergency filing, it is the Commission or agency's responsibility to show why the rules had to be filed on an emergency basis. Any challenges will be the responsibility of the Commission until early

June at which time it will change to the individual challenging the rules. Mr. Ketterer recommended the Commission approve the emergency filing of the rules.

Hearing no comments or questions, Vice Chair Bair requested a motion. Commissioner Urban moved to approve the rules under emergency filing. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-29)

Vice Chair Bair moved to the next agenda item, a report by Mark Vander Linden, Executive Officer of the Iowa Gambling Treatment Program (IGTP). He noted that National Problem Gambling Awareness Week is an annual campaign that occurred between March 5-11 this year to educate the general public about the warning signs of problem gambling and raise awareness about the help that is available. Mr. Vander Linden stated that "awareness weeks" are a great opportunity to provide a surge of information about a specific issue; however, the work continues throughout the year. He commended the IRGC and Iowa Gaming Association (IGA) for raising the awareness of its members and partnering with the Iowa Department of Public Health to address problem gambling behaviors. Mr. Vander Linden indicated that he believes the Uniform Standards established by the Commission are strategic and proactive, and demonstrate a commitment to promoting responsible gambling and addressing problem gambling behavior.

Mr. Vander Linden stated that he was impressed by the casinos themselves and their commitment to insure that these standards are addressed, and by respecting and honoring those individuals that wish to utilize the self-ban option.

Mr. Vander Linden advised that in 2006 the IGTP Advisory Committee established a sub-committee to establish a Strategic Plan to assist the department in establishing priorities for treatment prevention, workforce development and research. Several goals were identified in the Strategic Plan, and the IGTP is working to implement many of those goals.

One of the goals was to explore the cooperation between the treatment providers and the gambling venues regarding the recognition of management of problem gambling and the promotion of responsible gambling. Mr. Vander Linden stated that he is pleased with the work that is currently being done to promote responsible gambling; he believes this goal provides a great opportunity for the IGTP, IRGC and Iowa casinos to push the envelope further. During the next year a subcommittee of the IGTP Advisory Committee will be formed; which will include the IRGC, IGA and others to discuss collaborative ways to address problem gambling and promote responsible gambling.

Mr. Vander Linden stated that he feels Iowa stands out as a leader nationally in efforts to promote responsible gambling and address problem gambling behavior, but still feels there is a long way to go. He indicated that Iowans and Iowa communities will greatly benefit from continued efforts in this area. Mr. Vander Linden stated that he looked forward to the continued cooperation of the IRGC and IGA in this area.

Vice Chair Bair asked Mr. Vander Linden where the line is drawn between responsible gambling and problem and/or pathological gambling. Mr. Vander Linden indicated there are many definitions, but problem and/or pathological gambling is a specific mental health disorder that does have very specific definitions. There are ten criteria that are used to determine whether the individual is a problem or pathological gambler: 1-4 the individual is considered a problem gambler; 5 or more the individual is identified as a pathological gambler. A majority of the individuals seeking treatment meet the criteria for a pathological gambler. Mr. Vander Linden stated there are a number of screening tools that can be utilized to determine if the line from problem to pathological gambling will be crossed. One such screening tool asks the following questions: "Have you ever felt the need to bet more and more money?" and "Have you ever had to lie to people important to you about how much you gamble?" If the individual answers "yes" to one or both of these questions, it is a good indicator the individual has or will become a pathological gambler.

Vice Chair Bair moved to the Economic Impact Reports, and called on Mr. Ketterer. Mr. Ketterer stated that the Commission reviews the annual economic impact reports the facilities submit to the Commission on a quarterly basis. These reports provide a glimpse of the magnitude of what the businesses mean to the state. Mr. Ketterer stated that total economic impact for 2006 exceeded \$1.1 Billion. He stated the Commission focuses on whether a substantial amount of goods and services are purchased from Iowa vendors as required by Iowa Code, which is shown under Equipment, Supplies and Services. The reports include a column for Iowa sources, with the remaining expenses being divided between gaming equipment, sole source providers and necessary expenditures (media, buses from other states) and other under Out-of-State purchases. The Commission looks at the "Other" column when approving contracts during the meetings as this column is where the facilities have a choice in selecting the vendor. If those contracts are not from Iowa vendors, the Commission looks to see if bids were sought from Iowa vendors, if they bid, and if so, why they were not selected. Valid explanations for not choosing the Iowa vendor include some of the following: chose not to participate; could not meet time requirement; could not meet the quantity; or were not the low bid. The Commission looks at the percentage of contracts from Iowa vendors, minus the sole source and gaming equipment, and the instances of when an out-of-state vendor was selected when there was an alternative in Iowa. Mr. Ketterer stated that the facilities achieved the highest Iowa percentage yet: 88.21% with the "Other" percentage being 11.79%. The facilities purchased \$482 million dollars of equipment, supplies and services from Iowa vendors during 2006.

Mr. Ketterer pointed out that the Commission was a little hard on Argosy last year with their 69% for Iowa purchases. They have increased that to 88% this year. He indicated that this year Harrah's and Horseshoe Casino/Bluffs Run Greyhound Park came in at 72% and 69% respectively, and were the only two facilities below 80%. Mr. Ketterer indicated they could address this issue when they presented their contracts for Commission approval.

Vice Chair Bair noted that the facilities paid \$289 million dollars to the State in gaming taxes, representing a substantial impact on the revenue of the state.

At this time, Vice Chair Bair called on Missouri River Historical Development (MRHD) for a report on their compliance with Iowa Code Section 99F.5. Sharese Manker, legal counsel, indicated Mark Munson, President of MHRD, had not yet arrived, and requested that this matter be taken up later in the meeting. Vice Chair Bair granted the request.

Vice Chair Bair moved to the review of the licensees' financial audits, and called on Ameristar Casino. Teresa Meyer, General Manager, stated that in 2006 the Council Bluffs market revenue grew by \$478 million, up 10% over 2005 with only a 5% increase in admissions; slot revenue increased 9% and table revenue increased 17%. Ameristar's gaming revenue, in a much more competitive market, was off by 1.6% from the previous year, and slot revenue was down by less than one average day. Table games revenue decreased by 12%. Admissions were down the equivalent of eleven days from the previous year. Ms. Meyer indicated the numbers indicated Ameristar's ability to provide a quality guest experience with a riverboat casino facility.

Ms. Meyer noted that Ameristar made a significant economic impact in 2006 of \$108 million, including \$19.4 million for Iowa vendors or 81% of purchases. Ameristar received their ninth consecutive 4 Diamond Award recognizing the facility and the quality of guest service in the hotel.

Vice Chair Bair commented on Ameristar's ability to maintain their toehold in the market with the tough competitive market in Council Bluffs.

As there were no questions concerning Ameristar's financial audit, Vice Chair Bair called on Argosy Casino – Sioux City. Brian Wessels, Director of Finance, indicated that 2006 was a solid year for the property; revenues increased \$500,000 or 1%; total salary and benefits totaled approximately \$12.8 million, and MRHD received around \$1.8 million.

Commissioner Hamilton asked about the difference in the amount of grants. Mr. Wessels asked if she was referring to the amount given to the non-profit. Commissioner Hamilton answered in the affirmative. Mr. Wessels stated that just over a year ago, Argosy amended their agreement with MRHD to change from an admission-based fee to a percentage of revenue, which increased the amount slightly.

Vice Chair Bair commented on the increase in the gaming revenues, and asked if it was attributable to the larger boat. Mr. Wessels answered in the affirmative.

Mr. Ketterer asked if there was any indication that Argosy lost patronage or revenue when the Emmetsburg casino opened. Mr. Wessels stated they did lose some, but not a significant amount.



Mr. Ketterer asked if Argosy was in the process of working with the city to alleviate some of the parking issues the facility faces. Mr. Wessels indicated they are working to try and develop additional parking. Frank Quigley, General Manager, stated that when the parking is 100% occupied, the casino floor is only at 60% capacity. He indicated that he is working with the corporate office and has received some indication that some capital improvement funds may be available to them in 2008. Mr. Quigley stated that he did not want to approach the city with a capital investment plan until he is certain they will receive the funds. He indicated the facility could add additional gaming positions if they are able to obtain the additional parking.

Vice Chair Bair called on Catfish Bend Casino, LLC (CBC). Gary Hoyer, Chief Executive Officer of CBC asked if the Commission had any questions concerning the financial audit.

Mr. Ketterer asked Mr. Hoyer if there was any change in the company's outlook since they are on the brink of opening the land-based facility in Burlington and having the boat in Ft. Madison as to what the revenues will be, the synergy between the two properties, or the ability to cut expenses.

Mr. Hoyer indicated that he sees an expansion in both the labor force and expenditures, but CBC hopes the increases will be offset by increased revenues. They feel the new facility will be able to draw patrons from beyond the smaller Burlington/Ft. Madison market area providing an opportunity for CBC to be more competitive in the area.

Vice Chair Bair asked if the completion of Highway 218 helped CBC or their competitor to the east or west. Mr. Hoyer stated that he felt it would be helpful as the traffic counts have increased on 218, which comes within eight miles of the Ft. Madison facility, and is the link to a 4-lane to the Burlington facility. CBC feels it will eventually provide an opportunity to draw people to the facility. Vice Chair Bair asked if Hannibal or Quincy have riverboats. Mr. Hoyer answered in the negative, but advised that LeGrange, Missouri has a Terrible's property, which is approximately a 50-minute drive south of Ft. Madison and one hour and fifteen minutes south of Burlington.

Hearing no further questions for Mr. Hoyer, Vice Chair Bair called on Diamond Jo. Jesus Aviles, General Manager for Diamond Jo Worth (DJW), was present to represent Diamond Jo. As there were no questions, Mr. Aviles proceeded with the report on DJW.

With regard to the DJW property, Mr. Aviles indicated the first nine months were great as they exceeded every expectation set forth in the market analysis. Revenues were just slightly less than three times what was originally projected, which led to the current expansion project. Phase I of the expansion will be opened to the public on April 27, 2007, more than doubling the square footage of the casino. Mr. Aviles advised that they continue to draw around 65% of their patronage from Minnesota, which held true even during the winter months.

Mr. Ketterer stated that it was his understanding that the Legislature passed the bill that removes the water requirement for casinos in Iowa. He indicated that he would like a report from Natalie Schramm, General Manager, regarding plans for the Dubuque Diamond Jo project at the June Commission meeting. Mr. Aviles indicated the construction planning is going well, and they hope to break ground in June with the project being completed in 2008. Mr. Aviles indicated they were waiting for final word on this piece of legislation before finalizing the design for Dubuque.

Moving back to the DJW property, Mr. Aviles advised that the gaming area, stage, and dance floor will open to the public next week, in June a 200-seat buffet will open followed by a steakhouse in July. He indicated that occupancy at the hotel has been going well, and that a 5,000 square foot event center will open in July. The event center will be available for wedding receptions, and there will be a live show every week. Mr. Aviles indicated the facility has become known as a place to socialize in the area. He indicated that during the last two months, DJW has given away two prizes in excess of \$1 million – one to a couple from Illinois and the other from Austin.

Vice Chair Bair called on Harveys Iowa Management Company, Inc. Michael Silberling, General Manager of Harrah's and Horseshoe Casino/Bluffs Run Greyhound Park, stated that both properties had a successful year in 2006. He noted that Harrah's is increasing the number of concerts at Stir Cove from 17 to 30. Mr. Silberling turned the floor over to Janae Sternberg, Director of Finance for both properties. Ms. Sternberg advised that the bottom line was down somewhat from 2005, which was expected with the opening of the Horseshoe Casino. Revenues decreased \$17 million, food and beverage revenues decreased 12%. Total revenue for 2006 was \$107.4 million, down just over 14% from 2005. Sponsorship fees of approximately \$4 million were paid to Iowa West Racing Association (IWRA) to be reinvested in the community. Gaming taxes paid to the state, county and city amounted to \$24.1 million. Harrah's invested approximately \$3.7 million in capital improvements to the facility in 2006.

Commissioner Seyfer asked if the declining revenues were within the expectations. Ms. Sternberg indicated they were, and were actually less than anticipated.

Mr. Ketterer asked if the pending acquisition has affected the capital investment policy – on hold, going forward, will the process be the same in the future with corporate. Mr. Silberling stated that the shareholders had approved the transaction within the last two weeks, and the major hurdle going forward is regulatory approval. He indicated the 2007 capital plan is unchanged; that the Iowa and Missouri properties have long-range capital improvement plans and part of the business case was predicated on the capital dollars being available to those properties so that the capital submissions made prior to the facilities being aware they were being bought is what has been allocated to them going forward. For projects that have not been submitted, there would be another layer of approval. He indicated that if the properties need additional funds for capital improvements and can show a return on the previous capital improvements, there will not be an issue.

Mr. Ketterer indicated he asked the question in light of the legislation that was passed removing the water requirement. Mr. Silberling advised that if Harrah's were to decide to take advantage of the new land-based opportunity, it would be something that is beyond what has already been approved.

Vice Chair Bair allowed them to address the audit for Horseshoe Casino/Bluffs Run Greyhound Park (HSC/BRGP) while they were at the podium. Ms. Sternberg indicated Harrah's was very happy with the results at Horseshoe in 2006. The property opened in March after an investment of \$87 million. The property has table games, a World Series of Poker room, a 1,000 stall parking garage, a buffet, a steakhouse, and new office space for all of the employees.

Gaming revenues increased from \$117 million in 2005 to \$171 million in 2006, or 46%. Ms. Sternberg indicated Horseshoe was the market leader in gaming revenue for the entire state from July 2006 to the end of the year, as well as the first three months of 2007. Food and beverage revenues increased 117% year over year, and total revenues increased approximately \$58 million. Horseshoe paid gaming taxes to the state, county and city of \$44.9 million, and pari-mutuel taxes, purse supplements and purses of approximately \$10.2 million over 302 race days in 2006. She distributed a handout listing the various organizations to which the facility itself donated funds.

Vice Chair Bair asked for an explanation for the significant increase in the management fee. Ms. Sternberg stated that Horseshoe has a different setup when it comes to the management fee; it is still based on the agreement that Harveys and AIM had with IWRA. Under that agreement, Harrah's does not own the gaming equipment; it is owned by IWRA and then leased back. Harrah's and Horseshoe own the realty company so the management fee is split 80-20 based on revenues. This agreement is specific to the Bluffs Run facility.

Mr. Ketterer, commenting on Ms. Sternberg's comment that the property was up 46% year over year, stated that did not really show the magnitude of the increase as the property did not open until March 15<sup>th</sup>. He indicated that for month over month, it would be closer to 50%.

Vice Chair Bair called on HGI-Lakeside Casino. Damon Butler, General Manager, and Lynette Bailey, Financial Controller, were available for questions. Mr. Butler stated that 2006 was a challenging and exciting year for the property. The remodeled property generated over \$60 million in gaming revenue, over \$12 million in gaming taxes, and just over \$11 million in payroll and benefits. Mr. Butler noted that Lakeside purchased 94.6% of their equipment, services and supplies from Iowa vendors.

Vice Chair Bair asked to what the 20% increase in revenue was attributable – better marketing, facilities, etc. Mr. Butler noted that part is attributable to individuals pulling off Interstate 35, improvements to the property, signage, and gas station. He feels all of

these helped to put the property on the map. Mr. Butler stated that there were over 34,000 new member sign-ups in 2006.

Commissioner Hamilton asked if anyone comments on the name. Mr. Butler indicated they did when the Herbst family first took over the property, but not so much anymore.

Mr. Ketterer asked about the "Other" category under Revenue on page 3 of the financial report, which increased from \$788,000 to \$7.2 million for which there appears to be a similar offset under Costs and Expenses in "Other Operations", which increased from \$235,000 to approximately \$6.5 million. Ms. Bailey indicated the significant increases were due to Terrible's taking back management of the convenience store, which was done around December 2005. Mr. Butler noted that while gas sales generate a significant amount of revenue, the profit margins in gas are very small.

Hearing no further questions for Mr. Butler or Ms. Bailey, Vice Chair Bair called on Mississippi Belle II Employees Ownership Company/Wild Rose Clinton (MB II/WRC). Tom Timmons, Director of Operations for Wild Rose Entertainment, and Scott Ivers, Chief Financial Officer, were present to address any questions. Mr. Timmons advised that the Emmetsburg property opened on Memorial Day 2006, and Wild Rose took over operations at the Clinton property the first part of June.

Mr. Ivers advised that WRC was combined with the MB II operation for the first part of year. Total gaming revenue was approximately \$28.2 million, or an increase of 4.9% over 2005. Non-profit contributions for the entire year were approximately \$1.1 million, and admissions increased approximately 4.2%.

Vice Chair Bair noted that the deficiencies were spelled out on the WRC and Wild Rose Emmetsburg (WRE) financials, which is not usually done. He asked if the facilities had addressed the deficiencies directly. Mr. Ivers stated that WR Entertainment specifically requested the auditing company to spell out any deficiencies so they could be corrected at the start, as well as reviewing the internal controls so that any issues there could be corrected immediately. Mr. Ivers indicated that those issues concerning segregation of duties were handled for the most part by adding another employee or layer to the process.

Vice Chair Bair asked about the receipts flow at the Emmetsburg property, stating that he thought there would be larger intake of revenue over the summer months with the tourism in the Lakes region. Mr. Timmons indicated he felt that would be the case as well; but experience showed the property is not getting a large influx from the Lakes area, except for on rainy days when individuals could not get out on the lake or partake in other vacation activities. He concurred that the increase over the summer months was not as large as everyone anticipated with the arrival of the tourism season in the Lake region. Vice Chair Bair asked if WRE was going to try to address that issue. Mr. Timmons indicated the property is working on some marketing ideas with hotels in the Lake area and have reached an agreement with the Emerald Park Golf Course in Arnolds Park to function as a "sister" course to create some "Stay and Play" packages.

Ken Bonnet, representing MB II, indicated this would be his last opportunity to address the Commission regarding the MB II. He stated the audit covered the time frame of January 1 through the sale to WR Entertainment in early June. Mr. Bonnet noted the company was 51% owned by employees under the Employees Stock Ownership Plan that was established in November 2001. The program contained a vesting program; however, due to the sale, all of the employees participating in the plan are considered to be fully vested. He indicated the typical employee who was employed as of November 2001 will receive compensation from the distribution equaling approximately two years' salary. Mr. Bonnet indicated that approximately 60% of the funds have been distributed to them; however, MB II is awaiting final approval from the Internal Revenue Service prior to closing the plan out in total. When the approval is received, hopefully this quarter, the final distributions will be made. Vice Chair Bair asked who was holding the remaining funds. Mr. Bonnet advised that the funds are in an escrow account controlled by the ESOP Trustee.

Hearing no further questions for Mr. Bonnet, Vice Chair Bair called on Riverside Casino & Golf Resort (RCGR). Joe Massa, General Manager, noted that operations started just past mid-year and the financial includes construction and operations.

Mr. Massa stated that the balance sheet shows a balance of \$135 million of assets, \$108 million invested in property and equipment, another \$6.8 million in continuing construction costs related to the golf course, and \$9.5 million will have been invested in the golf course when it is completed. The property has liabilities of approximately \$106 million. Mr. Massa pointed out that the Statement of Operations shows a loss of approximately \$4.4 million on revenues of \$39 million. He indicated there was a breakdown of the operations set forth on page 21 of the report. Mr. Massa advised that gaming revenues are matching the projections made during the application process; while food and beverage revenues are almost double the original projections.

Mr. Massa noted that the application was submitted in November 2004, the Commission visited the site two years ago this month, the license was awarded on May 11, 2005, ground was broken on July 20, 2005, and the facility opened 13 months after ground was broken. The original application projected an opening of November 2007; thus, the facility opened ahead of schedule by 14 months, generating an additional \$21 million for the state.

Mr. Massa stated there will be approximately \$115 million invested in the property upon completion as opposed to the \$99 million projected in the application. Excluding gaming and specialized equipment, 86.6% of expenditures have been with Iowa vendors. RCGR guaranteed \$16.5 million to the city of Riverside for a large sewer project, which is almost completed, plus another \$13.7 million over eight years under an annexation agreement, paid \$1 million to the not-for-profit license holder after the first four months of operation and gave another \$114,000 in contributions directly to other companies and charitable organizations in the area during the same period. Mr. Massa stated that the facility is exceeding projections for business outside the 75-mile radius, meaning the

property is being recognized as a resort destination. He distributed a copy of the Annual Report distributed to the organization's members. Mr. Massa indicated the golf course, Blue Top Ridge, should be ready to open on August 1<sup>st</sup> of this year. He stated the golf course has generated a lot of interest and excitement, and will add another dimension to the property. He distributed an article from the latest PGA magazine which talks about the Blue Top Ridge golf course, the facility's unique operation with the PGA, and particularly housing in the Iowa section of the PGA that will result in the scheduling of some premier events at the golf course and some golf seminars.

Vice Chair Bair asked about the revenue projections. Mr. Massa stated that gaming revenues are on target, while food and beverage revenues are double the original projections.

Vice Chair Bair then asked about the PGA events. Mr. Massa stated that the Iowa section of the PGA schedules their own events as well as providing instruction for professionals in Iowa, Illinois and surrounding states, which will be held at the Blue Top Ridge. Mr. Massa explained that the name recognizes the original name of the property, Blue Top Farms. RCGR kept a corn silo with a blue roof on it, which has been converted into a restaurant facility.

Mr. Ketterer asked if the occupancy rates and average room rates at the hotel had been within the expected ranges. Mr. Massa indicated their projections upon opening were overly optimistic; and a new 400-room Marriott opened at the same time in Coralville. Occupancy rates have been increasing every month. Vice Chair Bair asked about special packages for football weekends. Mr. Massa indicated they could do so; noting they opened at the start of the football season last year and many people did not realize they were open. They are experiencing more interest this year.

Hearing no further comments or questions for Mr. Massa, Vice Chair Bair called on IWRA. Todd Graham, Executive Director of IWRA, which is the license holder for HSC/BRGP, and the sponsoring organization for both Ameristar and Harrah's. He recognized the following IWRA employees in attendance – Jackie Bix and Deb DeBaut.

Mr. Graham provided the following information concerning riverboat revenues received by IWRA in 2006: \$8,309,534 compared to \$8,557,099 in 2005, or a 3% decrease. The breakdown of the revenue is as follows: Ameristar - \$4.35 million from Ameristar and \$4 million from Harrah's.

Mr. Ketterer asked if the revenue reduction from year to year was due to the shift in the market from Harrah's to Horseshoe Casino. Mr. Graham answered in the affirmative. He further stated the fees received from the riverboats are capped at \$4.35 million, which Ameristar reached in October.

Hearing no further questions or comments concerning the IWRA audit, Vice Chair Bair called on the Dubuque Racing Association (DRA). Roger Hoeger, Assistant General

Manager and Controller, advised that revenues increased approximately 39% from 2005, which he attributed to the 1,000 slot machines being in operation for a year, and the opening of the table games on March 1st, which accounted for about 7% of the total increase. He noted that expenses increased in a few categories: wages represented a 28% increase and interest expense was \$1.8 million compared to \$365,000 in 2005.

Mr. Ketterer asked if the investors in the Hilton Garden Inn and Houlihan's Restaurant were satisfied with the results to date. Mr. Hoeger stated that the hotel experiences a very high occupancy rate and DRA has a very good working relationship with them, and some of the patrons of the facility also patronize the restaurant on a regular basis.

Mr. Ketterer asked for additional information concerning recent announcements concerning grants. Bruce Wentworth, General Manager, advised that on Tuesday, the DRA Board met and made two major announcements: one being a \$1 million grant to an organization named DICE, which stands for Dubuque Ice that would like to build a facility on the opposite side of the island. The organization is adamant that they can raise the additional funds needed by this fall to begin construction on an ice rink that would accommodate ice hockey, etc. They hope to have the facility open by next fall.

The other announcement was a five-year commitment to the Greater Dubuque Development Corporation for \$100,000 per year for five years. This organization recently completed a five-year plan with much success, and is now launching the second plan with a goal of creating over 5,000 new jobs, look at job retention, infrastructure, and grow Dubuque's population by 6%. The DRA board felt this was an investment back into the community that would help grow the community, which would benefit the facility in the long run.

Vice Chair Bair asked how far apart the two Dubuque facilities were. Mr. Wentworth advised they are approximately two miles apart; and that it is possible to get between the two even though there is not a straight road from one to the other. The ice arena proposed for the island will draw more traffic to the island. DRA also received naming rights with their grant. They have also worked out an agreement with the organization that allows DRA patrons to rent the facility for various functions at fair market value. The addition of this ice arena will also free up ice time at the Five Flags facility, allowing that facility to be utilized for other venues.

Hearing no further comments or questions for DRA, Vice Chair Bair called on Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer, General Manager, and Ann Long Richards, Vice President and Chief Financial Officer respectively, were present for questions.

Ms. Long advised that PMR&C is in a strong financial position and has established a good relationship with a local lender in Clive, which is how they have financed the construction. During 2006, PMR&C returned \$35.2 million to the community - \$19.6 through direct and indirect charitable contributions and \$15.6 million through the Polk

County lease. PMR&C paid gaming taxes of \$44.8 million and regulatory fees. Ms. Long stated that the additional gaming floor on the second level was opened in August, the Event Center opened in September and in January 2007, the buffet was completed followed by A.J.'s Steakhouse in February. Just recently, they have started work on the additional parking lot in the northwest corner, and anticipate that it will be completed by July 4<sup>th</sup>. Ms. Long stated that the economic impact report for 2006 reflects expenditures of \$188.6 million with Iowa vendors, or 99.3%.

Mr. Ketterer stated that he had heard very good reviews on the Event Center and the restaurants.

Following a short break, Vice Chair Bair called on MRHD for the report on their grant distributions in compliance with Iowa Code Section 99F.5. Mr. Munson, President of MRHD, introduced Larry Jensen and Sharese Manker, MHRD Treasurer and Legal Counsel respectively.

Mr. Munson stated that MRHD was formed in 1989, and the Management and Operating Agreements were entered into on May 27, 1992, and became effective on July 7<sup>th</sup> when the license was issued. MRHD's agreement with Argosy is valid until July 7, 2012. The agreement was amended on December 31, 2004, changing only the compensation.

MHRD received their first funds in 1994, and has two grant programs each year – a small program in May that distributes \$225,000 to non-profit groups and agencies within the county. The 70–100 grant requests are reviewed by the grant request committee, which makes recommendations to the full board. In 2007, the May grants will be awarded on May 8<sup>th</sup>. Between 1994 and 2006, MRHD has distributed small grants totaling \$2.7 million to 498 organizations within Woodbury County. Grants are broken down into five categories: economic development, community improvement and tourism; health and human services; civic, public and patriotic, charitable and religious; leisure, cultural and historical; and education. In December of each year, MHRD distributes another \$50,000 to organizations that are recommended from within the Board, which are reviewed by a five-member committee who makes final recommendations to the Board. Mr. Munson highlighted some of the recent grants under this portion of the program. He noted that MRHD has given special grants over the years, which totaled over \$2 million between 1994 and 2006.

Mr. Ketterer advised Mr. Munson that the main focus of the Commission's request was to determine how much had been distributed in 2005 and 2006, and how much of the funds were provided by Argosy.

Mr. Munson stated that the MHRD Board decided in 1999 to create and build their own project. Over a 3-year period, the Board developed and built the Sioux City Lewis & Clark Interpretive Center, which opened September 22, 2002. The center has attracted 250,000 visitors since opening. It was MRHD's intent to turn the operation of the interpretive center over to the city after one year of operation; however, the agreement



was amended in 2003 to extend their operation for two years, and in 2005, MRHD extended the agreement to allow them to operate the center indefinitely as long as they are financially able to do so. Over the past five years, MRHD has spent approximately \$1.5 million to operate the facility.

In 2005, MRHD decided to expand the interpretive center to include a multi-purpose room, gallery and a small theater. Mr. Munson noted that most visitors do not expect to find an attraction such as this in Iowa, but in the larger metropolitan areas of St. Louis, Kansas City or Chicago. The original center cost \$4 million to construct, and the expansion will cost \$3.5 million and is to be completed in November of this year.

They have also funded a book documenting the history of the Sioux City stockyards, which were once the largest stockyards in the world.

Mr. Munson stated that since MRHD only amended the agreement on December 31, 2004, they do not believe they fall under the 3% rule; however, they do currently meet that requirement. Over the last three years, MRHD has received \$5,149,000 and has spent \$2,282,000 over the last two years, leaving them with a balance of \$2,700,000 at the beginning of this year. In addition, MRHD has contracted to build the addition to the Lewis & Clark Interpretive Center at a cost of \$3.5 million, of which \$500,000 was paid in 2006. They anticipate the construction and opening for 2007 will put the dollar figure around \$3.6 million. Following the completion of the addition, operation of the center and the annual programs, MRHD estimates they will end 2007 with less than \$700,000, which will operate the center and fund the grant programs for one more year.

Vice Chair Bair asked if Mr. Munson was indicating that MRHD would meet the 3% rule following the 2007 expenditures. Mr. Munson indicated that, according to their audit, the funds were committed in 2006 through a contract. Vice Chair Bair asked if the Commission had that information available to them. Mr. Ketterer advised that the Commission does have MRHD's audit.

Vice Chair Bair stated that if he understood Mr. Munson correctly, he was stating that since MRHD only amended their operating agreement in 2004, they did not fall under the 3% rule, but that they are meeting that requirement anyway. Mr. Munson answered in the affirmative.

Mr. Ketterer stated that the Lewis & Clark project is a great project, but felt it was important for the benefit of the Commission and MRHD to have a record of compliance.

Vice Chair Bair moved to the construction updates by the licensees and called on CBC. Mr. Hoyer noted that the Commission approved CBC's projects for Burlington and Ft. Madison on June 8, 2006, and construction started in earnest around October. He indicated CBC has always predicted a Memorial Day opening; however, due to the extreme cold in January and February and the recent weather, they are now predicting somewhere between Memorial Day and July 4<sup>th</sup> but feel it will more than likely be mid-

June. CBC will have invested just over \$50 million in the project, which will include the casino facility of approximately 30,000 square feet, an additional 40 hotel rooms in a high-end boutique-type hotel in addition to the current 105-room facility, a high-end spa, an event center with approximately 10,000 square feet, a buffet restaurant, a Japanese restaurant, and a 540-stall parking garage.

Mr. Hoyer indicated that the riverboat presently operating in Burlington will be moving to Ft. Madison around May 14<sup>th</sup>. He indicated the riverboat is currently for sale with a marine broker. Mr. Hoyer stated that CBC hopes to bring plans before the Commission at the June meeting for a new facility to be constructed in Ft. Madison.

Vice Chair Bair asked for a comparison of the number of slot machines and table games between the new Clinton facility and the riverboat. Mr. Hoyer advised that the new Clinton facility will have 680 slot machines, 18 table games and five poker tables. The riverboat will have 400 slot machines, eight table games and five poker tables.

Mr. Ketterer advised the general managers at CBC, DJW, and Isle of Capri Waterloo that dates have been established for testing of the casino floor (slot machines and slot information system); and that the Commission is more than willing to pull the necessary resources from all over the state in order to get the testing done as quickly as possible. Since these dates can be moving targets, he asked that the facilities keep the Commission apprised of any possible change in dates. Mr. Hoyer indicated that the casino floor is not the issue in Burlington, but the roadways.

Hearing no further comments or questions for Mr. Hoyer, Vice Chair Bair called on DJW. Mr. Aviles advised that they are ready for the slot testing. He indicated the project, which is on time and budget, added another \$31 million to DJW's capital investment in the area.

Vice Chair Bair asked about the golf course. Mr. Aviles indicated that it should open for business in September. DJW has added an additional 180 acres to be utilized as hunting grounds, which are still a work in progress. Mr. Aviles indicated this will be an exclusive club and only 16 individuals will be allowed on the grounds at the same time. Vice Chair Bair asked if there would be pheasants. Mr. Aviles advised they are raising their own pheasants and dogs. Mr. Aviles stated there was no danger for a hunter being hit by a golf ball, or vice versa.

Hearing no further comments or questions for Mr. Aviles, Vice Chair Bair called on Kim Hardy, General Manager for Isle of Capri Waterloo, who introduced Tim Hinkley and Greg Gida, President and Vice President of Projects of Isle of Capri respectively to the Commission.

Mr. Gida noted that the Commission raised questions concerning the status of the opening of the Waterloo property. He advised that IOC was in the process of implementing the recent scope changes approved by the Commission. Since the March

Commission meeting, they have attempted to pick an opening date that they would be comfortable with and to quantify what caused the original opening date of spring 2007 to be pushed back to July 1<sup>st</sup>. Mr. Gida advised that once IOC representatives completed their review, they met with Terry Hirsch, former Director of Riverboat Gambling, and mailed Commission members a letter setting forth the four primary factors that caused the original date to be missed. Those were:

- An increase in the level of the fit and finish of the project. When the project was originally presented to the Commission, it was patterned after a Missouri property similar in size and scope. Mr. Gida indicated that parallel to the development of this project, IOC is also in the process of developing a new brand, The Isle brand, which will make its debut in Pompano, FL. These facilities will have a higher level finish and be a higher level product. IOC decided that since Waterloo was still in the development stage, it would be branded as “Isle” versus “Isle of Capri”. The final design of the product added \$17 million to the original cost of project costs of \$118 million. A negative to this decision is that it added about a month to the development timeline.
- The second factor was a delay in material delivery. Mr. Gida indicated that some of this problem may have been accumulative to the first issue because as the design and level of finish changed, they may have lost their place in line for some of the materials. He indicated the availability of materials is stretched at times all over the country, which he attributes to adding another month to the timeline.
- Expansion of scope of project. Mr. Gida indicated that while this issue was within their control, the redesign of the project will benefit the project, state and community as a whole. After reviewing at what is occurring at some of the other properties around the state, IOC elected to expand the scope of this project by adding approximately another \$45 million to the cost of the project by expanding the gaming floor and adding a spa and pool, which caused some redesign of the previous outlay. The positive side is the increased investment in the property; the negative is that this also added another month to the timeline.
- Weather. Mr. Gida indicated that even as early as January and February, IOC was hoping to make up some of the lost ground due to the changes in the scope and finishing of the project; but have been unable to do so due to the recent weather that Iowa has experienced.

Mr. Gida indicated that a couple of months have been shaved by the construction crews working overtime. He reiterated that, at this time, IOC is comfortable with saying the facility will be open to the public by July 1<sup>st</sup>. Mr. Gida stated that the facility will be “fabulous” from the company’s standpoint, the state, and the community. He reiterated that the final investment in the project is approximately 40% higher than what was originally approved by the Commission when the license was granted. Mr. Gida feels the Commission will be extremely pleased with the project once it is completed.

Mr. Hinkley stated that IOC is just as anxious as the Commission to get the Waterloo property open. He apologized for the delay in getting it open, but indicated that he believes the Commission will find the changes are the right ones to make, particularly from a business standpoint. Mr. Hinkley apologized to the Commission for the lack of communication regarding the delays. He indicated that the branding of a facility is very important in the competitive gaming world. Mr. Hinkley noted that Isle had had a consistent brand since 1992, explaining that the "Isle" brand is more contemporary, and is designed to provide the most modern gaming venue possible. He concurred with Mr. Gida's statement that changing the brand added some time to the development timeline, but IOC feels it will be well worthwhile in the long run. Mr. Hinkley advised the Commission that not only is Waterloo the largest project from a monetary standpoint undertaken by IOC; he believes it is the largest Phase I project in gaming in Iowa's history. He stated that after viewing some of the new facilities, especially Riverside, IOC wanted to be able to compete and exceed the patron's expectations. Mr. Hinkley pledged that they would have Waterloo open by July 1<sup>st</sup>, and that they will do a better job of communicating with everyone.

Vice Chair Bair asked if the hurricanes in the south also caused some of the delays. Mr. Hinkley advised that there was some debate about including that in the letter as people go through things similar to that in their daily lives and business lives. He indicated IOC would not use that as a crutch; but admitted that it did take some time away from the Waterloo project.

Hearing no further comments for the IOC representatives, Vice Chair Bair moved to the contract approval portion of the agenda, and called on Isle of Capri Marquette (IOCM). Mr. Fuller presented the following contracts for Commission approval:

- The Media and Marketing Group – Advertising Products and Services
- Coca Cola Enterprises – Provide Coca Cola Beverages

Hearing no comments or questions concerning the contracts, Vice Chair Bair requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by IOCM. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-30)

Vice Chair Bair called on Isle of Capri Bettendorf (IOCB). Mr. Hyder advised the Commission that the Isle properties in the Quad Cities continue to be a significant catalyst for the economy. The properties contributed approximately \$150 million to the economy; \$51 million in the form of gaming and statutory taxes, \$7.5 million to the not-for-profits, and paid \$35 million in payroll and benefits. Mr. Hyder reported that the new 258-room hotel, costing approximately \$45 million, in Bettendorf is on schedule to open sometime in late May, giving Isle the largest presence in the immediate market. He acknowledged that holding the license is a privilege and thanked the Commission for renewing the licenses.

Mr. Hyder requested and received permission to combine the contracts for IOCB and Rhythm City. The following contracts were presented for Commission approval respectively:

- Rhythm City Casino
  - Coca Cola Bottling Company – Provide Coca Cola Beverage Products
  - The Media and Marketing Group – Advertising Products and Services
  
- Isle of Capri Bettendorf
  - Coca Cola Bottling Company – Provide Coca Cola Beverage Products
  - Technology Solutions – Provide Telephone/Data Support Services on Avaya Communication Equipment
  - The Media and Marketing Group – Advertising Products and Services

Commissioner Seyfer, noting that all three IOC properties had submitted large contracts with The Media and Marketing Group, asked if some of the money came back to Iowa. Mr. Hyder advised that this contract replaces a previously approved contract. He indicated that most of the money comes back into Iowa. Vice Chair Bair asked if there was any way to substantiate the statement during the term of the contract. Mr. Hyder answered in the affirmative and indicated the information would be provided.

Hearing no further questions or comments for Mr. Hyder, Vice Chair Bair requested a motion. Commissioner Seyfer moved to approve the contracts for Rhythm City and IOCB as they were submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-31)

Vice Chair Bair recalled IOCM to the podium for comments on the economic impact report. Mr. Fuller stated that IOCM has been pretty consistent over the years. He noted that IOC as a company has committed to a soy company for a trans fat-free frying oil for all of their properties in the United States.

Hearing no comments or questions for Mr. Fuller, Vice Chair Bair called on IOC Waterloo. Mr. Hardy presented the following contracts for Commission approval:

- NRT Technology – 10 Redemption Kiosks & 2 Jackpot Services Kiosks
- Giesecke & Devrient America, Inc. – 2 Banknote Processors for Currency Counting
- John Levy Lighting Productions, Inc. – Media/Feature Bar 6 Shows: WOW Feature Lighting & Audio; Feature Wall; Tapes
- The Media & Marketing Group – Advertising Products & Services
- Cummings Allison Corporation – 6 Scanners for Processing Slot Tickets
- Reldom Corporation – Carts for Transportation of Currency & Tickets
- Shreveport Communications – On Property Radio Communication System

- Young Electric Sign Company – Lease Slot Machines
- Wheaton Franciscan Health Care – Team Member Clinic Contact

Vice Chair Bair commented on the number of out-of-state contracts.

Mr. Ketterer asked if there was a bidder from Dubuque in connection with the contract for Shreveport Communications. Mr. Hardy answered in the affirmative, but indicated Shreveport was the low bid.

Hearing no further comments or questions for Mr. Hardy, Vice Chair Bair requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by IOCW. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-32)

Vice Chair Bair called on Harrah's. Mr. Silberling addressed the Commission regarding Harrah's and Horseshoe/BRGP's percentage of purchases from Iowa vendors. He indicated that he was disappointed in the benchmark, but stated that upon reflection, he was not entirely surprised. He noted that one of the main reasons is that Harrah's is a national organization with corporate purchasing guidelines. Mr. Silberling indicated that he was going to review the contracts that fell in "Other" constituting 28% of their purchases to determine what can be changed and possibly find local vendors. He also indicated a willingness to "push back" against corporate purchasing guidelines.

Ms. Sternberg presented the following contracts for Commission approval:

- Ecolab Incorporated – Pest Control
- Paramount Linen & Uniform – F&B Linen and Uniform Cleaning Service Vendor
- Spic & Span Linen Supply – Hotel Linen Cleaning Service Vendor

Commissioner Seyfer noted that almost all of these contracts fell into the "Other" category. Vice Chair Bair noted that the pest control contract was with an Iowa vendor. Ms. Sternberg noted that Harrah's had been utilizing an Iowa vendor in this area, but did not feel they were large enough to handle the needs.

Mr. Ketterer asked if there were Iowa bids on the other two contracts. Ms. Sternberg indicated the two companies submitted are a laundry/cleaning service so it was the same companies bidding on both contracts.

Hearing no further comments or questions concerning the contracts, Vice Chair Bair requested a motion. Commissioner Urban moved to approve the contracts as submitted by Harrah's. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-33)

Vice Chair Bair called on Argosy Casino. Frank Quigley, General Manager, presented a contract with Konami Gaming for an anticipated purchase of replacement slot machines and replacement parts.

Hearing no comments or questions concerning the contract, Vice Chair Bair requested a motion. Commissioner Hamilton moved to approve the contract as submitted by Argosy Casino. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-34)

Vice Chair Bair called on DJW. Mr. Aviles presented a contract with Johnson Golf Course Construction, Inc. for the golf course improvement project at Pheasant Links.

Hearing no comments or questions concerning the contract, Vice Chair Bair 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 07-35)

Vice Chair Bair called on RCGR. Mr. Massa presented the following contracts for Commission approval:

- Harris Golf Carts – Golf Cart Purchase
- UpLink – Course Management Computer System
- Konami Systems Division – Annual Support for Casino Accounting System
- Robert A. Kehl – Consulting Contract (RP)
- Flynn Wright – Marketing Agency
- Fuerste, Carew, Coyle, Juergens & Sudmeier, P.C. – Attorney Fees (RP)

Commissioner Seyfer asked about the consulting contract with Robert Kehl. Mr. Ketterer asked Mr. Massa to address the golf experience of the consultant. Mr. Massa stated that the Kehls are a major investor in the Riverside project, and Mr. Kehl serves on the Board of Directors, making this a related party contract. He noted that he was very active in the management of the Mississippi Belle II facility. The Board of Directors for Riverside feel his experience would be beneficial in leading them through the development and opening of the golf course and integrating it into the casino operation. Mr. Massa advised there is also a Director of Golf. Mr. Massa advised that Mr. Kehl is very involved in the golf industry in Iowa.

Commissioner Seyfer requested that the actual contract be brought to the next Commission meeting.

Hearing no further comments or questions concerning the contracts, Vice Chair Bair 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. 07-36)

Vice Chair Bair called on CBC. Mr. Hoyer presented the following contracts for Commission approval:

- Konami Gaming – Purchase of Casino Computer System
- Automated Currency Instruments, Inc. – Purchase of 5 Ticket/Bill Exchanger Kiosks
- The United States Playing Card Company – Purchase of Table Games, Playing Cards, Dice, and Chips
- Paltronics, Inc. – Purchase of Casino Computer System Add-on
- Huckleberry Entertainment LLC – Lease of Casino Building (RP)
- Burlington Auto Finance – Lease of Property Located at 125 S. Roosevelt Avenue, Burlington, IA (RP)
- Morgan Stanley Mortgage Capital, Inc. – Approval of Catfish Bend's Guarantee of Loan

Commissioner Seyfer asked if the refinancing was done and ready to go. Mr. Hoyer indicated that it was close to being completed; that they are working on documents and the lender is hoping for an April 30 closing. They are currently working through some title issues, and Mr. Hoyer feels the closing will occur somewhere between April 30<sup>th</sup> and May 10<sup>th</sup>. Mr. Hoyer indicated that CBC has been using Valley Bank from Davenport, but the current financing became a little too heavy for them to carry. Commissioner Seyfer asked if the rates had stayed pretty stable throughout the process. Mr. Hoyer answered in the affirmative, indicating that the refinancing rates would be an improvement.

Hearing no further comments or questions, Vice Chair Bair requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by CBC. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-37)

Vice Chair Bair called on WR Clinton. Tim Bollman, General Manger, introduced Ed Vance, President of Ed Vance Associates, the architects for the WR Clinton project, who presented a slide show of the design concepts for Clinton.

Mr. Vance advised that the project sits on 28 acres approximately three miles west of the existing riverboat right off Highway 30. There will be a porte-cochere coming off the main drive off Highway 30, a 60-room hotel, 18-19,000 square feet of gaming, back of house facilities, meeting rooms, buffet and lounge. He indicated the building would resemble a ranch building and would utilize calm colors and earth tones, not some slick Las Vegas building. There will be a main corridor off which everything else is accessible. Mr. Vance stated there is 18,000 square feet in the banquet rooms, which can be broken down into six smaller rooms. There is seating for 900 in a concert venue and 500 in a table setting.



Vice Chair Bair asked for clarification of the location. Mr. Bollman advised that the site, coming from the west on Highway 30 from 61, is approximately two miles from the downtown Clinton. He stated that it is on the corner of Mill Creek Parkway and US Highway 30.

Vice Chair Bair asked if this facility would provide amenities that are not available currently on the CBC. Mr. Bollman answered in the affirmative. He indicated this would put Clinton in a more competitive position within the region.

Mr. Bollman presented the following contracts for Commission approval:

- Regency Commercial Services – Construction of New Casino Project
- Snyder & Associates – Engineering Fees

He also distributed the additional architectural bids that were received.

Hearing no further comments or questions concerning the presentation or contracts, Vice Chair Bair requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by WR Clinton. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-38)

Vice Chair Bair asked the projected opening date. Mr. Bollman advised that they hope to break ground in mid or late June, taking approximately 13-14 months to complete the project. The goal is to be open in the summer of 2008.

Vice Chair Bair called on Horseshoe Casino/BRGP. Ms. Sternberg presented the following contracts for Commission approval:

- Ecolab Incorporated – Pest Control
- North Central Group d/b/a Hilton Garden Inn – Hotel Rooms for Patrons
- Olson Brothers Construction – Construction Work (EDR/Restroom Remodel)

Hearing no comments or questions concerning the contracts, Vice Chair Bair requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Horseshoe Casino/BRGP. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-39)

Vice Chair Bair called on DGP&C. Mr. Wentworth presented the following contracts for Commission approval:

- Cottingham & Butler Insurance – Property and Casualty Insurance
- Mariposa Software, Inc. – Consulting Services
- The Lamar Company – Outdoor Billboard Contract 305390
- The Lamar Company – Outdoor Billboard Contract 305391

- The Lamar Company – Outdoor Billboard Contract 305389
- Sysco Foods of Iowa – Food Item

Vice Chair Bair asked about the contract with Mariposa. Mr. Wentworth advised the company provides customer relations software that allows DGP&C to do direct mail campaigns. The company was recently purchased by IGT.

Hearing no other comments or questions concerning the contracts, Vice Chair Bair requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by DGP&C. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-40)

Vice Chair Bair called on PMR&C. Mr. Palmer presented the following contracts for Commission approval:

- Aristocrat Technologies, Inc. – Purchase of 8 DSAP MAC 500 MK VI Slot Game Cabinets, toppers and accessories
- Aristocrat Technologies, Inc. – Purchase of 12 MAV 500 MKVI Slot Game Cabinets, Toppers and Accessories; 6 Each Premium and 6 Each Standard
- Iowa Horseman's Benevolent and Protective Association – 2007 Agreement
- IGT – Purchase of 12 Each Trimline Video Slot Games and Accessories
- Iowa Quarter Horse Racing Enterprise, Inc. – 2007 Agreement (RP)
- Konami Gaming, Inc. – Purchase of 6 Each K2V 2.0 Video Upright Slot Games and Accessories
- Storey-Kenworthy – Furniture; Office Supplies and Accessories
- WMS Gaming, Inc. – Purchase of 16 Each Bluebird Upright Slot Games and Accessories

Mr. Ketterer congratulated PMR&C for the provision of the Study Committee contained in the horsemen's agreements. He suggested that an all-weather track surface be added to the list of topics to be discussed. Mr. Ketterer indicated that the Commission would be interested in getting updates/results from the committee meetings. He also requested that PMR&C report its findings from research into the all weather track surface at the August Commission meeting.

Commissioner Hamilton asked Mr. Palmer where PMR&C was at in their negotiations with the harness association. Mr. Palmer advised that a meeting is scheduled for the following day, and have met with them occasionally in the past. He indicated that progress toward three-year contracts with the horsemen have been delayed somewhat because of legislation.

Hearing no further comments or questions for Mr. Palmer, Vice Chair Bair requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by PMR&C.

Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-41)

Vice Chair Bair called on IWRA/Iowa Greyhound Association (IGA) for a review of the financial audit of the escrow accounts for the year ending December 31, 2006. John Garner, legal counsel, was present to answer questions. Mr. Ketterer advised that the audit is in order from staff's standpoint, and all of the expenses disbursed from the escrow account are brought before the Commission during the year for approval. He indicated it was not necessary for the Commission to approve the audit.

Mr. Garner advised that the IGA does anticipate a rather large withdrawal coming up in the future to cover purse points paid in 2005 and 2006 as they were greater than the purse supplements agreed to in those two years. He indicated the IGA is in the process of determining that number and will submit a request for the withdrawal.

Vice Chair Bair moved to the approval of the distribution of the Horse Racing Promotion Fund. Mr. Ketterer advised that in 2006 the funds were distributed to the Legacy Harness Horse Foundation for marketing the county fair harness races and Iowa State University for equipment. The funds available for distribution this year are \$3,839.08. Legacy Harness Horse Foundation submitted the only application for the funds. Mr. Ketterer recommended approval of distribution of the Horse Racing Promotion funds to the Legacy Harness Horse Foundation for the purpose of marketing harness racing at the county fairs.

Hearing no comments or questions for Mr. Ketterer, Vice Chair Bair requested a motion. Commissioner Hamilton moved to approve distribution of the Horse Racing Promotion Fund in the amount of \$3,838.08 to Legacy Harness Horse Foundation for the promotion of harness racing at county fairs. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-42)

Vice Chair Bair called on Mr. Ketterer for Administrative Business, who indicated there was none to come before the Commission.

As no one requested to address the Commission under Public Comment, Vice Chair Bair requested a motion to adjourn. Commissioner Hamilton so moved. Commissioner Urban seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

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JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION  
MINUTES  
JUNE 7, 2007**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, June 7, 2007, in the Northwoods Room at Stoney Creek Inn and Conference Center, 5291 Stoney Creek Court, 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 regarding the agenda. Commissioner Bair moved to approve the agenda as submitted. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Cutler moved to the next agenda item and requested a motion regarding the minutes from the April 19, 2007 Commission meeting. Commissioner Seyfer moved to approve the minutes as submitted. Commissioner Hamilton seconded the motion, which carried unanimously.

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

- July 12, 2007 Commission Meeting – Stoney Creek Inn, Johnston, IA  
(Submissions due by June 27, 2007)
- August 30, 2007 Commission Meeting – Riverside Casino & Golf Resort,  
Riverside, IA (Submissions due by August 16, 2007)
- October 9, 2007 Commission Meeting – Isle of Capri Waterloo, Waterloo, IA  
(Submissions due by September 25, 2007)
- November 8, 2007 Commission Meeting – Stoney Creek Inn, Johnston, IA  
(Submissions due by October 25, 2007)
- December 2007 – No Meeting

He pointed out that the October meeting would be held on a Tuesday due to scheduling conflicts.

Chair Cutler called on Mr. Ketterer to address the administrative rules being submitted under Notice of Intended Action. Mr. Ketterer advised that the proposed rule came about as a result of a review requested by Representative Rick Olson from Des Moines and Representative Philip Wise from Keokuk, Co-Chair of the Rules Review Committee. They requested that the Commission review our rule that calls for an automatic summary suspension for someone who is charged with a crime, which if convicted, would make them ineligible for a license. Two convictions that would make an individual ineligible

for an occupational license are a felony or a drug conviction within the last five years. If an individual is charged with either of these offenses, the Commission's rules provide for an automatic suspension pending the outcome of the charges. Representatives Olson and Wise asked for a definition of "immediate danger" as they felt there was a requirement in the Administrative Procedures Act that there be an immediate danger for a summary suspension to be utilized.

Mr. Ketterer advised that he asked the Commission's legal counsel from the Attorney General's Office, Jeff Peterzalek, to obtain a definition from case law. Mr. Peterzalek and Dave VanCompernelle, Assistant Attorney General, came up with a definition, which was presented to a subsequent Rules Review Committee meeting. Mr. Olson and Chair Wise wanted, for lack of a better term, to delete the word "could" from the definition so that it would read: "Immediate Danger" means a present or imminent threat which harms or adversely affects ..." as opposed to Mr. Peterzalek's which read: "Immediate Danger" means a present or imminent threat which could harm or adversely affect ..." Some members of the committee noted that even though Representative Wise had asked for the review, the Committee could not write rules and asked only that the Commission consider adopting the rule.

Mr. Ketterer noted that Mr. Peterzalek expressed concerns about the need for the rule at all. Mr. Ketterer stated that he had advised the Rules Review Committee that he would place the proposed rule on the next Commission meeting agenda under Notice of Intended Action.

Mr. Peterzalek noted that the Attorney General's Office (AG's Office) was asked to review the rule that dealt with summary suspension in situations where certain criminal charges are brought. In addition, the AG's Office attempted to come up with a definition of "immediate danger" in the event the Commission chose to incorporate such a definition into its rules.

In reviewing the current rule and case law, both federal and Iowa Supreme Court case law that deal with these types of licensing and rule issues, Mr. Peterzalek stated that it became clear there was nothing wrong with the Commission's rule. He noted that all the U.S. Supreme Court and Iowa Supreme Court require in situations such as these involving a racing license is that there be a prompt post-suspension hearing, which the Commission's rules allow. In addition, the Commission allows the licensee to make an application to the Administrator for a stay of any suspension. Secondly, the Courts have ruled that the holding of a license is a privilege, not a right. He noted this opinion was recently reaffirmed in the 8<sup>th</sup> Circuit Court of Appeals in the TouchPlay case. Mr. Peterzalek noted there is also a substantial amount of due process already built into the criminal system – probable cause for an arrest, charging documents are reviewed by a Judge before an indictment or Grand Jury process or formal charges are filed.

Mr. Peterzalek stated that the Commission's rule, based on research, is consistent with other racing jurisdictions in order to protect the integrity of racing. He noted the rule has been in existence without any complaints for 15-20 years, and has done the job it was

intended to do – protect the integrity of racing not only in Iowa, but across the country based on all the simulcasting Iowa is involved in. Mr. Peterzalek stated that he did not see a problem with the current rule for all of the above reasons; however, if the Commission was inclined to incorporate an “immediate danger” standard into the rules, he recommended that the definition provided by the AG’s Office be the one utilized. He indicated that anything less than that would make the rule somewhat meaningless, but would also make it difficult to enforce.

Commissioner Bair asked if the term “immediate danger” was picked up from somewhere. Mr. Peterzalek advised that the term is used and required by the Administrative Procedures Acts. He noted that racing and gaming situations are different by virtue of the fact that but for the Legislature making it legal, it is an illegal industry and treated differently for a variety of reasons. “Immediate danger” is defined in some other provisions of state law but indicates that danger is likely to happen soon. Mr. Peterzalek advised that he and Mr. VanCompernelle looked at case law, rules, and statutes from Iowa and other jurisdictions to gather information to formulate the definition before the Commission.

Chair Cutler called for rebuttal comments from the audience. Hearing none, Chair Cutler requested a motion. The proposed rule died for lack of a motion.

Chair Cutler called on Ameristar Casino/Iowa West Racing Association (IWRA) regarding their expansion and renovation presentation. Todd Graham, Executive Director of IWRA, expressed IWRA’s support of Ameristar’s expansion proposal. He noted there has been a resurgence in Council Bluffs, and stated that the investments by the gaming industry have had a tremendous economic impact on the community in tourism and the number of jobs created. Mr. Graham noted that the casinos have also spurred additional entertainment and tourism attractions, and gave several illustrations.

Mr. Graham introduced Troy Stremming, Vice President and Chief Governmental Affairs Officer, who reaffirmed Ameristar’s excellent relationship with IWRA. He introduced Matthew Glock, Director of Governmental Affairs; Teresa Meyer, Senior Vice President and General Manager of the Council Bluffs property; and Jane Bell, Director of Governmental Affairs at the Council Bluffs property.

Mr. Stremming provided the following overview of the proposed plan which will:

- Add 38,500 square feet of gaming space
- Add approximately 600 slot machines
- Add 100 new jobs for team members, not including the construction job created during the expansion
- Increase the capital investment to approximately \$100 Million for the Council Bluffs property

Mr. Stremming advised that the Council Bluffs property is Ameristar's most dynamic property in terms of win per position. He noted they are experiencing capacity issues on weekends, particularly weekend nights. Mr. Stremming advised that even though Council Bluffs is third in the gaming market, even after the recent additions at Horseshoe Casino, Ameristar believes there is still room for growth in the Council Bluffs gaming market.

Mr. Stremming advised that Ameristar's proposal includes adding a platform around the existing vessel, which would add gaming space and allow them to improve the overall guest experience. The anticipated completion date is mid-2009, contingent upon receiving all of the necessary approvals in a timely manner. Mr. Stremming turned the floor over to Ms. Meyer, who gave a more detailed explanation of the proposed project.

Ms. Meyer noted that under the present docking situation, the entry level can fluctuate significantly depending on the level of the river, making it difficult to access the casino at times. Under the proposal, a coffer dam would be constructed, enclosing the existing basin. The coffer dam will allow Ameristar to control the water levels within the basin, and stabilize the level of the vessel with the permanent structures. She stated the single-level platform referred to by Mr. Stremming would enclose the front of the current vessel, which will be a part of the overall plan.

Ms. Meyer stated that even though the proposal calls for a significant expansion in the square footage of the gaming floor, Ameristar does not intend to double the number of games. The intent is to create a more spacious and comfortable experience for their guests. The expansion will include a dedicated poker room, a deli restaurant inside the casino, a central bar and two additional smaller bars. Existing areas of the facility will also be refurbished in order to insure the facility continues to meet Ameristar's "best in the market quality and experience". The proposal also calls for the addition of a 1,000 stall parking garage. The center bar on the platform will be encircled by table games and will also provide views to the floors above and below.

Ms. Meyer advised that the outward appearance of the facility would be that of a riverboat docked at a historic building. For the interior, the current vessel will be incorporated into the layout and design. The VIP lounge will be located on the third level of the vessel so they can enjoy views of the gaming floor. She reiterated her earlier statement that the expansion and renovation would maintain Ameristar's class standards and create the "best in market" casino experience for their patrons.

Ms. Meyer indicated the main entrance from the streetscape would pass in front of the escalators going up, giving patrons the feel of a one-level facility but with the option of looking up to the third level. On the first level, there will be an atrium and a new deli. The third level will house the VIP lounge and the poker room. She stated the first level would remain unchanged except for the cabaret, which will be refurbished, and possibly expanded.

Ms. Meyer reiterated the elements of the proposed project, which are:

- Cofferdam
- 1,000 Space Parking Garage
- Existing Vessel Renovation
- Casino Expansion
- Various Refurbishments of the Existing Property, and
- Additional Back-of-House Space.

She indicated that total property investment, including construction costs and all other related costs, is approximately \$100 million, with completion expected in mid-2009.

Mr. Stremming again summarized the project for the Commission. He advised that the additional revenue created by the expansion will generate an additional \$7 million in taxes for the state. Mr. Stremming advised that Ameristar is committed to creating an Ameristar-quality facility, delivering “the best in the market” experience of which the community can be proud and will continue to enhance the tourism market in Council Bluffs. Mr. Stremming thanked the Commission for their time and consideration of this project.

Commissioner Bair asked on what information Mr. Stremming was basing his comment that there is room for additional growth in the Council Bluffs gaming market. Ms. Meyer stated that based on capacity, Ameristar believes its property is operating at capacity on the weekend and evenings. It is their belief that customers will patronize the facility if they feel it is comfortable, roomy and has more amenities.

Commissioner Bair asked if the customers will be new customers or be cannibalized from other properties. Ms. Meyer stated that Ameristar feels the expanded amenities will bring visitors from outside the current market area, and some individuals traveling the nearby highways/interstate. They are hoping that individuals will choose to come to the property because of the increased amenities.

Mr. Stremming stated that he did not feel there would be an extreme amount of cannibalization. He noted that the recent change in the law, and as the Commission sees additional proposals as a result of that change, the properties will turn into destination properties, allowing them to expand the area from which they draw patrons.

Mr. Ketterer asked the occupancy rate for the three hotels located on Ameristar’s property. Ms. Meyer indicated the occupancy rate is between 96-98% during the holidays, and otherwise in the high 80’s.

Chair Cutler asked Mr. Ketterer how the Commission should proceed at this time. Mr. Ketterer advised that the presentation was for informational purposes, indicating they could do a motion indicating their support. Mr. Ketterer asked Mr. Stremming if he had an estimate of when ground breaking would occur. Mr. Stremming indicated that he did



not. Ms. Meyer advised they are hoping for 4-6 months, depending on the necessary approvals from the Corps of Engineers.

Commissioner Bair asked if the vessel would be sitting in “stale” water. Ms. Meyer advised that she had been expecting that question. She noted that Ameristar is experienced at having vessels in water, explaining that the Vicksburg vessel is in a moat-type situation. She noted that the water has to be moved and or filtered, or the water would become a pond. Mr. Stremming pointed out that Ameristar has coffer dams at several of their properties.

Hearing no further questions or comments, Chair Cutler requested a motion. Commissioner Seyfer moved to support Ameristar’s proposed expansion and renovation. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-43).

Chair Cutler called on Isle of Capri (IOC) regarding their request for approval of the refinancing of their credit facilities. Curt Beason, legal representative, stated that IOC is again requesting approval to refinance their debt. He indicated that he had submitted the Summary Term Sheet and an Executive Summary. Mr. Beason indicated the secured loan facility would include an aggregate principal amount of up to \$850,000,000 and a senior secured revolving credit facility in an aggregate principal amount of up to \$500,000,000. The funds will be utilized to refinance current debt under the Third Amended and Restated Credit Agreement dated February 4, 2005 and its 9% Senior Subordinated Notes; to pay for related transaction costs, finance working capital needs and capital expenditures and general corporate purposes. Mr. Beason advised that terms had changed and IOC was able to locate more favorable credit facilities which are more beneficial to the company. He noted that since all of the assets of the subsidiaries are encumbered, IOC is required to come before the Commission for approval.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Hamilton moved to approve IOC’s request to refinance their Senior Secured Credit Facilities. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 07-44)

Chair Cutler moved to the contract approval portion of the agenda, and called on The Isle Casino & Hotel Waterloo (ic&hw). Kim Hardy, General Manager, presented the following contracts for Commission approval:

- At Work Uniforms – Corporate Agreement for Manufacture of All Uniforms
- Coca Cola Bottling Company – Fountain Beverage Service, Vending Service & Bottle/Can Agreement
- Coventry Health Care – Third Party Administrator for Employee Health Benefits
- CVPS, Inc. – Computerized Valet System Equipment & Tickets
- Dell Receivables, LP – Computers & Equipment

- Ecolab, Inc. – Housekeeping Chemical Program, Kitchen Dish Cleaning Program and Pest Control (Pending)
- Edward Don & Company – Food & Beverage Smallwares, China, Glassware, Silverware for Opening Order
- Fehr Beverage – Budweiser Dealer and Other Beers
- Hartford Life Insurance Company – Short-term Disability; Long-term Disability; AD/D; and Employee Life
- HyVee Food Stores – Liquor, Flowers, Food, Etc.
- King Food Service – Seafood Supplier
- Micros Systems – Computers Point-of-Sale System
- Progressive Gaming International Corporation – Purchase of Slot Machine Progressive Equipment and Installation
- Reinhart Food Service – Food, Beverage, Food Service Equipment
- Shuffle Master Incorporated – Lease and Service Contract for Leased Table Games and Card Shuffle Machines
- Shuffle Master Incorporated – Purchase of Rapid Roulette Table Game and Service Contract
- Staples Business Advantage – Supplies
- Vern Laues Auto Center, Inc. – Purchase of Company Vehicles
- Wells Fargo-WellsOne Commercial Card – Visa Credit Cards

Commissioner Hamilton asked about the percentage with Iowa vendors. Mr. Hardy advised that it is 78.70%.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by ic&hw. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-45)

Chair Cutler asked Mr. Hardy for a construction update on Waterloo. Mr. Hardy advised that the casino will open to the public on June 30<sup>th</sup> at 7:00 PM. A private party will commence at 5:00 PM. He indicated it will be a very basic opening, and that no grand opening is being planned. Mr. Hardy stated that everything would be open on June 30<sup>th</sup> except for the Farraday's restaurant, the pool and spa, and the nightclub. These facilities are scheduled to open on July 29<sup>th</sup>, November 2007, and January 2008 respectively.

Commissioner Bair asked about other restaurants located on the property. Mr. Hardy indicated all of them, except the Farraday's, would be open when the property opens on June 30<sup>th</sup>.

Commissioner Hamilton asked about the hotel opening. Mr. Hardy indicated it would open on June 30<sup>th</sup>.

Hearing no further questions for Mr. Hardy, Chair Cutler called on Isle of Capri Bettendorf (IOCB). Mr. Beason presented the following contracts for Commission approval:

- Sherwin Williams – Provide Carpet, Paint and Paint Supplies
- The Trane Company – 5-Year Contract to Provide Maintenance, Repairs and Parts for HVAC Units in New Hotel

Hearing no comments or questions, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by IOCB. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-46)

Mr. Ketterer asked if the new hotel tower was open in Bettendorf. Mr. Beason answered in the negative.

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

- Active Electronic Services – Parts for Surveillance Equipment (RP)
- Clarke County Development – Contributions for Terrible's Lakeside Casino Community Fund (RP)
- Whitfield & Eddy PLC – Legal Services

Hearing no comments or questions relating to the contracts, 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. 07-47)

Mr. Beason came back to the podium to correct his response regarding the new hotel tower in Bettendorf. He noted that the new hotel opened Memorial Day weekend with a soft opening.

Chair Cutler called on Harrah's. Michael Silberling, General Manager for Harrah's and Horseshoe Casino/Bluffs Run Greyhound Park (HSC/BRGP), presented the following contracts from each facility for Commission approval:

- Harrah's
  - Cintas Corporation – Uniforms
  - Northwest Airlines – Business and Customer Travel
- Horseshoe Casino/Bluffs Run Greyhound Park
  - Country Inn & Suites – Complimentary Offers for VIP Guests
  - United Tote – Tote Services
  - US Foodservice, Inc. – Primary Food Vendor

Mr. Silberling also addressed their percentage of Iowa purchases as represented on the annual economic impact reports submitted by the properties. He noted that Horseshoe finished at 72.2% in 2006, and for the first quarter of 2007, Iowa purchases are at 82.8%. Harrah's finished 2006 at 69.7% for Iowa purchases, which have increased to 75.9% for the first quarter of 2007. Mr. Silberling advised that the Buy Iowa Task Force has been reinstated, and has looked for Iowa vendors who can provide price, service, and value to compete with the national contracts. They have also looked for opportunities where Iowa vendors can compete on a national basis. Mr. Silberling noted that Harrah's has been utilizing an Iowa company to obtain filters. This company will be signing a seven-figure national contract with Harrah's. Mr. Silberling noted that the economic impact reports do not reflect the Iowa companies that have been able to sign national contracts with the gaming companies. Mr. Silberling introduced Bill Benskin, representing PDI, who spoke briefly about how his local contract with Harrah's has turned into a national contract.

Mr. Benskin, owner of PDI, advised that approximately 80% of the company's business is loyalty club maintenance and printing for casinos. The company first contracted with Harrah's about three years ago. At that time, the company was a commercial printer with approximately 80 employees. Based on their relationship with Harrah's in Council Bluffs, PDI determined that the loyalty club business was a very narrow niche in the print world, and decided to transform the company. Local Harrah's representatives introduced PDI management to corporate representatives, who then sought loyalty club vendors across the country. PDI was one of the selected vendors, and are currently working with 14 Harrah's properties and a total of 42 casinos across the country. PDI has added 53 new jobs in Des Moines, opened an operation in Louisiana, and now has 140 employees.

Mr. Silberling advised that Horseshoe would be bringing a hotel project before the Commission at the July meeting. The 158-room hotel will be developed in conjunction with a third-party vendor, Kineth Hospitality Group. He referenced earlier comments concerning room occupancy, and stated that Harrah's believes that is one of the bottlenecks to continued growth in the market.

Mr. Silberling addressed the contract with Northwest Airlines. He noted that Harrah's national database gives them the ability to fly individuals in from around the country. Harrah's will be expanding their "block seat" program by utilizing their database to identify customers who might be interested in attending concerts and other events at the local property.

Commissioner Bair asked for additional information on the Northwest Airlines contract. Mr. Silberling advised that Harrah's will be using Northwest to fly individuals to local properties to attend events and/or concerts, allowing them to draw business from a larger area.

Chair Cutler called for a motion concerning the contracts for Harrah's and HSC/BRGP. Commissioner Hamilton moved to approve the contracts as submitted by Harrah's and

HSC/BRGP. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-48)

Chair Cutler called on Argosy Casino - Sioux City (Argosy). Brian Wessels, Director of Finance, presented the following contracts for Commission approval:

- Express Scripts – Pharmacy Benefits Manager
- The Leroy Hansen Co. – Purchase of Marketing Merchandise & Promotional Materials

Hearing no questions or comments for Mr. Wessels, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Argosy. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-49)

Chair Cutler called on Catfish Bend Casino (CBC). Jerry Baum, General Manager, presented a contract with Aristocrat for the purchase of slot machines for Commission approval.

Mr. Baum advised that the casino at Burlington will open on Monday (June 11) at noon. Steamboat Days, a large local event heralding summer activities, begins on Tuesday. The grand opening originally planned for July 12<sup>th</sup> has been moved back to July 28<sup>th</sup> to allow the pool and spa to be fully operational.

Hearing no comments or questions for Mr. Baum, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contract as submitted by CBC. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-50)

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

- AON Risk Services – Insurance
- Henkel Construction Company – Construction Contract
- Pritchard's of Clear Lake – Car Dealership used for Marketing, Slot and Company Purchases

Mr. Aviles asked if it was possible to get the Henkel contract approved for a total of \$6 million. Mr. Ketterer advised that the Commission has received similar requests from other properties and advised them to resubmit the contract the following month.

Hearing no additional comments or questions, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by DJW. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 07-51)

Chair Cutler called on Wild Rose Emmetsburg (WRE). Amy Williams, General Manager, presented the following contracts for Commission approval:

- Hewlett-Packard Co. – Computer Equipment
- HP SMB/B2B – Computer Equipment
- Wellmark Blue Cross Blue Shield – Employee Health Insurance
- WMS Gaming - Gaming Equipment

Chair Cutler noted that all of the contracts were with Iowa vendors. Hearing no comments or questions, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by WRE. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 07-52)

Commissioner Bair, noting there was a discussion concerning WRE's relationship with a local golf course at the April Commission meeting, inquired how that was going. Ms. Williams advised that WRE just hired a new golf course manager, leagues are in process, and some tournaments have been set. She indicated the course look the best it has in several years.

Chair Cutler called on Prairie Meadows Racetrack & Casino (PMR&C). Ann Long Richards, Vice President of Finance and Chief Financial Officer, presented the following contracts for Commission approval:

- Atlantic City Coin & Slot Service – Lease Renewal for 2 Bingo Nights Slot Games
- Atlantic City Coin & Slot Service – Lease Renewal for 2 Bonus Party Slot Games
- Atlantic City Coin & Slot Service – Lease Renewal for 2 Mega Bankroll Slot Games
- Bally Gaming, Inc. – Lease Renewal for 1 Bally Cash Wheel Game
- Bally Gaming, Inc. – Lease Renewal for 1 Cash Wheel Game
- Hawkeye Foodservice Distribution – Purchase of Food and Supplies
- IGT – Lease Renewal for 1 \$25,000 Pyramid Slot Game
- IGT – Lease Renewal for 6 Jackpot Hunter Video Slot Games
- IGT – Lease Renewal for 6 I-Game plus Slant Top Slot Games
- IGT – Lease Renewal for 6 Party Time Slot Games
- Ikon Office Solutions – Lease of Color Copier Equipment
- Konica Minolta Business Solutions – Lease of Color Copier Equipment
- Laser Resources, Inc. – Lease of Color Copier Equipment
- Reinhart FoodService – Purchase of Food and Supplies
- Shuffle Master – Table Game Equipment – Lease, Parts & Service
- Spielo Manufacturing Inc. – Purchase of 10 Video Slot Games
- WMS Gaming, Inc. – Lease Renewal for 8 Bluebird Upright Video Slot Machines

Mr. Ketterer requested that Ms. Long stay for the Public Comment portion of the agenda as an individual had requested to address the Commission regarding an issue pertaining to PRM&C.

Hearing no further comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by PMR&C. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-53)

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

- Bally Technologies – Slot Machines
- Hilton Garden Inn – Hotel Services
- Martin Brothers – Food and Beverages
- Kirchoff Distributing – Alcoholic Beverages
- Incentive Shop- - Player’s Club Incentive Supplies
- Greater Dubuque Development Corporation – Community Development Campaign “Destination for Opportunity”
- WMS Gaming, Inc. – Increase to Previously Approved Transaction Request 5245
- Bally Technologies - Slot Machine Lease

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by DGP&C. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-54)

Chair Cutler moved to Administrative Business, and called on Mr. Ketterer regarding the Request for Proposals for the Greyhound Promotion Fund. Mr. Ketterer noted that the requests were due in the Commission’s Des Moines office by June 30, 2007, and that the Iowa Greyhound Association needed to submit an accounting of how the funds received last year were spent.

Chair Cutler moved to the regulatory fees for 2008. Mr. Ketterer advised that the proposed regulatory fees for Fiscal Year 2008 were sent to the licensees and Commission members by e-mail on Wednesday. He indicated it was not possible to get them out sooner as the Division of Criminal Investigation had difficulty in getting their salary information to the Commission. Mr. Ketterer recommended approval of the regulatory fees as submitted. He requested that the licensees contact staff if they had any questions. Mr. Ketterer stated that these fees would go into effect with the weekly taxes payable on July 5<sup>th</sup>.

Hearing no comments or questions concerning the regulatory fees, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the regulatory fees for Fiscal Year 2008 as submitted. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 07-55)

Chair Cutler moved to the committee report from Commissioners Bair and Seyfer regarding Voluntary Exclusion Program Sanctions. Mr. Ketterer advised that the committee was appointed the latter part of last year to study this issue. He noted there have been numerous discussions, and the committee solicited information from other jurisdictions that have dealt with similar issues pertaining to self-exclusion and the voluntary trespass issue and what sanctions they impose. Mr. Ketterer called on Commissioners Bair and Seyfer to present their report. A copy of the report is attached to these minutes and incorporated in its entirety by this reference.

Commissioner Bair noted there were several months of discussion between the committee members and Mr. Ketterer, and study of the information received from other jurisdictions.

Mr. Ketterer indicated the recommended sanctions were retroactive to January 1, 2007. Commissioners Bair and Seyfer concurred.

Hearing no comments or questions, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the Committee Report, and the sanctions contained therein, as submitted. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-56)

Chair Cutler moved to Public Comment, and called on Wes Ehrecke, Executive Director of the Iowa Gaming Association. Mr. Ehrecke distributed copies of the 2007 American Gaming Association's State of the State report on the gaming industry. He noted that the report indicates that 80% of the population feels that gambling is an appropriate way in which to spend time, either for themselves or others. Mr. Ehrecke noted that the report is an excellent tool to glean information about the status of the gaming industry across the country.

Chair Cutler called on Royal Roland, representing the Iowa Harness Horsemen's Association (Association), who advised the Commission that there was a contract dispute between the Association and PMR&C concerning payment of the \$1 million to the Association to fund harness racing at the county fairs for 2007. Mr. Roland stated that he had been optimistic the issue could be resolved without the Commission's intervention. Mr. Roland stated that the dispute centers on the type of legal entity to which PMR&C will remit the funds. The Association is requesting that the funds be remitted to the Humboldt County Agricultural Society (HCAS), a 501(c)(5) organization. He noted there are several types of charitable organizations established under the IRS Code. Mr. Roland advised that PMR&C has resisted making payment to the HCAS, citing the IRS Code and their own internal guidelines as far as prohibiting payments being made to that



type of entity. Mr. Roland stated that the Association hired Lane & Waterman to review the issue regarding IRS prohibitions on 501(c)(3) non-profits making payments to a 501(c)(5) organization, and they find there are none. Previously the payments have been made in May, June and July, but no payments have been received to date for 2007. The delay is having a devastating effect on the harness racing industry. Mr. Roland advised the Association has made an attempt to communicate with PMR&C concerning the matter, but have not been successful in establishing a meeting. Mr. Roland requested the Commission's help in expediting the resolution of this matter.

Chair Cutler asked if the Association was asking for payment to go to a new charitable organization the Association started or if it is one that has been in place for awhile. Mr. Roland advised that the Association is asking for the funds to be remitted to a different organization than in past years. Previously, the funds have been remitted to the Humboldt County Fair Foundation (HCFF), a 501(c)(3) entity. Following a review by the legal counsel for the HCFF, questions were raised as to whether the HCFF's classification was the proper one to handle these funds.

Commissioner Bair asked for clarification that the Association's legal representation found no prohibitions in the IRS Code preventing PMR&C from making payment to a 501(c)(5) organization. Mr. Roland indicated that was correct. Chair Cutler asked if the attorney had made any suggestions as to the next legal step available to the Association. Mr. Roland indicated they had not.

Commissioner Hamilton asked if PMR&C had any comments. Ms. Long-Richards clarified that the Association is attempting to use the Humboldt County Agricultural Society, not the Humboldt County Fair Foundation. She advised that PMR&C's legal counsel, Tom Flynn, has been working with the Association's legal counsel to reach a resolution. Ms. Long-Richards pointed out that PMR&C has to be careful as to how funds are distributed so as not to jeopardize their own non-profit status.

Chair Cutler asked Ms. Long-Richards if she had any idea when the matter might be resolved. She answered in the negative, and offered to contact Mr. Flynn. Ms. Cutler asked Ms. Long-Richards to advise Mr. Ketterer of Mr. Flynn's response.

Mr. Ketterer stated the Commission would like to see the two parties sit down for discussions to determine if a resolution can be reached. Mr. Ketterer indicated that he wanted to consult the Commission's legal counsel to determine the Commission's role in this dispute.

Commissioner Bair asked how many county fairs the Association has run at. Mr. Roland advised there are races every weekend through September 15<sup>th</sup>. Commissioner Bair asked if PMR&C had the funds to make the payment. Ms. Long-Richards answered in the affirmative, but indicated she could not say who would actually issue the check. The funds will be paid directly to the non-profit organization for distribution.

Chair Cutler asked if the prior payee is still in existence. Mr. Roland answered in the affirmative. Chair Cutler asked the reason why the funds could not go to the same organization. Mr. Roland advised that a 501(c)(3) charitable organization is an entity created for religious, educational, scientific or other purposes. The legal counsel for the HCFE questioned if the purpose for which these funds were being utilized met the statutory requirements.

Hearing no further comments or questions for Mr. Roland, and hearing no further Public Comment, Chair Cutler requested a motion to adjourn. Commissioner Hamilton moved to adjourn the meeting. Commissioner Seyfer seconded the motion, which carried unanimously.

MINUTES TAKEN BY

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JULIE D. HERRICK

## COMMITTEE REPORT

### Statewide Voluntary Self Exclusion Program – Violations and Sanctions

The following actions or omissions by a licensee will be considered violations of Sections 99D.7.22 and 99F.4.22 of the Iowa Code and Rule 5.4(12) of the IRGC Administrative Rules:

If a person enrolled in the Program receives money or thing of value after being required to produce identification as a prerequisite to receiving the money or thing of value and the licensee fails to identify the person by screening them through the database of Program members disseminated to all licensees.

Failure to remove a Program member from the players club and direct mailing list of the licensee resulting in the Program member receiving promotional materials, coupons and other material intended to attract people to the licensee's facility. The licensee will have [60] days from the date of the Program member's enrollment to effect the removal before sanctions will be levied.

Failure to identify a Program member who applies or reapplies to a players club by screening the person's identification through the database of Program members disseminated to all licensees.

The guideline for the staff and the licensee for stipulated agreements to be approved by this Commission for sanctions for the above violations will be a \$20,000 fine and a \$30,000 fine for a third violation within a 365 day period. Additionally, the licensee is required to pay the amount or the equivalent value to the Gamblers Treatment Fund as provided in the Iowa Code.

These violations are not all inclusive. Other violations or alleged violations of these and other laws and rules can be considered by this Commission and other sanctions may be imposed including fines and denials, suspensions and revocations of licenses as authorized by the Iowa Code.

**IOWA RACING AND GAMING COMMISSION  
MINUTES  
JULY 12, 2007**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, July 12, 2007 at Stoney Creek Inn & Conference Center, 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 moved to the approval of the agenda. Noting that agenda item 7J, a contract submitted by IOC Marquette, had been withdrawn, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the agenda as amended. Commissioner Hamilton seconded the motion, which carried unanimously.

Chair Cutler moved to approval of the minutes from the previous Commission meeting. Commissioner Hamilton moved to approve the minutes from the June 7, 2007 Commission meeting as submitted. Commissioner Urban seconded the motion, which carried unanimously.

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

- August 30, 2007 Commission Meeting – Riverside Casino & Golf Resort, Riverside, IA (Submissions due by August 16, 2007)
- October 9, 2007 Commission Meeting – Isle of Capri Waterloo, Waterloo, IA (Submissions due by September 25, 2007)
- November 8, 2007 Commission Meeting – Stoney Creek Inn, Johnston, IA (Submissions due by October 25, 2007)
- December 2007 – No Meeting

Mr. Ketterer noted that the October meeting will be on a Tuesday instead of Thursday due to some scheduling conflicts.

Chair Cutler moved to the election of the Chair and Vice Chair for FY 08. Commissioner Hamilton nominated Kate Cutler and Gerry Bair to serve another term as Chair and Vice Chair respectively. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-57)

Chair Cutler called on Isle of Capri Casinos (IOC), Inc. regarding their request for an extension of time to file the annual financial audits with IRGC. Curt Beason, legal counsel, explained that the extension relates to the move of the IOC corporate

headquarters from Mississippi to Missouri, which precipitated a change of auditors within the auditing firm of Ernst & Young. When the new auditors reviewed the leases, particularly one for a convention center, it was determined that the convention center needed to be placed on the books. This change precipitated the need to refile several years of financial statements, and caused the company to be delisted on NASDAQ, a situation which has been corrected. Mr. Beason requested an additional 60 days to file the financial audits.

Commissioner Bair asked if IOC was facing the same issue in all the jurisdictions in which they operate. Mr. Beason indicated that was the case. Commissioner Bair asked if there were any issues in those jurisdictions. Mr. Beason answered in the negative.

Chair Cutler asked Mr. Beason if 60 days was a realistic time frame. Mr. Beason indicated it was; that Ernst & Young is in the process of refileing the reports, and hopes to get everything done this month. He indicated it may be necessary to seek a one-month extension.

Hearing no further comments, Chair Cutler requested a motion. Commissioner Seyfer moved to approve IOC's request for an additional 60 days to file the annual financial audits with IRGC. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 07-58)

Chair Cutler called on Wild Rose Entertainment, Inc. regarding their request for approval of their refinancing. Scott Ivers, Chief Financial Officer for Wild Rose, advised they are seeking to consolidate existing debt relating to Wild Rose Emmetsburg and Wild Rose Clinton, plus an additional \$10,000,000 for the expanded construction project for Wild Rose Clinton. The refinancing has been negotiated with a national bank, as well as an Iowa bank – the Dubuque Bank and Trust. By refinancing, Wild Rose will receive more favorable terms and interest rate.

Hearing no questions or comments for Mr. Ivers, Chair Cutler requested a motion. Commissioner Seyfer moved to approve Wild Rose Entertainment's request for approval to refinance existing debt. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-59)

Chair Cutler moved to the contract approval portion of the agenda and called on Mississippi Belle II (MBII). Tom Timmons, with Wild Rose Entertainment, requested permission to also address the contracts submitted by Wild Rose Emmetsburg. The Commission agreed. Mr. Timmons presented the following contracts for Commission approval:

- Mississippi Belle II
  - WMS Gaming, Inc. – Purchase of 14 Replacement Slot Machines
  - Bally Gaming, Inc. – Purchase of 19 Replacement Slot Machines

- IGT – Purchase of 12 Replacement Slot Machines
- Wild Rose Emmetsburg
  - Aristocrat Gaming – Purchase 6 Replacement Slot Machines
  - IGT – Purchase 6 Replacement Slot Machines
  - WMS Gaming – Purchase 6 Replacement Slot Machines

Hearing no discussion concerning the contracts, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by MB II and Wild Rose Emmetsburg. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-60)

Chair Cutler called on Harrah's. Michael Silberling, General Manager, presented the following contracts for Commission approval:

- Otis Elevator Company – Elevator Maintenance and Repairs
- The Printer, Inc. – Printing of Direct Mail Material

Hearing no comments or questions, 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. 07-61)

Chair Cutler called on IOC Bettendorf. Mo Hyder, General Manager, presented the following contracts for Commission approval:

- Tri City Equipment – Food & Beverage Equipment
- CDW Direct – Computer Supplies & Equipment
- Onity – Hotel Lock System

Hearing no comments or questions, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by IOC Bettendorf. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-62)

Chair Cutler called on Diamond Jo. Natalie Schramm, Chief Financial Officer, presented a contract with Conlon Construction Company to be the general contractor for the new Diamond Jo Casino project.

Ms. Schramm advised that the closing on the land purchase from the Historical Society had taken place, and the contractor has started excavating the site. She noted the Vision Iowa documents have been negotiated and executed by all parties, and the Historical Society has received an \$8 million grant from the State of Iowa. Plans are progressing for a parking ramp with the City of Dubuque, with ground breaking to occur next month. She gave a projected opening date for the fall of 2009.

Commissioner Bair asked if the convention center is widely used. Ms. Schramm answered in the affirmative, noting that several large conventions do come in from out-of-state, especially through the summer months for weddings/receptions.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Urban moved to approve the contract as submitted. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 07-63).

Ms. Schramm presented the following contracts for Diamond Jo Worth (DJW):

- Henkel Construction Company – Construction Contract
- Menninga Electrical – Electrical Services for Casino
- YWS Architects – Architectural Services

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as presented by DJW. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-64)

Chair Cutler called on Riverside Casino. Joe Massa, General Manager, presented the following contracts for Commission approval:

- Expedition Film Partners, LLC – Gaming Related Reality TV Series Joint Venture
- Professional Golfers' Association of America-Iowa – Lease w/Option to Extend
- WMS Gaming, Inc. – Lease Agreement for Slot Machines
- IGT – Lease Agreement for Slot Machines
- US Bank – ATM Agreement
- Department of VA Hospital & Iowa Section of the PGA – Golf for Veterans

Chair Cutler asked if there was a cost to the facility relating to the ATM machines. Mr. Massa answered in the negative, noting the bank installs the machines and the facility receives a percentage.

Mr. Massa addressed the contract with the Professional Golfers' Association of America (PGA) – Iowa Division to locate their office at the Riverside golf course. They will be moving into those offices in September. As an outgrowth of the above relationship, Riverside has partnered with the Iowa section of the PGA and the Veteran's Hospital in Iowa City to develop a program to provide a golfing opportunity for injured veterans. This program is the first of its kind in the country, and VA is looking at this opportunity as a seed project, and hopes to eventually take the program nationwide. Mr. Massa indicated the three organizations are developing a foundation called "GIVE" to raise funds for the program so there will be no cost to the veteran. He indicated the golf course's opening on August 1<sup>st</sup> will be a charity golf event in which they hope to raise in excess of \$50,000 to give to the foundation.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by Riverside. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-65)

Commissioner Bair asked if the golf course was ready to go. Mr. Massa advised the course looked great, and would be interesting to play. He indicated the course has the longest yardage of any golf course in Iowa, as well as the longest hole at approximately 690 yards. He noted the Iowa Gaming Association is holding a golfing event the day before the August Commission meeting.

Chair Cutler asked Mr. Massa if he expected any big name golfers to play the course. Mr. Massa indicated that would eventually happen. He noted the course was just rated, and there needs to be a little maturity in the operation; however, he feels that will happen since the course was designed by Reese Jones.

Chair Cutler called on IOC Waterloo. Kim Hardy, General Manager, presented the following contracts for Commission approval:

- Certegy Gaming Services – Projected Commission Revenues from Financial Services
- Yum! Brands Express – Franchise for Kentucky Fried Chicken and Pizza Hut Express

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by IOC Waterloo. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-66)

Mr. Hardy advised that the state testing of the gaming equipment and the opening went very well. He indicated the initial numbers are on target with the projections.

Chair Cutler called on Catfish Bend Casinos (CBC). Gary Hoyer, Chief Financial Officer, presented the following contracts for Commission approval:

- Huckleberry Entertainment, LLC – Amended Casino Lease Agreement
- Cintas Uniforms – Employee Uniforms
- Morgan Stanley – Financing

Two of the above contracts have previously been approved by the Commission, but were re-submitted to provide new information. The contract with Huckleberry contains a change in the insurance provisions. There has been a slight change in the structure of the financing with Morgan Stanley, as well as an increase in the amount from \$94.8 million to \$99.8 million.



Mr. Ketterer asked Mr. Hoyer to explain the need for the financing increase and the insurance provisions.

Mr. Hoyer advised that after the lease had been approved, CBC became aware that they could save a substantial amount of money by having one entity do more of the insurance on the property than by adding it into the canned charges. He indicated the facility saw a net savings on a triple lease arrangement.

With regard to the financing, Mr. Hoyer stated that the construction costs were more than anticipated, both in soft costs and construction costs. Original costs were estimated between \$26-27 million; however, when the project was completed, the cost was around \$27 million. Soft costs were also approximately \$500,000 higher than anticipated; thus, the need for additional funds when closing on the loan.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by CBC. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-67)

Mr. Hoyer advised that the casino facility in Burlington opened on June 11<sup>th</sup> at noon. The grand opening will be held on July 26<sup>th</sup>.

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

- Iowa West Racing Association – Request for Approval of Amendment to Management Agreement, Amendment to Memorandum of Management Agreement, Amendment to Lease and Amendment to Memorandum of lease between Harveys BR Management Company, Inc. and Iowa West Racing Association
- Request Approval for Change in Racing Dates

Jeannie Magdefrau, Director of Finance, addressed the amendments to the various agreements, which remove the footprint of the anticipated hotel from the Management Agreement and Lease.

Chair Cutler called for a motion concerning the first item. Commissioner Hamilton moved to approve the changes to the Amendment to the Management Agreement, Amendment to Memorandum of Management Agreement, Amendment to Lease and Amendment to Memorandum of Lease between Harveys BR Management Company, Inc. and Iowa West Racing Association. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-68)

Mr. Silberling addressed HSC/BRGP's request for a change in race dates from September 20-23 to December 28-31, 2007 to allow HSC/BRGP to hold a concert on the infield on

September 22, 2007. This request does not change the number of race days previously approved by the Commission, nor does it negatively impact the purses earned by the greyhounds. He noted the handle for the same time period last year was higher for the December dates now requested for live racing than the September dates. Mr. Silberling advised it is their understanding there is no objection to the change in race dates per se from the Iowa Greyhound Association (IGA); however, they do have some objections to the stated purpose for the change.

Mr. Silberling stated that HSC/BRGP was very excited about this possibility, noting that Harrah's has increased the number of concert dates from 20-something to 30-something in a venue with a capacity of approximately 3,000, which is constrained by capacity limits and one road for ingress/egress from the facility. Harrah's believes the concerts have been beneficial to the community and is looking for ways to bring in bigger acts and bring a benefit to HSC/BRGP. Mr. Silberling noted that other racetrack facilities have hosted successful concerts.

Mr. Silberling conceded that the IGA raised legitimate concerns. Mr. Silberling stated that the safety of the dogs is paramount in all of the planning. IGA has also raised the issue of debris on the track. He stated that HSC/BRGP has attempted to detail and address the issues raised by the IGA in a comprehensive, methodical way. Mr. Silberling advised there will be an elevated track to the infield, with a tarp below the walkway on each side, to prevent items from being thrown on the track. Additionally, they are installing a barrier similar to a snow fence a distance in on the interior of the track to prevent items from landing on the track once patrons are on the infield. There will be a drink menu that will include draft beer which will be poured into cups to eliminate cans, can tops or bottle lids.

The IGA also raised concerns about the integrity of the kennel compound. Mr. Silberling advised that at this time, the compound is patrolled on an hourly basis; some obstructions have been removed from the vicinity, and they are in the process of increasing lighting and have changed the zoom cameras to increase coverage of the area. During the time frame of the concert, security guards would be posted between the track and the kennel compound. He noted there is already a fence and barbed wire in the area. There would be no access through the kennel during set up. Concern was also expressed about the integrity of the lure rail. Mr. Silberling advised there would be no breach of the integrity of the lure rail. He indicated that all loading in/out of the stage, equipment and concessions would be via a bridge that would be built over the rail. For the inside fence, there will be a few more access areas and a moveable pole, similar to that used to give access to the mower to the infield. Mr. Silberling reiterated there would be no need to enter the kennel compound during set up as the concessions would be brought in via the northeast corner. He indicated there would be nothing heavier than the current watering truck going across the track. Mr. Silberling indicated that if it became necessary, HSC/BRGP would place a covering over the track to help more evenly distribute the weight to prevent damage to the track.

Mr. Silberling indicated patrons will enter the infield through the grandstand area. There will be no walking on the track.

Mr. Silberling stated that the stage is being set up so that it faces away from the greyhounds and kennels. The concert would take place between 8:00 – 10:30 PM. It is his understanding that the dogs are normally back in the kennels by 8:00 PM, and the show would be over by 10:30 PM. The proposed concert would affect schooling – the Friday schooling would be moved to Thursday, with the track back in full operation for Tuesday. The sprint path would remain available for sprinting of the dogs. Management is aware the above is a scheduling change and would require some compromise. They hope some of the benefits, such as bringing 9,000 people to the track and giving them exposure to the track, would help justify the necessary compromises. Mr. Silberling noted that Harrah's is not able to accommodate 9,000 people in their concert venue and get people in and out on the one road.

Harrah's is seeking to improve the entertainment offerings at Bluffs Run and add heightened awareness of greyhound racing. Mr. Silberling indicated there have been discussions as to what could be placed on the back of the ticket, such as offering an opportunity to return for greyhound racing or including a link at the ticketing site to the Bluffs Run web site. They are also open to other ideas and options to make sure that the concert supports and creates greater awareness of the greyhound track. The benefits of holding the concert on the infield at Bluffs Run are the size of the infield, the accessibility of the facility, increased awareness of greyhound racing, and the marketing. Mr. Silberling stated there is no way to absolutely guarantee that nothing will go wrong; however, the integrity of the track, the safety of the dogs, and the safety of the patrons is foremost in their minds. They believe the risk is manageable, and that there is the real potential to continue to have greater entertainment opportunities in Council Bluffs, possibly additional tax revenue for the state, and the exposure and cooperative marketing of the greyhounds. Mr. Silberling requested approval of the requested change in race dates to facilitate the staging of the concert.

Commissioner Bair asked what the concert goers would sit on. Mr. Silberling advised they would bring their own lawn chairs or blankets. For those paying a little more per ticket or VIP patrons, there would be seating available. Commissioner Bair asked about restroom facilities. Mr. Silberling advised that portable facilities would be brought in, via the northeast side. Commissioner Bair asked if everything would be located on the infield. Mr. Silberling indicated that was correct.

Commissioner Cutler asked if this was the first time Harrah's had presented such a request to the Commission, as it sounds as if some permanent changes are being made to the facility in anticipation of additional concerts at Bluffs Run. Mr. Silberling stated that if this concert went well, they would hope that the IGA, the facility, the community and state would be pleased with the outcome then they would be looking for ways to replicate the concert without violating the integrity of the racing season.

Chair Cutler asked if a rain date has been established. Mr. Silberling answered in the negative, noting they normally purchase rain insurance. Chair Cutler again asked if the concert would be rescheduled if it rained. Mr. Silberling indicated that it would not.

Commissioner Hamilton asked the projected costs to make the necessary changes and then return the track to its normal state. Mr. Silberling stated the costs are still being determined as the planning stage continues.

Commissioner Urban asked about the age group being targeted for the concert. Mr. Silberling advised that no one under 21 would be allowed; but noted that the act selected for the concert would have some impact on the age of the concert goer. They are looking at acts that would appeal to individuals in their 30s and 40s versus acts that draw a younger crowd.

Mr. Ketterer referred to the recent approval of the \$85 million expansion for the new casino. He noted that if these kinds of events had been anticipated, an amphitheater could have been included in the plans as there is sufficient ground available. Under the expansion project, it appears the Roadhouse was established as the venue for the facility for these types of events. Noting that the expansion was done prior to Mr. Silberling's arrival at the property, he questioned why a suitable venue for concerts was not included in the construction/renovation of the building. Mr. Silberling noted that the majority of his casino career has been with Harrah's, and their casinos seem to be constantly morphing, which is usually done with capital programs like the proposed hotel project and different marketing programs. He stated that one of the things he does is look at utilization of space, and whether it is being utilized 24 hours a day, seven days a week, and if there is an opportunity to drive the amount of revenue per square foot. Mr. Silberling indicated there are a couple of things driving this request: the success of entertainment at Harrah's, his review of space utilization, and the constant morphing state of the casino industry.

Commissioner Urban addressed the noise factor, noting how she feels at a concert. She noted that even though the stage will be set up facing away from the kennel compound, she believes the noise would still be a factor for the greyhounds. Mr. Silberling noted that while the noise level would be higher than normal, it would be minimized with the proposed set up. He reiterated management's concern for the greyhounds' safety. He does not believe the noise level will be medically damaging to the greyhounds.

Commissioner Hamilton noted that with some acts, even the ground can shake, buildings vibrate, etc. Mr. Silberling stated that he did not know how to have a scientific discussion on that issue, but reiterated his belief that the concert would not be medically harmful to the greyhounds.

Commissioner Bair asked if the MidAmerica Center was designed to hold concerts. Ms. Silberling answered in the affirmative, noting that Harrah's/Horseshoe has co-sponsored concerts at that venue, continue to encourage them to do more, and are willing to help

them do so. Commissioner Bair asked the capacity of the MidAmerica Center. Mr. Silberling indicated that it would hold approximately 10,000. He stated that Harrah's has wanted to do more with them in partnership than they have. He indicated that the track would be a new and different venue, and that the proximity to the property is beneficial to the facility. He noted that while the MidAmerica Center is close to the property, it is not as close as the track. Mr. Silberling indicated his belief that there is an upside to spending some time thinking about how the greyhound races can be marketed and promoted via the concert.

Chair Cutler called on Jerry Crawford, representing the IGA. Mr. Crawford stated that Mr. Silberling had given a very fair presentation of the remedies HSC/BRGP has attempted to anticipate, and the Commission asked many of the same questions the IGA asked. He advised that the IGA Board of Directors met the previous two days to discuss this issue; however, they have not been able to get comfortable with the situation and have voted unanimously to oppose this request for the following reasons:

- **Noise:** The stage will be adjacent to the kennels. Mr. Crawford stated that he agreed the noise level will be comparatively less with the stage facing away from the kennel than at the other end facing the kennels. He noted that greyhound tracks are dramatically smaller in size than horse tracks. Mr. Crawford asked the Commissioners to consider what happens in an average house with a dog when a car drives down the street or a squirrel runs through the yard and then multiply that by a rock concert adjacent to the kennel buildings, along with 9,000 patrons who will be served alcohol. He advised that the IGA members have a legitimate animal welfare concern.
- **Track Surface:** Mr. Crawford stated that HSC/BRGP has done a good job of trying to anticipate issues; however, it only takes the smallest amount of debris to cause an injury, which can often be fatal, to a greyhound. He also expressed concern about construction of the bridge for patrons to cross over into the infield, as well as the equipment necessary to set the concession stands and portable restroom facilities. Mr. Crawford concurred that the lure rail is fragile, and indicated he was happy to hear about the snow fence.
- **Security:** Mr. Crawford noted HSC/BRGP has a tremendous amount of security in the kennel compound currently because of state rules and statute. He pointed out that an individual recently got into the kennel compound, stole a truck and drove through a fence in order to get away. He again indicated that animal welfare is compromised from a racing standpoint.
- **Racing:** The trainers use the racetrack surface everyday for sprinting; the sprint path is not sufficient for training the racing greyhounds. Mr. Crawford stated the track is utilized almost seven days a week as the primary area for sprinting, not as a backup. It is his understanding that the track would be closed completely for a four-day period of time.

- Partners: Mr. Crawford noted that the track and the IGA are partners in a way, and applaud creativity and marketing of the greyhound industry; however, the IGA has not been able to see the urgency in this particular request. He pointed that no act has been booked or selected at this point in time, which leads the IGA to look at this request as a precedent-setting event rather than a special event. Mr. Crawford advised that the track in Las Vegas holds these types of events on a routine basis, with the stage being set up in the parking lot. He noted there is a parking lot immediately north of the greyhound track where a temporary stage could be set up for an outdoor venue, or go to the MidAmerica Center, which was built for these types of events and has the ability to accommodate the same number of patrons.

Mr. Crawford stated that for all of the above reasons, the IGA has had a difficult time from an animal safety standpoint recommending approval of this request when comparing the benefits to the risks.

Hearing no comments or questions for Mr. Crawford, Chair Cutler requested a motion regarding the requested change in racing dates. As no motion was made, the request for a change in race dates was denied.

Chair Cutler called on Dubuque Greyhound Park & Casino (DGP&C). Bruce Wentworth, General Manager, presented a contract with Assurant Benefits for Short and Long Term Disability and Group Life Insurance.

Mr. Wentworth advised that Dubuque has been named one of ten All American Cities in the country.

Hearing no comments or questions concerning the contract, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contract as submitted by DGP&C. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-69)

Commissioner Bair inquired about the All American City designation. Mr. Wentworth advised that the Dubuque Racing Association (DRA) was involved in the effort to obtain the designation, and a group of community citizens traveled to California to compete in the competition. He noted thirty communities were among the finalists, with several hundred not making the cut. Mr. Wentworth noted that while Dubuque has competed several times, this is the first time they have been named.

Chair Cutler called on the Iowa Harness Horsemen's Association (IHHA). Royal Roland, President of IHHA, noted that he had raised issues at the last meeting concerning funding for the county fair races, and issues regarding Prairie Meadows Racetrack & Casino (PMR&C) and the IHHA regarding receipt of the funds. Mr. Roland reported that last Thursday the IHHA, through intermediary associations, received approximately 75% of the committed funding for the county fair races around the state. The process of

meeting the requirements involved negotiations with five different non-profit entities that met PMR&C's standards to comply with Commission and IRS rules. Mr. Roland indicated a plan is in process to obtain the balance of the funds through an organization that meets all of the requirements. Mr. Roland noted that while the process took longer than the IHHA would like, and caused considerable turmoil and uncertainty for the Association, no races were cancelled or scheduled races changed.

Mr. Roland noted that the harness racing season is approaching at PMR&C. He pointed out that the relationship between PMR&C and the Association has not been cordial; there is continual friction and conflict. He advised that Rick Mishler, an IHHA Board member, wished to address the Commission concerning the standardbred industry in Iowa as they perceive it.

Mr. Mishler, an owner, breeder, trainer and driver of standardbred horses in Iowa, stated that he has noticed an alarming trend in the standardbred industry over the last few years. He indicated that the trend at PMR&C has been to decrease their commitment to the harness racing industry – less money for fair purses, less racing days at PMR&C, and PMR&C's persistent attitude to not work in good faith with the standardbred owners of Iowa.

Mr. Mishler pointed out that over the years the Legislature has given PMR&C favorable legislation to foster and promote the Iowa racehorse industry. Somewhere along the line, the Board and management of PMR&C have lost sight of their responsibilities to the racehorse industry and have concentrated on expanding the casino and filling the coffers of Polk County projects. The Legislature has given PMR&C the only horse race track in Iowa, and bailed out Polk County by allowing slot machines at the track. Mr. Mishler stated that it is his understanding that the Code of Iowa specifically directs PMR&C to nurture, promote, develop, and improve the racing industry in Iowa. He asked how the decrease in funding, race days and not having a timely written contract complies with the directives set forth in the Code. Mr. Mishler noted that for the last several years, the harness association has not had a written contract in a timely manner to allow the membership to plan or have a business plan for their operations. The Association use to have three-year contracts, now they are presented with a take it or leave it offer five minutes prior to the Commission meeting in November. Mr. Mishler asked the Commission to become more involved in these matters to develop a race horse industry that Iowans can be proud of, which means more money for county fair races, additional race dates at PMR&C and a multi-year agreement between the horsemen & PRM&C that will nurture, promote, develop and improve the racing industry in Iowa.

Hearing no comments or questions for Mr. Mishler, Chair Cutler called on PMR&C regarding their request for the season approvals for the upcoming harness meet. Gary Palmer and Derron Heldt, General Manager and Director of Racing respectively, were present to answer any questions concerning the submission.

Commissioner Urban, noting the Commission had toured the facility the evening before, thanked Mr. Palmer for the tour, indicating that it was valuable to the Commission members.

Mr. Heldt advised the Commission that the season approval submission does not include a contract with the IHHA.

Chair Cutler called on Mr. Ketterer for comments. Mr. Ketterer, noting the Commission had just heard the IHHA's concerns regarding PMR&C's efforts to negotiate a contract, asked for rebuttal.

Mr. Heldt stated there are four additional days of racing at PMR&C this year compared to last year, 18 versus 14. Funding last year at PMR&C was \$630,000, and has increased to \$800,000 this year. He indicated he has e-mails showing that PMR&C started negotiations with IHHA at the end of May. Mr. Heldt stated that an e-mail was sent to Mr. Roland on June 18<sup>th</sup>, and PMR&C has not received a response. He pointed out that additional e-mails were sent on June 22<sup>nd</sup> and July 4<sup>th</sup>. Mr. Heldt conceded the IHHA's top priority at that time was to get the funding from PMR&C to fund the county fair races.

Mr. Heldt noted there were additional issues raised at a meeting in May, and stated PMR&C is open to conversation. Mr. Heldt stated that Chad Keller, PMR&C's Racing Secretary, set forth some of PMR&C's concerns such as start times, racing dates, stakes races, etc. He noted that PMR&C's concerns centered on business matters. Mr. Heldt advised that the IHHA indicated a desire to start a new sire stakes race program this year. PMR&C feels it would be better to hold discussions during the upcoming meet to establish parameters, so the IHHA can put it before their membership early next year in order to have the race in place for 2008. Mr. Heldt reiterated that PMR&C is willing to do what is necessary and is open to suggestions.

Commissioner Hamilton asked for rebuttal from the IHHA. Mr. Roland stated that the discussions with Mr. Heldt and Mr. Keller have been very cordial, even though they have not been successful. Each side has been able to express their thoughts and concerns.

Mr. Roland stated that while Mr. Heldt's statement concerning funding for purses at PMR&C was true, and purses are increasing by approximately \$150,000, the funding for the county fair races was decreased by \$300,000, meaning the overall total funding will be less in 2007 than in 2004, 2005 or 2006. He agreed that there are four additional days of racing at PMR&C in 2007, but that is still less than in 2001, 2002 and 2003 when there were 20 days of harness racing at PMR&C.

Mr. Roland advised that the biggest point of dispute in the contract negotiations has to do with additional racing opportunities for people that own Iowa horses in light of the decreased funding. The IHHA Board tried to encourage PMR&C to present racing opportunities at PMR&C that were expanded for Iowa registered sired horses to mitigate



the \$150,000 reduction by increasing the amount of purse money won at PMR&C by Iowa sired horses. This proposal was presented to PMR&C in January. Mr. Roland noted that Iowa Code specifies races for horses that are foaled in Iowa, but there is a subset of horses that are Iowa sired, and under the current racing program there are no special races for these horses. Noting that there are thoroughbred and quarter horse sired stakes races, the IHHA suggested adopting such a race for harness racing as a way for Iowa sired horses to have a greater earning potential.

Commissioner Hamilton stated it was her understanding the Commission has no authority to force PMR&C to commit funds for purses at the county fair races. Mr. Ketterer advised that was correct. Commissioner Hamilton asked if the IHHA could request funding through the grant program. Mr. Ketterer advised that is what the IHHA is currently doing.

Chair Cutler asked Mr. Roland if the IHHA was opposed to the Commission granting PMR&C's request for season approvals as presented. Mr. Roland requested continued negotiation regarding a contract, and the support of additional racing opportunities for Iowa sired horses at PMR&C this fall.

Commissioner Hamilton expressed her desire to see a multi-year contract so that it would be easier for everyone to make plans. Mr. Roland and Mr. Palmer concurred.

Chair Cutler asked if there would be continued discussions between PMR&C and the IHHA concerning the Iowa sired stakes races. Mr. Heldt reiterated his earlier statement that it was PMR&C's goal to sit down with the horsemen while they were at the track this fall to establish parameters for the sired stakes races to occur in 2008. Mr. Roland stated that the point of contention is that the IHHA wanted these races to start in 2007, not 2008. Commissioner Hamilton made the suggestion that someone take notes at the meetings between the parties and submit them to the Commission so the Commission could read what was said and agreed to by the parties without so much time spent on discussions at the Commission meetings. Mr. Palmer indicated PMR&C would do so.

Hearing no further discussion concerning the season approval request, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the season approval request for the harness meet at PMR&C as submitted, including the following staff recommendations:

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

Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-70)

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

- A to Z Enterprises – Concert Sound and Lighting Services
- Aristocrat Technologies, Inc. – Leasing of Various Slot Games
- Aristocrat Technologies, Inc. – Leasing of Various Slot Games
- Atlantic City Coin & Slot Service – Leasing of Various Slot Games
- Atronic Americas LLC – Leasing of Various Slot Games
- Atronic Americas LLC – Purchase of Various Slot Games
- IGT – Leasing of Various Slot Games
- IGT – Purchase of Various Slot Games
- Kahler & Company – Purchase of Clothing, Gift Shop and Promotional Merchandise
- Konami Gaming, Inc. – Leasing of Various Slot Games
- Konami Gaming, Inc. – Purchase of Various Slot Games
- Spielo Manufacturing Incorporated – Purchase of Various Slot Games
- US Playing Card – Purchase of Playing Cards
- WMS Gaming, Inc. – Leasing of Various Slot Games
- WMS Gaming, Inc. – Purchase of Various Slot Games

Hearing no discussion concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by PRM&C. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-71)

Chair Cutler moved to the hearings before the Commission for violations of Iowa Code Sections 99F.9(5) for underage gamblers and 99F.4(22) regarding money won by individuals who have banned themselves from the casino.

Mr. Ketterer advised that all of the hearings have been resolved by Stipulated Agreement, and provided a brief summary of each incident.

The first violation occurred at IOC Bettendorf where two minor females were stopped at the entrance, asked to present identification, and subsequently turned away. A few hours later, they again approached the entrance and were not challenged when they tried to enter the facility. They were on the casino floor for approximately one hour during which time they did gamble. They were later discovered by security and DCI, and were determined to be underage minors.

The next violation before the Commission occurred at PMR&C where a minor male and four adult companions gained entrance to the casino through the main entrance past

posted security guards who failed to request any identification. The minor was on the casino floor for approximately an hour during which time he gambled on several machines. A security guard on the floor finally asked to see some identification.

The final violation before the Commission occurred at Catfish Bend Casino (CBC) where an individual who entered the statewide self-exclusion program by completing the form in November 2005 gained entrance to the casino. On January 30<sup>th</sup>, he went to CBC, approached the Players' Club window, and presented his driver's license to the cashier who entered his information into the system. The cashier gave him a promotional scratch ticket and a duplicate Player's Club card. The individual then played table games for approximately 3½ hours. When he went to cash out, the cashier recognized him, and it was discovered that the individual had two Player's Club cards under the same account and same name. One account was flagged as barred and the other was not. The individual won a total of \$50, which will be sent to the Iowa Gamblers Treatment Program.

Mr. Ketterer advised that each Stipulated Agreement calls for an administrative penalty of \$20,000, and recommended approval of the agreements. He indicated that if any of the general managers from the facilities wished to address the Commission they could do so at this time.

Mr. Hyder stated that IOC Bettendorf considers the circumstances leading up to the deliberate and multiple attempts by the minors, which were eventually successful, very unfortunate and corrective action has been taken under their zero tolerance policy. Mr. Hyder indicated that IOC Bettendorf continue to take this issue seriously.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Bair moved to approve all three Stipulated Agreements as presented to the Commission. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-72)

Chair Cutler moved to the approval of the Dog Racing Promotion Fund as authorized by Iowa Code Section 99D.12(2)C. Mr. Ketterer advised that the Commissioner's meeting materials contained a staff recommendation and a list of contingencies, which have been included in previous awards. He recommended that the Iowa Greyhound Association be approved as the recipient of the 2007 Dog Racing Promotion Fund.

Hearing no questions or comments, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the Iowa Greyhound Association as the recipient of the 2008 Dog Racing Promotion Fund, including the following contingencies:

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, 2007 through December 31, 2007, and be submitted to the Iowa Racing and Gaming Commission by April 1, 2008.
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. [N/A]

Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-73)

Chair Cutler moved to Administrative Business, and called on Mr. Ketterer. He advised that during the last Commission meeting the Committee Report concerning sanctions against licensees for allowing individuals on the voluntary statewide self-exclusion list to gamble included provision granting a 60-day grace period from the point when a individual was entered into the database for the facility to clear any check cashing database, Player's Club database and any direct mailing databases. Mr. Ketterer stated the licensees have expressed concerns that mail houses would not be able meet the 60-day requirement, and requested the grace period be extended to 100 days for direct mail only. He asked if the change was acceptable to the committee and the Commission as a whole.

Commissioner Seyfer stated that topic had been discussed by the committee, but they did not know what the time frame might be for clearing the database. He indicated that he did not have a problem increasing the grace period to 100 days for direct mailings. Commissioner Bair also concurred. No motion was necessary as this was not an agenda item; Mr. Ketterer indicated he was trying to get some direction from the Commission on the issue.

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

MINUTES TAKEN BY:

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JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION  
MINUTES  
AUGUST 30, 2007**

The Iowa Racing & Gaming Commission met on Thursday, August 30, 2007 at the Conference Center, Riverside Casino & Golf Resort, Riverside, Iowa. Commission members present were Kate Cutler, Chair; Gerry Bair, Vice Chair; and Commission members Diane Hamilton, Greg Seyfer and Toni Urban.

Chair Cutler called the meeting to order at 8:30 AM, and requested a motion to approve the agenda. Jack Ketterer, Administrator of IRGC, advised that Item 6 should read "Request for Approval to Withdraw Funds from the Escrow Fund". Commissioner Bair moved to approve the agenda as amended. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Cutler moved to the Welcome. Dan Kehl welcomed the Commission to Riverside on behalf of the 800 Iowa investors and 850 employees. He noted the upcoming weekend is the one year anniversary of the casino opening. The golf course opened on August 1. They and the Iowa Division of the Professional Golfer's Association (PGA) held a fundraiser for a new foundation – GIVE (Golf for Injured Veterans Everywhere). The kickoff fundraiser, held on August 29<sup>th</sup>, raised \$65,000. The purpose of the foundation is to teach injured veterans the game of golf to help with their mental and emotional well-being. Mr. Kehl noted that Riverside has received inquiries from three states that would like to mimic this program.

Tim Putney, President of the Washington County Riverboat Foundation, referenced the Commissioner's visit to view the proposed site at which Dan Kehl, family members and investors promised a \$65 million investment, 600 jobs, locally owned gaming facility in Washington County, Iowa. The promises have come to fruition with a \$130 million investment, over 800 jobs, and 30% of the casino is owned by Washington County residents. Of the over 800 jobs, over 30% are Washington County residents. Mr. Putney thanked the Kehl family and the investors for bringing the facility to Washington County.

Mr. Putney stated that the bar for gaming facilities in Iowa has been raised by the Riverside facility. The City of Riverside has a new water plant and sewer facility, and new opportunities to grow and expand the community. The Foundation has distributed or promised to distribute over \$5.2 million - \$243,000 donated to community schools; \$455,000 to local fire departments; \$407,000 to cities within Washington County; and over \$4.4 million to other county and community projects. He noted that as a result of the Foundation's \$300,000 contribution, the Lake Darling project has been able to secure

another \$2 million in state funds for a watershed project. Mr. Putney expressed the community's pride in having the facility in Riverside and Washington County.

Chair Cutler moved to the approval of the minutes from the July 12, 2007 Commission meeting. Hearing no comments, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the minutes for the July 12, 2007 Commission meeting as submitted. Commissioner Urban seconded the motion, which carried unanimously.

Chair Cutler called on Mr. Ketterer for announcements. Mr. Ketterer recognized the following individuals: IRGC employees, Gaming Representatives Scott Ditch and Sue Hansen; former IRGC employee Karlyn Dalsing; and Gene Meyer, Director of the Department of Public Safety, formerly Director of the Division of Criminal Investigation and Assistant Director for the Gambling Unit. Mr. Ketterer also welcomed Bob and Ruth Kehl, holders of the first riverboat license issued in Iowa.

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

- October 9, 2007 Commission Meeting – Isle of Capri Waterloo, Waterloo, IA (Submissions due by September 25, 2007)
- November 8, 2007 Commission Meeting – Stoney Creek Inn, Johnston, IA (Submissions due by October 25, 2007)
- December 2007 – No Meeting
- January 10, 2008 Commission Meeting – Stoney Creek Inn, Johnston, IA (Submissions due by December 26, 2007)
- February – No Meeting
- Racing License and Granting of Race Dates and Racetrack Enclosure Gambling and Table Games License Renewals Due in the Des Moines Office September 10<sup>th</sup> by 4:30 PM

He noted the Waterloo meeting is on a Tuesday due to scheduling conflicts, and the November meeting is a little earlier due to G2E and the holidays.

Chair Cutler moved to contract approvals, and called on Harrah's. Michael Silberling, General Manager, presented the following contracts for Commission approval:

- Garner Printing – Direct Mail Pieces and Printing
- High Road Touring, Inc. – Entertainment Service for Harrah's Stir Concert Cove

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. 07-74)

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

- AON – Insurance Premiums
- Heartland Power Cooperative – Electrical Services
- Larson Contracting, Inc. – Steakhouse Renovation
- Precision Signs – Installation of Specialty Lighting System
- Preferred Health Choices – Employee Medical/Dental Premiums
- Shuffle Master, Inc. – Lease Payments & Specialty Games
- St. Paul Pioneer Press – Newspaper Advertising
- Young Electric Sign Company – Manufacturer of Custom Designed Lighting Systems

Commissioner Bair asked about the advertising contract with the St. Paul Pioneer Press, and if DJW did a lot of advertising in the Twin Cities. Mr. Aviles answered in the affirmative, and noted they also do some mailings.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by DJW. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-75)

Chair Cutler called on Wild Rose Emmetsburg (WRE). Amy Williams, General Manager, presented the following contracts for Commission approval:

- Sysco Food Services of Iowa – Food for Casino & Restaurant
- A to Z Enterprises – Equipment Rental for Special Events

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by WRE. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-76)

Chair Cutler called on Argosy Casino Sioux City (Argosy). Rich Vitale, Director of Business and Legal Affairs for Argosy Gaming, presented a contract with Williams Gaming for the purchase of 25 new machines and related parts for Commission approval.

As there were no comments or questions, Chair Cutler requested a motion. Commissioner Urban moved to approve the contract as submitted by Argosy. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 07-77)

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

- Greenburg Fruit Company – Produce
- Hunt/C. Rallo Builders – Preconstruction



- Premier Midwest Beverage – Alcoholic Beverages

Troy Stremming, Vice President of Legal and Government Affairs for Ameristar, presented the contract relating to the request for approval of the second amendment to the Credit Agreement. Mr. Stremming noted that Ameristar entered into a purchase agreement in April of this year to purchase Resorts International Casino in Chicago for \$675 million. Management members of Ameristar Casino, Inc. determined that the best way to finance the acquisition, plus ongoing capital improvement projects was to extend the borrowing capacity to \$600 million. The copies provided to the Commission indicate the credit agreement is being amended to \$550 million. Mr. Stremming advised that from the time he left Kansas City to attend the meeting, the amount was increased to \$600 million. He indicated the change in the amount is the only change from what was provided to the Commission previously.

Chair Cutler asked Mr. Stremming if he was asking the Commission to amend the amendment, and approve the request. Mr. Stremming advised that he had a hard copy of the amended credit agreement.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts and the Second Amendment to the Credit Agreement as amended. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-78)

Chair Cutler called on Riverside Casino. Joe Massa, General Manager, presented the following contracts for Commission approval:

- Hawkeye Sports Properties, LLC – Marketing & Advertising Contract
- Brockway Mechanical & Roofing Company – Golf Course Maintenance Building HVAC/Plumbing
- Brockway Mechanical & Roofing Company – Golf Course Maintenance Building Roof/Siding
- Brockway Mechanical & Roofing Company – Golf Course Cart Storage Utilities & Plumbing
- DeVries Electric, Inc. – Golf Course Electrical – Maintenance Building
- Ahern's Concrete Floors, Inc. – Storage Building Golf Course

**Contracts from 2006**

- Sysco Food Services of Iowa – Food Purchases
- Trilix Marketing Group – Marketing & Advertising
- AmSan Nogg Chemical – Environmental Services Supplies
- Fleck Sales – Beverage Purchases
- Iowa Alcoholic Beverages Division – Alcoholic Beverages Purchases

Commissioner Seyfer asked Mr. Massa for an explanation about the 2006 contracts that are just now being presented. Mr. Massa accepted responsibility, indicating the facility

lost track of some of the contracts that were being done on an invoice or contract basis, and that there was a misunderstanding by staff as to what contracts had to be submitted for approval. Mr. Massa advised there were additional contracts that had been found that would be submitted at the October Commission meeting.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Urban moved to approve the contracts as submitted by Riverside. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-79)

Chair Cutler called on IOC Bettendorf (IOCB). Mo Hyder, General Manager, presented the following contracts for Commission approval:

- American Hotel Register – Provide Hotel Amenities & Supplies
- Staples Business Advantage – Office Supplies
- Sherwin Williams – Provide Carpet, Paint & Paint Supplies

Hearing no comments or questions, Chair Cutler requested a motion to approve the contracts. Commissioner Urban moved to approve the contracts as submitted by IOCB. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-80)

Chair Cutler called on Lakeside Casino. Damon Butler, General Manager, presented the following contracts for Commission approval:

- The Des Moines Register – Marketing Services – Advertising
- Martin Brothers – Food & Supplies

Hearing no comments or questions, Chair Cutler requested a motion to approve the contracts. Commissioner Hamilton moved to approve the contracts as submitted by Lakeside. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-81)

Chair Cutler called on Horseshoe Casino/Bluffs Run Greyhound Park. Mr. Silberling presented the following contracts for Commission approval:

- 5M Music LLC d/b/a Steven Mai – Asian Entertainment Programming Services
- Dell Marketing, LP – Additional Computers and Equipment
- HBR Realty Company, Inc. – Second Amendment to Lease

Mr. Silberling advised that the Second Amendment to the Lease with HBR Realty Company is a result of the Iowa West Racing Association requesting indemnity on the new hotel project.

Hearing no comments or questions for Mr. Silberling, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by Horseshoe Casino/Bluffs Run Greyhound Park. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-82)

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

- Cottingham & Butler Insurance – Property & Casualty Insurance (Revise RTA 6095)
- Mulgrew Oil Company – Promo Gas Cards for Rich Rewards Promos
- Lamar Companies – Outdoor Billboard 305533
- Lamar Companies – Outdoor Billboard 305532
- Lamar Companies – Outdoor Billboard 305531
- Wasker, Dorr, Wimmer & Marcouiller, PC – Lobbying Services

Hearing no comments or questions, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by DGP&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-83)

Commissioner Bair asked if the lobbying services contract was specifically for DGP&C, and if each casino has their own lobbyist. Mr. Wentworth stated that he could not speak to the second question, but advised that DGP&C has consistently had its own lobbyist for a number of years.

Chair Cutler called on the Iowa Greyhound Association (IGA). Jim Quilty, legal counsel, noted that one of the items before the Commission for consideration at the July meeting was a proposal by Bluffs Run to hold a concert on the infield at Horseshoe Casino/Bluffs Run Greyhound Park (HC/BRGP). Although the proposal was denied, the IGA decided that they needed to be more proactive in trying to partner with the two tracks to promote interest in greyhound racing. The IGA members came up with the idea of a Harley Davidson Give-Away, and provided the Commission with the details. IGA's proposal requests permission to withdraw the necessary funds, approximately \$20,000, to purchase two motorcycles – one to give away at Bluffs Run and the other at DGP&C. Mr. Quilty stated that IGA decided to go with a give away drawing as it is a proven way to attract new patrons to a facility. That said, not knowing if the give away would prove successful, the IGA did not feel it was fair to ask the tracks to carry all the weight of the give away. The IGA felt the escrow fund presented a good source of seed money to fund this promotion and give the IGA and the tracks the ability to study the numbers to determine the success of the promotion.

Mr. Quilty advised that the IGA is requesting a conditional approval of the withdrawal of the funds from the escrow account based on their ability to work with the two tracks to see if all parties can agree on guidelines for the promotion that would keep it from being

a gambling game, and make sure that the promotion is run in a way that is consistent with the casino's standards.

Lorraine May, legal counsel for Horseshoe Casino/Bluffs Run Greyhound Park, applauded the IGA for their work on this proposal, noting that the discussions have progressed significantly since the idea was first proposed. She stated that Bluffs Run runs the richest race in the nation, and 2-3 year ago, they spent more money promoting the race than the entire state of Iowa wagered on the race. Ms. May indicated that Bluffs Run would be supportive of any proposal that would bring additional patrons to greyhound racing. That being said, she noted that the escrow fund was originally established to support purses, and questions whether this proposal is an acceptable use of the interest earned by the escrow fund. Ms. May stated that not only is Bluffs Run committed to the integrity of racing in Iowa, but also any promotions and gambling games.

Mr. Wentworth advised that DGP&C does not expect to share in the escrow fund; the money resides over 400 miles away. He indicated that his underlying concern is the precedence that could be set; noting that DPG&C has approximately 500 not-for-profit organizations apply for funds from the Dubuque Racing Association, and therefore, being asked to allow other not-for-profit organizations to hold promotions.

Mr. Ketterer recommended that the request to withdraw funds be conditionally approved conditioned on Bluffs Run and IGA submitting the details in a letter to staff. After review by the staff, the withdrawal of funds could proceed. Mr. Ketterer stated that he agreed with Ms. May's comment that the escrow fund was generated for the purpose of supplementing purses at Bluffs Run, not DGP&C, and feels use of the fund should be restricted to Bluffs Run. He indicated that if the parties can come to an agreement on a promotion that would benefit and promote the greyhound industry, they could submit a joint letter to the Commission for review.

Commissioner Bair stated that he heard Ms. May state that the request was not in the spirit of why the fund was created. Mr. Ketterer clarified that Ms. May was questioning the use of the fund to conduct a promotion at Dubuque, not that the proposal was not in the spirit of the fund.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Bair moved to grant conditional approval for the withdrawal of funds from the escrow account based on the parties submitting a letter to the Commission setting forth the details of the promotion for staff review and approval. Commissioner Seyfer seconded the motion.

Commissioner Urban questioned why the Commission did not wait for the details to come in before taking action. Mr. Ketterer advised there is a timing issue as IGA wants to hold the promotion in connection with a race at Bluffs Run on November 3<sup>rd</sup>, and would like to start the promotion prior to October 9<sup>th</sup>.

Hearing no further comments or questions, Chair Cutler called for the vote. The motion carried unanimously. (See Order No. 07-84)

Chair Cutler moved to the next agenda item and called on Royal Roland, President of the Iowa Harness Horsemen's Association (IHHA), who provided the Commission with an update regarding the Association's negotiations with Prairie Meadows Racetrack & Casino (PMR&C) for a purse supplement for the upcoming meet. He noted that IHHA representatives met with PMR&C representatives on Tuesday, and PMR&C is presenting a 3-year proposal for purses, racing days and county fair support. He stated the proposal includes a modest increase from 2006. Mr. Roland stated the IHHA was committed to reaching an agreement prior to the October 9 Commission meeting that benefited all parties involved. The IHHA is committed to reaching an agreement with PMR&C to help promote the industry and spare the Commission having to mediate another disagreement between the parties.

Chair Cutler called on PMR&C. Gary Palmer, General Manager, presented the Agreement Pertaining to Racing at Prairie Meadows for 2007 Season (Standardbred Horses).

Chair Cutler called for any comments or questions, and specifically called on Mr. Ketterer. Mr. Ketterer stated the agreement was straight-forward. As there were no additional comments, Chair Cutler requested a motion. Commissioner Bair moved to approve the Agreement Pertaining to Races between the IHHA and PMR&C as submitted. Commissioner Seyfer seconded the motion.

Commissioner Bair asked Mr. Palmer what PMR&C was taking away from the 2007 process that would prove beneficial in the future. Mr. Palmer advised that longer term contracts are better for everyone involved in terms of being able to plan.

Hearing no further comments or questions, Chair Cutler called for the vote. The motion carried unanimously. (See Order No. 07-85)

Chair Cutler moved to the request to change the post times during the upcoming harness meet. Derron Heldt, Director of Racing, stated that when the license renewal application and race dates were originally submitted, the request was for a 4:00 PM post time; the request is to change the post time to 5:00 PM. Mr. Heldt advised that the IHHA was in agreement.

Commissioner Bair asked the significance of the change. Mr. Heldt advised the later start time would allow more individuals to reach the track in a timely manner in order to watch the harness races.

Hearing no further comments or questions concerning the change in post time, Chair Cutler requested a motion. Commissioner Urban moved to approve the change in post

time from 4:00 PM to 5:00 PM for the 2007 Harness Meet at PMR&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-86)

Chair Cutler moved to the next item under PMR&C – a report on artificial racetrack surfaces. Mr. Ketterer suggested taking up the contracts prior to this report. Mr. Palmer presented the following contracts for Commission approval:

- Audiovisual, Inc. – Audio/Visual Equipment, Parts & Services
- Bally Gaming – Slot Game Equipment – Lease
- Bally Gaming – Slot Game Equipment – Purchase
- Deever's Roofing – Roof Replacement Contractor
- Delta Dental Plan of Iowa – Dental Insurance for Employees
- Farner Bocken – Candy, Food, Tobacco & Other Supplies
- Park Avenue Laundry Services – Laundry & Linen Services
- Shuffle Master – Slot Game Equipment – Lease
- Shuffle Master – Slot Game Equipment – Purchase
- Sysco Food Services of Iowa – Purchase of Food, Equipment, Service & Supplies
- Wellmark Blue Cross Blue Shield of Iowa – Medical Insurance for Employees

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. 07-87)

Chair Cutler returned to the racetrack surface report. Mr. Palmer distributed copies of the presentation and a letter from horse owner Maggi Moss. A copy of the presentation is available in the Commission's Des Moines office. Some highlights of the presentation are as follows:

- Four Types of Surface: Cushion; Pro Ride; Tapeta Footing; and Polytrack (Polytrack has been installed at more racetracks than any other surface)
- Benefits of these surfaces: Maintenance costs reduced; Surface kickbacks reduced; Safer and Kinder for Horses; Less affected by rain/drought conditions
- Unknowns: Surface life; Long Term Impact; Health and Environmental Issues; Feasibility of Quarter Horse and Harness racing; Maintenance for the Iowa climate; and contamination.

Mr. Palmer noted that thoroughbreds have run on the above surfaces at a number of racetracks around the country; however, no quarter horse or standardbred races have been run on any of the synthetic surfaces as of this date.

Commissioner Bair asked how many tracks PMR&C representatives visited. Mr. Palmer advised they had traveled to Arlington Park, Keeneland, Turfway, Hollywood and Santa Anita. He indicated that PMR&C requested the same information from all of the tracks, even those they did not visit in order to obtain a clear picture. Mr. Palmer advised they are getting mixed signals in their discussions with owners, track representatives and veterinarians, however, Mr. Palmer noted that in most cases it is too early for individuals to make a judgment on the long term effect of the synthetic surfaces. Everyone does agree that there is no surface that will prevent all injuries. Mr. Palmer stated that PMR&C management and the Board of Directors don't want to invest a large amount of money in a synthetic surface until more research is done.

Commissioner Hamilton asked about the ability of quarter horses and standardbreds to race on these surfaces. Mr. Palmer stated PMR&C representatives heard that Keeneland brought some standardbreds in from Red Mile to try the surface. Their times were slower on a dry track; however, if there was any moisture or dew, the surface was like ice for the standardbreds. Mr. Palmer stated they were unable to find much information regarding quarter horses and the synthetic surfaces. He noted there were representatives from the various horsemen's associations in attendance to address this issue.

Commissioner Bair asked if all three breeds run on a similar track at PMR&C. Mr. Palmer answered in the affirmative.

Butch Hammer, President of the Quarter Horse Racing Association and Chairman of the Quarter Horse Racing Council, stated that during their recent annual meeting, synthetic surfaces were a topic of discussion. He noted that Los Alamedas, one of the premier quarter horse tracks in the country, has not done any testing of quarter horses on the surfaces. Mr. Hammer advised the industry is concerned about slippage coming out of the gates; noting the horses can reach speeds of 50-55 miles per hour coming out of the second or third gate. He stated that he had asked PMR&C if they would be willing to send some quarter horses, jockeys and trainers to Arlington to do some timing/testing of the synthetic surface. Mr. Hammer expressed his opinion that it is too early to pass judgment on the tracks, and suggested that some testing be done in 2008. He pointed out that these tracks can cost approximately \$10 million. Mr. Hammer stated that representatives of Arlington have indicated that horses shipped in for championship races experienced slower times as they are not accustomed to the synthetic surface.

Butch Bain, an Iowa thoroughbred and quarter horse owner, stated that the ability of quarter horses to race on the synthetic tracks is unproven at this time, and expressed concern about racing on the surface.

Jeff Johnston, President of the Jockey Guild, stated that he approved of the proactive approach the Commission was taking in this matter. He indicated that he had the same concerns as had previously been set forth. Mr. Johnston stated that he had an opportunity to ride on a Polytrack surface at Turfway; he stated that it is still a work in progress but it seemed safer. He pointed out the difference in weather conditions between Turfway and

PMR&C. Mr. Johnston stated that he polled the jockeys at PMR&C and across the country, and advised the Commission that most have not developed an opinion as they have not had an opportunity to ride on one of the tracks. Mr. Johnston expressed some concern regarding health hazards as some jockeys have experienced bloody noses and respiratory problems. He indicated that no testing has been done to determine the long term health hazards of the synthetic track surfaces, and that they are still a work in progress.

Commissioner Bair asked about heat reflecting off the track surfaces. Mr. Johnston advised there is a considerable amount of odor that emanates from some of the surfaces when they are hot; and becomes rubbery. Mr. Johnston stated that he is not comfortable with a mandatory order to replace track surfaces with the synthetic surfaces due to the lack of research on environmental and health issues. He encouraged PMR&C to continue to research the area.

Commissioner Hamilton asked Dr. Keith Soring, Interim Director of Racing and State Veterinarian at PMR&C, if he had any information on the effect of the synthetic tracks on the horses. Dr. Soring stated that since the tracks started appearing several years ago, regulatory vets and practicing veterinarians have been watching the results. He noted equine veterinarians are meeting in Orlando in December and one of the topics to be discussed is the synthetic track surfaces. Dr. Soring advised that he had spoken with the veterinarian at Arlington who indicated the track seems to be kinder and safer for horses; that breakdowns are down approximately 50%. Dr. Soring advised that from May 1 through August 1, 2006, approximately 250 horses were x-rayed for injuries; during the same time frame this year, only 105 horses were seen. He indicated that some of the information being disseminated regarding the track surfaces is incorrect. There is no way to determine the long-term health issues the horses may face; however, most horses cough when coming back after racing on a synthetic surface but this symptom is easily cleared.

Commissioner Hamilton requested a report from Dr. Soring at the January meeting regarding the discussion at the Orlando conference. Dr. Soring advised that several tracks, including PMR&C, are participating in a study gathering statistics on track injuries, break downs, etc. This is an area of the industry that is receiving much scrutiny.

Commissioner Urban asked where the track surfaces were produced. Dr. Soring indicated he was not sure, but believed they were produced overseas and shipped to the United States and are mostly comprised of recycled material. Mr. Palmer concurred with Dr. Soring's statement.

Commissioner Bair asked Mr. Palmer about the timing for installing the tracks. Mr. Palmer stated that Arlington started in early spring. The old surface has to be removed, a new base installed, sprinkler system, etc. He estimated the process could take between three and four months. The synthetic tracks require less maintenance so the racetracks are able to do away with the track watering trucks.



Mr. Palmer noted that PMR&C representatives are very concerned about the safety of their track, but are also very conscious about expenses and doing things the right way. He stated that PMR&C still has some questions. He pointed out that Turfway and Keeneland are still in the process of re-working their surfaces. Mr. Palmer requested additional time to do more research and would like to make another report on their findings next September.

Mr. Ketterer congratulated PMR&C on their presentation, indicating that it was what the Commission contemplated when they asked for this report in April. He indicated that he would agree with just about everything that was voiced. Mr. Ketterer advised that of the eight tracks referenced in the presentation, three raced on the synthetic surfaces for the first time this fall, and three others have not conducted any racing on their surfaces as of yet. Mr. Ketterer would like to see additional information gathered, especially on how the climate and moisture impact the surface. With the synthetic surface at Del Mar, Mr. Ketterer noted that the track appears to be faster in the morning, but the horses labor in the afternoon. He requested that PMR&C present additional information at approximately two month intervals. At the next report, Mr. Ketterer indicated that he would like to see PMR&C update the present information with what has occurred at the tracks that just started racing on the synthetic tracks so that PMR&C has a better idea of what they are getting into. There is some urgency on behalf of the Commission as all of the tracks that have initiated racing on the synthetic tracks have indicated the increased safety to the horses, which translates to a safer ride for the jockeys. He noted that other problems could be worked out as they arise.

Chair Cutler called for any other comments or questions. Commissioner Urban noted that she sees numerous commercials for other casinos, and wondered if PMR&C has done any advertising on television. Mr. Palmer advised that PMR&C does a lot of direct mailing, and advertises on television and radio as well. He stated that PMR&C does as much broadcasting as they feel is necessary at the time. One of the issues facing PMR&C is the short time they have to repay any borrowed funds (8 years between referendums). They will be working to get the Legislature to pass legislation removing the referendum requirement.

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

MINUTES TAKEN BY:

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JULIE D. HERRICK

IOWA RACING AND GAMING COMMISSION  
MINUTES  
OCTOBER 8 - 9, 2007

The Iowa Racing & Gaming Commission met on Tuesday, October 9, 2007 at The Isle Casino & Hotel Waterloo, in Waterloo, 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 6:30 PM, October 8, 2007, and requested a motion to approve the agenda. Commissioner Bair so moved. Commissioner Urban seconded the motion, which carried unanimously.

Chair Cutler then requested a motion to go into Executive Session. Commissioner Urban moved to go into Executive Session for the purpose of receiving Division of Criminal Investigation background reports pursuant to Iowa Code Section 21.5(1)g. Commissioner Hamilton seconded the motion, which carried unanimously on a roll call vote. (See Order No. 07-88)

Chair Cutler requested a motion to leave Executive Session. Commissioner Bair so moved. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-89)

Chair Cutler recessed the Commission meeting until 8:30 AM, October 9, 2007.

Chair Cutler requested a motion to reconvene the meeting at 8:30 AM, October 9, 2007. Commissioner Bair so moved. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Cutler called on Don Hoth, President of the Black Hawk County Gaming Association (BHCGA), who welcomed the Commission to Waterloo. Mr. Hoth stated that the Isle has been an economic boon to Waterloo and the county, and that there has been an ancillary effect. He noted that the spirit of the Cedar Valley has been renewed. Mr. Hoth advised that Isle of Capri (IOC) promised the BHCGA \$1 million if they were granted a license, \$500,000 of which was used to build a youth pavilion as an extension of the Center for the Arts. The remaining funds were devoted to the River Loop project. Both projects are part of the Riverfront Renaissance project. IOC also advanced \$1million to the City of Waterloo, repayable at 50 cents on the dollar, which was used to offset a property tax increase. BHCGA was advanced \$3 million by IOC - \$1 million to install the Veteran's Memorial to the Grout Museum, which is part of the Riverfront Renaissance project and also a Vision Iowa project. The remaining funds have been devoted to Riverfront Renaissance as part of the River Loop project. Mr. Hoth noted that to date buildings have been demolished and construction should commence soon. He stated that when the City of Waterloo and BHCGA selected IOC as the operator, they had great expectations and IOC has met all of them.

Chair Cutler moved to the approval of the minutes. Commissioner Hamilton moved to approve the minutes of the August 30, 2007 Commission meeting as submitted. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Cutler called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer advised that the purpose of the Executive Session held the previous evening was to receive Division of Criminal Investigation background reports. He introduced Shirley Stokes and Shelly Sturch, IRGC Gaming Representative and Licensing Assistant respectively, at Waterloo.

Mr. Ketterer provided the following information concerning upcoming meetings:

- November 8, 2007 Commission Meeting – Stoney Creek Inn, Johnston, IA (Submissions due by October 25, 2007)
- December 2007 – No Meeting
- January 10, 2008 Commission Meeting – Stoney Creek Inn, Johnston, IA (Submissions due by December 26, 2007)
- February – No Meeting
- March 6, 2008 Commission Meeting – Stoney Creek Inn, Johnston, IA (Submissions due by February 21, 2008)

He noted that the March meeting would be the annual renewal of the gambling boat and gambling structure licenses. Chair Cutler asked about the Iowa caucus dates, expressing concern about possible conflicts. She was advised there is no conflict at the present time.

Chair Cutler moved to the rules being submitted under Notice of Intended Action, and called on Mr. Ketterer for a review. Mr. Ketterer advised that Items 1-11 and 13-18 are amendments due to Legislative changes, relocation of rules to another chapter or other changes to Iowa Rule of Civil Procedure references; Item 12 changes the time that the weekly and monthly numbers are due to the Commission; Items 19-34 update existing rules to correspond with national rules of racing; Item 35 allows the Commission to engage more than one independent testing facility for the testing of gambling games or implements of gambling; Item 36 makes the cash payout of a prize to be at least 75% of the fair market value of the merchandise or thing of value offered as a prize; Item 37 changes the theoretical payout percentage to the actual aggregate percentage payout; and Item 38 requires that a progressive jackpot that has been removed from the floor be transferred to another progressive slot machine at the same facility within 30 days of removal. Mr. Ketterer requested that the proposed rules be approved for Notice of Intended Action.

Hearing no comments or questions concerning the rules, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the rules as submitted for Notice of Intended Action. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 07-90)

Chair Cutler called on the IOC regarding their request for an extension of time to file their annual financial audits with IRGC. Curt Beason, legal representative, requested an extension of time for the operating subsidiaries of IOC to file their annual financial audits. He provided a brief history behind the request, noting that the change in corporate headquarters from Biloxi, Mississippi to St. Louis, Missouri triggered a chain of events. The auditing firm, Ernst & Young, is projecting that they can have the financials completed by October 31, 2007, giving the Commission the ability to review them at the November Commission meeting.

Commissioner Bair asked the original due date for the audits. Mr. Beason advised they were originally due July 31<sup>st</sup>. Commissioner Bair asked Mr. Ketterer if the Commission has the authority to grant an extension. Mr. Ketterer stated that the Commission has a blanket authority to enforce the Code, which states the audits are due 90 days after the end of the licensee's fiscal year. Commissioner Bair expressed concern about setting a precedent, given the fact that they are this far behind in filing the reports.

Chair Cutler asked Mr. Ketterer if the Commission has the authority to levy a fine or penalty, clarifying that she is not suggesting they do so at this time, but that it would be a possibility if the reports are not available to the Commission prior to the November 8<sup>th</sup> Commission meeting. Dave VanCompernelle, Assistant Attorney General for IRGC, answered in the affirmative. Chair Cutler, noting the extenuating circumstances, advised this was a one-time pass, and put the licensees on notice that the Commission could not tolerate late filings in the future.

Mr. Ketterer asked Mr. Beason if there were still any pending approvals before the SEC board. Mr. Beason indicated all filings had been submitted, and all issues are resolved. He stated that he understood the Commission's concerns.

Commissioner Seyfer stated that he would like to establish October 31 as the deadline for filing the financial audits as that is the date the auditors have established.

Hearing no further discussion, Chair Cutler requested a motion. Commissioner Bair moved to grant the request for an extension until October 31, 2007 for the operating subsidiaries of IOC to file their annual audited financial statements. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-91)

Chair Cutler called on Wild Rose Emmetsburg (WRE). Tom Timmons, Vice President of Operations, requested the Commission's approval to change the status of the facility from a moored barge to a gambling structure due to a change in the Iowa Code on July 1<sup>st</sup> which removed the requirement that the casino floor be over water. He advised that in Emmetsburg a portion of the man-made lake is under the casino floor, which froze last winter even though there are jets in the lake to circulate the water to prevent that from occurring. Mr. Timmons stated WRE is hoping to drain the lake back far enough to get the water out from under the casino, fill the area with dirt, seal it off over the winter, and then add more dirt next spring and grass. Additionally, depending on the bids, WRE is

looking at the possibility of adding an outdoor amphitheater to the west of the lake. Mr. Timmons advised that WRE held a couple of outdoor concerts this summer that were very successful, but have limited seating for indoor concerts. Mr. Timmons stated that, based upon the Commission's approval, WRE has submitted six contracts with Iowa vendors on the basis that the project will be put out for bids next week. He indicated that only one will be selected to perform the work, but wanted to be able to proceed in a timely fashion.

Commissioner Seyfer, noting that the Request for Transaction Summary Form shows a total of \$3 Million, clarified that WRE is only going to proceed with one of the bids. Mr. Timmons indicated that was correct.

Commissioner Bair asked if the above work would curtail casino operations. Mr. Timmons answered in the negative.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Hamilton moved to approve WRE's request to change the status of their facility from a moored barge to a gambling structure and one of the six contracts submitted to remove the water from under the casino floor. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-92)

Chair Cutler moved to the contract approval portion of the agenda and called on Argosy Casino-Sioux City. Kees Eder, General Manager, presented a contract with AmeriFlex for Section 125 accounts (flexible spending accounts) for employees.

Hearing no comments or questions concerning the contract, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contract as submitted by Argosy Casino. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 07-93)

Chair Cutler called on Lakeside Casino. Damon Butler, General Manager, presented the following contracts for Commission approval:

- Anderson Erickson Dairy – Purchase of Food & Supplies for Kitchen
- Crawford Law Firm – Legal Services

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by Lakeside. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-94)

Chair Cutler called on Ameristar Casino. Jane Bell, Director of Government & Community Affairs, presented a contract with Hawkins Construction Company for construction for Commission approval.

Chair Cutler asked how Ameristar was progressing in receiving the necessary permits to proceed with construction. Ms. Bell advised that they are still in the design process.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Bair moved to approve the contract as submitted by Ameristar. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-95)

Chair Cutler called on Isle of Capri Bettendorf (IOCB). Mo Hyder, General Manager, presented the following contracts for Commission approval:

- All Star Incentive – Merchandise for Isle Style Redemption
- Midwest Publishing & Marketing – Gifts for Marketing Promotions

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by IOCB. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-96)

Chair Cutler called on the isle casino & hotel at Waterloo (isle). Kim Hardy, General Manager, presented the following contracts for Commission approval:

- Community Motor Company, Inc. – Vehicle Give-Away
- Standard Textile Company – Linens & Textiles for Hotel, Casino & Restaurants
- Starbucks Coffee Company – License Agreement for Starbucks Coffee Company

Commissioner Seyfer asked how Starbucks could be considered an Iowa vendor. Mr. Hardy stated that he understood they had an office located in Des Moines. He indicated that he would research the matter and get a response to the Commission.

Hearing no further comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by the isle. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-97)

Chair Cutler called on the Diamond Jo (DJ). Natalie Schramm, General Manager, presented a contract with Medical Associates Health Plan for employee health insurance premiums.

Chair Cutler asked if the above was an insurance company. Ms. Schramm advised that it is the employee health plan, which is fully insured.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contract as submitted by DJ. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-98)

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

- J & A Printing – Direct Mail Printing
- Magic Media – Billboard Advertising
- Martin Bros. Distributing Co. – Cigarettes and Grocery Items for The Jo Shop/Cigarettes for Casino
- Post Bulletin Company, LLC – Newspaper Advertising
- Worth County Treasurer – Casino Property Taxes
- Vision Iowa/Diamond Jo Dubuque Parking Ramp TIF Bond Purchase Financing

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by DJW. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-99)

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

- Frank Baxter General Contractor – Construction Services
- Edward Don & Company – Additional Smallwares
- Gary Hoyer Law Firm – Legal Services
- Sign Productions, Inc. – Interior & Exterior Graphic Signage
- Dodd Drywall & Plastering – Construction
- Continental Fire & Sprinkler – Construction
- Liberty Doors, Inc. – Construction
- Myers Construction, Inc. – Construction
- Marcus Lumber Co. – Construction
- Cardmember Service through Peoples Trust – Credit Card Purchases
- CEC – Purchase of Communications & IT Equipment & Services
- Dale Lee Distributing Co. – Beverage Purchases
- Graphic Controls, LLC – Slot Machine Gaming Tickets
- J&A Printing, Inc. – Mail Processing & Printing Services
- Johnson Bros. Iowa Wine & Beverage – Beverage Purchases
- JP Gasway Co., Inc. – Purchase of Clothing, Other Retail Items
- Midwest Flying Service of Iowa, Inc. – Flying Services
- Polk Partners – Public Relations Consulting
- Shottenkirk – Purchase of Vehicles
- Shuffle Master, Inc. – License & Lease Agreement
- Chicago Title Insurance – Fees Related to Loan
- Kehl Development Corporation – Services to Assist in the Development of Casino Project

- Global Payments Gaming Services, Inc. – Credit Card Debit Card Advance Processing Agreement
- Global Payments Gaming Services, Inc. – Check Guarantee Agreement
- Bally Gaming, Inc. – Slot Machine Lease
- Kidder Benefits Consultants, Inc./Nationwide Investments – 401K Plan Financial Representative/Consultant/Custodian
- Agilysys NV, LLC – IBM Hardware/Software Maintenance Agreement

Chair Cutler called on Mr. Ketterer for comments. Mr. Ketterer noted there were a few contracts submitted at the August meeting that dated back to 2006, which prompted a review of all of the contracts and/or transactions at Riverside by Des Moines and Riverside IRGC staff, as well as Riverside staff. He noted the review was not quite complete at the time the meeting packets were sent out, but advised there will be a report from IRGC staff at the November meeting. Mr. Ketterer stated there may be a few additional contracts to be submitted.

Chair Cutler asked if there were more contracts to be submitted. Mr. Massa indicated that was correct; however, he believes Riverside staff now understands the process and what needs to be submitted. He indicated his feeling that there is some ambiguity to the rule; that there was no intent to deceive the Commission. Of the 27 items submitted, eight were construction contracts that were originally approved and exceeded the approved amount by \$100,000 or 25%. The remaining contracts were purchase orders that just didn't get submitted. He attributed some of the lapse to individuals who are new to the gaming industry, and the process of getting the property open.

Hearing no further comments or questions 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. 07-100)

Chair Cutler moved to the next agenda item – a presentation concerning the acquisition of Harrah's Entertainment, Inc. by Apollo Management (Apollo) and Texas Management Group (TPG). Michael Silberling, General Manager, advised that the following individuals would be giving the presentation: Steve Brammell, Senior Vice President and General Counsel for Harrah's, Karl Peterson for TPG, and Anthony Civale for Apollo. Mr. Brammell stated this is the first regulatory hearing on this transaction; noting that they would be in New Jersey and Mississippi next week, and other jurisdictions over the next couple of months with the goal and expectation of completing this transaction later this year or the early part of 2008.

Mr. Brammell stated that when Harrah's was before the Commission when they purchased Harvey's they talked about things like operational excellence, capital improvements, community involvement, and expressed his belief that Harrah's has lived up to those commitments. He indicated the Commission would hear many of the same things from them and the sponsors as they look to the future under the new ownership of



TPG and Apollo. He advised that the management vision for Harrah's remains unchanged; that the transaction represents a change in ownership, not a change in direction. Their strategy will continue to be the leading gaming operator by focusing on their current markets and maintaining the national platform. Mr. Brammell stated that Apollo and TPG have put a flexible capital structure in place that can fund the company's growth plans and also withstand unexpected contingencies. The Code of Commitment to Guests, Employees and Community will continue to be the company's guiding principle. Mr. Brammell pointed out Harrah's strong relationship with the state, state regulators, local government and Iowa West Racing Association, the non-profit license holder for Harrah's and Horseshoe Casino/Bluffs Run Greyhound Park. Mr. Brammell concluded his remarks by stating that Harrah's is excited to partner with Apollo and TPG due to their financial strength, history of investing in and growing franchise businesses, extensive experience in highly regulated industries, and commitment to helping Harrah's execute their growth strategy.

Mr. Brammell turned the floor over to Mr. Peterson, one of the partners at TPG and one of the applicants before the Commission. Mr. Peterson commenced his portion of the presentation by stating that TPG and Apollo believe Harrah's is a great company with great assets. He credited Harrah's advantage to their national platform, the Total Rewards program, and the management team, which lead Apollo and TPG to believe that the company as a whole is worth more than the sum of its parts. Mr. Peterson gave a quick overview of private equity and who TPG and Apollo are. In private equity, there are two parts – limited partners and general partners. The limited partners are the institutional investors who make long-term commitments to the private equity funds, and they are silent partners. The institutional investors are large, well-known sources of capital looking for attractive investment terms, who give their proxy to the equity funds as a general partner to manage the funds. In this case, TPG and Apollo are the general partners and are serving as fiduciaries for the silent limited partners. TPG and Apollo are entrusted to make the investment decisions, manage the investments and deal with the day-to-day operations of the portfolio companies. Mr. Peterson advised that the equity fund companies do not receive any funds until the limited partners have received their return of capital plus a fixed return. Mr. Peterson advised that TPG and Apollo are among the top five or six private equity firms, are approximately the same size and manage about \$35 million in capital each. Apollo is headquartered in New York, and TPG is headquartered in Ft. Worth, Texas. In addition to their experience with highly regulated industries, Apollo and TPG each have a partner who has previously gone through the licensing process in Iowa. Mr. Peterson highlighted some of the various franchise companies in which TPG and Apollo are or have been involved.

Mr. Peterson moved to the beneficiaries of the private equity funds, noting that they are one of the least understood areas. He advised that private equity funds generate a higher return than what is available in the general market by investing in mutual or index funds. The vast majority of the capital goes to state and public pension funds which constitute a majority of the fund's assets. Mr. Peterson highlighted one company each that TPG and Apollo had acquired and showed the results of the investment.

Mr. Peterson turned the presentation over to Anthony Civale, a partner in Apollo, who covered some of the highlights of the transaction to purchase Harrah's, which was signed in December 2006. TPG and Apollo agreed to purchase Harrah's for \$90 per share, or \$31 billion for the company, making it one of the largest transactions in the private equity community, and one of the largest investments for each of the two firms. TPG and Apollo, along with co-investors, have committed \$6 billion dollars of new equity to invest in Harrah's, demonstrating their strong belief in the future of the company – both locally and globally. Mr. Civale stated that in addition to the equity provided by TPG and Apollo, they have received financial commitments from some of the largest investment and commercial banks in the country and world. Following the transaction, \$4.5 billion of existing debt held by Harrah's will remain outstanding.

Mr. Civale then covered what TPG and Apollo felt were the key regulatory considerations: management, reputable equity investors, maintaining the assets, Harrah's strategy and guiding principles, substantial liquidity available, ability to fund capital expenditures, support of leading institutions, and significant sponsor investment.

Chair Cutler pointed out that the Commission had spent approximately 2½ hours in Executive Session receiving the information provided to the Division of Criminal Investigation, noting that the transaction is much more complicated than the preceding presentation would lead one to believe. She stated that in the past it appears the companies have focused on distressed companies, and wondered why they chose Harrah's as it doesn't fit that particular model.

Mr. Peterson advised that TPG invests in broken businesses, which are hard to do and are time and research intensive, but balance those transactions by buying franchise industry-leading businesses that are leaders in their market position, have great management teams and are operating on a status quo basis where they can add some value and guidance. Chair Cutler asked if TPG would maintain the Harrah's brand. Mr. Peterson answered in the affirmative.

Commissioner Urban asked about the time frame for closing the transaction. Mr. Brammell advised that they will be making a presentation to all nine of the jurisdictions over the next couple of months, with the goal of being able to complete the transaction by late this year or early next year. He indicated that progress on the transaction is on track at this time.

Commissioner Seyfer pointed out that since the merger agreement was signed in December 2006 there has been a dramatic change in the interest rates, and asked how those changes have impacted the numbers utilized to put the transaction together.

Mr. Civale agreed there has been a lot of volatility, especially over the last 3-4 months, and over the entire year as well. He stated that when the papers were signed in December 2006, TPG and Apollo did have financing commitments from the nine banks which locked in the interest rate for the debt. He noted there is \$4.5 billion of outstanding debt

at Harrah's that is not affected by what has happened over the course of the last 3-4 months. Mr. Civale stated that the new debt committed to by TPG and Apollo was done at a predetermined rate in December 2006.

Mr. Peterson stated that the contractual commitments that TPG and Apollo have from the banks has shifted the interest rate from Harrah's to the leading banks, meaning they could be subject to some losses due to the interest rate volatility.

Commissioner Seyfer asked if the banks locked in the interest rates last December without an out. Mr. Peterson answered in the affirmative. Commissioner Seyfer, referring to the substantial liquidity available under the Key Considerations (\$2 billion revolver plus additional sources), stated that it was his understanding that it is standard practice for the private equity funds to move onto the next project once the current project is funded. He asked about the additional sources that could come into play. Mr. Peterson advised that the company does generate capital that could be reinvested in the business, in addition to the revolver loan. Additionally, the companies do have other assets that could be utilized to provide liquidity in the event of a severe downturn. Mr. Peterson noted that both TPG and Apollo have a history of investing capital to grow the business as those opportunities present themselves.

Chair Cutler asked when they would be making their presentation to Nevada and New Jersey, noting Harrah's substantial holdings in those two states. Mr. Brammell advised that they will be in New Jersey next week, and that Nevada will be later this year. He stated the investigation in Nevada is proceeding on schedule.

Mr. Ketterer noted that the Commission has always encouraged reinvesting in the properties, indicating that Harrah's has been a hallmark of that. He pointed out that Harrah's riverboat is affected by a recent law change which provides the opportunity to move to a land-based structure. He requested assurance that the practice of reinvesting in the properties via capital expenditures would continue under the new ownership. Mr. Peterson assured Mr. Ketterer and the Commission that the practice of reinvesting in the property would continue. Mr. Petersen stated that TPG and Apollo are committed to maintaining at a minimum maintenance capital certainly, but will also look to value-added expansion projects as the local management decides to bring them forward..

Mr. Civale thanked everyone for their research and diligence in learning about the transaction. (A copy of the presentation is available in the Commission's Des Moines office.)

Following a short break, the Commission moved to the next agenda item – the racetrack license renewals and granting of race dates and racetrack enclosure gambling license renewals. Chair Cutler called on Iowa West Racing Association/Bluffs Run Greyhound Park & Casino and Horseshoe Casino (IWRA/BRGP/HSC). Jerry Mathiason, Director of IWRA, respectfully requested approval of the licenses for BRGP and HSC, noting that it has been 23 years since the Commission granted the first license to BRGP. He

highlighted some of the businesses that have moved into the “entertainment corridor” surrounding Ameristar, Harrah’s and BRGP/HSC, noting that plans are in the works for four more hotels and the largest IMAX theater in Iowa is to be built in the area. Additionally, an announcement is being made tomorrow regarding some public art features to be unveiled from some publicly renowned artists.

Mr. Mathiason turned the floor over to Mr. Silberling, who commented on the recent \$87 million investment in BRGP/HSC and their partnership with a hotel company to open a new facility in November 2008. Iowa purchases are 72%, while the second quarter of 2007 was at 81%, and the contracts included in the license renewal document represent 92.4% of purchases with Iowa vendors. Mr. Silberling noted the Council Bluffs facility’s success in getting some Iowa vendors approved for national contracts with Harrah’s. Taxes paid to the state increased to \$47 million following the Horseshoe Casino expansion, the number of Iowa employees has increased by 26%. They just recently co-sponsored another concert at the Mid American Center. Harrah’s Council Bluffs held their first World Series of Poker last February, and is included again this year, which could be televised. On the racing side, Mr. Silberling advised that approximately \$500,000 had been spent, and another \$500,000 is going towards improving the kennels. He noted that live handle declined, consistent with what is occurring nationally. Export handle increased by 8%. BRGP held five \$60,000 stakes races in 2007, and the \$450,000 Breeder’s Classic will be a featured race for the American Greyhound Track Owners Association’s Night of Stars races. Greyhound purses are supplemented by \$9 million in addition to the Night of Stars. Mr. Silberling requested approval of the licenses and race dates.

Jim Quilty, legal representative for the Iowa Greyhound Association, took the opportunity to applaud BRGP for proposing to schedule some races during the Triple Crown races. He believes it is a good move for greyhound racing, and hopes it is a good move for the casino.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Bair moved to approve the license renewal for IWRA/BRGP and grant the race dates, renew the racetrack enclosure license and approve the contracts contained with the renewal application. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-101)

Chair Cutler called on the Dubuque Racing Association/Dubuque Greyhound Park & Casino (DRA/DGP&C). Bruce Wentworth, General Manager, advised that 2008 would be the 24<sup>th</sup> year of live racing and the 13<sup>th</sup> year of casino operations. He noted they were the first pari-mutuel facility to open in Iowa (June 1, 1985) and remain under one owner. Mr. Wentworth advised that Brian Southwood and Brian Carpenter, Assistant General Manager and Director of Racing respectively, were also present to answer any questions.

Hearing no further comments or questions concerning the application, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the license renewal for

DRA/DGP&C and grant the race dates, renew the racetrack enclosure license and approve the contracts contained within the renewal application. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 07-102)

Chair Cutler called on Prairie Meadows Racetrack & Casino, Inc./Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer, General Manager, advised that the facility opened in 1989, is on target to have the best year ever, and has a record number of employees. He introduced Derron Heldt, Director of Racing, who addressed the racing license renewal.

Mr. Ketterer asked Mr. Heldt how much the purses were going to be for 2008, and how much would be going to each breed. Mr. Heldt advised that the purse structure for the racing calendar submitted with the license application would sustain what was done in 2007 for all three breeds, or an average of \$18,300 for the thoroughbred meet, and \$13,500 for the mixed meet on the thoroughbred side. He stated that purses for all three breeds will average just about what PMR&C paid this year. Mr. Ketterer asked the percentages for the three breeds. Mr. Heldt advised that the thoroughbreds received 81.37%, 14.35 % for the quarter horses and 4.28% for the harness meet. Mr. Ketterer confirmed that PMR&C is anticipating approximately the same percentages for 2008, and asked the total amount to be expended for purses in 2008. Mr. Heldt answered in the affirmative on the percentages, and advised that total purses would be approximately \$19.5 million. Mr. Ketterer noted that Iowa Code requires not less than 11% of adjusted net receipts from gambling games, and that last year PMR&C was around the 11% plus they contributed \$1 million toward standardbred racing at county fairs. He asked what was being proposed for 2008. Mr. Heldt advised that PMR&C would be paying the standardbreds \$1 million for county fair races. Mr. Ketterer again asked the percentage of purse supplements from gambling games, reiterating that Iowa Code requires a minimum of 11%. Mr. Heldt advised that the 4.28% purse to the standardbreds represents their portion of the 11%, and the \$1 million is above that amount. Mr. Ketterer stated that it was his understanding that the above percentages indicated how the 11% would be divided up, and there will be an additional \$1 million to the standardbreds for county fair racing. Mr. Heldt answered in the affirmative.

Commissioner Bair asked if that was the only money going to purses above the required 11%. Mr. Heldt answered in the affirmative.

Commissioner Bair asked about the number of races per week. Mr. Heldt advised that during the thoroughbred only meet, they are running nine races per performance until the last week of May at which time they will run ten races from the first part of June through the second week of July, which is when they have the most horse population on the backside.

Commissioner Bair asked if all parties were in agreement. Mr. Heldt stated that PMR&C took the guidance of the Commission and worked very hard to negotiate three-year contracts with all of the horsemen's groups. He advised that agreements had been

reached with the standardbreds and the quarter horse group. Mr. Heldt stated that PMR&C had met with the thoroughbreds all afternoon the previous day and came to a consensus on everything except the Iowa Horsemen's Benevolent and Protection Association (IHBPA) chose a one-year contract over a three-year contract. Commissioner Bair asked if the other two breeds were still in agreement on principle. Mr. Heldt indicated he thought they were.

Commissioner Urban asked Mr. Heldt what the difference was between 2008 and 2007 regarding the number of races. She asked if they were asking for an increase in the number of races. Mr. Heldt answered in the affirmative, that they have asked for an additional 40 races.

Commissioner Hamilton asked if PMR&C would have a sufficient number of horses to support the number of requested races. Mr. Heldt stated that it is difficult to know in advance how many horses will come for the meet; PMR&C is at the mercy of the trainers/owners as to the number of horses they bring for the live race meet. In the past few years, the stalls have not been filled to capacity, making it difficult to fill races. Mr. Heldt stated that PMR&C tries to average 7-8 entries per race. Commissioner Hamilton asked if there was a minimum number of entries per race and whether the race would be run if there were less than seven entries. Mr. Heldt advised that racing staff will take a hard look at the race if there are less than 5 betting interests, but stated that whether the race is run or not is at the discretion of the racing office. He stated the racing office works hard to add another horse to those races with 5 or 6 entries. Commissioner Hamilton asked if PMR&C would then be racing horses that should not be running. Mr. Heldt advised that the racing office respects the entries submitted by the trainers, trusting that the trainers have submitted healthy horses for the race. Commissioner Hamilton asked if anyone, like the state vet, besides the trainer makes that determination. Mr. Heldt answered in the negative, but added that the state vet does walk through the barns in the morning checking the horses pre-race, and can make a determination as to whether the horse is healthy enough to race. He also stated there are safe guards in place during live racing as well, including a state vet on the racetrack.

Commissioner Bair, noting that the Commission just received a report on track surfaces at the August meeting, stated that he saw a newspaper article indicating PMR&C was going to replace the track surface. He stated that the track surface is only one element of the safety of the horses. Others are too many races, exposure, etc. that can also lead to injury. Commissioner Bair stated that he hoped that would not eliminate the study of the synthetic track surfaces by PMR&C. Mr. Palmer stated that PMR&C experienced several problems with the track this season as it became too packed after the rains, even after maintenance crews worked the surface. PMR&C gathered a study group and called in some professionals and the determination was made to replace the track surface. PMR&C brought in a scientist, Michael DePew from Michigan, who analyzed the current track surface, and was able to provide some new information concerning the makeup of the track surface.

Mr. Ketterer asked Mr. Palmer about the source of the materials, if they were the same as they have received from Hallett in the past. Mr. Palmer answered in the negative; stating that in 1994 they used red sand which appeared to be the perfect surface for all of the breeds. That material can no longer be found; Hallett has a small amount left that has been stockpiled to be mixed with other materials. Mr. Palmer advised that Hallett had looked throughout Iowa, Nebraska, Minnesota, and Illinois to find as close an aggregate as possible to the original surface.

Mr. Ketterer asked what assurance PMR&C could offer that they would not experience the same problems that they did in the past few years. Mr. Palmer stated that based on the recent scientific study, PMR&C learned that it takes a number of years for the calcification of the carbonates to reach a point where they can no longer be broken up. PMR&C is looking into a scientific solution that would involve treating the water PMR&C receives from Altoona with a PH ingredient. This method would require a new storm sewer, and they would have to work with the Department of Natural Resources to determine how the treated water would be taken care of in order not to violate any environmental rules. They also are looking into whether any other racetrack has experienced this problem. Mr. Palmer stated that if worst comes to worst, it may be necessary for PMR&C to replace the track surface again in three or four years if they continue with this type of track surface.

Commissioner Urban asked Mr. Heldt if he had ever analyzed the number of Iowa horses versus horses coming from out of state that are participating in the thoroughbred meet. Mr. Heldt stated that the number of horses applying for stalls runs anywhere from 35-38% for Iowa-breds, with the rest being open horses that come in from other states. He indicated that number fluctuates from year to year, sometime higher, sometimes lower. Commissioner Urban stated that what she was hearing is that more than half the horses are coming from other states. Mr. Palmer stated that PMR&C does get a lot of horses that travel here from Houston, Arkansas, Illinois, and Florida.

Hearing no further comments or questions concerning the license renewal application, Chair Cutler called for comments from the various horsemen's associations. Doug Vail, representing the Iowa Thoroughbred Breeders & Owners Association (ITBOA), read a letter from Leroy Gessman, President of the ITBOA, which was dated October 8<sup>th</sup> to the Commission. Mr. Gessman stated that a meeting was held on Monday, October 8<sup>th</sup> between representatives of PMR&C and the IHBPA. The meeting started out by PMR&C stating they had a three-year contract agreed to by the quarter horse representatives. A meeting was taking place in a different room with the standard bred representatives. At the end of the day, the standard bred representatives had also agreed to a three-year contract, and the thoroughbreds representatives agreed to a one-year contract. Attorney Tom Flynn advised that the quarter horse interests were close and might yet sign a three-year contract. On Friday, October 5, 2007, the quarter horse president, Butch Hammer, indicated to the ITBOA that they had agreed to a three-year contract with PMR&C. As this letter is read, the IHBPA does not know whether or not PMR&C actually has a contract with the quarter horse interests, but the IHBPA is willing

to sign a one-year contract; however, they would like the ability to continue to negotiate with PMR&C in the hope they would have a contract signed by the November 2007 Commission meeting.

Mr. Vail stated that he could address the issue of the one-year contract. He advised that IHBPA's By-Laws do not allow a current president to sign a contract commitment beyond one year of his final term, which would be next August for Mr. Gessman. Mr. Vail advised that the IHBPA is trying to get to a long term contract with one of the conditions of the contract being that the next Board would approve it as well. The IHBPA membership does not see any reason why that could not occur.

Mr. Vail asked to comment on the number of Iowa-bred and open horses. He advised that he performs a bi-monthly stall count with PMR&C's stall manager. Mr. Vail stated that Mr. Heldt was close on his numbers, although he felt the number of Iowa-breds was a little higher. He indicated that seems to be the trend at racetracks that have a casino, particularly since the competition for horses is getting stronger and there are more places to run. He stated that it is his opinion that in the future the real source for horses is going to have to come primarily from the state-bred programs. Mr. Vail stated his last stall count showed 560 stalls occupied by Iowa-breds out of 1,130 occupied stalls. He indicated that not all horses in the stalls are necessarily running. Mr. Vail advised that he does not sit on the negotiating committee.

Commissioner Urban stated that her question concerning Iowa-bred horses and out-of-state horses was predicated on her concern that if the program is extended, the Iowa-bred horses would be running more, and concern about the health of the horses. Mr. Vail stated that the beginning and ending dates of the meet are further apart, providing additional racing opportunities over a 4-day per week schedule. He expressed his hope that PMR&C would race more Iowa-breds.

Commissioner Bair, referring to Mr. Vail's comment on more racinos and more competition, and the number of races per performance, asked Mr. Vail if he had any concerns about the horses being run too often. Mr. Vail stated that is always a concern, but the matter goes back to the trainer, which is why the state veterinarian and staff inspect the horses prior to racing as well as the day of the race. If they detect a potential problem, they have a right to scratch the horse. Mr. Vail stated that PMR&C has addressed his primary concern – the condition of the track. PMR&C's report at last month's Commission meeting indicated that it was too soon to consider a synthetic track, particularly as additional information continues to become available. He stated that Arlington, racing on Polytrack, had more entries, larger fields, horses ran back quicker, and they had half the number of breakdowns than they had the previous year. Mr. Vail stated that PMR&C is in the unique position of racing three different breeds on the same track surface. He indicated that he did not think there was another track in the country dealing with that same scenario.



Chair Cutler noted that the IHBPA had agreed to a one-year contract, but requested until November to negotiate with PMR&C. She asked if they agreed with the contract, with the only issue being the length of the contract. Mr. Vail indicated that was his understanding of the situation, but asked if PMR&C had a signed contract with the quarter horse association.

Tom Flynn, legal counsel for PMR&C, advised that there is a signed contract with the standard bred, but the quarter horse association has an issue with one clause they want to work out dealing with legislation that may be adverse to the terms of the contract. The quarter horse association and PMR&C are in agreement on the division of purses and racing days.

Mr. Vail stated that his understanding of the situation from Mr. Gessman is that the IHBPA is willing to sign a one year contract. Chair Cutler questioned why the IHBPA wanted to continue negotiations with PMR&C until November as it would still be a one-year contract; that the IHBPA was not going to amend their by-laws to change that provision. Mr. Vail indicated that could happen, but the revision would have to be taken to the national level. He noted that the president selected next year would be in a position to enter a three-year contract. Commissioner Hamilton asked if the only reason the IHBPA would not sign a three-year contract has to do with the president of the IHBPA not being able to sign a three-year contract. Mr. Vail indicated that was his understanding.

Mr. Flynn stated that as of last night, PMR&C had included the same language in the three-year agreement with the standard bred that the quarter horse association balked on, and the thoroughbreds have stated that it was absolutely a no go. The provision is the one that deals with adverse legislation. The thoroughbred association has led PMR&C to believe that they will pursue legislation that may mandate the division of purses or something to do with purses and racing opportunities and they did not want to enter into any agreement that would preclude or impair their ability to do so. PMR&C's position has been to try and get a three-year agreement, and questioned why they needed legislation.

Hearing no further comments for Mr. Vail, Chair Cutler called for a representative of the quarter horse association to address the Commission. No one was present to do so.

Chair Cutler called on the harness association. Royal Roland commenced his comments by clarifying that the comments concerning the number of Iowa-bred horses applied to the thoroughbreds and quarter horses only. He stated that 65% of the purse money paid by PMR&C went to Iowa registered or owned horses. Mr. Roland stated that he was before the Commission in the unique position of having a three-year agreement with PMR&C for the 2008-2010 racing season. He stated the financial attributes of the agreement are somewhat disappointing – 4.28% for purses in addition to the \$1 million for the county fair racing circuit, which is less than the 2006 purse package and fair supplement. Mr. Roland advised that the Iowa Harness Horsemen's Association (IHHA)

Board felt the fact that PMR&C was willing to make a three-year agreement to fund the county fair races outweighed any other financial attributes. Mr. Roland stated there is one other item in the contract that he wanted to bring to their attention, which has also been alluded to by the other breeds and has to do with legislative activities. The provision is as follows: "In the event that any legislation, administrative rule, judicial or arbitration decree or order is enacted or entered into from and after the date of this agreement which in the sole discretion of Prairie Meadows is adverse to the terms and agreements agreed to by Prairie Meadows, Prairie Meadows shall have the right to terminate this agreement upon thirty days written notice to the Iowa Harness Horsemen's Association." Mr. Roland stated that as an organization, they want the three-year agreement, and believes that is what the Commission also desires. He indicated the provision does offer PMR&C a large range of termination options that are out of the IHHA's hands. Mr. Roland stated the IHHA would be looking to the Commission for help in discouraging PMR&C from terminating the agreement in the event the contemplated event occurred.

Commissioner Bair asked for clarification as to what authority the Commission has regarding the agreements in the event three-year contracts are not submitted for all three breeds. Mr. Ketterer advised that the agreements are for purse supplements from gambling games, and that is the only requirement of the joint submission. If PMR&C does not have a joint submission of three agreements, then it is up to the Commission to set the purses in addition to setting the race dates and renewing the license.

Commissioner Hamilton asked if the Commission had the authority to make the parties sign a three-year contract. Mr. Ketterer stated that the Commission did not have to make the parties sign any agreement; if they all reach an agreement that covers purse supplements from gambling games with PMR&C and submit them simultaneously then the Commission will approve them. If they don't, then it falls to the Commission to set the purse levels. Chair Cutler stated that the Commission could exceed the percentages PMR&C set forth today. Mr. Ketterer answered in the affirmative.

Mr. Roland stated that if the Commission makes the determination as to purse supplements for 2008, it would be on a one-year basis, and asked what effect that would have on the IHHA's agreement. He made the assumption that the IHHA's agreement would be invalid. Mr. Ketterer advised that the IHHA could still enter into an agreement on other negotiated issues outside of purse supplements. The Commission's requirement under the Iowa Administrative Code is that purse supplements from gambling games for all three breeds must be submitted simultaneously.

Commissioner Bair stated that it is his understanding from previous comments by the thoroughbred representative is that they agree in principle except for the provision Mr. Roland just read. Chair Cutler asked Mr. Flynn if there was any chance it would be changed. Mr. Flynn advised that it could if all three breeds would agree to the purse supplements; however, since PMR&C was alerted to the fact that one breed might attempt to get legislation that would alter the division of purses and set racing days which

could affect the amounts paid by PMR&C and mandated racing days they feel it is necessary. The goal of including the provision was to discourage those breeds that signed off on the agreement from pursuing legislation. Mr. Flynn stated that it is an important provision if PMR&C can not reach an agreement with all three breeds.

Commissioner Bair stated that legislation would always supersede any agreement entered into, either by the horsemen's groups or riverboat licensees and their operators. Mr. Flynn indicated that he believed that to be an accurate statement. Commissioner Bair stated that the groups could go ahead and agree to the contracts, and if legislation occurred, legislation occurred. Mr. Flynn indicated that is what he believes will happen. He concurred with Commissioner Bair's statement that any agreement or contract could be superseded by legislative action.

Commissioner Bair again asked if the thoroughbred representatives agreed in principle with what PMR&C proposed. Mr. Flynn stated that his understanding from the previous day's meeting is that the thoroughbreds are in agreement with the racing opportunities and division of purses proposed for 2008, but they did not want a three-year contract. Commissioner Bair asked Mr. Vail if that was his understanding as well. Mr. Vail stated that if the provision read by Mr. Roland is included in the thoroughbred contract, he indicated that he would be reluctant to agree to the contract as there are some issues that need to be addressed legislatively, not only for the thoroughbreds, but the horse industry as a whole. He stated that if the provision is taking away that right and puts the horsemen's groups in violation of their contract with PMR&C; that would be a tough position to be in as Iowa is not in line with what is occurring nationally in order to be competitive. He indicated that there would be proposed legislation to deal with the issues. Mr. Vail stated that as a manager of a breeding farm, he has to make decisions that will affect the operation and industry four or five years from now, not just three years down the road. He advised that if his racing opportunities are reduced from 700 to 300 or 400 in a year that will have a tremendous impact on the breeding industry. Commissioner Bair asked if some of the reduction in racing opportunities would be offset by the increased competition from the surrounding states, particularly Kansas. Mr. Vail agreed, but noted the horsemen had agreed, in good faith, to the "not less than 11% of the purse money", which is now the lowest of the 23 racinos in the nation for purse supplements. He stated that the horsemen are not looking to change that amount, but are looking to change the number of racing opportunities and the sunset clause effective in 2021 as that will have an impact on his breeding decisions in 2016. Mr. Vail stated that he is not confident about the future.

Commissioner Bair stated that hopefully one of the issues to be addressed would be to have races that would encourage higher purses due to the amount bet on the race itself rather than just relying on gambling game supplements.

Chair Cutler asked if there were any additional questions for PMR&C. Mr. Flynn stated that Mr. Heldt needed to clarify what has been submitted versus what has been discussed. Mr. Heldt stated that the racing calendar as submitted and what has been discussed with

the three breeds are different. If the breeds elect to proceed with what has been discussed, the calendar would be longer by a week, with more racing opportunities. The standard breeds would still have 18 days, but the calendar changes for the thoroughbred and mixed meets from what has been submitted.

Mr. Ketterer asked Mr. Heldt what he is asking the Commission to approve since PMR&C does not have an agreement with the thoroughbreds or quarter horses – what has been submitted or something different than what has been submitted. Mr. Heldt stated that PMR&C was seeking approval of the racing dates and purse supplements as submitted. He advised that in attempting to reach a three-year agreement with the quarter horses, PMR&C had to do some things differently (length of season), which then affected the thoroughbred's length of season. The increased length provided additional days, meaning additional opportunities to race.

Chair Cutler asked why the Commission would not wait to give any approvals until they had exact dates. Mr. Ketterer stated that the Commission has the authority to set the dates; what is before the Commission is what has been submitted and what they are asking the Commission to approve. During the process of negotiations, PMR&C has considered other dates. The question for the Commission is whether they want to approve the dates, purses and percentages as submitted, or do they want to give PMR&C another month to see if they can reach an agreement with all of the breeds.

Commissioner Bair asked what the chances were of PMR&C being able to reach three-year agreements with all of the breeds if the Commission waited until the November Commission meeting. Mr. Heldt, noting that PMR&C has had five-year contracts in the past, stated that if Mr. Vail's statement that the thoroughbreds won't enter into more than a year long contract is accurate, he doesn't know what would change.

Commissioner Bair expressed concern over the fact that PMR&C was asking for approval of what has been submitted versus what has been negotiated. Mr. Ketterer stated that the dates and purses negotiated were based upon the inclusion of the questionable provision in the contract. PMR&C was willing to extend the season in exchange for getting the provision in the contract, and that has not occurred at this point. Thus, PMR&C is back to the original submission.

Mr. Palmer stated that it was very important to PMR&C to enter into a three-year contract if they could with all of the horsemen's groups in order to provide some continuity to them as well as PMR&C. With regard to Commissioner Bair's question as to whether another month would make a difference, he stated that if PMR&C is unable to get the thoroughbreds to agree to more than a one year agreement, it voids the other two, which would not qualify as a joint submission under the rules.

Chair Cutler asked if the issue was back in the Commission's hands. Mr. Ketterer stated that it is always in the Commission's hands as far as purses are concerned if PMR&C is unable to reach an agreement with all three breeds. Mr. Ketterer advised that the

Commission's alternatives are to approve the license renewal and race dates as submitted, modify it in some respect based on some of the comments made today or to wait until the November meeting in the hopes that the parties can make some progress in resolving the issues.

Commissioner Bair stated that he would like to wait and see if PMR&C could negotiate a three-year contract with all of the breeds. Commissioner Hamilton, noting that no one was happy the last time the Commission decided race dates and purses, stated that she would also like to wait. Commissioner Urban concurred. Commissioner Seyfer stated that he would like to proceed as he does not believe anything will change by waiting as the IHBPA's By-Laws prevent the organization from entering into a three-year contract.

Noting that these by-laws have been in effect for some time, there was some discussion as to how the IHBPA entered into three- and five-year contracts in the past. Mr. Vail stated that there were different presidents, it was an agreement made by the previous president, which very well could have been in violation of the by-laws.

Hearing no further comments or discussion, Chair Cutler requested a motion. Commissioner Bair moved to postpone any decision on PMR&C's license renewal and request for race dates and renewal of the racetrack enclosure license until the November Commission meeting, with the hope that the horsemen and PMR&C can reach an agreement on a three-year agreement, but more than likely a one-year agreement. Commissioner Urban seconded the motion.

Chair Cutler asked Mr. Ketterer if PMR&C could submit one one-year agreement and two three-year agreements and meet the "submitted simultaneously" requirement of the Code. Mr. Ketterer stated that he would defer to the Assistant Attorney General, but felt that the last two years of the three-year agreements would not be legally binding as the third party would not be included. Mr. Ketterer reiterated that the Commission sets the purses with one exception – if all parties agree and the agreements are submitted simultaneously. If they are not submitted simultaneously, which would be the case under the above scenario; there would not be any agreement as they were not submitted simultaneously.

Chair Cutler called for the vote. The motion carried on a 3-2 vote, with Commissioners Hamilton and Seyfer voting nay.

Chair Cutler moved to the additional contracts submitted by PMR&C. Mr. Palmer submitted the following contracts for Commission approval:

- Hallett Materials – Dirt, Salt, & Silt Materials for Maintenance
- Iowa Harness Horseman's Association – Standardbred Agreement for 2007 Racing Season
- McAninch, Inc. – Racetrack Surface Maintenance, Including Excavating & Grading Projects

- North American Communications Resource, Inc. – Telephone Equipment & Service

Mr. Ketterer asked Mr. Palmer how much of the McAninch contract was for converting the track surface for the standard bred meet. Mr. Palmer advised that all of it was for the conversion. He stated that PMR&C plans to remove the dirt from the training track, and replace it with the dirt from the regular track. Mr. Ketterer noted that the value of the contract was increased to \$650,000, or a net increase of \$200,000, which is for removing the surface from the main track, and putting that material on the training track.

Hearing no further comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the additional contracts as submitted by PMR&C. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-103)

Chair Cutler moved to the Hearings before the Commission:

- Catfish Bend Casino – For Violation of Iowa Code §99F.9(5) (Employing underage on floor)
- Riverside Casino & Golf Resort – For Violation of Iowa Code § 99F.4 (22) (Voluntary self-exclusion)

Mr. Ketterer advised the Commission that he has entered into a Stipulated Agreement with both facilities. He explained that the situation at Catfish Bend Casino (CBC) involves a violation of Iowa Code Section 99F.9(5). CBC hired a 17-year old male to work in a bar back position. The individual stated that he thought the Human Resources employee and his department supervisor knew that he was only 17, and those two individuals indicated they thought his age was acceptable for a bar back employee. It was later revealed that a 15-year old male came forward and turned in his IRGC license to security; he had been licensed and working as a housekeeper on the gaming floor for 10 days. Mr. Ketterer noted this violation is different than the other underage violations that have come before the Commission. Mr. Ketterer stated that in some respects he felt this violation was worse initially because of the lack of overall supervision within the Human Resources Department in that they would hire an underage individual to be working on the gaming floor. He indicated the ultimate goal is to prevent underage individuals from gambling, which did not occur in either of these instances as the individuals were just performing their job duties. Mr. Ketterer stated that the Stipulated Agreement provides for an administrative penalty of \$20,000. He recommended approval.

Hearing no comments or questions for Mr. Ketterer concerning the Stipulated Agreement, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the Stipulated Agreement as submitted. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-104)

Chair Cutler moved to the Riverside agreement. Mr. Ketterer advised that this was a violation of Iowa Code Section 99.4(22), which pertains to the voluntary self-exclusion provision. He advised that on February 9<sup>th</sup>, 2006, an individual completed an Iowa Statewide Lifetime Self-Exclusion form at IOC Bettendorf. On October 11, 2006, Riverside created an in-house account for this individual, recording that he was on the Iowa state-wide self-exclusion list. On February 23, 2007, the individual entered Riverside and created a Player's Club account. A Riverside employee failed to hit a duplicate check key; therefore, two accounts were created for this individual. From February through the end of July, 2007, the individual recorded slot and table game play on 14 different days. From April through the end of July or early August, he received five promotional mailings. On the first Player's Club account that did reveal the individual was on the state-wide self-exclusion list, the individual recorded table game play on June 24<sup>th</sup> and August 2<sup>nd</sup>. On August 2<sup>nd</sup>, the individual inquired as to whether he had more than one Player's Club account, which is when this issue was discovered. Mr. Ketterer stated that this violation meets the threshold on many criteria that was established by the Commission earlier this year for a violation of the state-wide self-exclusion provision of the Code. The agreement calls for an administrative penalty of \$20,000. Mr. Ketterer recommended approval.

Hearing no further comments or questions for Mr. Ketterer, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the Stipulated Agreement with Riverside Casino & Golf Resort as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-105)

Chair Cutler called on Mr. Ketterer for Administrative Business; there was none. Chair Cutler moved to Public Comment. Mr. Timmons advised that the Mississippi Belle II/Wild Rose Clinton would be taking its last cruise on Wednesday, October 10th, marking the end of an era in Iowa's riverboat gambling industry.

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

MINUTES TAKEN BY:

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JULIE D. HERRICK

# **IOWA RACING AND GAMING COMMISSION**

## **MINUTES**

### **NOVEMBER 8, 2007**

The Iowa Racing & Gaming Commission (IRGC) met at Stoney Creek Inn & Conference Center, 5291 Stoney Creek Court, Johnston, Iowa, on November 8, 2007. Commission members present were Kate Cutler, Chair; and Commission members Diane Hamilton, Greg Seyfer and Toni Urban. Commissioner Gerry Bair was absent.

Chair Cutler called the meeting to order at 8:30 AM, and requested a motion to approve the agenda. Jack Ketterer, Administrator of IRGC, advised the Commission of one correction – Item 8 should read Horsemen’s Benevolent and Protective Association, not the Iowa Thoroughbred Breeders and Owners Association. Commissioner Seyfer moved to approve the agenda as amended. Commissioner Hamilton seconded the motion, which carried unanimously.

Chair Cutler moved to the approval of the minutes from the October 9, 2007 Commission meeting, and requested a motion. Commissioner Seyfer moved to approve the minutes from the October 9 Commission meeting as submitted. Commissioner Urban seconded the motion, which carried unanimously.

Chair Cutler called on Mr. Ketterer for announcements. Future Commission meetings are as follows:

- December 2007 – No Meeting
- January 10, 2008 Commission Meeting – Stoney Creek Inn, Johnston, IA  
(Submissions due by December 26, 2007)
- February – No Meeting
- March 6, 2008 Commission Meeting – Stoney Creek Inn, Johnston, IA  
(Submissions due by February 21, 2008)
- April 17, 2008 Commission Meeting – Diamond Jo Worth, Northwood, IA  
(Submissions due by April 3, 2008)

Mr. Ketterer advised that the Commission will consider the approval of the Harrah’s acquisition at the January 10, 2008 Commission meeting, and will take up the gambling structure and excursion gambling boat license renewals at the March 6, 2008 Commission meeting.

Chair Cutler moved to the review of the financial audits for the Isle of Capri properties, and called on Isle of Capri Bettendorf (IOCB). Mo Hyder, General Manager, advised that the past year had been one of transition for the IOCB; however, they believe most of the challenges are behind them and are looking forward to another great year. He noted



that IOCB recently opened up their \$40 million hotel tower in Bettendorf, and that it is doing well. The tower continues to draw numerous customers from the Illinois side of the market. The Convention Center is now under construction, and is expected to open in the fall of 2008.

At this time, Mr. Hyder turned the floor over to Patrick O'Such, Senior Vice President of Finance for IOCB and Rhythm City Casino (RC). Mr. O'Such advised that IOCB's gaming revenues were approximately \$90 million; contributions back to the community totaled approximately \$105 million (including the \$40 million hotel tower), 96% of which stayed within Iowa's borders; \$40 million for the hotel tower; \$18 million in salaries, benefits, and taxes, \$21 million in gaming taxes and \$3.7 million to Scott County Regional Authority, the non-profit license holder.

In Davenport, Mr. O'Such reported gaming revenues of \$76 million; contributions back to the community totaled \$50 million, with 96% staying in Iowa; \$14 million in salaries, benefits and taxes; \$16 million in gaming taxes and \$2.5 million to Riverboat Development Authority.

Mr. O'Such advised that IOC continues to look for opportunities to reinvest in the community in both Bettendorf and Davenport.

Mr. Ketterer noted that casino revenues were down from \$101 million to \$90 million, and asked for their thoughts on the decline. Mr. Hyder indicated the facility in Riverside had some impact, with the bulk of the impact coming from the Iowa City and Cedar Rapids markets.

Chair Cutler called on Barron Fuller, General Manager, at IOC Marquette (IOCM). Mr. Fuller advised IOCM had net gaming revenues of \$37.6 million on \$3.5 million net operating income; \$3.6 million in capital investments; \$11 million in payroll; 4% of key employees are Iowa-based; contributed over \$2 million back into the community through the City of Marquette, Clayton County and Upper Mississippi Gaming Corporation (UMGC). Mr. Fuller stated that through the Marquette Chamber and UMGC, IOCM vied for one of Iowa's Great Places, but was not successful. On the flip side, they were able to bring Hollywood to McGregor for filming for five weeks.

Mr. Ketterer asked Mr. Fuller if IOCM had seen any impact on revenues from Diamond Jo Worth (DJW) or Waterloo. Mr. Fuller stated that IOCM has 13 different market segments, with Mason City being one of them. That segment accounted for approximately 5% of the revenue, and lost around 30% of that market when DJW opened up, and a little more with the expansion. They saw a small decline when Riverside opened; however, they have regained some of that business. Mr. Fuller stated that Waterloo is another marketing segment; however, many Black Hawk County residents own second homes in the Clear Lake area so they saw some increase in the summer months. They will be watching what happens in the next few months.

Chair Cutler called on Catfish Bend Casino (CBC). Gary Hoyer, CEO, presented a proposed amendment to the Southeast Iowa Regional Riverboat Commission (SIRRC) license and operating agreement concerning the Fort Madison location. The amendment was approved by SIRRC last month. CBC sought the amendment which would permit them to suspend operations in Fort Madison for an indefinite period of time. Mr. Hoyer stated the intent is to improve cash flow as a result of the operational changes. He advised that the decision to close the Fort Madison facility will reduce employee numbers; there are approximately 185 who have been employed for less than six months. Those individuals will be terminated, but are eligible for rehire. CBC will attempt to absorb as many as possible through attrition. The Burlington property sees approximately 30-40 people leave per month.

Chair Cutler called for comments or questions. Commissioner Seyfer noted that the copy provided to the Commissioners did not reflect a signature by SIRRC. Mr. Hoyer stated that SIRRC has signed the document, and that it had been sent to Mr. Ketterer. Mr. Hoyer stated that the plan is to cease operations in Fort Madison on November 15<sup>th</sup>, subject to the Commission's approval.

Mr. Ketterer asked if there was a different operating schedule for the Burlington property. Mr. Hoyer stated that the property had been operating 24/7; but changed the operating schedule to open at 8:00 AM and close at 3:00 AM on a daily basis.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the request to amend the SIRRC Operating Agreement and the schedule change for operations in Fort Madison. Commissioner Urban seconded the motion.

Mr. Ketterer requested that Mr. Hoyer keep the Commission informed by providing the following information with the license renewal application: financial status or update on the operation, and the status of the regional interaction with Keokuk and the non-profit and how that is working with a single location. Mr. Ketterer also asked for some marketing strategy without giving up proprietary information, and a report on the job absorption.

Hearing no further comments or questions for Mr. Hoyer, Chair Cutler called for the vote on the motion. The motion carried unanimously. (See Order No. 07-105)

Chair Cutler moved to the contract approval portion of the agenda and called on Ameristar. Teresa Meyer, General Manager, presented a contract with Brad Henry Friedmutter & Associates to serve as the expansion consultant.

Mr. Ketterer asked if Ameristar explored any Iowa architects, and if so, what led Ameristar to choose this company. Ms. Meyer advised that Ameristar chose Friedmutter because of their experience in building casinos throughout the country, quality of design,

and follow-through. She indicated that she could not elaborate on whether other firms were considered as she was not involved in that part of the process.

Chair Cutler advised that the Commission has the same concerns here as they did with Harrah's expansion and utilizing Iowa vendors during their construction, and the problems and concerns that were brought to the Commission during the process. She requested that Ameristar provide the Commission with a list of Iowa vendors used and employees at each Commission meeting.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contract as submitted by Ameristar Casino. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-106)

Chair Cutler called on the Isle Casino & Hotel, Waterloo (the Isle). Kim Hardy, General Manager, presented the following contracts for Commission approval:

- Lithographic Communications, LLC – Direct Mail Vendor
- Royal Buying Group – Gas Card Give-Away
- MidAmerican Energy – Utility Service Company for Waterloo

Hearing no comments or questions, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by the Isle. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-107)

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

- Brunswick Bowling & Billiards – Bowling Alley in new Diamond Jo Casino Entertainment Facility
- Hewlett-Packard – Purchase Computers & Hardware
- White & Case, LLP – Specialized Legal Services

Chair Cutler asked about the Brunswick contract. Mr. Aviles advised the new DJ facility would include a 2-lane bowling alley. He indicated ground was broken for the project last week.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Urban moved to approve the contracts as submitted by DJ. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-108)

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

- White & Case, LLP – Specialized Legal Services

- Xenia Rural Water District – Sale of Waste Water Treatment Facility

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by DJW. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-109)

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

- Sysco Food Service of Iowa – Food Purchases
- Flynn Wright – Marketing Agency
- Zenders at Riverside – Spa Operating Agreement
- Roberts Dairy Company – Food Purchases
- Prodigy Promos – Promotional Give Aways
- Acushnet Company – Golf Resort Supplies
- Kehl Development Corp. – Segway Golf Package
- MidAmerican Energy – Utility – Gas Charges

Following a brief discussion concerning the Segway Golf Package, Chair Cutler requested a motion. Commissioner Urban moved to approve the contracts as submitted by RCGR. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-110)

Chair Cutler called on Lakeside Casino. Damon Butler, General Manager, presented the following contracts for Commission approval:

- AC Coin & Slot Service Company – Slot Leases & Parts & Supplies
- Active Electronic Services – Parts for Surveillance Equipment (RP)
- Alliant Energy – Gas & Electric Service
- Aristocrat Technologies, Inc. – Slot Lease, Hardware & Software Maintenance Agreements, Parts & Supplies
- Bally Gaming Systems – Slot Leases, Parts & Supplies
- Clarke County Development Corp. – Contribution to Fund Terrible's Lakeside Casino
- Community Activities Fund (RP)
- ColorFX – Marketing Services
- Core-Mark International – Purchases for Resale at the C-Store – Candy, Food & Supplies
- The Des Moines Register – Marketing Services – Advertising
- Golden Eagle Distributing – Purchase Beer for Resale at Casino and C-Store
- Holmes – Murphy – Property, Casualty, Liability & Workers Comp Insurance
- International Gaming Technology – Lease of Slot Machines, Parts & Supplies
- Iowa Megajackpots – Slot Machines Leases

- Loffredo Fresh Produce Inc. – Purchase Fresh Produce for Kitchen
- Loomis Company – Third Party Administrator for Self Funded Health Insurance
- Martin Brothers Distributing – Food and Supplies for Kitchen
- McKinley Inc – Purchase Resale Items for the Gift Shop
- Metro Fish – Food and Supplies for Kitchen
- Global Payment Check Services (NDC) – Patron Check Processing Guarantee Service
- Osceola Municipal Services – Water and Sewer Service
- Pepsi – Beverages for Customers/Employees and Resale
- Principal Financial Group – 401K and Dental Insurance
- Reinhart Food Services – Food and Supplies for Kitchen
- Shuffle Master – Lease Games and Table Supplies
- Sigler Companies – Purchase Resale Items for the Gift Shop
- Spurrier Oil Co., Inc. – Fuel Purchases for Resale at C-Store
- Vernon & Company – Purchase Resale Items for the Gift Shop
- Whitfield & Eddy PLC – Legal Services
- WMS Gaming Inc. – Lease of Slot Machines/Parts/Supplies

Hearing no 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. 07-111)

Chair Cutler called on Wild Rose Emmetsburg (WRE). Tom Timmons, Vice President of Operations, presented a contract with McAninch Corporation for the removal of water from under the casino and construction of an amphitheater. He stated that he presented six contracts for the same scope of work last month, but when the project was put out for bid, none of the local contractors' work schedules allowed them to bid on the project. WRE is now in the process of soliciting bids for the project. Mr. Timmons advised that the water is out from under the casino, and now they are looking for someone to build the dike.

Commissioner Hamilton asked if WRE is planning on completing this project yet this year. Mr. Timmons indicated that was the goal, but the main goal was to get the water out from under the casino floor before it froze this year.

Hearing no further comments or questions concerning the contract, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contract as submitted by WRE. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-112)

Chair Cutler called on IOCM. Mr. Fuller presented the following contracts for Commission approval:

- Hartford Life Insurance – Employee Insurance
- All Star Promotions – Marketing Redemptions
- Wells Fargo – Credit Card Payments
- Bridgeport Inn – Guest Lodging

Commissioner Urban asked about the Bridgeport Inn contract. Mr. Fuller advised that Bridgeport Inn is a hotel located in Prairie du Chien, Wisconsin. He noted that the hotel located next to the property, as well as IOCM's own hotel, only have 25 rooms each.

Hearing no further comments or questions, Chair Cutler requested a motion. Commissioner Urban moved to approve the contracts as submitted by IOCM. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-113)

Chair Cutler called on Dubuque Greyhound Park & Casino (DGP&C). Bruce Wentworth, General Manager, presented a contract with IKON Office Solutions for a copy machine lease.

Hearing no comments or questions concerning the contract, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contract as submitted by DGP&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 07-114)

Chair Cutler called on Horseshoe Casino/Bluffs Run Greyhound Park (HSC/BRGP). Jeannie Magdefrau, Vice President of Finance, presented a contract between HBR Realty Company and Iowa West Racing Association for the third amendment to the lease, which allows an easement for utilities for the planned hotel.

Hearing no comments or questions concerning the contract, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contract as submitted by HSC/BRGP. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-115)

Chair Cutler moved to the next agenda item – the 45-day Plan for the 2008 Live Race Meet at BRGP. Rory DeSantiago, Director of Racing, addressed the season approvals for the 2008 racing season.

Mr. Ketterer stated that the Commission staff appreciated being kept up-to-date on the changes in racing officials. He advised that Dr. Keith Soring, Interim Director of Racing, had prepared a summary of the 45-day season approval submission. Mr. Ketterer requested that BRGP keep up with the export simulcast approvals.

Hearing no comments or questions concerning the season approval submission, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the 2008 Season Approvals for BRGP, subject to the staff recommendation that BRGP staff continue to

submit simulcast schedule requests for approval by IRGC staff to insure compliance with all regulatory requirements. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 07-116)

Chair Cutler moved to the next agenda item – a presentation by the Iowa Horsemen's Benevolent and Protection Association (IHBPA) concerning the 2008 Live Race Meet at Prairie Meadows Racetrack & Casino (PMR&C). Leroy Gessman, President of the Iowa HBPA, stated that the IHBPA represents over 3,000 horsemen that participate in racing at PMR&C and breeders across the state. Mr. Gessman advised that the thoroughbred association had not yet reached an agreement with PMR&C for the 2008 live race meet, noting this will make the second year in a row they have come before the Commission in order to resolve issues. He indicated the group is in the same position as last year; they are looking for stability, increased purses and racing opportunities, and to make PMR&C an attractive facility to out-of-state horsemen so they will come for the live race meet. Mr. Gessman stated the negotiating committee has been talking to PMR&C about having one thoroughbred meet rather than having a mixed meet; pointing out that several scenarios have been presented. At the first meeting with PMR&C, the thoroughbreds were given the same plan the Commission was given at the October meeting, and the calendar presented today is a reflection of that plan – a 51-day thoroughbred meet and 35-day mixed meet. PMR&C also presented the thoroughbred association with a three-year plan that continued to grow the thoroughbred meet further into July, which the IHBPA voted on and accepted. At a second meeting between IHBPA and PMR&C, the IHBPA was advised that calendar has been removed from the table, and the race meet schedule was back to the old schedule. Mr. Gessman stated that a flaw of the current race schedule is that thoroughbred owners have to leave during the mixed meet and there is no place with a new meet at that time. The horsemen are not able to go to an existing meet as the barns are already full. The IHBPA is seeking a thoroughbred meet that goes through the end of July as that would create a circuit for thoroughbred horsemen – Oaklawn Park in the spring, PMR&C in early summer, and Remington in late fall. Mr. Gessman suggested utilizing the 51-35 day schedule with approximately 711 racing opportunities for thoroughbreds during that time period.

Mr. Gessman moved to the issue of purses, stating that PMR&C needs to be competitive with the surrounding tracks in the Midwest, noting that he has provided the Commission with a listing of the average overnight purses at the Midwestern tracks with which PMR&C competes for horses. He indicated the thoroughbreds would like to see an average purse of \$18,111, which would provide a competitive edge, straight through the thoroughbred only and mixed meets. In order to reach that level and fund the stakes races, the IHBPA would be asking for \$17.5 million for purses. Based on the purse levels at the other tracks, Mr. Gessman indicated horsemen would choose Louisiana Downs or Lonestar over PMR&C or some of the other tracks listed due to the longer race meets and higher purse levels.

Mr. Gessman stated that during the 2002 race meet, the thoroughbreds received \$17.5 million, which decreased by 25% in 2003, 2004, and 2005. At that point, legislation was

passed requiring a minimum of 11% of adjusted gross revenue, and purses have been increasing over the last two years. Mr. Gessman requested that the Commission consider the IHBPA's plan to help make PMR&C a place where thoroughbred horsemen want to come and participate.

Mr. Gessman referenced the economic impact to Polk County of approximately \$8-9 million while the thoroughbred horsemen are at PMR&C. That money is re-spent within the county as the horsemen are buying feed, supplies, and paying vet bills, jockeys, and trainers, which then spend their money in the area.

Mr. Gessman stated that healthy purses and increased racing opportunities will help strengthen the breeding industry which has also seen a decline since the purses declined in 2002. Noting that he owns a transportation company, Mr. Gessman advised that he has noticed a decline in the number of mares being brought to Iowa to be foaled, which he also linked to the decline in purses. His customers are indicating that the decline is directly related to the purse structure and the uncertainty surrounding racing in Iowa.

Mr. Gessman asked the Commission to give the IHBPA's plans some consideration as they believe it will work well for Iowa racing, the thoroughbred industry and the thoroughbred owners around the country.

Mr. Ketterer informed Mr. Gessman that he had advised the Commission members about the meeting between the IHBPA and staff. He thanked Mr. Gessman for the information provided today as it addresses a number of relevant factors regarding the number of performances and purses. Mr. Ketterer stated that during the meeting one of the comments relating to purses was that the thoroughbreds were receiving 81.37% of total purses that PMR&C indicated was available using 11% of net gambling receipts, and that the IHBPA indicated they felt their share should be 83%. Following a discussion on that issue, staff advised the IHBPA to put together some information to present to the Commission. Mr. Ketterer advised that if the IHBPA were to receive 83% of the total purse money, they would have received an additional \$318,000 for purses. He informed the Commission that was what the IHBPA was looking for, or approximately \$16.1 million. He asked how the \$17.5 million figure was reached, whether this was the new figure they arrived at following their research in gathering the information presented today; or if that it is the ideal level to make PMR&C competitive.

Mr. Gessman concurred that the IHBPA did indicate 83% during the meeting. The IHBPA felt that Commission staff did not want to talk about purses in percentages, so they converted the figure to dollars. Mr. Ketterer asked if the IHBPA did receive 83% of the purse money, would it equal \$17.5 million. Mr. Gessman indicated that was correct. He advised that the IHBPA ran the numbers, after reviewing purse information from the Thoroughbred Times and seeing where PMR&C fell within those numbers, this is the amount the IHBPA feels is necessary in order to be competitive. He stated that \$16.1 million would be more acceptable than the amount offered when the parties first started talking, but does not raise the average purse over the \$18,000 level.



Mr. Ketterer asked how IHBPA calculated the numbers to arrive at \$17.5 million. He stated that when staff took the number of races run in 2007, which is about the same as the number proposed in the amended submission by PMR&C (around 660-665) and divided that by the \$15.8 million proposed by PMR&C, it equaled approximately \$23,000 for average purse. Seven hundred eleven performances divided by \$17.5 million comes to approximately \$23-24,000.

Mr. Gessman advised that the IHBA deducted the Iowa supplement and stake races from the \$17.5 million, and then deducted the stakes races from the number of performances for a total of 671 overnight races. They then used the \$12.15 million left from the \$17.5 million and divided that by 671.

Mr. Ketterer clarified his understanding that IHBPA does not consider the supplement money to be purse money. Mr. Gessman indicated they do, but were trying to figure the purses in the same manner as Thoroughbred Times so that the IHBPA number would look comparable to the numbers in Thoroughbred Times for the tracks in other jurisdictions. Mr. Ketterer asked if the numbers presented would be equivalent to the numbers for those states. He indicated that some of them include supplement money in the purse. Mr. Gessman stated that the chart in Thoroughbred Times gives total purses, average purse, and average overnight; he indicated IHBPA was working with the average overnight purse figure, which would take the stakes races out of the purse level before it is divided.

Mr. Ketterer noted that 20% of the total purse amount received by the horsemen from PMR&C is set aside for the owners of winning Iowa-bred horses, and bonus money, which is added to the winning purse. As an example, if a horse wins a race with a \$20,000 purse, with the winner's share being \$12,000, the winning owner could receive an additional \$3,000 if his horse is an Iowa-bred. Mr. Gessman stated that the IHBPA used the average purse, which was low to start, as there are some tracks with significantly higher stakes races so the average purse with stakes races included is distorted. Mr. Gessman, referencing the Iowa-bred supplement purse money, noted that it is used to pay breeders' and stallion awards. He pointed out that the Iowa Thoroughbred Breeders and Owners Association (ITBOA) is in charge of the supplement money, and also utilizes a portion of those funds for their own stakes races.

Chair Cutler asked Mr. Gessman to clarify his comment about "the uncertainty of racing in Iowa". Mr. Gessman explained that the horsemen sometimes get the feeling that racing is not wanted at PMR&C, not necessarily by PMR&C, but by the community and Polk County. He noted there are certain individuals that do not want racing at PMR&C; they make it well known, and try to take action politically to attempt to minimize horse racing at PMR&C, which causes uncertainty in the industry.

Mr. Gessman stated that when a horse is bred, sometime around Valentine's Day, the breeder is making decisions that will affect the program three or four years down the road

from 2008. Foals born next year will not run for 3-4 years, and any amount of uncertainty makes it difficult to make breeding decisions.

Commissioner Hamilton asked what steps Mr. Gessman felt needed to be taken to improve the community's feelings about racing at PMR&C. Mr. Gessman indicated greater promotion of the sport and more community involvement would be a start. He conceded that some individuals will not change their mind regarding this matter regardless of what is done. Commissioner Hamilton asked if he had tried talking to some of those individuals. Mr. Gessman answered in the affirmative. He stated that the purse decline in 2002 was an attempt to try and appease some of those individuals against horse racing. He noted that Jim Rasmussen indicated he felt it would be a way to appease those individuals; however, they only wanted more concessions.

Hearing no further comments or questions for Mr. Gessman, Chair Cutler moved to the racetrack license renewal, granting of race dates and renewal of the racetrack enclosure gambling license for PMR&C. Gary Palmer and Derron Heldt, General Manager and Director of Racing respectively, were present to answer questions.

Mr. Heldt noted that the Commission asked them to return in November, and since the October meeting, PMR&C has submitted a new plan. He advised that the Iowa Harness Horsemen's Association (IHHA) and the Iowa Quarter Horse Racing Association (IQHRA) have signed three-year agreements with PMR&C, which is reflected in the calendar submitted to the Commission last week. Between the October meeting and today, PMR&C has met with the IHBPA in an attempt to reach a 3-year agreement, but have been unable to do so.

Mr. Ketterer asked Mr. Heldt to provide some insight into PMR&C's philosophy for the change. Mr. Heldt stated PMR&C took the Commission's concerns into consideration regarding the number of races per performance. On the previous calendar, PMR&C had ten races per day during the months of June and July. Based on the Commission's concerns regarding the racing surface and the safety of racing animals, PMR&C felt it would be better to reduce the number of races to nine as it would be better for the horses at PMR&C as they would not have return to run another race so soon. The calendar for the Mixed Meet in September reflects five thoroughbred races per day versus six.

Mr. Ketterer asked about the 51-35 race calendar for the thoroughbred and mixed meet races versus the 47-43. Mr. Heldt stated that for the 51-35, PMR&C made the second week in July part of the mixed meet versus thoroughbred only, and added an additional week in September. Mr. Ketterer asked PMR&C's thought process in making that change. Mr. Heldt advised that PMR&C has been running that type of meet for the last three years; and while they do understand the arguments presented by the industry concerning creating a circuit among some racetracks, PMR&C does not believe those changes would occur for the 2008 meet. Another aspect was meeting with the quarter horse group in an attempt to deal with their concerns and reach a 3-year agreement. Mr. Heldt stated that from November 2006 through January 2007 when PMR&C came before

the Commission with their 45-day Season Approval, they have been attempting to enter into 3-year agreements with all three horsemen's groups. He stated that in order to get 3-year agreements with the quarter horse and harness groups, it was necessary to make some changes to the proposed live race meet calendar. Mr. Heldt advised that PMR&C worked very hard to achieve those agreements.

Commissioner Urban advised Mr. Heldt that she appreciated his comments about the safety of the horses, which is a concern of the Commission, and the fact that PMR&C is installing a new racing surface. She wondered if there would be a reduction in the number of accidents and deaths, and whether those could be attributed to the racetrack surface or the fact the horses were racing too often.

Hearing no further comments or questions for PMR&C at this time, Chair Cutler called for comments from the IQHRA or IHHA regarding PMR&C's submission.

Matt Eide, representing the IHHA, thanked PMR&C staff for their diligence and hard work in order to achieve the 3-year agreement. He noted that it is not perfect, but the IHHA does support the submitted agreement and feels it is fair.

Butch Hammer, representing the IQHRA, stated that when they started their negotiations with PMR&C, they indicated the need for a longer window due to the nature of the industry with the two-year old futurities. Another reason for starting the mixed meet earlier in July was that a significant number of horses come to PMR&C from Remington, whose meet ends the first part of June. The lengthening of the mixed meet provides a longer racing window, provides some stability, and the 3-year agreement provides the industry with an opportunity to plan. Mr. Hammer advised the number of quarter horses is declining due to the one-year agreements signed the past couple of years. He noted that the quarter horse group also saw a 25% decline in their purse money and are just now getting back to where they should be in order to be competitive with the premier tracks in the county. Mr. Hammer stated the IQHRA considers PMR&C to be one of the premier quarter horse meets in the country.

Mr. Ketterer, referring to the 51-35 split race calendar submitted to the Commission by the IHBPA which also included 8 days of quarter horse only racing following the mixed meet in a two-week time frame in order to preserve the time frame agreed to and the number of racing opportunities, asked Mr. Hammer to share his feelings on that calendar. Mr. Hammer stated he was out-of-state when the calendar was submitted and did not have any idea it was being submitted. He stated that over the last couple of years, the IQHRA has filled its races, and has had an 8 point or better average per race. He believes the quarter horse association is on the right track with four races per day, with the ability to run a fifth race if there are enough horses to fill the race. Mr. Hammer stated the intent is to fill the races, and he is confident that with only 4 or 5 races per day they can do so and put on a good racing program for the public. Mr. Hammer advised that the IQHRA would prefer not to run 8 days that are strictly quarter horse races. Mr. Hammer stated that he spoke with Troy Buck, Executive Director of American Quarter Horse Racing

(AQHRA), and it is AQHRA's opinion that a mixed meet is a better meet for all concerned.

Chair Cutler called for any additional comments or questions. Chair Cutler stated that Mr. Ketterer has done an excellent job in keeping the Commission informed, and expressed the Commission's appreciation for all of the information received from the horsemen and PMR&C. She indicated the Commission appreciated the good faith effort put forth by everyone to reach a consensus. Chair Cutler stated that the amended calendar appears to meet the needs of most of the parties involved. Chair Cutler advised the Commission would also consider the contracts in the motion. The following contracts were submitted by PMR&C for Commission approval:

- Cash Systems, Inc. – 3 Year Contract for Casino Guest Credit Card Cash Advance Services
- Clear Channel Broadcasting, Inc. – Advertising Expense
- Control Installations of Iowa – Surveillance Equipment
- Garner Printing – Printing Services
- Global Payments – Casino Guest Check Cashing Services
- IGT – Table Game Equipment
- Iowa Harness Horsemen's Association – 3 Year Standard Bred Agreement
- Iowa Quarter Horse Racing Enterprise, Inc. – 3 Year Quarter Horse Agreement (RP)
- Occupational Health Center, PC – Company Doctor and Medical Review Officer

Mr. Ketterer advised that the contracts with the Iowa Harness Horsemen's Association and the Iowa Quarter Horse Racing Enterprise, Inc. should be deferred until the January meeting as the Commission is interpreting the statute to mean that the horsemen's agreements are to be submitted simultaneously, and at this point, there is no agreement with the IHBPA.

Hearing no further comments or questions concerning PMR&C's license renewal or the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve PMR&C's license renewal with the amended calendar, race dates, racetrack enclosure gambling license, and the contracts as submitted, excluding the horsemen's agreements. Commissioner Seyfer included a provision that if there is a sufficient inventory of horses available during the thoroughbred and mixed meet; an additional race could be run. Commissioner Hamilton seconded the motion. The motion carried unanimously. (See Order No. 07-117)

Mr. Ketterer asked Mr. Palmer to carefully consider the following prior to answering. He noted that the harness and standardbred groups have chosen their direction with PMR&C, with an emphasis on more local racing, and PMR&C has agreed, outside of the purse structure, to support races at the county fair level. The purse structure offered to the quarter horse group puts them in the top five meets in the country for purses. Mr. Ketterer stated that he does not feel it is realistic for the thoroughbred group to expect to

be in the top five considering the tracks in Florida, New York, Southern California, or Kentucky and the resources they have to offer. On the other hand, what they have submitted is realistic in order to be competitive in the Midwest region. Mr. Ketterer posed the following question to Mr. Palmer:

Is it a priority with PMR&C and its Board of Directors, based upon \$200 Million in gaming revenue upon which purse receipts are based, to have a thoroughbred and quarter horse racing program that is the best or equal to the best in the region, and attract the best trainers, jockeys, and fans to PMR&C?

Mr. Palmer indicated that he could not speak for the Board, even though there is a lot of support for horse racing on the board. Speaking for himself and the Racing Department, Mr. Palmer stated that was exactly what they are seeking to achieve. He indicated they like horse racing, and believe it is a great venue for them, along with the casino and other venues. Mr. Palmer advised that it is PMR&C's goal to be the best, and they will do everything within their ability to be the best possible facility.

Mr. Ketterer then asked the second half of his question: Or is PMR&C and its Board only interested in allocating the minimum amount for purses and other resources in order to fulfill the statutory and regulatory requirements?

Mr. Palmer again indicated that he could not speak on behalf of PMR&C's board, but stated that PMR&C's philosophy is to maximize everything they have to its best.

Mr. Ketterer stated that it would be interesting to see if the Board would pass a resolution mirroring the thoughts just expressed by Mr. Palmer. Mr. Palmer indicated that he would present the idea.

Chair Cutler stated that she felt the above suggestion was appropriate in light of the minimum of 11% which PMR&C is willing to allocate to supplement purses. She believes the real discussion is how much money the horsemen's groups are receiving, and how it affects the ability of PMR&C to attract quality horses, trainers, etc. She requested that a response be given at the January 2008 Commission meeting.

Chair Cutler moved to the hearings for RCGR that are before the Commission:

- Riverside Casino & Golf Resort – For Violation of Iowa Code § 99F.4(22) (Voluntary self-exclusion)
- Riverside Casino & Golf Resort – For Violation of Iowa Administrative Code 491-5.4 subparagraph 8 (approval of contracts and business arrangements)

Mr. Ketterer advised the Commission members that a Stipulated Agreement had been reached with RGCR with respect to the individual who had completed the state-wide self-exclusion form at PMR&C. The individual contacted the Iowa Gaming Association on August 16, 2007 about continuing to receive promotional mailings from RCGR. As it

turned out, her information was downloaded by RCGR's Players Club on August 15, which precipitated the removal of her name from the direct mailing list. Mr. Ketterer stated that the Commission and RCGR have agreed to a \$20,000 penalty consistent with the Committee's recommendations on this issue last spring.

Moving to the second hearing regarding RCGR, Mr. Ketterer advised that a Stipulated Agreement had also been reached in this matter. This hearing pertains to several contracts that were not timely submitted for Commission approval that met the criteria for submission and Commission approval. Most have been submitted and approved over the last couple of meetings. Some of the contracts go back to 2006. Mr. Ketterer stated that the Commission and RCGR have agreed to a \$10,000 penalty for the delinquent submission of contracts.

Mr. Ketterer recommended approval of both Stipulated Agreements.

Chair Cutler called for any questions or comments. Mr. Massa assured the Commission that RCGR takes the issue of problem gambling very seriously; and underscored the difficulty in enforcing the self-ban provision. He pointed out that people who ban themselves later change their mind. Mr. Massa noted that thousands pass through on a daily basis, which presents a challenge in identifying those on the self-exclusion list. He indicated there is a need to match the complete name, address, and age, etc to the exclusion list.

Chair Cutler asked Mr. Massa if RCGR had established a new procedure to help catch these individuals. Mr. Massa advised there is nothing wrong with RCGR's procedures. He noted there are over 2,200 people on the self-exclusion list. He stated that if someone on the list decides they want to gamble and are willing to take the risk of being caught, they will do so. He suggested establishing some type of penalty to be assessed against those individuals. Mr. Massa stated that RCGR is not intentionally soliciting individuals on the self-excluded list.

Mr. Ketterer stated that during discussions with Mr. Massa and Wes Ehrecke, Executive Director of the Iowa Gaming Association, he expressed the opinion that the enforcement of the self-excluded list is more of a challenge than they anticipated. He suggested it would be beneficial for the licensees to convene a meeting of the individuals within their organizations who are responsible for compliance to share their various procedures, software, and ideas on what is the best and most effective way to prevent situations where people are presenting false identification or they need to be excluded from mailings, and take a proactive stance. Mr. Ketterer stated the Commission is not looking to see how many licensees they can have before them every month in order to levy administrative penalties. He indicated the licensees should be interested in finding ways to deter these individuals from returning. Mr. Ketterer concurred with Mr. Massa that the statute does include language giving a disclaimer to the State and the licensees as far as any liability to these individuals. The facilities are not expected to be able to identify everyone on the

list. The only way to identify these individuals is through identification, but one way to support their decision to put themselves on the list is to not send future mailings.

Hearing no further comments or questions concerning the Stipulated Agreements, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the two Stipulated Agreements entered into between the Commission and RCGR. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 07-118)

Following a short break, Chair Cutler moved to the hearing for Lena Gaines-Keatley. Mr. Ketterer advised that this hearing is an appeal of an Administrative Law Judge's (ALJ) Decision, and is not an evidentiary hearing. The only issue before the Commission is whether or not the ALJ made an error in his Findings of Fact or Conclusions of Law. He stated the Commission would receive 5-10 minutes of oral argument from the attorneys representing both sides, and then 2-3 minutes of rebuttal. At that time, the Commission will either make a decision, or go into Executive Session to deliberate and return to open session to announce their decision.

Peter Bratney, of the Brick Gentry Law Firm, was the legal counsel for Ms. Gaines-Keatley regarding the ALJ's Decision to deny the renewal of her gaming license. He conceded that Ms. Gaines-Keatley has made some mistakes in her life, between 1989 and 1997 she was convicted of a substantial number of serious and aggravated misdemeanors – driving while suspended, possession of a controlled substance, and prostitution. Mr. Bratney advised that she has paid her debt to society, has made the decision to not make any excuses for past mistakes and to turn her life around. Mr. Bratney stated that Ms. Gaines-Keatley has been clean and sober for ten years. She graduated from Des Moines Area Community College (DMACC) in May 2003, and graduated from Grandview College in December 2006. He stated that Ms. Gaines-Keatley has been an exemplary employee in every position she has held, including her job as a server at PMR&C. Mr. Bratney noted that Ms. Gaines-Keatley has applied for, and obtained, her Iowa Real Estate License, and her license from the State Board of Educational Examiners.

Mr. Bratney stated that Iowa Administrative Code Section 491-6.5 provides that a license shall be denied if an applicant has multiple convictions of simple misdemeanors, including those involving the entry of a deferred judgment and adjudication of delinquency for alcohol-related offenses unless Commission representatives determine that sufficient evidence of rehabilitation exists. Mr. Bratney stated that Ms. Gaines-Keatley was not here to make excuses for her past behaviors, nor to ask for the Commission's forgiveness; but to ask for compassion and understanding. Mr. Bratney informed the Commission that Ms. Gaines-Keatley would be addressing them, and asked that they listen with an open mind in order to judge for themselves whether or not she is sufficiently rehabilitated.

Ms. Gaines-Keatley stated that as a recent graduate of DMACC in 2003, she applied at hotels, hospitals, and retail outlets that are open 24 hours, including PMR&C. She had an interview less than a week after doing so. At the time of the interview, Ms. Gaines-

Keatley informed the interviewee that she had a record; the individual advised Ms. Gaines-Keatley that as long as they occurred more than five years ago, it was OK. In 2003, it would have been more than five years since her last conviction. Ms. Gaines-Keatley stated that at that point in her life, she was about quantity, not quality. She completed the license application. She stated that she had never been told how to present herself correctly in these types of situations, and was still in denial about the charges. Ms. Gaines-Keatley stated that it was not her intent to misrepresent herself on the application, nor did she understand the significance of the license.

In 2004, Ms. Gaines-Keatley returned to school, and PMR&C reimbursed her for the first year of school. PMR&C offered her a supervisory position, which she declined as it would interfere with school. In 2005 she reapplied for a license and disclosed everything, as she thought she had done previously. She still did not consider the misdemeanor convictions to be that bad, and was in need of a job and a break. She admitted that she still did not list the convictions on the application as she was still in denial. It was at this time that Ms. Gaines-Keatley started to pursue other interests. She moved to part-time employment at PMR&C in 2006, noting they worked with her to help her further her education and continued to reimburse her for costs.

In 2007, she completed an application with the Board of Education Examiners and also for her real estate license. She noted these entities are not as strict as the Commission, and reiterated her previous comment that it was never her intent to misrepresent herself on the license applications. Following the third license renewal at PMR&C in 2007, she attempted to pursue a career in the education field. She noted that she had contacted one of the attorneys on the Board of Education in order to ascertain whether or not she would be able to obtain a license with her past history. Ms. Gaines-Keatley stated that she did not understand that the license would not allow her to obtain a job. The Board of Education granted her a provisional professional license, with the requirement that she would have to be hired by a school district, which she was unable to achieve. She returned to a full-time position in fine dining at PMR&C. On March 28, 2007, she was called to the Commission office where she was informed that her license was being denied. She was informed that the previous licenses had been issued by mistake, and that she slipped through the cracks.

Dave Van Compernelle, representing the Commission, indicated that he could appreciate what Ms. Gaines-Keatley said; that he could empathize with her, even though that is not the task before the Commission today. He stated that much of what Ms. Gaines-Keatley just told the Commission was also told to the Gaming Representative at PMR&C and the ALJ. The Gaming Representative did make the decision to deny the license, which was upheld by the ALJ. Mr. Van Compernelle advised that unless that Decision was based on an error, either in fact or law, the Commission has to uphold the ALJ's Decision. He directed the Commission's attention to the Notice of Appeal, which contains numerous facts and circumstances, but no allegation that the Gaming Representative's or ALJ's Decision was made in error. Mr. Van Compernelle stated that the facts are simple and straight forward; Ms. Gaines-Keatley was convicted of numerous serious offenses, which



occurred over a long period of time, as outlined on Page 2 of the ALJ's Decision. He noted that Ms. Gaines-Keatley made much of the fact that it has been quite some time since the convictions occurred; but when rehabilitation is taken into account, the Commission has to contend with the falsification or failure to fully disclose the convictions on the license application, which is also a deniable offense.

Mr. Van Compernelle referenced Iowa Administrative Code Section 491-6.5, which the Gaming Representative used to support his denial of the license, Section 6.5(1)(d) states: "A license shall be denied if, ...":

- 6.5(1)d(2) Conviction of a drug-related offense;
- IAC 491-6.5(1)d(e) states: "... shall be denied if an applicant has a conviction of a serious or aggravated misdemeanor;
- 491-6.5(1)d(f) references multiple convictions of simple misdemeanors;
- 491-6.5(1)d(g) references multiple convictions
- 491-6.5(1)d(n) references falsification of the license application.

All of the above references indicate the license shall be denied unless the Gaming Representative determines there is sufficient evidence of rehabilitation. In this instance, the Gaming Representative determined that rehabilitation did not exist due to the falsification of the application. Mr. Van Compernelle stated that the ALJ affirmed the Gaming Representative's Decision, and asked the Commission to uphold the ALJ's Decision.

Mr. Van Compernelle again stated that he sympathized with Ms. Gaines-Keatley's situation, but quoted a portion of the ALJ's Ruling: "Had Gaines-Keatley conducted herself in that fashion with regard to her occupational licenses, this action may not have been necessary." He noted this comment was made after the ALJ applauded Ms. Gaines-Keatley for the strides she made to get her life back on the right track and to improve her life; however, the ALJ conceded that she had not properly completed the license applications, showing a lack of rehabilitation.

Chair Cutler called on Mr. Bratney for his rebuttal comments. Mr. Bratney stated Mr. Van Compernelle was correct; the reasons cited above were the reasons Ms. Gaines-Keatley's license renewal was denied; however, each rule cited includes a mechanism for the Commission and its representatives to look past the facts, records, and mistakes and to judge by their own standards as to whether sufficient rehabilitation has taken place. He stated that Ms. Gaines-Keatley has made mistakes, and has come to terms with those mistakes. He asked if those mistakes should preclude her from serving drinks or a meal at PMR&C; from obtaining a non-gaming license. He indicated that is the decision before the Commission today, and encouraged them to think about it very carefully. Mr. Bratney noted that Ms. Gaines-Keatley held a license from 2003 until 2007, and was considered to be an exemplary employee and was provided numerous opportunities by PMR&C to further her career. Mr. Bratney stated that if the Commission were to uphold the ALJ's Decision and deny the license, Ms. Gaines-Keatley would not regret having

had the opportunities provided by PMR&C. Mr. Bratney concluded his comments by stating that if the Commission determined she was not qualified to hold a non-gaming license after hearing all of the comments today, what she represents as far as rehabilitation and turning her life around, then he was not sure who would qualify.

Commissioner Hamilton stated it was her understanding that Ms. Gaines-Keatley's license was renewed twice. Mr. Bratney stated that the license was originally granted in 2003, at which time a fingerprint card was submitted for the purpose of running a background check. It is his understanding that the background check was not completed, and Ms. Gaines-Keatley was granted her license. In 2005, she reapplied and received her license without a background check, which is conducted every other re-application. In 2007, Ms. Gaines-Keatley was re-fingerprinted, and the background check was completed in order to catch anything that happened between 2003 and 2007. However, the background check picked up everything that had occurred in Ms. Gaines-Keatley's past, which prompted the decision to deny her license renewal application.

Commissioner Hamilton asked if there is any point at which a person's criminal record becomes too old or if it would stay with her and prevent her from re-applying for a license in the future.

Mr. Ketterer advised that the Commission's rules require that the Gaming Representative deny a license if the individual has had a drug conviction, a felony conviction or a conviction for theft over \$100 in the last five years. If it is longer than five years or any other kind of conviction or activity, it is up to the discretion of the Gaming Representative whether to grant the license or not.

Commissioner Hamilton asked if five years had elapsed in 2003 since Ms. Gaines-Keatley's last conviction. Mr. Bratney advised that her last conviction for a simple or aggravated misdemeanor occurred in 1997. He noted that she has had various speeding tickets since that time.

Commissioner Urban asked Mr. Ketterer if there was any precedent for overturning the ALJ's Decision. Mr. Ketterer advised that the Commission could overturn the ALJ's Decision if they determined the ALJ made an error in the Finding of Fact or Conclusions of Law.

Chair Cutler indicated she felt the Commission needed to go into Executive Session for deliberation.

Mr. Van Compernelle, in his rebuttal, noted there is nothing to preclude Ms. Gaines-Keatley from reapplying for a license and completing the application accurately, listing any new charges that may have come up recently, and submitting the application to a Gaming Representative for review. He stated that the decision to deny the license was not a "death sentence"; just that she should reapply for a license when she is rehabilitated.

Chair Cutler requested a motion to go into Executive Session. Commissioner Hamilton moved to go into Executive Session pursuant to Iowa Code Section 21.5(1)f for the purpose of discussing the decision to be rendered in a contested case conducted according to the provisions of Chapter 17A. Commissioner Urban seconded the motion, which carried unanimously on a roll call vote. Commissioner Bair was absent. (See Order No. 07-119)

Upon returning to Open Session, Chair Cutler called for a motion concerning Ms. Gaines-Keatley's appeal. Commissioner Hamilton moved to uphold the ALJ's Decision, but to allow Ms. Gaines-Keatley to reapply for a license immediately with full disclosure. She advised Ms. Gaines-Keatley that she should now fully understand what is required of her in order to keep her license. Commissioner Urban seconded the motion.

Chair Cutler advised Ms. Gaines-Keatley and Mr. Bratney that the Commission has affirmed the ALJ's Decision based upon the information provided, but she can reapply immediately for license and must make full disclosure of all previous convictions.

Hearing no further discussion, Chair Cutler called for the vote. The motion carried unanimously. (See Order No. 07-120)

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

MINUTES TAKEN BY:

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JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION  
TELEPHONIC MEETING MINUTES  
DECEMBER 11, 2007**

The Iowa Racing and Gaming Commission met via a telephone conference call on December 11, 2007. Commission members present were: Kate Cutler, Chair; Gerry Bair, Vice Chair, and members Diane Hamilton, Greg Seyfer and Toni Urban.

Other individuals also participating were: Frank Schreck, Regulatory Counsel for Apollo and TPG; Anthony Civale, representing Apollo; Michael Cohen, Associate General Counsel for Harrah's; Greg Kranias & Kelvin Davis, representing TPG; Curt Beason and Stacey Hall, local counsel for Apollo and TPG; Lorraine May, local counsel for Harrah's.

Chair Cutler called the meeting to order at 10:20 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 single item on the agenda, the Request for Approval of the Acquisition of Harrah's Entertainment, Inc. by Apollo Management and Texas Pacific Group (TPG).

Mr. Ketterer, for purposes of complying with Iowa Code Section 21.8, stated that for this meeting, having all members physically present was impractical due to the brevity of the agenda, and waiting until the next regularly scheduled Commission meeting on January 10, 2008, would have delayed financing and closing of this national acquisition unnecessarily, and would have added to the already crushing burden of fees accompanying this project. He advised that notice of the meeting had been posted on the Commission's website and in the Des Moines office; minutes are being taken, and everyone who sought to participate has been invited into the office.

Mr. Ketterer stated that he met with the members of the Division of Criminal Investigation (DCI) team that reviewed the background with the Commission at the October meeting in Waterloo for the purpose of receiving updated information. He recommended approval of the acquisition to the Commission based on certain conditions that the DCI and staff are comfortable with. Mr. Ketterer recommended the following motion, incorporating these conditions:

The Iowa Racing & Gaming Commission approves the acquisition of Harrah's Entertainment by TPG Capital and Apollo Management subject to the following conditions:

1. The Commission finds no concerns with the suitability of the principals of TPG and Apollo, however any material issue or event which a reasonable person would understand may affect this suitability finding shall be disclosed immediately by the licensee.
2. On a continuing basis the licensee shall provide information on the status of the financing of the acquisition as well as any changes in the debt or equity structure.
3. The Commission reaffirms its expectation of continued capital investment in the licensee's Iowa properties and preservation of the quality of the assets in Iowa as determined solely by the Commission.
4. Compliance with all applicable Iowa statutes and administrative rules.

Commissioner Bair moved to approve the acquisition of Harrah's Entertainment, Inc., with the stated conditions. Commissioner Hamilton seconded the motion.

Chair Cutler called for discussion. Commissioner Bair asked about the "a reasonable person would understand" clause in the first condition. He asked if the term was defined somewhere in Iowa Code. Mr. Ketterer stated that he could ask all of the lawyers participating in the conference call, and they would all provide a different definition. Chair Cutler stated that the term had been debated all through history.

Commissioner Bair asked if Iowa was one of the last jurisdictions to approve the acquisition. Mr. Schreck answered in the affirmative. He stated that as this call was taking place, Louisiana is approving the project, Pennsylvania held a public hearing on December 3<sup>rd</sup> and it is anticipated they will approve the project on December 18<sup>th</sup>; and the Nevada Gaming Control Board has recommend approval and final approval from the Gaming Commission is expected on December 20<sup>th</sup>. Commissioner Bair asked if those states had placed similar or other conditions on the approval. Mr. Schreck stated there are variations among the states – all want to see financing, some want notification of certain occurrences.

Commissioner Urban asked if there were concerns expressed by other jurisdictions that IRGC needed to be aware of. Mr. Schreck answered in the negative. He stated there have been no issues with respect to any of the individuals, the transaction or financing. Mr. Schreck stated that this is the first time in over 30 years that he has gone through a licensing hearing of this magnitude with the Nevada Gaming Control Board where there was not a single question asked of the individuals on their personal applications.

Chair Cutler noted there was a motion and a second on the table, and called for the vote. The motion carried unanimously. (See Order No. 07-121)

Chair Cutler asked Mr. Ketterer if he would be sending information to the Harrah's Entertainment people. Mr. Ketterer advised that he would work with local counsel and provide whatever information they needed.

Mr. Davis, speaking on behalf of Apollo and TPG, thanked the Commission and staff for the professionalism and diligence shown throughout the process and for evaluating the complex applications in a timely and efficient manner. Mr. Davis noted that he had previously been licensed by the Commission in connection with acquisition of Harvey's by Colony Capital in 1999. He expressed respect for gaming in Iowa, and stated that everyone is excited about being involved in gaming in Iowa, and look forward to a long and productive relationship with the Commission.

Chair Cutler thanked Mr. Davis for his kind words, and hearing no further comments, called for a motion to adjourn. Commissioner Urban so moved. Commissioner Seyfer seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

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JULIE D. HERRICK