

**IOWA RACING AND GAMING COMMISSION
MINUTES
JANUARY 15, 2009**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, January 15, 2009 at Stoney Creek Inn and Conference Center, Johnston, Iowa. Commission members present were Greg Seyfer, Chair; and members Kate Cutler, Paul Hayes and Toni Urban. Vice Chair Diane Hamilton was absent.

Chair Seyfer called the meeting to order at 8:30 AM, and requested a motion to approve the agenda. Mr. Ketterer noted that item 5B, a joint presentation by The 360 Group and Terrible's Lakeside Casino regarding a hotel expansion has been deferred, but would be replaced by a presentation by Gerry Neugent, a Prairie Meadows Racetrack & Casino (PMR&C) board member on PMR&C's proposed hotel project.

Hearing no further changes to the agenda, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the agenda as amended. Commissioner Hayes seconded the motion, which carried unanimously.

Chair Seyfer moved to the approval of the minutes from the November 13, 2008 Commission meeting. Commissioner Urban moved to approve the minutes from the November 13, 2008 Commission meeting as submitted. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Seyfer moved to announcements, and called on Jack Ketterer, Administrator of IRGC. Mr. Ketterer provided the following information on upcoming Commission meetings:

- February – No Meeting
- March 5, 2009 – Terrible's Lakeside Casino, Osceola, IA (Submissions due by February 19, 2009)
- April 16, 2009 – Wild Rose Clinton, Clinton, IA (Submissions due by April 2, 2009)
- June 4, 2009 – Stoney Creek Inn, Johnston, IA (Submissions due by May 21, 2009)

Mr. Ketterer noted that the March meeting is when the Commission renews the licenses for the excursion boats and gambling structures, and will receive an update from the companies performing the gaming studies to identify unserved or underserved markets. He advised that the April meeting would be held at the new Wild Rose Clinton facility. The Commission will review the audits or financial statements of the licensees except for the Isle of Capri (IOC) properties, which have a fiscal year end that does not coincide with the calendar year. The June meeting will be held at Stoney Creek Inn and the Commission will receive the final report from the companies on the gaming markets.

Chair Seyfer moved to the rules submitted under Notice of Intended Action. Mr. Ketterer stated that the majority of the rules being submitted were clarifications. Items 1 and 6 include biologic substances and chemical substances which are prohibited. Those are substances that would affect the speed of a horse. The rule regarding jock mount fees has been deleted; they are now governed by an agreement between the horsemen and the jockeys. Item 4 relates to the naming/engaging of riders by the first or second call which excludes trial races. Item 5 states that a horse may only be entered in one race per day unless one of the races is a stakes race. Item 7 inserts the language "or implements of gambling" that conforms to statutory language. Item 8 deals with the method of communication for the wide area progressive system, stating that it must consist of dedicated on-line communication lines or an equivalent as determined by the administrator, to allow for changes in technology.

Mr. Ketterer recommended the above rule changes be approved for Notice of Intended Action. Hearing no comments or questions concerning the proposed rule changes, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the rules as submitted for Notice of Intended Action. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-01)

Chair Seyfer called on Terrible's Lakeside Casino. Jim Quilty, legal counsel, and DJ Christensen, Internal Auditor for Lakeside, requested approval to remove and sell the thrusters from the boat and change the status of the Lakeside facility from an excursion boat that will not cruise to a moored barge. Mr. Quilty advised that two of the four thrusters have already been removed; the other two are to be removed on Friday, eliminating the boat's means of self-propulsion. He stated that the facility is already being inspected as a land-based facility.

Chair Seyfer called for any questions of Mr. Quilty. Hearing none, Chair Seyfer requested a motion. Commissioner Hayes moved to approve Lakeside's request to remove and sell the thrusters and change the license status of Lakeside Casino to a moored barge. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-02)

Chair Seyfer moved to contract approvals and called on Wild Rose Emmetsburg (WRE). Tom Timmons, Vice President of Operations for Wild Rose Entertainment, presented the following contracts for Commission approval:

- MediaCom- Cable TV Service for Casino & Hotel
- Triple Point Solutions – Hardware & Installation of Sentinel III

Commissioner Urban asked each facility to address how they are doing economically, employees, etc.

Mr. Timmons stated that the economy could be having an impact, but that the weather is definitely impacting business. He noted that on Monday night (1/12), Emmetsburg was

completely shut off in all directions. He voiced his opinion that probably most of the facilities saw a decline in business for the month of December.

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by WRE. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-03)

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

- Ford Food Service – Provides Food Service Equipment
- Edward Don – Provides Kitchen Items & Appliances

Mr. Beason advised that the above contracts relate to the new Event Center, which will be opening on January 24th.

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by IOCB. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-04)

Chair Seyfer called on Ameristar Casino. Jane Bell, Director of Government & Community Affairs, presented a contract with Cintas for linen rental/uniform purchase.

Hearing no comments or questions concerning the contract, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contract as submitted by Ameristar. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-05)

Ms. Bell advised that business at Ameristar was static; that December business year-over-year declined. Ameristar felt it necessary to reduce staff through attrition and elimination of positions.

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

- AC Coin & Slot Service Company, Inc. – Slot Lease and License Agreement
- First Administrators, Inc. – Health Plan Benefit Administrator
- Kidder Benefits Consultants, Inc./Nationwide Investments – 401(k) Plan Consultant/Custodian
- MedOne Healthcare Systems – Prescription Drug Benefit Plan 2009
- State University of Iowa Hospital and Clinics – Health Plan Costs 2009 – Medical
- Vital Support Systems – Network Support Agreement

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by RCGR. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-06)

Mr. Massa stated that business has certainly been challenging; that it is hard to determine the effect of the economic impact due to the weather. He indicated that eventually there will be an impact as people lose their jobs. He noted that several manufacturers in the immediate area have instituted layoffs.

Chair Seyfer called on Wild Rose Clinton (WRC). Tim Bollmann, General Manager, presented the following contracts for Commission approval:

- Alliant Energy – Utility Gas & Electricity Products
- Aristocrat Gaming – Purchase of Slot Machine Parts & Conversions
- Bally Gaming, Inc. – Purchase of Slot Machine Parts & Conversions
- Data Business Equipment, Inc. – Purchase of Service Agreement for Cage Equipment & Kiosks
- Konami Gaming, Inc. – Purchase of Slot Machine Parts & Conversions
- Quest Entertainment, Inc. – Purchase of Slot Machine Parts & Conversions
- SESAC, LLC – License Agreement Authorizing Performance of Copyrighted Compositions by Hotels, Motels and Resorts
- Sysco Food Services of Iowa – Purchase of Food Products & Restaurant Supplies
- Thoms Proestler Co. – Purchase of Food Products and Restaurant Supplies
- Triple Point Solutions – IT Consulting, Technology, Systems and Equipment

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by WRC. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-07)

Mr. Bollmann stated that WRC was one of three properties to experience an increase in year-over-year business, which he attributed to the new facility and amenities that were not available at the previous property. He concurred with everyone else in stating that it is hard to determine which dollar lost is due to the economic downturn or the weather. He also noted that WRC's market has been impacted by the opening of the new Jumer's property in Rock Island in December, and the land-based Diamond Jo property in Dubuque. He stated the week between Christmas and New Year's was great.

Chair Seyfer called on Diamond Jo Dubuque (DJ). Mr. Beason presented the following contracts for Commission approval:

- Medical Associates Health Plan – Employee Health Insurance
- Platinum Holdings, LLC – Term Loan/Community Investment

Mr. Beason advised that the contract with Platinum Holdings will be submitted in final form at the March meeting, but the highlights were provided at this meeting so the transaction could proceed.

Commissioner Cutler asked why the loan was being called a “community investment”. Mr. Beason stated that this is a community loan to assist in the redevelopment of the hotel. This will be for a community amenity versus a Commission transaction.

Hearing no further comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by DJ. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-08)

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

- Ainsworth Game Technology – Slot Machine & Equipment Purchase
- Bally Technologies – Purchase Slot Machines and Equipment
- Dubuque Glass – Glazing Work for Casino Renovations
- Five Season Painting & Drywall – Painting for Casino Renovations
- Flexsteel – Furniture for Casino Renovations (RP)
- Great Sounds Audio – Television & Audio Equipment Purchases
- Great Sounds Audio – Television & Audio Equipment Purchases
- Kluesner Construction – Parking Lot Construction & Repairs
- MMC Mechanical Contractors – Plumbing for Casino Renovations
- Midwest Automatic Sprinkler Co. – Fire Sprinkler for Casino Renovations
- Qwest – New Lines of Service
- Restaurant Design & Sales, LLC – Restaurant Equipment
- Sullivan Brothers Inc. – Ceiling Work for Casino Renovations
- Triplett Corporate Interiors – Furniture for Casino Renovations
- Wood Crafters – Casework for Casino Renovations

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by DGP&C. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-09)

Mr. Aviles stated that DGP&C had a very good fiscal year, which ended November 30th. He indicated December was a challenge due to the economy, weather, and the new DJ property. DGP&C, like everyone else, is still trying to determine what is economy related. Mr. Aviles noted that gaming across the nation has suffered greatly. He also noted that DGP&C is under construction, throwing another element into the equation. Construction should be completed by the end of March.

Chair Seyfer advised that the issue of the tote board at Bluffs Run Greyhound Park is being deferred. The parties will be submitting Petitions for Declaratory Ruling to obtain an interpretation of the Commission's rule.

Chair Seyfer moved to the Economic Impact Study of All Racing Entities in the State by Dr. Richard Thalheimer, which was commissioned by the Iowa Horsemen's Benevolent & Protective Association (IHBPA), the Iowa Quarter Horse Racing Association (IQHRA), the Iowa Thoroughbred and Owners Association (ITBOA) and the Iowa Harness Horse Association (IHHA).

Scott Weiser, appearing on behalf of Leroy Gessman, stated that the presentation today is a follow-up to the November Commission meeting. Based on discussions at that meeting, Mr. Weiser stated that it appeared the Commission and PMR&C are searching for some answers on where horse racing should go in Iowa. One of the stumbling blocks is a lack of data as to what horse racing contributes and the economic impact. The horsemen's groups contracted with Dr. Thalheimer, who has an extensive background in equine and economic issues.

Dr. Thalheimer stated the objective of his study was to measure the economic impact of the racehorse industry in Iowa, regardless of where the horse owner might reside. This report is limited to the racehorse industry and the pari-mutuel side of PMR&C, but not the casino side.

Dr. Thalheimer stated the race horse industry is comprised of three sectors: the racetrack, the horsemen (owners and trainers) and the breeders. Unlike many states, three breeds race at PMR&C: thoroughbreds, quarter horses, and standardbreds. This study focused on estimating the economic impact of each breed in each of the sectors. Dr. Thalheimer pointed out that Iowa statute requires the racing revenue to be divided between the three recipients of the wagering revenue – the racetrack, horsemen (owners, breeders, and trainers) and state and local governments, as well as charitable organizations.

Dr. Thalheimer moved to the matter of purses, without which there would be no racehorse industry. When live racing is occurring at the racetrack, individuals bet more on the casino product, or approximately a 13% increase for PMR&C. Purses provide revenues to owners and trainers directly, and breeders through their effect on yearling values. As purses go up, yearling values increase, and the foal crop also increases, which causes more demand for land and green space.

The purses from PMR&C and the county fairs are intended to nurture the racehorse industry. Dr. Thalheimer stated that purses at PMR&C have increased from \$1.6 million in 1994 to \$18.3 million in 2007, a phenomenal increase. However, when the purse amount is adjusted for inflation, purses peaked in 2002, and have remained below the peak in inflation-adjusted dollars. In 2007, purses were 15% below what they were in 2002 in inflation-adjusted dollars. Dr. Thalheimer noted that PMR&C contributes directly to the state and county fairs for purses for harness racing.

Dr. Thalheimer then addressed some of the economic impact factors that were included in the study. He advised that PMR&C has direct expenditures for labor and other goods and services. The horsemen and breeders have owner and trainer expenditures for labor, feed and bedding, trainer commissions, jockey fees, veterinarian care and medicine, farrier, equine vanning/transport, board (layups/turnouts) and travel. Those in the breeding sector have expenses for labor, stud fees, veterinarian care and medicine, feed and bedding, auto-truck expense, board (layup/turnouts) depreciation, and nominations/registrations.

Dr. Thalheimer addressed the number of live racing days, noting the number of days has increased from 1995, the first year in which gaming revenues contributed to the purses. The live meet was a mixed meet – thoroughbred and quarter horse. The number of race days peaked from 2000 to 2003, with the number of racing days for all breeds declining, with variances between the breeds. Dr. Thalheimer pointed out that pari-mutuel revenue increases with live race dates at on and off track locations.

Dr. Thalheimer stated that the Iowa race horse industry generated a total economic impact of \$123 million in expenditures and 2,180 full-time equivalent jobs in 2007. The \$123 million was broken down between the racetrack, horsemen and breeders as follows: \$29.4 million, \$38.2 million and \$55.4 million respectively. All three sectors paid a total of \$13 million for labor in 2007. The purses of \$18.3 million generated direct spending of \$42 million in the owner-trainer and breeder sectors of the race horse industry.

Dr. Thalheimer concluded his remarks by stating that the future direction of the Iowa race horse industry is dependent on the interaction of many different factors depending on defined goals and objectives. Some of those are as follows:

- An increase in race days and/or horses-in-training per day results in:
 - Increased pari-mutuel revenue both on-track and from simulcasts of live races to other state and national betting locations
 - Increased slot machine revenue from the relationship of live racing to slot machines wagering
 - Increased spending and employment by the race horse industry.
 - Increased cost to the racetrack

- Growth in purses from gaming revenue results in:
 - Increased pari-mutuel wagering
 - Increased slot machine wagering through the support of live racing and race days
 - Increased demand and supply of race horse breeding stock
 - Increased spending and employment by the race horse industry
 - Uncertainty as to the future of live racing and associated purses in Iowa will likely result in a decline in the race horse industry.

A complete copy of Dr. Thalheimer's report is available in the Commission's Des Moines office, and is incorporated in its entirety by this reference.

Mr. Weiser introduced Iowa Secretary of Agriculture Bill Northey. Mr. Weiser stated that the horse racing industry has been working with Mr. Northey with regard to the Iowa Department of Agriculture's (IDALS) responsibility to promote and nurture the horse industry.

Mr. Northey stated that IDALS certifies the Iowa-bred horses and dogs, noting there are purses available just for Iowa bred horses and dogs. He stated that an important part of the industry is the breeding industry, which came about because of the economic difficulties in agriculture during the 1980's. Mr. Northey pointed out that the agriculture industry in Iowa is second in the nation; California is first. Agriculture accounts for approximately \$20 billion in sales in Iowa. He noted the 1980 era prompted much diversification in the agricultural area, one of which was the racing of dogs and horses. Mr. Northey pointed out that today's presentation addressed the economic impact around the Des Moines area, but noted that it is important to emphasize the impact of the horse and dog industry in the rural areas where the horse and dog farms are located. He stated that the smaller communities can see a bigger percentage economic impact than the larger communities. Mr. Northey invited the Commission members to ride along with an inspector to see the certification process, meet some of the breeders and see the impact on the local community.

Chair Seyfer called on PMR&C and their request for approval of the season approvals for the thoroughbred and mixed meet live race meets. Derron Heldt, Director of Racing, advised that an addendum had been added to the original submission; that on the last day of racing of the thoroughbred meet, Saturday, July 18th, there will be a minimum of nine races with a maximum of thirteen.

Mr. Ketterer reminded the Commission members of the late submission from the IHBPA that was not on the agenda asking for an additional two Sundays to be granted for racing at PMR&C, and the option of carding additional races if there were sufficient entries in each of the first two meets. He requested comments from Mr. Heldt and Gary Palmer, General Manager of PMR&C.

Mr. Palmer stated that he felt PMR&C was against adding days to the calendar that was submitted and approved by the Commission in November. He advised that the ancillary agreements with the different horsemen's groups contain a provision in the "Number of Races" section that states if there are sufficient entries and purse monies available, at the discretion of PMR&C, additional races would be added. He noted that in the current submission, PMR&C is looking at a minimum of nine races and a maximum of thirteen races.

Commissioner Urban clarified that PMR&C is not including extra days. Mr. Palmer answered in the affirmative, stating they are providing additional opportunities on the

days approved in November. He stated the provisions set out above have been included in previous ancillary agreements.

Commissioner Cutler asked if PMR&C has added extra days over the years. Mr. Palmer stated that PMR&C has not added days, but has added additional racing opportunities and is willing to do so again.

Chair Seyfer stated that it was his understanding from comments made by other Commission members that the Commission's sentiment is that the race dates were approved at the last meeting, and it is their hope that additional opportunities would be offered on the dates approved if there are sufficient entries.

Chair Seyfer called for any further comments or questions concerning the season approvals. Hearing none, he requested a motion, noting the staff recommendation for approval is contingent upon compliance with the following criteria:

- The immediate written notification of any change in racing official positions.
- The completion of necessary IRGC licensing and DCI backgrounds.
- Continuation of import/export simulcast contracts being reviewed and approved by IRGC staff.
- Prior notification and approval of any schedule changes: race days, post times, or the number of races.
- Continuing compliance of staff requests entered into the record at the November 08 Commission meeting.

Commissioner Urban moved to approve the season approval submission for the thoroughbred and mixed meets at PMR&C as submitted, contingent upon the above staff recommendations. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-10)

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

- Anderson Erickson Dairy Company – Purchase of Dairy Products
- Belin, Lamson, McCormick, Zumbach, Flynn – Corporate Legal Counsel
- Des Moines Trane Parts Center – Heating, Ventilation and Air Conditioning Parts & Service
- IKON Financial Services – Copier Equipment Lease
- Kronos Incorporated – Software License and Installation of Payroll Time Keeping System
- Midwest Ambulance of Iowa, Inc. – Ambulance and Emergency Medical Services
- Mission Creative – Advertising and Marketing Support Agency
- Occupational Health Center, PC – Company Doctor and Medical Review Officer
- Perficut Lawn & Landscape, Inc. – Lawn & Landscaping Services

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by PMR&C. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-11)

Mr. Palmer stated that the Commission had requested that PMR&C be prepared to address the progress on a hotel at the property and a report from the Horse Racing Committee. At this time, Mr. Palmer distributed the following:

- An updated report on artificial track surfaces,
- The Initial Summary of Findings on hotels by HVS,
- Drawings of the Proposed Hotel, and
- An outline of today's presentation.

Mr. Palmer introduced several PMR&C Board members in attendance, including Mike Galloway, the new Board Chairman. At this point, Mr. Palmer called on Mr. Neugent, chair of the committee studying the hotel and parking issues at PMR&C.

Mr. Neugent advised that HVS was engaged in October 2008 to help the PMR&C Board make a decision concerning a hotel. He stated that the addition of a hotel and parking structure is a top priority for the PMR&C Board; the hotel and parking structure will compliment and help complete the existing facility and help PMR&C achieve its mission statement which states in part they are to "provide outstanding racing and gaming and entertainment that exceeds the expectations of their guests". Mr. Neugent indicated that the Board has determined that these amenities are necessary in order to better serve their market and increase gaming revenue.

Mr. Neugent provided the following history regarding the planning for a hotel and parking ramp at PMR&C: The Board has been master planning the facility since casino gaming was added in 1995. PMR&C started looking at these two areas in earnest as they were working on completing the 2006 expansion. Mr. Neugent stated that as PMR&C has studied the need, type and location of the hotel, they have engaged consultants to help them with the process; Snyder Engineering in Ankeny serves as the primary consultant for the physical engineering of the site and facility design, but has also helped with the due diligence in obtaining input from other consultants and studies.

Mr. Neugent provided the following highlights of the HVS study:

- The hotel should be designed to be a part of the existing facility; not a separate structure,
- Should be approximate to the existing Meadows Meeting and Convention facility. HVS has stated the hotel would need additional breakout rooms to help compliment PMR&C's existing convention facilities as the current breakout room ratio is inadequate for the size of their meeting room.

- Based on the Des Moines market, the hotel would need the following amenities at a minimum: fitness facility, possibly a full-service restaurant/lounge, and business center. The study also indicated the hotel would not need a spa, but PMR&C is looking at that as part of the entertainment/leisure options available to the guests.
- HVS indicated the hotel should have 200-300 rooms, but included the caveat that without gaming patrons that would stay overnight and generate incremental additional gaming profits, a hotel by itself for the transient convention business would not be justified.

Mr. Neugent stated that HVS has advised that the viability of the hotel would be closely tied to the Board's decisions and strategy in pricing the hotel rooms, and marketing the property to the gaming patron. In order to make that determination, HVS recommended PMR&C conduct a survey of their patrons and the gaming community in central Iowa to determine how many rooms would be booked. He indicated that a copy of the report has not been distributed as he just received the report and the committee has not had an opportunity to review it. HVS has concluded that there is a demand for hotel rooms; that the rooms should be priced in the mid-scale range with limited service; that play exceeding five or more hours would increase significantly with the addition of a hotel (which would lead to an increase in gaming revenue), and that the room night demand by casino patrons would be approximately 46,500 room nights per year. Mr. Neugent stated that the HVS study distributed indicated that in order for a hotel to be financially feasible, PMR&C would need approximately 30,300 room nights, thus showing there is a demand and helping to assure PMR&C that a hotel would be financially feasible. He indicated the committee and Board still need to do additional review to determine the price point for the hotel rooms.

Mr. Neugent concluded his remarks by stating that the committee is moving forward and has determined that a hotel will be viable. He advised that the committee has made a recommendation to the full Board that the hotel should consist of 200 rooms with the ability to expand on-site. Based on all of the consulting information and studies and with the guidance of Snyder Engineering, and the hotel committee's recommendation, the Board has approved a 200-room hotel and a 1,000-car parking ramp. This structure will increase PMR&C's parking capacity by 880 cars as its footprint will take up the current capacity of 120 cars.

Mr. Neugent stated that the next issue facing the committee is the ownership structure of the hotel. The committee has determined there are three potential ownership/management structures that merit investigation: 1) PMR&C would own and operate the hotel; 2) have the hotel constructed and owned by PMR&C and contract with an outside hotel operator, and 3) have the hotel owned and operated by an outside operator pursuant to a sublease on PMR&C property with an operating agreement. He also indicated there is the possibility of a joint venture for the ownership. Additional issues facing the committee in making their recommendations to the full Board are financing, hotel operators, PMR&C's lease with Polk County that expires in 2010, getting consent from Polk County for modifications to the lease to allow longer-term

financing for a hotel, and design an operating agreement if they elect to go with an outside operator setting out corroboration of meeting space, the reserving of rooms for casino use, and insure continuous operation. Mr. Neugent stated that if PMR&C decided to go with an outside operator, they would insist on the option to purchase the property down the road. He advised that the committee has been attempting to garner information about hotel operations and the various issues involved, and have met with three Iowa-based hotel operators to date - Kehl Management Group, Heart of America and Kinseth Hospitality – to get their thoughts and determine their level of interest in a facility at PMR&C. The committee plans to meet with one or two more Iowa hotel operators.

Mr. Neugent stated the committee plans to make a recommendation to the full Board sometime during the first quarter as to the ownership and management structure of the proposed facility. Discussions with Polk County will commence with regard to the lease issues previously mentioned. They hope to have the Request for Qualifications and/or a Request for Proposal developed by April 30th for approval by the full Board, which would then be sent out to interested qualified operators, and then between May and June 30th have the requests out and begin negotiations with the potential operators. Mr. Neugent stated that PMR&C would like to begin construction by the end of 2009. Depending on lease and referendum issues, the latest start would be the spring of 2011 if PMR&C is unable to get the lease in a form that would be acceptable to the potential operator. Mr. Neugent indicated that construction of the parking structure, which is important as an amenity but does not produce revenue directly, probably would not commence until spring 2011.

Commissioner Urban voiced her opinion that the Commission as a whole is pleased to see some headway made in terms of a hotel. She encouraged PMR&C to speed up the process if possible as she feels it will make a big difference for the casino and horse racing.

Commissioner Cutler asked what impact the referendum would have on the process; she interpreted Mr. Neugent's comments to indicate that PMR&C is not free to do anything until that date has come and gone. Mr. Neugent indicated that PMR&C's lease expires in 2010. Should PMR&C elect to go with an outside hotel operator, they would need to obtain a lease extension or sub-lease from the landlord to allow a long-term lease of the hotel property. He indicated preliminary discussions on some of the issues have been held, and he believes they can be resolved. Mr. Neugent stated that he did not think the financing in the private sector for a private hotel operation would be held up by the referendum. If a private operator is the Board's selection to operate the hotel, PMR&C anticipates commencing construction prior to the referendum.

Chair Seyfer asked if any meetings had been set up with Polk County at this time. Mr. Neugent answered in the negative, noting general discussions have been held with a couple of the supervisors. He stated that Polk County is aware that PMR&C will be approaching them regarding the hotel and parking structure.

Mr. Ketterer asked if the delay in the parking structure is due to funding. Mr. Neugent answered in the affirmative. He indicated that what he presented is the committee's recommendation, and is not necessarily what the full board will elect to do.

Chair Seyfer called on Tom Whitney, Chair of the PMR&C Horse Committee and a board member.

Mr. Ketterer read the following excerpt from a letter received from Jack Bishop, former Chair of the PMR&C Board, dated January 7, 2008: "It is the Board's hope and goal that live racing can become more self-sustaining. To that end, it will continue to evaluate (i) whether it has too many or too few racing days and what are the best days of the week for racing, (ii) whether races need to be written for larger fields, (iii) whether more Iowa-bred races should be written and more of the purses should be devoted to Iowa-conceived and foaled horses, (iv) what should be the amounts for claiming races, (v) how the wagering pools (exotic or otherwise) can be improved, and (vi) such other matters as deemed essential to improve the overall live experience at PMR&C."

Mr. Ketterer, noting that it had been one year since the above-referenced letter had been written, asked what has been accomplished in the past year.

Mr. Whitney stated that he had never seen the letter from which Mr. Ketterer just read, but recalled that the letter was precipitated by Mr. Ketterer inquiring about the Board's intentions regarding racing in the future at the facility. He indicated it was the Board's dissatisfaction with the response that led to the appointment of the horse committee for the purpose of pursuing the issues set forth above, as well as other issues requiring a response.

Mr. Whitney stated that due to the lack of direction by the Board of Directors with regard to the issue of horses in general, PMR&C has not done a very good job in certain areas; noting that PMR&C has never definitively stated that they are going to subsidize horse racing now, and perhaps indefinitely. In doing so, PMR&C shows that they are unique and different from the other facilities because of the racing, and need to determine at what level they should be subsidizing horse racing and what the racing season should look like at PMR&C.

Mr. Whitney stated that in a previous appearance before the Commission he was advised to keep the Commission updated on a regular basis via monthly communication. He indicated the Commission would receive a letter or memorandum each month from him setting forth the actions of the horse committee. Mr. Whitney advised the committee is somewhat behind his own schedule due to the holidays, and changes on the Board and in leadership at PMR&C, but does not feel that will change the date on which the final report will be submitted to the full Board in May or June. During the most recent meeting of the committee, meetings for the next several months have been established. On January 24th, the committee will be interviewing and hiring a consultant to assist the committee. Additionally, Mr. Palmer has assigned individuals from staff to work with

the committee on a day-to-day basis to insure that the committee's goals are reached in a timely fashion. Mr. Whitney stated that he expects the horse committee to address all of the issues set forth in the January 7, 2008 letter as well as others.

Commissioner Cutler asked if there were any horsemen on the horse racing committee. Mr. Whitney answered in the affirmative, noting that the new committee members would be appointed by the Chair of the full board at this month's meeting. Mr. Whitney advised that Board members have term limits, and Jack Peters' term, the former horsemen's representative, expired. He indicated there would be, at a minimum, one experienced horseman on the committee.

Mr. Ketterer noted that he met with Tom Flynn, legal counsel for PMR&C, and Mr. Galloway. Mr. Ketterer stated that Mr. Galloway is committed to helping move this process along and give the committee the support needed; and on the flip side, Commission members have advised him of their intent to have something by this spring or summer. He pointed out that Dr. Thalheimer's study pointed out the importance of stability in the horse racing industry.

Mr. Palmer stated that PMR&C experienced a record year last year, but that 2009 is a question mark and there is no way to determine if it is the weather or economy. He indicated that if the storms would come early in the week instead of the weekends, they might be able to make a determination. Mr. Palmer stated that to date 2009 has been very different from what they are used to.

Commissioner Urban, noting that an update on the track surface had been distributed, asked Mr. Palmer to explain to the Commission what was done to the track surface for the 2008 racing season. Mr. Palmer advised that PMR&C installed a new dirt surface for 2008. Commissioner Urban asked if the old surface was removed. Mr. Palmer answered in the affirmative. Commissioner Urban then asked what was put down instead, noting that Commission members had had a discussion concerning the track surface and they were all trying to get on the same page. Mr. Palmer stated it was replaced with new dirt and surface materials. Commissioner Cutler asked if the materials came from outside Iowa, and whether it included new "pebbles". Mr. Palmer stated that the track maintenance personnel are having a difficult time finding the correct mixture that PMR&C has used for many years. He thought some of the materials came from the Sioux City area and some of the aggregate was received from Hallett Materials. He stated the surface appears to be doing a pretty good job; that some corrections were made during the mixed meet after the thoroughbred races.

Commissioner Urban asked if casualties remained about the same. She stated it was her understanding there was one more catastrophic injury in 2008 than 2007. Mr. Palmer answered in the affirmative.

Chair Seyfer moved to Public Comment. As no one had signed up, Chair Seyfer stated there would be a ten-minute break prior to addressing the remaining agenda items.

Following the break, Chair Seyfer moved to the appeal of an Administrative Law Judge's (ALJ) Decision filed by Ray Tracy. Neither Mr. Tracy nor his legal counsel, Rick Olson, was present. David Van Compernelle, Assistant Attorney General, stated that Commission members should have copies of the appeal, ALJ Decision, and briefs filed by Mr. Olson and himself.

Mr. Van Compernelle stated that the case involves a race on May 4, 2008 in which Mr. Tracy was the trainer of the horse "Timeaftertimeafter", who finished second in the race. According to the Commission's rules and policies, the horse was required to report to the test barn for drug testing. "Timeaftertimeafter" did not report to the test barn, and consistent with other decisions when that has occurred, Mr. Tracy was fined \$200 and the purse money was forfeited. Mr. Van Compernelle noted that Mr. Tracy is a seasoned trainer, and has been racing and training horses for quite some time. During the hearing before the stewards, Mr. Tracy admitted that he knew the rules and knew that the trainer is ultimately responsible for violations of the rules; therefore, the factual information is largely undisputed. Mr. Van Compernelle informed the Commission members that the rule is contained in a small handbook that is given to all horsemen, trainers, and jockeys. He stated that the rule specifically states that all first and second place finishers must report to the test barn. Mr. Van Compernelle stated that a meeting is held with the HBPA individuals where the rule is reiterated, and minutes of the meeting are posted outside the Stewards' Office. He indicated that he did not think there could be any dispute that Mr. Tracy was not aware of the rule, knew the rule and that it was violated.

Hearing no discussion, Chair Seyfer called for a motion concerning the appeal of the Administrative Law Judge's Decision by Mr. Tracy to the Commission. Commissioner Urban moved to uphold the Decision of the Administrative Law Judge concerning Ray Tracy. Commissioner Cutler seconded the motion, stating that she felt it was very clear as to the requirements and responsibilities of Mr. Tracy.

Hearing no further comments, Chair Seyfer called for the vote. The motion carried unanimously. (See Order No. 09-12)

Chair Seyfer moved to Administrative Business. As there was none, Chair Seyfer requested a motion to adjourn. Commissioner Cutler so moved. Commissioner Urban seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

IOWA RACING AND GAMING COMMISSION
MINUTES
MARCH 5, 2009

The Iowa Racing & Gaming Commission met on Thursday, March 5, 2009 at Terrible's Lakeside Casino (Terrible's) in Osceola, Iowa. Commission members present were Greg Seyfer, Chair; Diane Hamilton, Vice Chair, and members Kate Cutler, Paul Hayes and Toni Urban.

Chair Seyfer called the meeting to order at 8:30 AM, and called for the Welcome. Bob Thursby, new General Manager for Terrible's Lakeside Casino, welcomed the Commission and other guests to Osceola.

Chair Seyfer moved to the approval of the agenda. Mr. Ketterer advised that following the announcements, Mark Vander Linden, Manager of the Iowa Gambling Treatment Program, would be making some comments regarding National Problem Gambling Awareness Week. Commissioner Cutler moved to approve the agenda as amended. Commissioner Hayes seconded the motion, which carried unanimously.

Chair Seyfer moved to the approval of the minutes from the January 15, 2009 Commission meeting. Commissioner Urban moved to approve the minutes as presented. Commissioner Hamilton seconded the motion, which carried unanimously.

Chair Seyfer moved to Announcements, and called on Jack Ketterer, Administrator of IRGC. Mr. Ketterer introduced Dawn Rominger, Gaming Representative from the Des Moines office who was filling in for Julie Herrick who is absent. Mr. Ketterer also introduced Hal May and Linda Ballard, the Commission's Gaming Representative and Licensing Assistant respectively at Terrible's.

Mr. Ketterer provided the following information regarding upcoming Commission meetings

- April 16, 2009 – Wild Rose Clinton, Clinton, IA (Submissions due by April 2, 2009)
- June 4, 2009 – Stoney Creek Inn, Johnston, IA (Submissions due by May 21, 2009)

Mr. Ketterer noted that the Commission would be reviewing the year-end audits for all of the licensees at the April meeting, except for the Isle of Capri properties as they have a different fiscal year end. He requested that all facilities have appropriate staff available to present and respond to questions. He stated the Commission will be receiving the final report from GVA Marquette and The Innovation Group at the June Commission meeting. Mr. Ketterer stated that under Administrative Business, proposed meeting dates and locations for FY 2010 will be discussed, but are not an action item.

Chair Seyfer called on Mark Vander Linden, Coordinator of the Iowa Gambling Treatment Program. Mr. Vander Linden thanked the Commission for the opportunity to address the

Commission as this week is National Problem Gambling Awareness Week - one week to honor the hard work and efforts of the industry. Noting that the economy has taken center stage, Mr. Vander Linden stated that he is concerned that the downward spiral of the economy could possibly result in an increase in problem gambling behavior. Mr. Vander Linden stated there is evidence to support this, as well as evidence to dispel that concern. In Fiscal Year 2008, 8,620 people called the Bets Off line, more than in any previous year. They also had the third highest year in the number of direct referrals – 2,198. Many people are calling in, but not seeking professional help. Many people, while under a lot of stress from layoffs, foreclosure, or loss of money and investments, may turn to gambling in an effort to find a quick fix to these problems. Mr. Vander Linden stated that regardless of the economic climate, a problem gambler is a problem gambler and will always gamble to the point of losing most everything. He also believes that the economic slide has been rapidly swift, and in contrast, the onset of problem gambling consequences are often slow and progressive, and it can take months or years for a problem gambler to reach the point of seeking help with the consequences of their problem gambling behavior. Mr. Vander Linden indicated there is a possibility the program will see an increase in the number of individuals seeking treatment as a result of the economy, but there is also the possibility there won't be much of an impact. He does feel it is important for the Gambling Treatment Program and the industry to remain responsive to the treatment needs of the Iowans; the 1-800-Bets Off number is known across the state and is available 24/7. Persons seeking assistance can receive information from individuals staffing the phones or be connected to a treatment professional in their area. Counseling services are offered through ten providers in 55 locations across the state. In the last year, the program has started offering distance-treatment services. The program continues to offer transitional housing services through three agencies for those individuals that are most profoundly affected by their problem gambling behavior. Mr. Vander Linden stated the program will also continue to work with the Iowa Gaming Association and the Iowa Lottery to carry a shared message of responsible gambling.

Mr. Vander Linden stated that the same agencies providing treatment also work diligently in the surrounding counties to provide prevention education for schools, community groups, casino employees and other targeted adverse groups. Mr. Vander Linden stated that National Problem Gambling Awareness Week is just one week to honor the hard work being done to reduce and treat problem gambling. It offers an opportunity to acknowledge that the repercussions associated with problem gambling profoundly affect not only the individual, but their families and the entire community. Problem gamblers suffer enormous social, economic, and psychological implications, lost relationships, debt, bankruptcy, substance abuse, and extreme guilt and shame, to name just a few of the symptoms experienced by problem gamblers. Mr. Vander Linden stated that the program's ultimate goal, and believes it is a shared goal, is that no Iowan endure the above. Over the years, the State, IRGC and the program have made sure that a state-wide system of care is available that uses an aggressive education campaign, an evidence-based prevention strategy and insures that treatment is easily accessible for those in need of help. Mr. Vander Linden stated that due to the collaborative efforts from the casino facilities to the treatment providers to the Iowa Legislature, there is a safety net in place to help those in need.

Chair Seyfer asked if they were running about the same amount of public service announcements. Mr. Vander Linden stated the number of announcements were down in the first

quarter of FY09 (July-October) due to the fact that they had been receiving a substantial amount of free public service announcements and due to political ad campaigns and other variables, that those announcements were reduced. Since the end of the campaign season, the number has again increased to the same level as in previous years.

Commissioner Hamilton asked if there was an increase in the number of problem gamblers within the last year. Mr. Vander Linden advised they are not seeing an increase in the number of individuals seeking treatment, but it is difficult to know what happens behind the scenes. He commented that many problem gamblers ultimately do not seek treatment. Chair Seyfer thanked Mr. Vander Linden for his presentation.

Chair Seyfer moved to the Emergency Adopt Rules attached to the agenda. Mr. Ketterer advised that these rules involve debt collection for the Department of Revenue with respect to any licensing agency. The rule conforms to the requirements of the Iowa Code and allows the Commission to be in compliance. Mr. Ketterer advised that the rule is not significantly different than any other licensing agencies in order to comply with the recently passed law. The rule is being presented for Emergency Adopt, and Mr. Ketterer stated that he did not think legal counsel would have any objections. Mr. Ketterer recommended that the rule be approved for Emergency Adopt.

Hearing no comments or questions concerning the rules submitted for Emergency Adopt, Chair Seyfer requested a motion. Commissioner Urban moved to approve the rules for Emergency Adopt. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-13)

Mr. Ketterer advised that if an individual is in arrears on child support or unpaid taxes with the State, this rule gives the State the opportunity to take away certain licenses that the individual might receive from the State.

Chair Seyfer called on Horseshoe Casino/Bluffs Run Greyhound Park (HC/BRGP). Jeanne Madgefrau, Vice President of Finance, presented a contract with Maritz Motivation, Inc. for items to be used for promotions and events.

Commissioner Hayes asked Ms. Magdefrau to describe the process they used to determine if there were Iowa vendors that could provide the same items. Ms. Madgefrau responded that they search for three Iowa vendors and request quotes. If an Iowa vendor is unable to provide the amount or specialized service, they continue the search outside the state. She also noted HC/BRGP does utilize some national contractors for all Harrah's properties, but that they do seek out Iowa vendors first and utilize them whenever possible. The national contracts accounted for approximately \$13 million.

Commissioner Hayes clarified that HC/BRGP did seek out Iowa vendors prior to awarding the contract to an out-of-state vendor. Ms. Madgefrau answered in the affirmative, noting there were no Iowa vendors that could provide the dollar amount in all of the product required in this particular transaction request.

Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contract as submitted by HC/BRGP. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09- 14)

Chair Seyfer called on Dubuque Greyhound Park/Mystique Casino (DGP&M). Roger Hoeger, Assistant General Manager, and Brian Carpenter, Director of Racing, presented the 45-day season approvals for the upcoming live meet, which commences on April 25th.

Mr. Hoeger also presented the following additional contracts for Commission approval:

- Alpha Video – Audio/Video/Media System for Casino
- American Teletimer Corp. – Photo Finish Equipment
- Certegy Check Services – Check Guarantee Service
- Cintas Corporation – Uniform Purchase and Replacement
- City of Dubuque – Extend Lease Term
- Greater Dubuque Development Corp. – Dubuque Works Campaign
- IKON Office Solutions – Purchase of Imaging System
- Lange Sign Group – Digital Sign Replacement and Moving Existing Sign
- Matthews Distributing – Beer and Wine Purchases
- The Printer Inc. (TPI) – Direct Mail and Printing Services
- United Steelworkers of America – Labor Agreement
- Wasker, Dorr, Wimmer & Marcouiller, PC – Government Relations

Commissioner Hamilton posed a question on the related party contract with the Greater Dubuque Development Corporation. Mr. Hoeger responded that some Dubuque Racing Association (DRA) board members also sit on the Greater Dubuque Development Corp. board. This is part of a joint initiative with the City of Dubuque to attempt to bring additional jobs to the City. He noted that Dubuque recently landed up to 1,300 jobs with IBM. To attract those jobs, the DRA, along with the City of Dubuque and other local businesses contribute towards the financial efforts to attract jobs of this nature.

Commissioner Hayes asked if this payment represents a donation or a loan. Mr. Hoeger stated that the DRA financial includes a line item called “Resolution Funding”, and this represents a donation that DRA makes on an annual basis.

Mr. Ketterer asked about the current renovations to the facility. Mr. Hoeger responded that the \$2 million renovations are on schedule. The upper level of the casino has opened with approximately 250-275 machines. The restaurant, buffet and other area of the main casino are to be finished by April 1, 2009 and the events center is anticipated to be finished by the end of April.

Commissioner Hayes requested a description of the process utilized to select Alpha Video. Mr. Hoeger stated DGP&C did an extensive review of the existing vendor, Sport View that conducts the greyhound racing operation relative to the video process. Management attended the G2E

show in Las Vegas, where they learned of the Alpha Video system. DGP&C looked at a Dubuque vendor for stage lighting and video system. Mr. Hoeger stated that prior to making the final selection DGP&C looked at three different vendors. Commissioner Hayes asked if any other Iowa vendors other than the Dubuque company were considered. Mr. Hoeger stated that he was not involved in the process, but to his knowledge no other Iowa vendors were considered. Commissioner Hayes stressed the importance of using Iowa vendors and that facilities should make the effort to look at vendors through the whole state and to look outside the regular in-town vendors. Mr. Hoeger stated that 94% of their contracts are through the State of Iowa.

Mr. Ketterer pointed out that one of the contracts before the Commission notes that the City is foregoing some distributions in efforts to help finance the improvements at the facility and help with the cash flow of the operations.

Hearing no further questions or comments regarding the 45-day season approvals or the additional contracts, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the 45-day season approvals and additional contracts as submitted. Commissioner Urban seconded the motion, which carried unanimously.

Commissioner Hamilton asked if the motion needed to include the following staff recommendation: Staff recommends approval of DGP&M's seasonal approval request with the completion of all appropriate DCI backgrounds, that staff approves simulcast schedule requests to insure compliance with all regulatory requirements as well as a required tote test prior to live racing.

Commissioners Hayes and Urban concurred. Chair Seyfer called for a vote on the amended motion. The motion carried unanimously. (See Order No. 09-15)

Chair Seyfer called on Prairie Meadows Racetrack & Casino (PMR&C). Brian Wessels, Chief Financial Officer, presented the following contracts for Commission approval:

- Control Installations of Iowa – Surveillance Equipment
- Data Business Equipment – Cash Handling Equipment
- Hansen Company, Inc. – General Contractor – On-Site Services

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Hamilton moved to approve the contracts as submitted. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-16)

Mr. Wessels introduced Jerry Nugent, the hotel committee chair for PMR&C. Mr. Nugent stated that the committee made their recommendations to the full PMR&C Board of Directors at the February meeting regarding the ownership and management structure of the proposed hotel. They met with the Polk County Board of Supervisors to discuss these in February. The Board approved the Committee's recommendation; PMR&C will seek an outside owner with a sub-ground lease. The board also directed the committee to meet with Polk County to amend the current lease in order to allow the hotel project to go forward. They've already had an informal

meeting with the leadership of the Supervisors. The hotel committee is in the process of structuring a written proposal to present to the Board of Supervisors in the next couple of weeks. Mr. Nugent stated they are on schedule and are moving forward. The PMR&C Board of Directors has endorsed the committee's recommendations.

Commissioner Seyfer noted that PMR&C's current lease with Polk County ends in 2010. He asked if they are going to amend the lease or renegotiate at the same time. Mr. Neugent advised that in order for the project to continue forward and allow PMR&C to negotiate with a hotel operator, PMR&C will need to seek a short-term amendment, which will hopefully serve as the first step toward the renewal.

Commissioner Urban asked about the process the hotel committee utilized in reaching the decision to utilize an outside vendor. Mr. Nugent responded that the committee looked at financing options, financing needs that PMR&C will have over the next 8-10 years, and various models utilized by other Iowa casinos where hotels have been owned and operated by the casino and hotels that are owned and operated by non-licensees on-site. The committee reached the conclusion that utilizing an outside vendor is the one that would best serve PMR&C.

Commissioner Urban asked who would own the parking facility. Mr. Neugent advised that PMR&C would build and own that facility, and would be separate from the hotel. Commissioner Urban asked if hotel guests would be able to utilize the parking facility. Mr. Neugent answered in the affirmative, but noted the main purpose is to serve the entire facility. Commissioner Urban stated that one of the Commission's concerns is the inadequate parking at PMR&C. Mr. Neugent stated that the PMR&C Board is committed to rectifying the parking situation.

Mr. Ketterer asked Mr. Neugent if the contract with the hotel operator would include the flexibility or option for PMR&C to purchase the hotel at some point. Mr. Neugent answered in the affirmative.

Chair Seyfer requested an update on the racing plan. Mr. Neugent replied that while he is not on the committee, Don Brown and Tom Whitney were not available to attend today and asked him to speak. In a follow up to Mr. Whitney's presentation at the January meeting, the racing committee has been very busy over the past month with related projects. At the end of January, the racing committee interviewed and retained Dr. Margaret Ray and Douglas Reed as consultants for the racing committee. Dr. Ray is an economics professor at the University of Mary Washington and Mr. Reed is the Director of the University of Arizona Racetrack Industry Program. Dr. Ray and Mr. Reed have extensive backgrounds in the racing industry. They will include intensive meetings with stakeholders within the horse racing industry, an evaluation of the economic impact of racing activity and the agribusiness impact in view of the present program, and make recommendations for immediate and long-term action. The consultants' final report is due by May 1, 2009.

Mr. Neugent stated that in addition to the selection of the outside consultant, the racing committee has been busy since the last meeting. They have met with individuals with

knowledge or an investment in horse racing. The last guest of the committee for an extensive discussion was Maggie Moss, a Des Moines resident and nationally prominent horse owner. Tom Timmons will be addressing the committee at their March 6th meeting. Mr. Timmons, a former employee of PMR&C, was involved in the early operations at the racetrack. The committee also continues to meet without guests for the purpose of holding general discussions, setting future schedules and identifying areas that need special attention by the committee and information from others. The racing committee will be visiting Oaklawn in Arkansas and Remington Park in Oklahoma to meet with track administration, owners, trainers and representatives of the horse groups of those particular states. The committee's future schedule includes continuing meeting with individuals, separate board sessions for the committee, joint meetings with the Iowa horse groups whose leaders have met individually with the committee, and public hearings which will allow any citizen to be heard prior to any final recommendation by the committee to the PMR&C Board. It is still anticipated that the final report of the committee will be available in the May/June time period.

Chair Seyfer thanked Mr. Neugent for the update, noted that the item will continue to be an agenda item, and expressed Commission's anticipation of receiving the final report at its June meeting.

Chair Seyfer moved to the update on the progress of the gaming studies being performed by The Innovation Group and GVA Marquette.

Jim Oberkirsch and Derris Newman, representatives from The Innovation Group, introduced themselves and distributed a handout to the Commissioners detailing their power point presentation, which will set forth the methodology being utilized in the study. Mr. Oberkirsch stated that The Innovation Group (Innovation) is one of the top consulting firms in the gaming/leisure/hospitality industry, and conducts hundreds of market assessments of this nature each year. Mr. Oberkirsch, Director of Consulting Services, has been with Innovation Group for about four years and was previously employed with the Missouri Gaming Commission. Mr. Newman, Vice President of Research, has 16 years of experience with the analysis and dissemination of data and will be focusing on several specific areas listed in the presentation, but also looking at the whole of the gambling market in Iowa. A copy of the presentation is attached and incorporated in its entirety by this reference.

Mr. Oberkirsch stated the study was progressing very well due to great cooperation from staff as well as the licensees. He stated that the broad objective of the study was to identify underserved and underperforming markets in Iowa. The Innovation Group was tasked with identifying different development scenarios to capture the latent demand. The contract specifically directed the company to look at five counties –Lyon, Wapello, Webster, Franklin and Tama with regard to new facilities. Additionally, Innovation was directed to consider various investment level benchmarks - \$50 million, \$75 million and \$100+ million. The final report will project gaming revenue, incremental taxes associated with the new developments, evaluate cannibalism closely, and estimate the increase in tourism related to the new developments. The methodology, or six-step process, included a thorough information-gathering phase, a demographic and economic

analysis in light of the current recession, a gaming market trend analysis, a gaming market assessment which forecasts the new revenue, and the tourism analysis.

Mr. Newman advised that Innovation has sent several associates to conduct on-site visits. Information is being gathered and assessed through collection of on-site data such as ease of access from the highway system, ease of access from the parking area, considered landside versus dockside, and the number and quality of amenities at each facility. Variables used in the demographic study include adult population and growth trend, and household income levels. This information was taken from the Claritas National Dataset, which is updated annually, which would not immediately capture changes due to the economy or a natural disaster. Information was also collected at the county and municipal levels, which is updated on a monthly basis, to help address the quick changes to the market. The economic analysis variables include trends in employment by industry, unemployment rates, housing starts, housing values, foreclosure data, and bankruptcy trends. Many of these variables were available from the state's workforce website.

Mr. Oberkirsch stated that for the gaming market assessment, the current Iowa facilities were separated into various sub-markets: gaming revenue trend for forecasting purposes, market share where there was more than one casino in a market, and assessed the impact of the weak economy on recent results. They used the Council Bluffs market to give an idea of the type of information being collected and how it would be presented for each of the sub-markets. The gaming market assessment, which will forecast the incremental revenue associated with the proposed new projects, was broken down into various components including local (area) market, the overnight gamer, transient tourist and traffic intercept (pass through travelers/truckers).

Mr. Newman stated that the local market methodology begins with the creation of the gravity model. The basic formulation is that the interaction between two or more gaming venues is based on Newton's Law of Universal Gravitation: two bodies in the universe attract each other in proportion to the product of their masses and inversely as the square distance between them. For the purpose of this study, Innovation multiplied the number of positions at each facility times the adult population within the market area, which is divided by the square distance between the casino site and the population base.

Mr. Newman advised that the revenue model inputs include the existing casino locations and positions, market regions were created by using drive times of 30, 60 and 90 minutes from the casino site or market center utilizing zip codes, and 2008 adult population and estimated gaming budgets. The gravity model was calibrated on the actual admission and revenue data and Player Database zip code summaries. Projections will include new locations, gaming floor expansions, new amenities, demographic and economic trend data. Mr. Newman indicated Innovation would defer to the Commission regarding potential competition from Nebraska, or a development by the Ponca Tribe. In looking at the market areas, Innovation differentiated between in-state and out-of-state market areas, and arrived at a total of 65 market areas.

Mr. Oberkirsch, in summary, stated that the study will require a significant data-gathering effort, a thorough background review focusing on demographics and the economy, a detailed analysis

of existing Iowa gaming markets, a revenue forecast by market component, sensitivity to cannibalization of existing casino revenue, and isolation of the impact of tourism, including new jobs and economic benefit. He stated that Innovation has nearly completed the first three points.

Commissioner Urban asked how they would be using the Native American casinos in the study. Mr. Oberkirsch replied that they will be shown through the location and gravity model as they will siphon off some gamer visits from the different market segments. Mr. Newman stated that while Innovation has received information from the three Native American casinos, it is proprietary; thus Innovation cannot show exact performance figures in the report.

Mr. Ketterer pointed out that the monetary levels had been changed to \$40, \$70 and \$100 million. Mr. Oberkirsch indicated the change would be helpful. Commissioner Urban asked Mr. Ketterer to comment further on the change. Mr. Ketterer advised that the change was made in response to a request received by the Commission, and he did not feel that the change was significant.

Chair Seyfer asked for clarification that the study will also encompass markets outside of the original five that were selected. Mr. Oberkirsch answered that the study will encompass the entire state.

Chair Seyfer called on GVA Marquette to address their progress and process for their study. Lou Frillman and Brent Wittenberg are representing the company and will be doing the work. Mr. Frillman stated the company is based in Minneapolis with two satellite offices. He indicated the current economy is unlike any other business cycle that they have experienced as it is deep, serious and broad-based across the United States, and crosses every single industry. Mr. Frillman indicated their company is particularly sensitive to the idea that the decisions the Commission makes will have long-term impact on the current casinos, the health and vitality of the gaming business in Iowa and, ultimately, the state itself. They believe that while the Commission has to be mindful of the current economic environment in a deliberate and calm fashion as they consider the potential growth of the industry statewide. Mr. Frillman indicated GVA Marquette is mindful of the effect of the economy on the gaming business in the state, but noted that a long-term view is an essential perspective. Mr. Frillman presented the following facts:

- The gaming business in the United States is a \$100 billion business.
- The gaming business in Iowa \$1.5 billion. The gaming market in Iowa is in a much better condition than the rest of the United States. Some markets have experienced severe revenue drops which have affected the ability of the operators to continue providing the entertainment and hospitality services.

Mr. Frillman stated that he and Mr. Wittenberg have been deeply involved in gathering the data from the sources mentioned by Innovation, and have had a tremendous response from the local operators.

Mr. Wittenberg concurred with Mr. Frillman's statement that GVA Marquette is utilizing many of the same exercises as Innovation, and compiling much of the same information. He indicated there will be some difference in the judgments and assumptions used, which is driven by both the quantitative analysis described and the qualitative assessment of the facilities themselves and the various markets in which they operate. Mr. Wittenberg advised that up to this point they have concentrated on compiling information and are starting the analysis phase. Mr. Wittenberg stated that he has been to all but three of the facilities, and Mr. Frillman is in the midst of making some site visits as well.

Mr. Ketterer announced that the Innovation handout would be available in the Commission's office.

As there were no additional questions, Chair Seyfer called for a ten minute break. Upon reconvening the meeting, Chair Seyfer moved to the review of the Year-to-Date Economic Impact Reports.

Mr. Ketterer stated that each quarter the Commission collects information regarding economic impact of the riverboats and racetracks in Iowa. The information is divided into four categories: payroll; equipment, supplies and services; statutorily required payments; and charitable contributions. In calendar year 2008, the total economic impact was \$1.12 billion, with \$1.035 billion spent with Iowa business. When the expenditures going to Iowa vendors are calculated over the course of the year, they are divided into four categories; the largest category is for Iowa vendors. Those expenditures not from Iowa vendors are divided into three categories: gaming equipment, specialized or sole services (service/products are not available in Iowa because of geographical location, ex.: media expenses in Council Bluffs that would be spent in Omaha since their market is shared with Iowa), and Other Sources. Expenditures in the latter category are those for which there really is an opportunity to buy in Iowa, but for various reasons that did not occur. The request for transaction approval form requires the facility to indicate whether an Iowa vendor was contacted, and the reasons why an Iowa vendor was not selected (quantity, time constraints, etc.)

Mr. Ketterer pointed out that the percentages for Iowa expenditures are at a historic high: currently around 76% from Iowa vendors, eight percent on gaming equipment, eight percent on specialized sources, and approximately six percent for other sources. When you take out the two categories that are justifiable for non-Iowa spending, the facilities are purchasing about 92% of goods and services from Iowa vendors. Mr. Ketterer stated that this is very commendable and within the spirit of the statute.

At this time, Mr. Ketterer introduced Wes Ehrecke, President, Iowa Gaming Association, who had requested to make some further comments. Mr. Ehrecke commented that in addition to what Mr. Ketterer stated, when examining the four indicators (categories), the casinos in Iowa are a very viable part of Iowa's economy. He then passed out a handout which he indicated was being distributed to Iowa legislators. Mr. Ehrecke pointed out the comparison to the other states and that we have fared much better and have premier destinations. Up to 65% of the casino visitors are from outside Iowa. Mr. Ehrecke also stated that he feels the smoking ban is very

detrimental to casinos, and per the handout, the Commission can see what it does and the importance of allowing smoking for the industry.

Chair Seyfer moved to the Gambling Boat and Gambling Structure license renewals and called on Iowa West Racing Association/Ameristar Casino Council Bluffs, Inc. d/b/a Ameristar Casino (IWRA/Ameristar).

Todd Graham, Executive Director of IWRA, the non-profit license sponsor for both Ameristar and Harrah's, requested support of the license renewals for both Ameristar and Harrah's Casinos. Mr. Graham stated that both facilities are key corporate citizens in the community and region. He stated that the community and IWRA continue to forge ahead with projects that will improve Western Iowa. He also stated that many projects would not be able to progress unless they had the continued support of their gaming partners.

Some of the organizations and projects that have benefited from these funds include a five agency group that shares facilities which include The Salvation Army, the American Red Cross and the Boys and Girls clubs, The Micah House and Heartland Family Services. Funds have also been used to construct the Missouri River Pedestrian Bridge which connects downtown Omaha with Council Bluffs' riverfront, as well as hundreds of miles of trails in Nebraska and Iowa. IWRA is working with the City of Council Bluffs for a 90-acre riverfront park and large mixed-use development which will include over 300 units of market-rate housing. Additionally, IWRA renewed their commitment to historic downtown Council Bluffs, and has created a Downtown Revitalization Fund and has committed over \$5 million to the restoration of landmark buildings and storefronts. IWRA has also founded Iowa Best Public Art, a city-wide public art project that has identified over 60 potential sites throughout the City for public art. Last year, IWRA partnered with the Iowa Department of Transportation to fund plans for a monumental gateway to the State of Iowa and Council Bluffs that will span I-80; the project will include four impressive sculptures by international artist Albert Bailey. The sculptures are currently being fabricated and should be installed around this time next year.

Brent Willits, General Manager of Ameristar Casino, stated that while the casino industry is not recession proof, Ameristar still celebrated some successes this past year, and looks forward to a challenging but prosperous 2009. Ameristar prides itself on being more than a job, but an opportunity to build a career. Mr. Willits stated that with the over 1000 people employed, most are Iowans. Ameristar offers employees on-site GED classes, and on-site college courses with tuition reimbursement. Mr. Willits noted that 80% of Ameristar's purchases were with Iowa businesses. In addition to the \$42 million dollars paid in taxes and \$4.3 million given to the Iowa West Foundation, they've contributed over \$444,000 to local charities through their employee-run Ameristar Cares program and donated hundreds of volunteer hours. He stated Ameristar is committed to responsible gaming with comprehensive long-standing programs to address underage and compulsive gambling, as well as responsible alcohol consumption. Mr. Willits requested that the Commission grant Ameristar the privilege of a casino gambling license in Iowa for the upcoming 2009-2010 year.

Mr. Willits presented the following contract with Black Hills Utilities Holding for natural gas.

Hearing no comments or questions concerning the license renewal or contract, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the license renewal for Iowa West Racing Association/Ameristar Casino Council Bluffs, Inc. d/b/a Ameristar Casino as an Excursion Boat that will not cruise and the additional contract as submitted. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 09-17)

Chair Seyfer called on IWRA/Harveys Iowa Management Co., Inc. d/b/a Harrah's Council Bluffs Casino Hotel (Harrah's). Bo Guidry, General Manager, thanked the Commission for their continued support and also the IWRA. Mr. Guidry respectfully requested the Commission's approval of Harrah's license renewal application.

Mr. Guidry presented an additional contract with Maritz Motivation, Inc. for items to be used in promotions and events.

Hearing no comments or questions concerning the license renewal or contract, Chair Seyfer requested a motion. Commissioner Hamilton moved to approve the license renewal for Iowa West Racing Association/Harvey's Iowa Management Co., Inc. d/b/a Harrah's Council Bluffs Casino Hotel as an Excursion Boat that will not cruise, the contracts contained within the license renewal and the additional contract as submitted. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-18)

Chair Seyfer called on Scott County Regional Authority/Isle of Capri Bettendorf, L.C. d/b/a/ Isle of Capri Bettendorf (SCRA/IOCB). Nancy Donovan, General Manager, advised that the representative from SCRA was unable to attend. She introduced Sally Rogers, Sr. Director of Finance, who put the license renewal together.

Ms. Donovan advised that IOCB is currently updating the brand logo which will be more contemporary and upgrading the facilities. Ms. Donovan stated that they had a slightly better year with a four percent increase, with SCRA receiving approximately \$3.9 million. Ms. Donovan stated that SCRA continues to do a good job of looking at the needs within the community when allocating the funds. Ms. Donovan attributed the increased revenues to increased attendance from Illinois gamblers, the smoking ban in Illinois, as well as an increase from the direct marketing strategy, and a great flood protection plan. With the new event center that has opened up, IOC Bettendorf now has the largest hotel in Iowa with a combined total of 40,000 square feet of meeting space. IOC Bettendorf has over 650 team members. Ms. Donovan concluded her remarks by requesting the Commission's approval of the license renewal for SCRA/IOCB.

Ms. Donovan presented the following contracts:

- Ainsworth Game Technology – Purchase of Slot Machines and Equipment
- Paragon Commercial Interiors – Provides Interior Design Items
- Allied Construction Services – Construction and Building Services

Hearing no comments or questions concerning the license renewal or contract, Chair Seyfer requested a motion. Commissioner Urban moved to approve the license renewal for Scott County Regional Authority/Isle of Capri Bettendorf, L.C. d/b/a/ Isle of Capri Bettendorf as an Excursion Boat that will not cruise and the contracts as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-19)

Chair Seyfer called on Riverboat Development Authority/IOC Davenport, Inc. d/b/a/ Rhythm City Casino (RDA/IOCD/Rhythm City). Mr. Hyder, General Manager, introduced Mary Ellen Chamberlin, President of RDA, who stated that holding a gambling license in Iowa is not a right, but a privilege and requested renewal of the license for RDA/IOCD, which is the oldest continuously operating riverboat license in Iowa. RDA has devoted a great deal of their efforts toward community development; Davenport was one of the first downtown arts and culture destinations. Ms. Chamberlin stated that over the years, over 46%, or approximately \$20-\$22 million, of the funds received by RDA went to the development of the City, the neighborhood surrounding it, and riverfront in the downtown area. They've also developed an active arts community, with a thriving Art Warehouse in the downtown area with approximately 70 artists living in the facility. Over the last 20 years, RDA has used approximately \$176,000 a year in marketing which helps the convention and visitors bureau in bringing in tourism and industry to the area and Iowa.

Mr. Hyder commended Ms. Chamberlin and her group on their work and effort within the community. He stated that his facility has had approximately a \$30 million impact in their community, have 300 plus employees and paid approximately \$7 million in payroll and taxes. Rhythm City has paid over \$16 million in regulatory and statutory taxes, and \$5 million to RDA. All of the above represents approximately 98% of the total dollars expended within the community and Iowa. Mr. Hyder requested the Commission's approval of the license renewal application of RDA/IOCD.

Mr. Hyder presented an additional contract with Thomas V. Lasse for a three year lease for warehouse space.

Hearing no comments or questions concerning the license renewal or contract, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the license renewal for Riverboat Development Authority/IOC Davenport, Inc. d/b/a/ Rhythm City Casino as an Excursion Boat that will not cruise and the additional contract as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-20)

Ms. Chamberlin advised the Commission that Ms. Rogers is the one shared employee between IOC Bettendorf and Rhythm City otherwise the two facilities operate separate of each other.

Chair Seyfer called on Washington County Riverboat Foundation, Inc./Riverside Casino & Golf Resort, LLC d/b/a Riverside Casino & Golf Resort (WCRF/RCGR). Joe Massa, General Manager, stated that Tim Putney, President of WCRF, was not able to attend due to business conflicts. Mr. Massa passed along Mr. Putney's comment that everything is going along very well in Riverside.

Mr. Massa presented the following contracts for Commission approval:

- Culvers Lawn & Landscape – Snow Removal and Maintenance
- Eastern Iowa Light and Power Cooperative – Electrical Monthly Charges
- The Lamar Companies – Billboard Contracts
- MidAmerican Energy – Gas Utility Company

Commissioner Hayes asked if additional bids were obtained for the services set forth in the related party contract with People's Bank. Mr. Massa responded that People's Bank is the local bank and an Iowa vendor. Mr. Massa stated that other banks were considered, but because RCGR had a previous banking relationship with the bank, RCGR elected to utilize their credit card service. Commissioner Hayes asked that they provide the list of the two other vendors reviewed to the Commission.

Hearing no further comments or questions concerning the license renewal or contracts, Chair Seyfer requested a motion. Commissioner Hamilton moved to approve the license renewal for Washington County Riverboat Foundation/Riverside Casino and Golf Resort, LLC d/b/a Riverside Casino & Golf Resort as a Gambling Structure, contracts contained within the application and the additional contracts as submitted. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-21)

Chair Seyfer called on Black Hawk County Gaming Association/IOC Black Hawk County, Inc. d/b/a The Isle casino & hotel waterloo (BHC GA/IOCBH/The isle). Bari Richter, General Manager, advised that The isle has maintained over 96% of their expenditures within the state for sole source contracts. If gaming equipment is removed, expenditures with Iowa vendors are almost 98%. The isle employs over 500 individuals, and just recently completed the first calendar year of operations.

Beth Knipp, Executive Director of BHC GA, stated that The isle and BHC GA have a great partnership; The isle has lived up to all of their commitments and is a big asset to the community. Over the last 12 months, \$2.5 million has been awarded to 63 projects located in 22 municipalities located in Black Hawk and surrounding counties. Ms. Knipp stated that BHC GA's goal is to help the Cedar Valley prosper. She stated that the promises Isle of Capri made to the Commission when applying for the license are being fulfilled, and requested the renewal of the license for BHC GA/IOCBH.

Ms. Richter presented the following contracts:

- Farner-Bocken Company – Cigarette and Candy Distributor
- Anderson Erickson Dairy Co. – Dairy Distributor

Hearing no comments or questions concerning the license renewal or contract, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the license renewal for Black Hawk County Gaming Association/IOC Black Hawk County Inc. d/b/a the Isle casino and hotel

waterloo as a Gambling Structure and the additional contracts as submitted. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-22)

Chair Seyfer called on Missouri River Historical Development, Inc./Belle of Sioux City, L.P. d/b/a/ Argosy Casino Sioux City. Kees Eder, General Manager, introduced Mark Munson, Chairman of MRHD. Mr. Munson stated that gaming started in Woodbury County in 1994 and has had two operators, one started the facility in 1994, and Argosy purchased the facility in 1994. He stated that Argosy is a wonderful citizen of the county; they contribute to the community and cooperate with the county, city and foundation. He also stated that Argosy works hard to get business and expressed concern over the possible new licenses in nearby markets.

Mr. Eder presented an additional contract with IGT for anticipated purchases of Slot Machines & Parts.

Hearing no comments or questions concerning the license renewal or contract, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the license renewal of Missouri River Historical Development Inc./Belle of Sioux City L.P. d/b/a Argosy Casino Sioux City as an Excursion Boat that will not cruise, the contracts contained within the license renewal and the additional contract as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-23)

Mr. Munson encouraged the Commission to visit and see the work that they've accomplished.

Chair Seyfer called on Worth County Development Authority/Diamond Jo Worth, LLC d/b/a Diamond Jo Worth (WCDA/DJW). Kim Pang, General Manager, stated that Kim Miller from the WCDA was unable to attend. He introduced Deb Hanson, CFO of WCDA.

Mr. Pang requested the Commission's approval of the license renewal application of WCDA/DJW, and the contract as submitted.

Ms. Hanson stated that the WCDA has contributed \$1,773,071 toward education and school supplies. Ms. Hanson noted that last year 87 Worth County seniors received a scholarship in the amount of \$6,528.36. Last fall, 1,344 Worth County K-12 students received a \$75 gift card toward the purchase of school supplies, and 66 received free pre-school tuition. Additionally, hundreds of Worth County teachers received funds to use in their classrooms; student fees were reduced, and curriculums were improved. She feels that the Authority has made a profound impact on the educational system in north central Iowa. Ms. Hanson advised the look of the county is changing month to month. In 2008, the WCDA distributed over \$122,000 from the interest earned on their funds to provide assistance to every food distribution center in Worth and the surrounding counties, while Toys for Tots, and other local organizations received distributions throughout the year.

Ms. Hanson stated that the WCDA held a contest for the six school districts entitled "How Would You Make Your Community Better". Over \$18,000 was granted to the essay winners. Ms. Miller's favorite was written by a 4th grader who was able to give each resident of his

community ten free LCD light bulbs, which will save the community \$13,000 in energy savings per year.

Ms. Hanson stated that last year the WCDA distributed over \$4 million. This year over \$2 million will be distributed to the schools in July, with an estimated scholarship of over \$7,000 for each Worth County student. Ms. Hanson stated that it is interesting to see the number of families moving into Worth County in order to benefit from the funds distributed to the schools/students. Ms. Hanson thanked Diamond Jo for their commitment to Worth County.

Mr. Pang presented an additional contract with Subway Real Estate Corp for a lease agreement with Diamond Jo Worth for space in the casino. Commissioner Urban asked about the need for the contract and for additional details. Mr. Pang stated that Subway would be taking the place of Starbucks and that because of their location by the interstate, Subway would be a good presence and attract visitors.

Hearing no further comments or questions concerning the license renewal or contract, Chair Seyfer requested a motion. Commissioner Hamilton moved to approve the license renewal for Worth County Development Authority/Diamond Jo Worth, LLC d/b/a Diamond Jo Worth as a Gambling Structure, the contracts contained within the license renewal, and the additional contract as submitted. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-24)

Chair Seyfer called on DRA/Peninsula Gaming Company, LLC d/b/a Diamond Jo (DRA/Peninsula). Todd Moyer, General Manager, introduced Mr. Hoeger with DRA. Mr. Hoeger requested approval of the license renewal, noting the DRA has been in existence since 1985, and has been a partner of the riverboat operation since 1991. To date, DRA has distributed over \$53 million in funds to the City of Dubuque and in excess of \$30 million to the tri-state non-profit organization. Mr. Hoeger stated that DRA receives approximately 4.5% of the Diamond Jo's gross gaming revenue. He stated that the new facility is very beautiful and has raised the bar in the community. He respectfully requested renewal of the license for DRA/Peninsula.

Mr. Moyer presented the following contracts:

- Conlon Construction – Construction of Banquet Kitchen
- Giese Sheet Metal Co., Inc. – HVAC Maintenance
- Midwest Casino Supply – Signage and Casino Chairs

Hearing no comments or questions concerning the license renewal or contract, Chair Seyfer requested a motion. Commissioner Urban moved to approve the license renewal of DRA/Peninsula Gaming Company, LLC d/b/a Diamond Jo as a Gambling Structure, the contracts contained within the license renewal and the additional contracts as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-25)

Chair Seyfer called on Clarke County Development Corporation/HGI-Lakeside, Inc. d/b/a Terrible's Lakeside Casino Resort. Mr. Thursby introduced Bill Trickey, Executive Director of Clarke County Development Corporation; Fred Diehl, Mayor of Osceola; Edward, Timothy & Troy Herbst from Herbst Gaming and the management staff at the meeting. Mr. Thursby requested approval of the license renewal application for CCDC/HGI-Lakeside.

Mr. Thursby presented an additional contract with Konami Gaming, Inc. for lease/purchase of slot machines, supplies and parts.

Hearing no comments or questions concerning the license renewal or contract, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the license renewal for Clarke County Development Corporation/HGI-Lakeside, Inc. d/b/a Terrible's Lakeside Casino Resort as a Moored Barge and the contract as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-26)

Chair Seyfer called on Southeast Iowa Regional Riverboat Commission/Catfish Bend Casinos II, L.C. d/b/a Catfish Bend Casinos II (SIRRC/CBC). Gary Hoyer, CEO of Great River Entertainment (GRE), the parent company for CBC, stated that Larry Smith, Chair of SIRRC, was unable to attend due to a conflict, but introduced Rob Higgins, General Manager, and Jerry Baum, Chief Operations Officer.

Mr. Hoyer stated that CBC faced high debt, weak earnings, lackluster revenues and the closing of the Ft. Madison facility, and ended 2007 on a challenging path, but even considering the weak economy, things have improved. CBC had two objectives for 2008, one of which was to improve revenue. Mr. Hoyer advised that CBC's global company experienced a 12% increase in revenue to improve earnings by more than 400%. The other goal was to reduce debt. After lengthy negotiations with their lenders, they restructured their \$107 million in debt to just under \$80 million, a 26% reduction. Mr. Hoyer provided some background history on riverboat gaming in southeast Iowa, noting that in 1993, local business leaders organized and created Catfish Bend. They ultimately ended up with 500 local investors who contributed anywhere from \$500 on up to the project. Mr. Hoyer stated that GRE essentially has the same investor group from 1993/1994. The original license was issued to Lee and Des Moines Counties, with the boat docking at three different communities: Keokuk, Burlington and Ft. Madison. The investors have a great deal of pride in the casino operation. In January 2008, GRE asked their local investors for a significant equity re-contribution totaling \$7 million, which was all applied to debt. Following negotiations with their lender, GRE was able to buy back approximately \$43 million of debt for the purchase price of \$23 million. In November and December 2008, GRE requested \$11.5 from the local investors and received \$11.7 million, which was used to close the first renegotiated contract, reducing debt by an additional \$23 million. Mr. Hoyer stated that the impact is long term, significant, makes a substantial change in the company's overall financial viability and makes a statement about the commitment by the local investors to the industry in southeast Iowa. Mr. Hoyer encouraged the Commission to be very careful as they proceed to examine license applications; noting that an increase in competition in southeast Iowa would be very difficult for CBC at this time. Mr. Hoyer requested the Commission's approval of the license renewal for SIRRC/CBC, noting that it is a two-county/three city experiment that has

worked very well for the region. He noted that SIRRC used the \$1 million plus to fund development projects, public work project and other various project throughout southeast Iowa.

Chair Seyfer thanked him for the update on their financial situation.

Hearing no further comments or questions concerning the license renewal or contract, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the license renewal for Southeast Iowa Regional Riverboat Commission/Catfish Bend Casinos II, L.C. d/b/a Catfish Bend Casinos II as a Gambling Structure. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 09-27)

Chair Seyfer called on Clinton County Community Development Association/Wild Rose Clinton, L.L.C. d/b/a Wild Rose Clinton CCCDA/WRC). Tim Bollman, General Manager stated that Gerry Freudenberg, President of CCCDA, could not attend, but advised that he would be at the April meeting when the Commission is in Clinton. Mr. Bollman stated that CCCDA appreciates the 30% increase in revenues, and the impact it has had on the community from the scholarships to the new marina to the trails, etc. He indicated there are many projects happening that would not be occurring otherwise. Mr. Bollman requested the Commission's approval of the license renewal on behalf of CCCDA and WRC.

Hearing no comments or questions concerning the license renewal or contract, Chair Seyfer requested a motion. Commissioner Urban moved to approve the license renewal for Clinton County Community Development Association/Wild Rose Clinton, L.L.C. d/b/a Wild Rose Clinton as a Gambling Structure. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-28)

Chair Seyfer called on Palo Alto County Gaming Development Corporation/Wild Rose Emmetsburg, L.L.C. d/b/a Wild Rose Emmetsburg (PACGDC/WR Emmetsburg). Tom Timmons, Vice President of Operations for Wild Rose Entertainment, stated Bill Lapczenski, President of PACGDC, could not attend. Mr. Timmons stated that they had donated approximately \$3 million to local charities in the Palo Alto county area over a 2-year period. Mr. Timmons requested the Commission's approval of the license renewal application of PACGDC/WR Emmetsburg.

Mr. Timmons also presented an additional contract with Chase Bank USA for credit card for food at the restaurant.

Commissioner Hamilton asked if the insurance contract with Met Life Company was with an out-of-state company with an Iowa presence. Mr. Timmons answered in the affirmative, stating that WR Emmetsburg obtains the insurance through a broker, Holmes Murphy.

Hearing no further comments or questions concerning the license renewal or contract, Chair Seyfer requested a motion. Commissioner Urban moved to approve the license renewal for Palo Alto County Gaming Development Corporation/Wild Rose Emmetsburg, L.L.C. d/b/a Wild Rose Emmetsburg as a Gambling Structure, the contracts contained within the license renewal and the

additional contract as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-29)

Chair Seyfer called on Upper Mississippi Gaming Corp./Isle of Capri Marquette, Inc. d/b/a Lady Luck Casino Marquette (UMGC/IOCM/LLCM) Todd Steffen, the new General Manager, stated LLCM just finished rebranding of the exterior of the facility and hope to be starting on the interior rebranding in the month of May. He informed the Commission that the UMGC representative was unable to attend, but requested the Commission's approval of the license renewal for UPGC/IOCM/LLCM.

Mr. Steffen presented the following contracts for Commission approval:

- Epic Construction – General Contractor for Interior Remodel Project for Rebranding to Lady Luck
- AC Coin & Slots – Lease of Slot Machines, Parts and Maintenance
- Cummins Allison Corp. – Purchase, Maintenance, Parts for Currency Counter, Barcode Scanners

Hearing no comments or questions concerning the license renewal or contract, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the license renewal for Upper Mississippi Gaming Corp. /Isle of Capri Marquette, Inc. d/b/a Lady Luck Casino Marquette as an Excursion Boat that will not cruise and the contracts as submitted. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-30)

Chair Seyfer moved to Public Comment. Mr. Ketterer stated that Mr. Ehrecke was going to distribute a handout to the Commission that shows how the County Endowment Funds are being distributed to the non-gaming counties. He noted that the Commission has heard how the non-profits are utilizing the funds they receive; however, the State of Iowa's legislature mandated that some of the monies earned through gaming revenue must be redistributed to the non-casino counties via a qualified county community foundation. Of the funds received, 75% must be distributed through grants and they may retain 25% to establish a permanent endowment. The report being distributed was put together for the legislators, media and a variety of groups to show the impact of these funds.

Chair Seyfer moved to Administrative Business. Mr. Ketterer reiterated that the proposed meeting dates for Fiscal Year 2010 were in their packets and advised that they would be an agenda item at the April meeting. The proposed July 2009 meeting will be held on the 16th in Des Moines.

Mr. Ketterer also gave notice that the Commission will be receiving applications for the Horse Racing Promotion Fund. Interested parties should submit their application for these funds to the Commission's Des Moines office by April 6, 2009.

Mr. Ketterer stated that we would be noticing some rules at the April meeting for Chapters 11 and 12. The proposed changes primarily cover terminology for slot technology and other areas

that need to be updated. Mr. Ohorilko held a meeting prior to the Commission meeting today with the staff from the facilities to review these changes. Mr. Ketterer also pointed out that Administrative Rule 1.7 could use some updating. It was agreed that the Commission would like to look at updating this rule.

As there was no further administrative business, Chair Seyfer requested a motion to adjourn. Commissioner Cutler so moved. Commissioner Urban seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

Dawn M. Rominger

**IOWA RACING AND GAMING COMMISSION
MINUTES
APRIL 16, 2009**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, April 16, 2009 at Wild Rose Clinton (WRC) in Clinton, Iowa. Commission members present were Greg Seyfer, Chair; Diane Hamilton, Vice Chair; and members Paul Hayes and Toni Urban. Commissioner Kate Cutler was absent.

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

Chair Seyfer moved to the Welcome, and called on Tim Bollmann, General Manager of WRC. Mr. Bollmann thanked the Commission for their support of the new facility in Clinton as it has provided WRC the opportunity to better serve the market and has brought economic development to Clinton.

Mr. Bollmann introduced Roger Holm, Mayor of Clinton. Mr. Holm stated that the city has a beneficial and long-standing relationship with WRC, which employs 320 individuals. The employees received \$6.8 million in wages and benefits in 2008. The city and county have received tax payments of \$358,384. Mr. Holm thanked the Commission for choosing Clinton and the Wild Rose for their meeting.

Mr. Bollmann then introduced Gerry Freudenburg, President of the Clinton County Community Development Association (CCCDA). Mr. Freudenburg thanked the Commission for visiting. He noted that CCCDA recently awarded nearly 200 grants for a total of 850 grants to date, with a monetary value in excess of \$16 million. Mr. Freudenburg stated that the improvements around Clinton County show what can be done when you give local communities control over these sums of money.

Chair Seyfer moved to the approval of the minutes from the March 5, 2009 Commission meeting. Commissioner Hayes moved to approve the minutes as submitted. Commissioner Urban seconded the motion, which carried unanimously.

Chair Seyfer called on Jack Ketterer, IRGC Administrator, for announcements. Mr. Ketterer introduced Arni Westphal, IRGC Gaming Representative at Wild Rose Clinton.

Mr. Ketterer advised that the next Commission meeting would be held on June 4th at Stoney Creek Inn in Johnston, Iowa. He read the following proposed meeting dates and locations for the Fiscal Year 2010 meetings:

<u>DATE</u>	<u>LOCATION</u>
July 16, 2009	Stoney Creek Inn, Johnston
August 27, 2009	Riverside Casino & Golf Resort
October 8, 2009	Diamond Jo Dubuque
November 12, 2009	Stoney Creek Inn, Johnston
January 14, 2010	Stoney Creek Inn, Johnston
March 4, 2010	Stoney Creek Inn, Johnston
April 15, 2010	Ameristar Casino, Council Bluffs
June 3, 2010	Stoney Creek Inn, Johnston

Commissioner Hayes moved to approve the proposed meeting dates for Fiscal Year 2010. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-31)

Chair Seyfer moved to the recognition of Commissioner Hamilton as this is her last meeting. Mr. Ketterer stated that Ms. Hamilton was appointed to the Commission in February 1999, and as is the case with most new Commissioners, was overwhelmed with the broad scope and responsibilities encompassed by the gaming industry and the rapid pace of its technology-driven evolution, as well as the racing industry with greyhounds and horse racing with the three breeds. Since Iowa is the only commission to preside over racing and gaming, new Commission members face a large learning curve during their first term. Mr. Ketterer noted that she did a lot of listening her first term and never succumbed to speaking out. During her second term, she served as Vice Chair, and saw that one day she would assume the leadership of the Commission. Commissioner Hamilton became comfortable with her knowledge of the industries the Commission regulates. From July 2004 to July 2006, Commissioner Hamilton served as Chair of the Commission during one of the Commission's most challenging times in its 20-year history, 25 years if the years as a racing commission only are included. The 2004 Legislative session saw a major overhaul of the gambling laws, resulting in the Commission entertaining applications from ten potential licensees. The licensing process lasted six months and several meetings, including visits to the proposed sites. There was pressure and controversy, but then Chair Hamilton did a tremendous job of guiding the Commission through the process. The staff and industry were, and remain, grateful for her leadership. Mr. Ketterer stated that Commissioner Hamilton's time on the Commission has been distinguished by her exemplary service, and doing so selflessly, taking no benefit or recognition in return. Mr. Ketterer advised Commissioner Hamilton that today was her day to be recognized for her ten years of service as a member and

Chair of the Commission. Mr. Ketterer presented Commissioner Hamilton with a plaque recognizing her service.

Commissioner Hamilton stated that the last ten years have been a great opportunity for her, with many positive experiences. She stated that she counts many staff members as friends. She noted that staff provided everything the Commission members needed in order to perform their duties.

Chair Seyfer thanked Commissioner Hamilton for her service, and particularly for the guidance provided to him during his first years on the Commission.

Chair Seyfer moved to the rules submitted under Notice of Intended Action. Mr. Ketterer advised that there are three sets of rules to be considered today, the first being 491-1.7 – Criteria for granting licenses, renewing licenses and determining race dates. He noted these rules were being submitted in accordance with the Commission's direction to staff to draft updated language for possible Notice of Intended Action at the April meeting. Mr. Ketterer stated the rule has been condensed, redundant language removed, references to boats and shore development were updated, and language was added to reflect language contained in the Request for Proposal for the gaming study. Mr. Ketterer suggested that Iowa Administrative Rule 491-1.7(c) be changed to include language that the proposed property is adequately financed.

Chair Seyfer stated that he liked the idea that the rules would coincide with what has been requested in the gaming study. Hearing no further discussion, Chair Seyfer requested a motion.

Commissioner Urban moved to approve Iowa Administrative Rule 491-1.7 – Criteria for granting licenses, renewal licenses and determining race dates as submitted under Notice of Intended Action. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-32)

Chair Seyfer moved to the second set of rules submitted under Notice of Intended Action. Mr. Ketterer advised that Items 1-5 amend language regarding occupational licenses, eligibility for a license, and added a clause regarding summary suspension, noting that since the individual is being suspended prior to their hearing, the Commission does not want to deprive the individual of their right to due process without good reason. Items 6-18 make updates to Iowa Administrative Code Chapters 11 and 12. Brian Ohorilko, Director of Gaming for IRGC, updated the rules to reflect the technology changes within the industry. Mr. Ketterer noted these particular rules had not undergone a comprehensive update for some time. He stated that Mr. Ohorilko met with many of the general managers of the facilities prior to the March Commission meeting and sought feedback, some of which was incorporated into the rules. Mr. Ohorilko recently met with the IGA and representatives from two of the licensees. Mr. Ketterer stated that some of the suggestions were not being incorporated at this time, but may be considered in the future. He stated that he felt the proposed rules were to the point that the Commission

could consider them for Notice of Intended Action as interested parties would still have the opportunity to submit comments during the Public Hearing within the Administrative Rules process. Mr. Ketterer recommended that the rules be approved as submitted for Notice of Intended Action.

Hearing no discussion concerning the rules, Chair Seyfer requested a motion. Commissioner Urban moved to approve the rules as submitted for Notice of Intended Action. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 09-33)

Chair Seyfer moved to the rules submitted for Final Adopt. Mr. Ketterer advised that these rules were approved for Notice of Intended Action at the January Commission meeting, and that the Commission did not receive any public comments.

Hearing no comments or questions concerning the rules, Chair Seyfer requested a motion. Commissioner Urban moved to approve the rules as submitted for final adoption. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-34)

Chair Seyfer moved to the review of the licensee's financial audits and called on Ameristar Casino (Ameristar). Jane Bell, Director of Government Affairs, and Joe Giordano, Chief Financial Officer (CFO), were present to answer any questions.

Commissioner Hayes noted that the balance sheet reflected a large receivable from an affiliate in the amount of \$49 million, and asked if it was a temporary item. Mr. Giordano advised that it was a carryover from a 2003 tax adjustment. He stated that in 2007 the Iowa property reduced notes to the parent company. The liability side will increase on the 2009 audit.

Chair Seyfer called on Argosy Casino-Sioux City (Argosy). Kees Eder, General Manager, was present to answer questions concerning the audit.

Commissioner Hayes noted there was no Statement of Cash Flow at the casino level included in the audit. Mr. Eder stated that he would get one to the Commission.

Hearing no further questions or comments concerning the Argosy audit, Chair Seyfer called on Catfish Bend Casino (CBC). Gary Hoyer, Chief Executive Officer, and Donald Spears, Controller, were present to answer any questions.

Commissioner Hayes noted that an "Other Receivable" in the amount of \$1.3 million was reflected in the audit. He asked if it was to a related party or if it had been paid. Mr. Spears advised that the amount was related to a rent payment made in 2005, and will remain on the books until the funds are returned from the state.

Commissioner Hayes stated that the Internal Control letter identified a weakness this year that was similar to last year's letter, and asked how the situation was being addressed and how the processes are being reviewed on an overall basis. Mr. Hoyer advised that internal controls are reviewed on an on-going basis. He indicated that CBC representatives met with the auditors following the conclusion of the audit, and to his knowledge, all issues had been resolved. Commissioner Hayes stressed the importance of internal controls from the Commission's standpoint.

Hearing no further comments or questions for CBC, Chair Seyfer called on Diamond Jo (DJ). Todd Moyer, General Manager, and Wendy Runde, Director of Finance, were present to answer any questions. Mr. Moyer stated that DJ approached 2008 anxious to commence construction of the new facility, which was scheduled to open the end of the year. At the same time, DJ was focused on driving growth and an increase in gaming revenues. To help them attain these goals, DJ used a very successful marketing theme of "Come see her before she's gone". Mr. Moyer also stated that during the first quarter of 2009, DJ has seen a 100% increase in revenues, or over \$10 million. DJ's market share has increased by 27%. Mr. Moyer stated DJ spent \$82 million on the new facility. He also noted the recently completed renovation of the Mystique Casino/Dubuque Greyhound Park has added to the market.

Commissioner Hamilton asked when the new facility opened. Mr. Moyer stated that the new facility opened on December 11th, or just over four months ago.

Commissioner Hayes noted there was an accounts receivable of \$3 million. Ms. Runde stated the receivable is a rebate due from DRA. DRA agreed to pay DJ 33 cents for every dollar of lost revenue commencing the end of November when DJ started moving slot machines off the riverboat to transition to the land-based facility.

Hearing no additional questions for DJ, Chair Seyfer called on Diamond Jo Worth (DJW). Kim Pang, General Manager, was present to answer any questions. Mr. Pang advised that 2008 represented the first full year of operations following the expansion, and noted that it was very successful. DJW saw an increase in gaming revenue of approximately \$4.7 million, the facility is seeing continued success in attracting visitors from Minnesota, food and beverage revenues increased by \$900,000, and a \$5.8 million decrease in debt.

Commissioner Seyfer asked how the first quarter went. Mr. Pang indicated DJW had a strong first quarter; that they met plan, as well as last year's numbers. He indicated that April has been good to date.

Hearing no further questions for DJW, Chair Seyfer called on Harrah's. Janae Sternberg, Director of Finance, for Harrah's and Horseshoe Casino/Bluffs Run Greyhound Park was present to answer questions. She requested the Commission's approval to cover both properties at this time. The Commission agreed.

Commissioner Hayes noted that separate reports have been submitted for the properties in the past, but a consolidated report was submitted this year. He wondered why the change, and noted that there were some statements that were not included in the audit. Ms. Sternberg advised that consolidated reports are done in other areas of the company; they had just never been done here. The consolidated reports represented a cost savings for the company, and the auditors were able to streamline the audit process somewhat. Ms. Sternberg indicated that she would get the missing statements from the audit team and submit them to the Commission.

Commissioner Hayes noted there was a substantial change in "Good Will", but that it did not go through the Income Statement. Ms. Sternberg advised that all of the "Good Will" was absorbed in the purchase.

Hearing no further questions concerning the audit for Harrah's or Horseshoe/Bluffs Run, Chair Seyfer called on Lakeside Casino (Lakeside). Prior to addressing the audit, Bob Thursby, General Manager, advised the Commission that prior to the filing of the bankruptcy petition, Herbst Gaming spent a great deal of time, effort and money making sure that all of the vendors were paid. He indicated there may be four or five vendors that have not received payment, and that those payments may be delayed 120 days.

Commissioner Hayes noted that the Commission did not receive a copy of the Internal Control letter from the auditors with the audit. Mr. Thursby indicated he would see that the Commission received a copy.

Hearing no further comments concerning the Lakeside audit, Chair Seyfer called on WRC. Tom Timmons, Vice President of Operations for Wild Rose Entertainment, and Scott Ivers, Corporate Controller, were present to answer questions.

Commissioner Hayes referencing the deficiencies noted in the internal control letter, asked whether any of those cited have occurred in the past, and what is being done to resolve the issues. Mr. Ivers stated that the segregation of duties matter has come up in the past, but is an area that is difficult for them to resolve due to the small staff. He indicated that McGladrey has offered some solutions which should help to relieve that issue.

Hearing no further questions concerning the WRC audit, Chair Seyfer moved to Wild Rose Emmetsburg (WR Emmetsburg). Mr. Timmons and Mr. Ivers were present to answer questions concerning this audit.

Commissioner Hayes indicated he had the same question as for WRC. Mr. Ivers indicated the answer would be the same as stated above.

Hearing no additional comments or questions, Chair Seyfer called on Riverside Casino & Golf Resort (RCGR). Joe Massa, General Manager and Dan Franz, Controller, were present to answer any questions.

Mr. Massa advised that RCGR has total assets of \$16 million, which is down slightly from last year due to a \$6 million cash reduction to reduce debt, and an increase in depreciation of approximately \$10 million. Current assets include about \$1 million in receivables for the business interruption insurance relating to revenue loss last year during the flood. The payment has been received from the insurance company.

Mr. Massa stated that as of December 31, 2008, RCGR had invested \$125 million in the property and equipment, and added around \$1.7 million in total assets in 2008, including improvements to the golf course. Liabilities were reduced by \$4.8 million, which included \$2 million of the \$10 million of the original licensing fee. RCGR has \$88 million in long-term debt from the original financing of the project, which was originally \$100 million.

Mr. Massa stated that 2008 revenues increased 2.3%, or by \$2.5 million, gaming revenue decreased 1% but food and beverage revenue increased by approximately 8%, and hotel revenue increased by 28%. He indicated that despite the increased competition from Waterloo and Burlington and the floods of last year gaming revenues are holding steady this year, and that food and beverage revenues are about double what was originally projected. Hotel revenues are also higher than originally projected. Operating expenses reflect an increase between 80-84% of revenue, or a \$6 million increase, with \$3 million attributable to depreciation and amortization. Payroll expenses increased by \$2 million; with \$1 million of that going to the employee profit sharing program. Property taxes have increased. RCGR ended 2008 with a net income of approximately \$4 million. Mr. Massa stated that payroll and related expenses totaled approximately \$20 million for the 845+ employees; gaming taxes and related fees were \$19 million in 2008, or approximately \$45 million in the 28 months RCGR has been open. That figure does not include the \$8 million paid in license fees.

Mr. Massa noted that RCGR has paid \$4 million to the City of Riverside, which includes the \$1 million guaranteed to the city if a license was granted. Expenditures with Iowa vendors are at 97.5%. The not-for-profit licensee holder received \$3.3 million in 2008 for a total of \$7.5 million since the facility opened. RCGR made distributions totaling \$250,000 to area charities in 2008, for a total of \$500,000 since opening.

Mr. Massa made reference to the GIVE Foundation, which was established in 2007 to help veterans learn the game of golf.

Mr. Massa noted that Riverside is owned by over 700 Iowa residents, and advised that over the past year the company was able to pay those investors a return of 22.5% on their investment after tax. To date in 2009, the investors have received another 7.5% return after taxes.

Hearing no comments or questions for Mr. Massa, Chair Seyfer called on the Iowa West Racing Association (IWRA). Jerry Mathiason, Associate Executive Director, and Tim Miller, CFO, were present to answer questions. Mr. Mathiason took a moment to thank

Commissioner Hamilton for her service. Moving to the audit, he advised that the licensing fees received were down slightly, \$50,000 or 1%. He noted there was a line showing license fees payable, which Mr. Mathiason attributed to timing; those fees have now been received. Mr. Mathiason referenced license fees payable to IWRA that are then distributed to the Iowa West Foundation (IWF). This entry was again attributed to timing and have been received.

Mr. Mathiason noted that previously a Commission member mentioned the Sarbanes-Oxley Act to the licensees during the audit review. He advised that IWRA started a Governance Task Force at that time, which has now turned into a Governance Standing Committee of the IWRA and IWF. This committee has passed a new Code of Conduct and Conflict of Interest policy.

Hearing no questions concerning the IWRA audit, Chair Seyfer called on the Dubuque Racing Association (DRA). Roger Hoeger, Assistant General Manager for Mystique Casino/Dubuque Greyhound Park, stated there was a substantial change in the net assets of the DRA from the previous year. He advised that there were no distributions in 2008, which was offset by an increase in depreciation and amortization due to fluctuations from 2007 and 2008.

Commissioner Hayes noted there was a significant increase in professional fees. Mr. Hoeger stated that DRA had utilized the services of some consulting groups to gather ideas and possibilities relating to the renovation of the casino.

Hearing no further questions regarding the DRA audit, Chair Seyfer called on Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer, General Manager, and Brian Wessels, CFO, were present to answer questions.

As there were no questions, concerning the PMR&C audit, Chair Seyfer moved to the next agenda item, a review of the audit for the escrow account held by the IWRA and the Iowa Greyhound Association (IGA). Jim Quilty, legal counsel for the IGA, was present to answer any questions.

Commissioner Hayes noted there was a substantial decrease in the value of the investments due to the current economic situation. He asked how the losses will impact how the funds are utilized in the future.

Mr. Quilty advised that the IGA had visited with both of the fund managers. He noted that a large part of the decrease was due to the current market situation, and the managers are going to try to position the funds in such a way that they can weather the current situation and grow as the market improves. Mr. Quilty also noted there was a significant withdrawal, as reflected in the audit, last year to fund several stakes races at Bluffs Run.

Hearing no further questions concerning the escrow audit, Chair Seyfer called on WR Emmetsburg. Mr. Timmons and Amy Williams, General Manger, presented an Amended

and Restated Management Agreement, and the following contracts for Commission approval:

- Shuffle Master, Inc. – Equipment and Game Lease
- CDW – Software Licenses and Computer Equipment
- Shuffle Master, Inc. – Equipment and Game Lease

Mr. Timmons advised that there were two changes in the management agreement presented and the agreement previously approved. The original agreement was designed for a third party to manage the property, not the parent company. Secondly, Wild Rose Entertainment is preparing to do a stock offering in Emmetsburg and the Management Agreement is referenced and they felt the Agreement should reflect what the parent company is providing to the subsidiary. Mr. Timmons indicated these are not substantial changes.

Commissioner Hayes asked about the timeline for the stock offering. Mr. Timmons indicated that the paperwork has been submitted to the necessary state agency for approval. Wild Rose Entertainment hopes to hear back within 2-3 weeks, at which time they will start holding the public meetings, and the public offering will occur sometime during the summer.

Chair Seyfer stated the Commission would take up the approval of the Management Agreement and contracts simultaneously. Hearing no questions concerning the contracts, he requested a motion. Commissioner Hamilton moved to approve the Amended and Restated Management Agreement and the contracts as submitted by WR Emmetsburg. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-35)

Chair Seyfer moved to the contract approval portion of the agenda, and called on Mr. Ketterer regarding a contract submission issue. Mr. Ketterer advised that a situation had come up where a parent company is making purchases and then billing the subsidiary licensee for the costs associated with the transaction, but the transaction is not coming before the Commission for approval in some of those situations. He noted there are some licensees who are submitting those transactions for Commission approval. Mr. Ketterer asked the Commissioners if they wanted these transactions submitted for Commission approval. He stated that he did not have any reason to believe the licensees were trying to avoid the approval process.

Commissioner Hayes stated that he felt the transactions should be submitted for Commission approval, noting there are some situations in which there are Iowa vendors that could provide the services. Additionally, the Commission does track the percentage of purchases made from Iowa vendors, and if these transactions don't come before the Commission for consideration, the Commission is not seeing the true economic impact. Chair Seyfer called on Ameristar Casino. Ms. Bell presented a contract with Tai Ping Carpets Americas, Inc. for casino carpet. Ms. Bell noted that while the carpet has been

purchased from an out-of-state vendor, Ameristar is in the process of soliciting bids for the installation from local companies. She indicated that contract would probably come before the Commission at the June meeting.

Hearing no comments or questions concerning the contract, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contract as submitted by Ameristar. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-36)

Chair Seyfer called on Harrah's. Jeanne Magdefrau, Vice President of Finance, presented the following contracts for Commission approval:

- Constellation New Energy Gas – Natural Gas Supplier
- Council Bluffs Water Works – Water Service
- Liberty Fruit – Food Supplier
- Burton Plumbing – Emergency Repair to Plumbing
- RR Donnelley – Printer of Marketing Material
- Farmers Bros. – Coffee and Beverage Supplier

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Harrah's. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-37)

Chair Seyfer called on DJ. Mr. Moyer presented the following contracts for Commission approval:

- Peninsula Gaming, LLC – Corporate Expenses (RP)
- Platinum Holdings, LLC – Lodging at the Grand Harbor Resort & Waterpark
- Reliable Technologies – Computer Network Hardware, Software & Consulting

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the contracts as submitted by DJ. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 09-38)

Chair Seyfer called on DJW. Mr. Pang presented the following contracts for Commission approval:

Hearing no comments or questions concerning the contracts, Chair Seyfer 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. 09-39)

Chair Seyfer called on RCGR. Ms. Massa presented the following contracts for Commission approval:

- Gretter Autoland, Inc. – Car Give-away Purchases
- KK&B Real Estate, LLC/B&R Realty, LLC – Lease Agreement (RP)
- Larry Rice and Beth Broman – Real Estate Purchases

Chair Seyfer asked about the real estate contract. Mr. Massa stated that it is for 14 acres north of the golf course, which could be used to expand the golf course and replace some of the holes located along the river.

Hearing no further comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by RCGR. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-40)

Chair Seyfer called on Argosy. Mr. Eder presented the following contracts for Commission approval:

- NRT – Purchase of New Kiosks, Software and Service Agreement
- Ernst & Young – Audit Services

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by Argosy. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-41)

Chair Seyfer called on Rhythm City (RC). Nancy Ballenger, General Manager of IOC Bettendorf (IOCB), presented the following contracts for Commission approval:

- Principal Trust – 401K Plan Administration
- Coventry Health Care – Health Care Insurance
- Advantage IQ – Consolidates Utility Bills & Remits Payment on Facilities' Behalf
- Willis of Nevada – General Liability Insurance
- Captive Management Services – Insurance Coverage
- Kuhlmann Design – Professional Design Services

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the contracts as submitted by RC. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 09-42)

Chair Seyfer called on IOCB. Ms. Ballenger presented the following contracts for Commission approval:

- Intermedia Marketing – 800 Line Access & Services for Hotel Reservations
- Principal Trust – 401K Plan Administration
- Coventry Health Care – Health Care Insurance
- Advantage IQ – Consolidates Utility Bills & Remits Payment on Facilities' Behalf
- Willis of Nevada – General Liability Insurance
- Captive Management Services – Insurance Coverage
- Delta Dental – Dental Insurance Provider
- Kuhlmann Design – Professional Design Services

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by IOCB. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-43)

Chair Seyfer called on The isle casino and hotel at waterloo (The isle). Bari Richter, General Manager, presented the following contracts for Commission approval:

- Principal Life Insurance Co. – 401K Administration
- Willis HRH – General Liability Insurance
- Avista Advantage, Inc. – Consolidates and Remits Utility Payments
- Captive-Marsh Management – Insurance Coverage
- Intermarketing Media – Provides 800 Line Access and Hotel Reservation Services
- Verizon – Provides Land Line Phone and Satellite Services

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by The isle. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-44)

Chair Seyfer called on Lady Luck Marquette (LLM). Todd Steffens, General Manager, presented the following contracts for Commission approval:

- Farner-Bocken Co. – Pre-packaged Items for Snack Bar
- Kuhlmann Design Group – Architectural Design Firm for Lady Luck
- Purchasing Management International L.P. – Procurement and Payment to Vendors for Lady Luck Interior Remodeling
- Coventry Health Care – Employee Health Insurance
- Willis of Nevada – Liability Insurance

Chair Seyfer asked if the facility was already in the process of remodeling. Mr. Steffens advised that remodeling will commence the end of May. Commissioner Urban asked where the architect firm was located. Mr. Steffens stated the firm is out of St. Louis, MO, and is currently working on two other properties.

Hearing no further comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the contracts as submitted by LLM. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 09-45)

Chair Seyfer called on WRC. Mr. Bollmann presented a contract with Aristocrat Technologies for the purchase of slot machines, conversions and parts.

As there were no comments or questions concerning the contract, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the contract as submitted by WRC. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-46)

Chair Seyfer called on Bluffs Run Greyhound Park/Horseshoe Casino (BRGP/HC). Ms. Magdefrau presented the following contracts for Commission approval:

- Constellation New Energy Gas – Natural Gas Supplier
- Council Bluffs Water Works – Water Service
- RR Donnelley – Marketing Supplier
- Liberty Fruit – Food Supplier
- Farmer Bros. – Coffee and Beverage Supplier

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by BRGP/HC. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-47)

Chair Seyfer called on Dubuque Greyhound Park/Mystique Casino (DGP/MC). Mr. Hoeger presented the following contracts for Commission approval:

- Alpha Video – Audio/Video/Media System for Casino
- Cottingham & Butler Insurance Inc. – Property & Casualty Insurance
- Premier Linen & Uniform Rental – Linen & Uniform Supply Company (RP)
- The Friedman Group, Inc. – Directors & Officers Liability Insurance

As there were no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by DGP/MC. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-48)

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

- On Media – Advertising
- Reinhart Food Service – Food Equipment, Service and Supplies
- Waldinger Corporation – Mechanical &Electrical Contractor

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by PMR&C. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-49)

Before proceeding with the racing plan update, Mr. Palmer informed the Commission that live racing will commence on Friday, April 24th, and that PMR&C has an ancillary agreement with the Iowa Quarter Horse Racing Association. They have not yet reached an agreement with Iowa Horsemen's Benevolent and Protection Association. Mr. Palmer indicated the parties have been working on the agreement the past several days and felt that an agreement would be in place by Monday, April 20th.

With regard to the racing plan, Mr. Palmer advised that several weeks ago four board members and three staff members visited Oaklawn and Remington Park, visiting with HBPA members, management, and breeders, seeking information that would be beneficial to the racing committee in making their decision on the future of racing at PMR&C. He noted that PMR&C sponsored a public input meeting on April 18th, commencing at 8:30 AM when they met with the horsemen, and then it was opened to the public at 10:00 AM. Mr. Palmer stated that approximately 200 people attended, and that everyone conducted themselves very professionally. He indicated PMR&C intends to have one more public forum after making their recommendations to the Commission at the June 4th Commission meeting.

Chair Seyfer asked Mr. Palmer if PMR&C was having a study conducted on their behalf. Mr. Palmer answered in the affirmative, advising that it should be received the following week from Dr. Martha Ray and Mr. Doug Reed. Chair Seyfer asked if the study would be delivered to other interested parties. Mr. Palmer stated that the racing committee wants to review the study and have time to digest the information, and then make their recommendations to the full PMR&C board at their May meeting prior to presenting it to the Commission at the June meeting. Mr. Palmer stated that he felt it would be made available to other interested parties.

Commissioner Urban asked what mandates were set out for Dr. Ray and Mr. Reed in the performance of the study. Mr. Palmer stated they were asked to cover a number of topics, some of which are:

- What is racing doing nationwide?

- What does the racing program look like at tracks similar to PMR&C – number of breeds, racing days, etc., and
- How does PMR&C's purse structure compare to the rest of the nation?

Mr. Palmer noted that the racing industry is having problems right now; and just like a lot of other industries, a number of things are changing. He stated that the PMR&C board wants to have correct and up-to-date information when they make their decision concerning the racing program at PMR&C.

Mr. Palmer provided a brief update on the proposed hotel. He advised that the hotel committee and staff members have just finished drafting the Request for Proposal, and it has been placed on the agenda for approval at the next Board of Directors meeting. If the Board of Directors approves the RFP as submitted, it will be sent out to interested parties.

Chair Seyfer moved to the distribution of the Horse Racing Promotion Fund. Dr. Keith Soring, Director of Racing for IRGC, advised that Iowa Code Section 99D.12 provides two-percent funding for a horse racing promotion fund. The statute reads:

Two percent shall be deposited by the commission into a special fund to be known as the horse racing promotion fund. The commission each year shall approve a nonprofit organization to use moneys in the fund for research, education, and marketing of horse racing in the state, including public relations, and other promotional techniques. The nonprofit organization shall not engage in political activity. It shall be a condition of the allocation of funds that any organization receiving funds shall not expend the funds on political activity or on any attempt to influence legislation.

Mr. Soring advised that Legacy Harness Horse Foundation was the only non-profit to apply for the \$3,846.00 that is available for FY 2009. Legacy Harness Horse Foundation did submit the required accounting of how the funds received in FY 2008 were utilized. Mr. Soring recommended that Legacy Harness Horse Foundation be approved to receive the Horse Racing Promotion Fund in the amount of \$3,846.00 for FY 2009.

Hearing no comments or questions for Mr. Soring, Chair Seyfer requested a motion. Commissioner Hamilton moved to approve the distribution of the FY 2009 Horse Racing Promotion Fund in the amount of \$3,846.00 to Legacy Harness Horse Foundation. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-50)

Following a short break, Chair Seyfer moved to the Hearings before the Commission, and called on Ameristar Casino. Mr. Ketterer advised that this matter was resolved via a Stipulated Agreement, and presented the following facts: On January 6, 2009, an underage female and two companions entered through the main entrance. No identification was requested. Surveillance records show that the individual gambled for two hours, but do not show her purchasing or consuming alcohol. The individual and her

companions left the casino at 3:00 PM, returned an hour later and attempted to re-enter the casino. The security posted at the entrance this time did request identification, which showed her to be 19 years of age. In further discussion with the security officer, the individual admitted being in the casino earlier that day. Mr. Ketterer stated that Ameristar does acknowledge these facts constitute a violation of Iowa Code 99F.9, subparagraph 5, and has agreed to pay an administrative penalty of \$20,000. Mr. Ketterer recommended approval of the Stipulated Agreement as submitted.

Hearing no comments or questions for Mr. Ketterer or Ameristar, Chair Seyfer requested a motion. Commissioner Urban moved to approve the Stipulated Agreement as submitted. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-51)

Chair Seyfer moved to the hearing on the Petition for a Declaratory Order filed by the IGA and IWRA. Mr. Ketterer advised that counsel for both parties have been instructed to keep their arguments to ten minutes and rebuttal remarks to approximately three minutes.

Mr. Quilty was joined by Brad Boeckenstedt, an IGA board member and owner of a breeding operation, to address this issue. Mr. Quilty stated that the issue before the Commission is very simple; Iowa Administrative Rule 491-5.5(2) states that each licensee shall provide and maintain totalizators and electronic boards showing odds, results and other racing information located in plain view of racing patrons. He noted that Bluffs Run had submitted documentation to the Commission which presented the following questions:

- What does the rule require?
- What was intended when the legislation was passed in 1984?

Mr. Quilty stated that he was going to address what he feels is required by the rule. He presented the following analogy based on a radio conversation regarding baseball: What would the reaction of baseball fans be if they went to a ballgame and did not see a scoreboard in the outfield? He indicated the same analogy could be applied to the sport of greyhound racing. Mr. Quilty stated that in 1984 when the Commission set forth the rules as they relate to the three racing facilities in Iowa, the Commission had the vision to require a tote board at each facility. He stated that for as long as greyhound and horse racing has been an organized sport, the tradition has included a tote board. The first recognized tote board was created in New Zealand; and has been a fixture at every racetrack in the United States since approximately 1933. Mr. Quilty stated that in preparation for this hearing the IGA tried to locate a greyhound or horse track that did not have a tote board. They also surveyed their membership; none knew of a track that did not have a tote board. Additionally, they contacted random tracks by phone and conducted an internet search. Mr. Quilty noted that they received some incredulous responses when it was even remotely suggested that they might not have a tote board.

Mr. Quilty stated that when this rule was enacted the Commission had the wisdom to recognize that amongst other things they wanted the racetracks in the state to look like a racetrack. He pointed out that when the rule was enacted in 1984, televisions and large screens were in existence; however, they were not provided for in the rule. Mr. Quilty noted that Bluffs Run has suggested the use of flat screens and some other large screens to provide the same information and to compensate for the fact that they do not have a tote board. He commended them for those options, but noted they do not replace the integral nature of the tote board, nor do they change the language of the rule requiring a tote board.

Mr. Quilty stated that the submissions of both the IGA and Bluffs Run could be thrown out, and the Commission could simply look at 25 years of history in Iowa, and what was intended by the rule. He noted that each and every pari-mutuel facility has a tote board, except for Bluffs Runs since mid-2008. Mr. Quilty stated that the spirit of the rule is not being met by Bluffs Runs' substitution of TV screens and possibly some big projection screens during warm weather. He stated that the rule requires a tote board be available for the following reasons:

- The racing patron expects the tote board will be in the traditional location;
- Accessibility and availability of information like no other whether you are indoors or out.

If you are indoors at Bluffs Run, the tote board would be directly in front of you as you look out at the track. It would prominently display all of the information for the individual watching the race. Mr. Quilty concluded his remarks by noting that the patrons outside on the apron at Bluffs Run are disenfranchised as they do not have the ability to view instant results.

Lorraine May, legal counsel for IWRA, commenced her comments by stating that the matter before the Commission is not analogous to baseball, as all the patrons are seated outside, and the scoreboard is also used for advertising and to lead cheers, none of which is true at a racetrack. Ms. May challenged the Commissioners to find the word "tote board" in the rule; and then pointed out that it is not contained in the rule. She then read the rule. She advised that the phrase "tote board" comes from totalizator, which is a computerized mechanism that condenses the calculation of bets, odds, and results. Ms. May stated that Bluffs Run has to provide and maintain a computerized totalizator; provide and maintain electronic boards showing odds and results of the races. She stated that Bluffs Run has installed 400 electronic LED (Lighted Electronic Display) boards, which are located in plain view of the patrons. Ms. May noted that the location of the LED board, by virtue of the rule, is not geographic; it is functional, with the whole point being to serve the betting public. She stated that the current system in place serves the betting public. Ms. May pointed out that if the Commission were to review statistics and information regarding betting on live races at Bluffs Run before and after the destruction of the tote board, they would find that betting has decreased less after installation of the

new system than before. She also noted that the tax dollars going to the State are better with the new system than under the tote board.

Ms. May then addressed whether the LED boards provide sufficient information. She stated that they display more information than the tote board did due to the new system and mechanisms that were not available previously. She stated that the concept that what existed when the track was built in the early to mid-1980s should forever be frozen in time is an unfortunate reflection of the history of this industry. Ms. May noted that at the present time, more than 5½ times more is bet on simulcast races than live races. Based on that statistic, the tote board would actually be used by a very small percentage of the patrons. She advised that she has been at the track three times in the last six months and never saw anyone outside during the live races. She pointed out that there are no betting windows outside; therefore, all bets have to be made inside. Ms. May stated that the original concern of the IGA was that Bluffs Run was not serving the patrons out on the apron; to that extent, Bluffs Run has offered to make a large LED available outside when it is reasonable to assume patrons will be outside so that the information would be readily available to those patrons as well.

Ms. May stated that for all of the above reasons, in addition to those stated in their submission, Bluffs Run feels they are in full compliance with the rule.

Commissioner Urban asked Ms. May if she was aware of any tracks across the country that do not have a tote board. Ms. May answered in the negative, but noted that no tracks have been constructed in the past two decades. Ms. May stated that she was unable to find any information as to how many new tote boards have been placed in back stretches over the past ten years.

Commissioner Urban clarified her understanding that no new tracks had been built. Ms. May stated that in doing her research she was unable to locate any new greyhound tracks that have been built; noting that there were 45 greyhound tracks in the mid-1980s but the number has dwindled to 20.

Commissioner Hayes asked if all tote boards look the same. Mr. Quilty stated they do not, but predominately greyhound tracks have located the tote board in the backstretch area. He indicated that the tote boards at greyhound tracks are typically much smaller than those at horse tracks. Mr. Quilty stated the tracks have some flexibility and discretion as to what the board will look like; nor is the IGA suggesting there is a cookie cutter format for the tote board. He noted that the tote board can serve as another way to distinguish one track from another.

Hearing no further questions for Ms. May or Mr. Quilty, Chair Seyfer stated that the issues before the Commission were as follows:

1. Is Bluffs Run in compliance with Rule 491-5.5(2); and

2. Must the tote board be located in the backstretch or infield in order to be in compliance with Rule 491-5.5(2)?

Chair Seyfer requested comments from the other Commission members. At a request from Commissioner Hamilton, Chair Seyfer read the rule.

Chair Seyfer stated this matter has been before the Commission for a number of months, providing the Commission members with sufficient time to read and digest all of the information, and review the Code and administrative rules. The Commission is charged with interpreting rules as they appear before them, and to the best of their ability, make sure all of the information is consistent. Chair Seyfer noted that within Chapter 10 of the Administrative Rules there is a provision that states: "At the end of a race, the timer shall post the official running time on the infield totalizator board on instruction by the stewards." He stated that he is aware the rule is contained within the horse provisions of the rules, but stated that the Commission is to interpret the rules as consistently as possible. He pointed out that totalizator boards are identified by various names throughout the rules. Chair Seyfer stated that the rules make it clear that the Commission intended that there be a totalizator board located in the infield. He stated that the parties have asked the Commission to interpret the rules as they currently exist, and it is his belief that they require a tote board be located outside. Chair Seyfer stated that his answer to the first question before the Commission would be "No", and "Yes" to question 2.

Commissioner Hayes stated that he does not feel the term "electronic board" is crystal clear; it can mean a number of different things. On one hand there is the question of what constitutes an electronic board, and on the other is the idea of consistency amongst the racing facilities in Iowa, let alone all the racing facilities around the country. He stated that the location and appearance is just as important as consistency at racing venues. Commissioner Hayes stated that consistency was important to him and feels the tote board should be located in the backstretch or infield. He indicated that it is OK to utilize new technology to achieve greater efficiencies. Commissioner Hayes stated he was inclined to say Bluffs Run is in violation; but that doesn't prevent this question from being revisited in the future.

Commissioner Urban stated that she agreed with both Chair Seyfer and Commissioner Hayes in reading the rule which states in part: "...that each licensee shall provide and maintain totalizators and electronic boards ..."; however, she believes that over a 25-year period it is probable that various racetracks have lost their totalizator boards. She found it interesting that none of them had been replaced by any other kind of electronic devices. She stated that she does not feel Bluffs Run is in compliance with the rule.

Commissioner Hamilton stated that she read the information provided by the Assistant Attorney General. She pointed out that in her years as a horse co-owner, the tote board was absolutely essential; it is the first thing everyone looks at when the race is over to

determine the order of the finish. Commissioner Hamilton stated that she believes Bluffs Run is in violation and that the tote board has to go back up.

Chair Seyfer asked the other Commission members if they felt the two issues before them go hand and hand; that if the Commission determines that Bluffs Run is not in compliance with Administrative Rule 491-5.5(2) then it would be reasonable to expect the tote board to be located in the backstretch or infield so that the answer to Question 2 above would be "Yes".

Hearing no comments, Chair Seyfer requested a motion, which would set forth the Commission's answers to the questions posed to the Commission; "No" to question 1 as to whether Bluffs Run is in compliance with Administrative Rule 491-5.5(2), and "Yes" to question 2 as to whether the tote board must be located in the infield or backstretch.

Commissioner Hamilton so moved, and requested that the Assistant Attorney General draft an Order for the Commission. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-52)

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

MINUTES TAKEN BY:

JULIE D. HERRICK

IOWA RACING AND GAMING COMMISSION
MINUTES
JUNE 4, 2009

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, June 4, 2009 at Stoney Creek Inn and Conference Center in Johnston, Iowa. Commission members present were Greg Seyfer, Chair; and members Kate Cutler, Andrea Harrison, Paul Hayes, and Toni Urban.

Chair Seyfer called the meeting to order at 8:30 AM. He noted that Public Comment is normally at the end of the agenda; however, today it is at the beginning of the agenda. He advised those wishing to address the Commission to sign up at the back of the room if they had not already done so.

Chair Seyfer moved to the approval of the agenda. Commissioner Urban moved to approve the agenda as submitted. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Seyfer moved to the approval of the minutes from the April 16, 2009 Commission meeting. Commissioner Hayes moved to approve the minutes as submitted. Commissioner Urban seconded the motion, which carried unanimously.

Chair Seyfer moved to announcements. Jack Ketterer, Administrator of IRGC, provided the following information regarding upcoming Commission meetings:

- July 16, 2009 – Stoney Creek Inn, Johnston, IA (Submissions due by July 1, 2009)
- August 27, 2009 – Riverside Casino & Golf Resort, Riverside, IA (Submissions due by August 13, 2009)
- October 8, 2009 – Diamond Jo, Dubuque, IA (Submissions due by September 24, 2009)
- November 12, 2009 – Stoney Creek Inn, Johnston, IA (Submissions due by October 28, 2009)

Prior to commencing the Public Comment portion of the agenda, Chair Seyfer welcomed Commissioner Harrison to the Commission as this is her first meeting. He noted there are two important agenda items today – the Gaming Market Analysis and Assessments and the Prairie Meadows Horse Racing Report. He advised that the Commission would not be making a final decision on either of those items today.

With regard to the Prairie Meadows Horse Racing Report, following the approval of Prairie Meadows Racetrack & Casino's (PMR&C) license renewal application and race dates, the Commission asked PMR&C to come up with a report and submit it to the

Commission. That is the agenda item today. Their proposal for racing dates and license renewal application will not be submitted until early October and any decision will be made at the November meeting.

Concerning the license application process, following the granting of licenses in May 2005, the Commission decided to wait and see how those facilities did in the year after they opened. The Commission held discussions each year on whether or not to consider new applications. In 2008, the Commission decided that the time was right to begin considering additional licenses, but not before having studies completed. Those have been done, and are available on the Commission's website. The items before the Commission are the final reports from The Innovation Group (Innovation) and GVA Marquette Advisors (Marquette) and receive public comments. The Commission will make a decision on whether to open the application process at its July 16th Commission meeting. Chair Seyfer noted there were some applicants in 2005 that were not granted a license, but were included in the RFP for the studies. Since that time a few areas and/or counties have expressed an interest – Lyon and Tama counties. All were included in the studies.

Chair Seyfer moved to Public Comments. Due to the number of individuals who signed up for Public Comment, Chair Seyfer requested that speakers limit their comments to three minutes.

Chair Seyfer called on John Vernon. Mr. Vernon stated that he represents the Iowa Quarter Horse Racing Association (IQHRA). He stated that IQHRA is requesting that the Commission not adopt and ratify the PMR&C Horse Racing Committee Report. Beginning with the 2010 season, the quarter horses would have a 30-day stand-alone meet. It is the IQHRA's understanding from the report that they would have a 5-year contract that would be evaluated, and possibly changed, after only two years while the thoroughbreds would be evaluated after three years. The IQHRA does not feel PMR&C should be allowed to discriminate in that area. Mr. Vernon advised that since racing started at PMR&C there has never been a stand-alone quarter horse meet; it has always been a mixed meet. He stated that a stand-alone meet would be a high-risk undertaking for quarter horses as there are no prior standards or benchmarks for comparison and evaluation; it is a set-up for failure for the quarter horse industry. Mr. Vernon stated the quarter horse owners and breeders are delighted to be judged; they simply want to know the criteria on which they are to be evaluated. They are requesting that the criteria be set now and let them know what is expected. No one likes to be judged after the fact on subjective criteria. All the IQHRA has heard is that the handle, attendance, and number of horses in each field will be examined and evaluated. They have not been made aware of any objective criteria that they will be measured against; nor do they know what weight will be given to each of the criteria. Mr. Vernon stated that the group can do something about filling the fields, but requested help from the Commission as a 30-day meet without any objective criteria would constitute a terminal illness for quarter horse owners and breeders. The number of days is very important for quarter horse stakes races due to the quarter horse trial races. A quarter horse can only run every 2-3 weeks. He

advised that a two-year evaluation period is too much uncertainty for the breeders. Mr. Vernon stated that the IQHRA membership does support thoroughbreds and their needs for additional races. Mr. Vernon concluded his remarks by stating that the IQHRA respectfully requests that the Commission consider and adopt the schedule they handed out, a 47-day thoroughbred only meet followed by a 43-day mixed meet, which would satisfy the breeding requirements for both thoroughbreds and quarter horses; and would only go three days past Labor Day. Mr. Vernon advised the IQHRA is ready to sign a three-year contract with evaluations based on objective, not subjective, standards.

Arlen Nicholls raised the issue of the cost of horse racing at Prairie Meadows Racetrack & Casino (PMR&C). The PMR&C Board members indicate losses of \$29 million; others are indicating it is \$19 million in losses. He requested that before the Commission allocates any racing dates at PMR&C, they request the State Auditor's Office to audit PMR&C to determine the amount they have to work with.

Joe Helfenberger, Administrator for the City of Ottumwa, stated that the Iowa Gaming Market Analysis recently completed is in direct conflict with a previously submitted gaming study performed by Cummings & Associates. He advised the cannibalization projections if Wapello County were granted a license were much lower in the previous study than the current studies. With reference to the income coming from out-of-state spending, Mr. Helfenberger stated the numbers were greatly downplayed. Noting that IRGC has indicated they are seeking destination casinos, Mr. Helfenberger set forth several investments made by the City of Ottumwa in the hope of eventually being granted a casino license. He indicated the impact of the 420 jobs created would be significant in light of the large number of layoffs just announced by John Deere in Wapello County and allow county residents to prosper and stay in Iowa.

Keith Caviness, representing the City Council of Ottumwa, noted that Ottumwa was recently awarded the Job Corp Center at the airport, which will be teaching all kinds of skills. The graduates of the Job Corp program will be seeking employment upon completion of their training. He stated that a casino license in Ottumwa or Wapello County would be beneficial to the community, and asked that the Commission consider Job Corp Training Center as a part of their community.

Royal Roland, representing the Iowa Harness Horsemen's Association (IHHA), advised the main item he wished to address the Commission about only came to his attention last Thursday. He noted that last fall Gary Palmer, General Manager of PMR&C, stood before the Commission and stated that the IHHA would receive \$1million to support harness races at the county fairs. Mr. Roland stated that six months have passed and the IHHA has not received any funds from PMR&C. He indicated the IHHA submitted a written request for the funds on April 29th; following the same procedure they have used for the last 13 years. Last Thursday, he received an e-mail from PMR&C with a proposed contract and was advised that the agreement would have to be signed prior to any funds being distributed to the IHHA. The proposed agreement contains a provision that IHHA would pay half the cost of scraping the track by a mutually agreed upon

contractor. This provision would force the IHHA to take less than \$1 million in funding. Mr. Roland stated that having this issue brought up three days prior to the start of their racing season is unwarranted.

Mr. Roland advised that he also had a couple of brief comments he wished to make concerning the Horse Racing Committee Report. He stated that he could not believe the Committee made this recommendation due to its devastating impact on the Iowa horse breeding industry. He noted that PMR&C is obligated by law to fund purses in the amount of approximately \$20 million. The plan proposed by PMR&C will significantly increase the amount of purse money won by non-Iowa owners or non-Iowa registered horses.

He noted that a shortened thoroughbred meet will mean that thoroughbreds could only race four or five times at PMR&C. Additionally, the July 4th end date will make it almost impossible for two-year olds to race. He noted that it takes one to two years to raise an Iowa-bred horse and get them ready to race. Mr. Roland stated that if PMR&C proceeds with this plan, there will be a significant reduction in the amount invested in the horse racing industry in Iowa, with more funds going to out-of state owners, breeders and trainers. He stated that PMR&C has been given a valuable privilege in holding a license. He requested that the Commission make them live up to their obligations to the Iowa racing industry and Iowa breeders.

Terry Lutz, Mayor of Fort Dodge, thanked the Commission for their work for the State of Iowa, noting that he had served on the Vision Iowa Board. He stated that he is representing the majority of the voters in Webster County and Fort Dodge. He asked the Commission to consider expanding the licensing process to give those areas interested in a casino the opportunity to participate. He provided some background as to what has taken place in Fort Dodge since 2003 when the voters overwhelmingly approved the gambling referendum.

Mark Monson, President of Missouri River Historical Development (MRHD), noted that MRHD has been in existence for 20 years and 2009 represents the 15th year of gaming in Woodbury County. He advised that MHRD has distributed \$17 million in Woodbury County since 1994. He stated that MRHD has some concerns about any proposed expansion, pointing out that the conservative estimates show Woodbury County would lose about 6% of their revenues. Additionally, they are concerned about any reaction from South Dakota to Iowa's decision in this area.

Chris Bearden, Mayor of Tama, stated that Tama County passed the gambling referendum in 2006, and residents are still hopeful Tama County will be allowed to participate in the application process. He noted there are Iowa investors who want to invest in the project. Mr. Bearden stated they are in the unique position of being located near a destination area in central Iowa. An individual has donated land for the project.

John Pavone, representing Casino Management of Iowa and Tama, commenced his comments by noting that he has a unique background in that he has served on a number of committees, and has been involved in the gaming industry in a variety of positions since 1985. He noted that the Commissioners are right to be concerned about Iowa's economy. Since the gaming industry was founded in Iowa, it has grown at the rate of approximately 5% consistently until the end of 2008. It is his opinion that if licenses were issued this year the casinos would not be ready to begin operations until 2011 or 2012. After thoroughly reading the gaming studies, Mr. Pavone stated the Commission has the opportunity to create \$400 million in new construction; \$270 million in tax revenue, with approximately \$200 million being new incremental revenue; \$54 million in tax revenue and 2,400 new jobs. Noting the recent layoff announcements, he stated that he did not know where else Iowa could reach out to find that many jobs. Mr. Pavone stated that not one Iowa casino has failed to meet or exceed their first year projections. He advised that over the last 48 months fifteen different studies have been conducted in Iowa, with many being presented to the Commission. He asked the Commission to review them as they move forward in this process. Noting that the voters in the counties of Franklin, Wapello, Tama, Lyon and Webster have made their wishes known, Mr. Pavone asked for a fair and balanced process going forward, and the opportunity to compete for a license.

Edward Shaffner, representing the horse players, stated that he has various interests in the horse racing industry. He stated that Iowa's long-term horse breeding program needs help. He advised that the economic impact in all 99 counties exceeds \$1 million. Mr. Shaffner pointed out that when Iowa approved pari-mutuel racing, the operators of Aksarben grew concerned about their ability to survive and sold the facility, and it has since gone by the wayside. He stated that PMR&C is a beautiful facility and has one of the nicest barn areas, but cutting the number of racing days to 50 is taking the track in the wrong direction. He stated that agriculture is what got PMR&C to where it is at today; without the people like himself, trainers, and those individuals who enjoy horse and dog racing, the tracks would not be here. Mr. Shaffner stated that he could remember fighting for racing in Iowa, and when Iowa-breds had to travel to other states to race as there were no tracks in Iowa. He stated that PMR&C needs management that is interested in racing, not letting the casino overrun it. Mr. Shaffner stated that horse racing generates money in every county. He stated that there needs to be more people involved in horse racing. He pointed out that there would not be any casinos in Iowa if it wasn't for the people that stood up and fought for pari-mutuel racing. Mr. Shaffner echoed Mr. Nicholls' call for an audit by the State Auditor to determine how much it does cost to run a live race meet at PMR&C.

Steve Siegel, Chairman of the Wapello County Board of Supervisors and the Wapello County non-profit seeking a gaming license, stated that everyone respects and appreciates the effort put forth by Innovation and Marquette, but cautioned the Commission that many studies have been done on the gambling industry in Iowa and they are not all consistent with one another. In the current studies, Marquette indicates that a new casino in Ottumwa would cannibalize between 70 and 85% of its revenues from existing

casinos, depending on its size while Innovation indicates it would only be between 43-45%. Mr. Siegel pointed out that the 2003 and 2005 Cummings study commissioned by the Commission showed that a new casino in Ottumwa would only cannibalize 16% of its revenues from existing casinos, or generate 84% in new revenues.

He noted that southern Iowa, along with other portions of the United States, is in the midst of a severe recession, and that the five proposals from the communities would invest over \$200 million private sector dollars in Iowa's economy and create over 2,000 jobs as well as \$400 million in new construction. Mr. Siegel stated the proposed projects would generate approximately \$60 million per year in tax revenue with millions more for local governments and charitable organizations. Mr. Siegel asked the Commission, for the sake of fairness and Iowa's economy, to please consider the benefits for all Iowans as they make their decision.

Ron Dunt, representing Franklin and Hampton Counties, stated the interest level for a casino is just as high as it was back in 2005. He asked the Commission to please consider granting licenses to all applicants, especially those who have applied previously. Mr. Dunt stated that all of the projects meet the criteria established by the Commission, and showed profitability, even when all projects were considered. He noted that rural residents are in need of the jobs and the communities are equally deserving of the opportunities and benefits. Mr. Dunt stated that the communities are cognizant of the complexity of the issue before the Commission and feel that they will do what is fair for all.

Jeff Gallagher, representing Lyon County and President of the Lyon County Riverboat Foundation, stated that he had read the studies and was in complete agreement with the results, as are the voters of Lyon County. He noted the county-wide referendum held last September passed by 62%, with 70% of the voters in the county participating. Since the passage of the referendum, the Foundation has secured exclusive agreements with the Lyon County Board of Supervisors and the City of Larchwood for the project, as well as letters of support from every city in Lyon County. He stated that Lyon County is ready to build a \$90 million resort in the far northwest corner of the state, which will produce in excess of 400 jobs, \$1.5 million per year for the non-profit, approximately \$1 million in taxes for Lyon County and over \$10 million per year to the state. The residents of Lyon County are excited to get this project going as soon as possible.

Glenn Anderson, Lyon County Economic Director, pointed out that the gaming studies are a clear indicator that Lyon County is the best location for a new casino in Iowa. The project will include a 1,200 event center, 100-room hotel, restaurants, indoor pool, show lounge, casino, gift shop and an 18-hole golf course. There will be 400 good paying jobs. Mr. Anderson stated that the average income in Lyon County is approximately \$26,700, while the average wage from a casino job will be \$27,500. The full benefit package will include health care, profit sharing, and a 401K. These jobs will enable Lyon County residents to work within the county versus outside the county or even the state. He noted that currently 40% of Lyon County residents drive outside the county for work. The

proposed project offers an opportunity to retrieve some of the 40-45% of funds that leak out of Lyon County. Mr. Anderson pointed out that Lyon County's 62% approval of the referendum is the third highest of all referendums. Mr. Anderson closed his remarks by noting that during the interview process for his current position, he was asked if he considered Sioux Falls, South Dakota to be an asset or a liability. Sioux Falls will be located 5 miles from the proposed casino location. In this instance, Sioux Falls is an asset as the casino will help stop the leakage of 40-45% of income out of Lyon County.

Linda Juckette, owner/operator of Prairie Valley Farms, stated that like a casino owner, she has a huge capital investment in the infrastructure of the farm, mares, and stallions. She stated that she has been in the thoroughbred business since 1989, starting out on a small scale and has now reached a point of being able to cull out mares in order to upgrade the quality of her stock. She expressed grave concern over the constantly changing rules regarding live racing at PMR&C, which has been operating on a year-to-year basis. She stated that she is not aware of anyone who would run a business on a yearly basis. Ms. Juckette stated that the horse owners try to put out a good product, and have done so by upgrading their stock to the point that they are able to compete on the national level, and many owners do take their Iowa-breds to out-of-state tracks. She stated the 55-day meet for thoroughbreds only, and no shared meet with the quarter horses, make it difficult for some two-year olds to be able to race. In some cases, they are not ready to race until July or August but if PMR&C proceeds under the proposed plan, she would withhold her two-year olds and race them as three-year olds. The current proposal would eliminate her ability to collect any purses or be part of those races. Ms. Juckette stated there are five to six individuals on the back side who touch just one of her five horses at the track on a daily basis, and the proposed plan will have an effect on them as well. She respectfully requested that the Commission carefully look at all the numbers being used when addressing the racing program at PMR&C. Ms. Juckette noted that more horse people need to get involved in the process, and pointed out that many of the individuals on the PMR&C Board of Directors are not horse people.

Codi Burris passed as her concerns had been addressed, and Daniel Reeder did not respond when his name was called.

Chair Seyfer moved to the Gaming Market Analysis and Assessment and called on Innovation. Jim Oberkirsch, Director of Consulting Services, and Joe Witterschein, Vice President of Marketing Services, were present to make the presentation. Mr. Oberkirsch provided some background information on Innovation. In requesting these gaming studies, the Commission specifically asked that the studies identify any underserved and/or underperforming markets in Iowa, and to specifically consider the counties of Webster, Wapello, Franklin, Tama and Lyon; the investment level of any proposed projects (low-end, mid-range and high-end), and evaluate cannibalization on existing licensees. Mr. Oberkirsch characterized a low-end facility as a simple, average casino with some food and beverage, gaming, and is close to a convenient hotel. The high-end facility will follow a resort strategy with a larger casino, high-end finishing touches, resort-oriented hotel with suite offerings, pools, and possibly a spa and fitness center.

Additionally, other markets looked at were Des Moines, Southwest Iowa and Cedar Rapids. Mr. Oberkirsch stated that Southwest Iowa and Cedar Rapids did not make the report as the projects would not have generated sufficient revenues. Mr. Oberkirsch proceeded to present the number of adult gamers, market demographics, revenue/investment numbers, and incremental versus cannibalization revenue for each market area and all counties combined.

Revenues were broken down by the type of project as well as the local market, overnight gamer, the transient tourist and traffic intercept segment. Mr. Oberkirsch defined the local market as those residents living within a reasonable drive of the facility; the overnight gamer likes the comfort of a casino hotel and the transient tourist is the traditional tourist to the area that more than likely would utilize other area hotels, and could be significant segment in some of the larger markets. Traffic intercept relates to passing travelers using major interstate highways.

The incremental revenue versus cannibalization was broken down between the type of facility (low-end to high-end) and indicated which of the current facilities would be impacted and provided an estimate as to how much the proposed facility would affect the revenues of existing facilities.

Webster County: Based on the type of facility, would generate total gaming revenue between \$39 million and \$59 million; have between 652 and 944 gaming positions, and have a capital investment between \$41 million and \$82 million. A Webster County facility would impact the following facilities: Wild Rose Emmetsburg (Emmetsburg) between 15.5 and 21%; Diamond Jo Worth (DJW) between 4 and 6%; and PMR&C between 3 and 4%. A Webster County facility could generate approximately 57% new gaming revenue.

Wapello County: Based on the type of facility, would generate total gaming revenue between \$35 million and \$51 million; have between 615 and 899 gaming positions and have a capital investment between \$38.5 million and \$78 million. A Webster County facility would impact Terrible's Lakeside (Terrible's) between 11.6 and 14.3%; Riverside between 3 and 5%; and Catfish Bend between 2.8 and 4.3%. A Wapello County facility could generate between 55 and 57% of new gaming revenue.

Franklin County: Based on the type of facility, would generate total gaming revenue between \$26 million and \$44 million; have between 502 and 730 gaming positions, and have a capital investment between \$25.3 million and \$62 million. A Franklin County facility would impact DJW between 6.6 and 10.7%; Emmetsburg between 4 and 8%; and Terrible's between 5.5 and 6%. A Franklin County facility would generate between 34 and 41% of new gaming revenue. It was noted that the Franklin County facility did not have a major anchor city.

Tama County: Based on the type of facility, would generate total gaming revenue between \$18 million and \$35.2 million; have between 380 and 559 gaming positions, and

have a capital investment between \$18.7 million and \$49 million. A Tama County facility would impact The Isle Casino Hotel Waterloo between 2.5 and 4%; Riverside between 2 and 3.2% and PMR&C between 1 and 2%. A Tama County facility could generate between 46.5 and 54% of new gaming revenue. It was noted that this project would directly compete with the Meskwaki Native American casino in Tama, which has been expanded and developed over the last few years. This would be considered a small-market, with a flat population over the next five years.

Lyon County: Based on the type of facility; would generate between \$57.2 and \$79.2 million of gaming; have between 887 and 1,289 gaming positions, and have a capital investment between \$56 million and \$107 million. It is anticipated this would be a high-end facility in a mid-range market. A Lyon County facility would impact Argosy Sioux City between 3.7 and 5.8% and Emmetsburg between 2.3 and 4.3%. A Lyon County facility could generate approximately 92% of new gaming revenue. This market area is expected to grow approximately 1.4% per year, reaching 218,000 by 2013. It was also noted that the income levels for Lyon County were much higher than in the other county markets. The estimated gaming revenue is also the highest of the five counties.

An analysis of the Des Moines market shows that it is the second largest market in Iowa, has low gaming participation relative to other major markets in Iowa, and generates annual gaming revenue near \$200 million, more than double the state average. The report indicated that a second casino in the southwest portion of the metro area would generate total gaming revenue of \$100.6 million to \$159.5 million with 1,410 to 2,050 gaming positions. Capital investment would be between \$84.7 million and \$172.3 million. Incremental revenue versus cannibalization would be in the 57% range, with cannibalization focused on Terrible's at 19.4 to 28.3%; PMR&C 14.4 to 23.3% and Emmetsburg 1.3 to 3%. Mr. Oberkirsch stated that four of the five proposed counties can count PMR&C as part of their market area.

Commissioner Cutler asked Mr. Oberkirsch if he had an opinion as to why the Des Moines market had such a low gamer participation rate. Mr. Oberkirsch stated that it was due to a lack of gaming alternatives, noting that the Quad Cities areas has four options and Council Bluffs has three alternatives. He noted that more alternatives mean more marketing, more convenience, etc. Mr. Oberkirsch stated they are just presenting the facts concerning an additional casino in Des Moines; they are not making a recommendation.

In summary, Mr. Oberkirsch stated the following:

- Lyon County is compelling as it has a high incremental impact and low cannibalization;
- Webster and Wapello Counties showed decent incremental demand with moderate cannibalization.
- Franklin and Tama Counties have no large anchor city and therefore showed lower incremental demand and higher cannibalization rates.

- Des Moines showed the highest incremental revenue but significant cannibalization focused on two existing properties.

Commissioner Urban noted that Wapello County has the highest poverty rate in the state, and asked what impact that has on the community in terms of social problems, employment. Mr. Oberkirsch advised that they were not asked to address those issues. Commissioner Urban stated she knew that, but was asking him to draw on his knowledge from other studies. Mr. Oberkirsch stated that in making that determination they would look at criteria specific to the county, and indicated he preferred to stay with the information presented in the report.

Chair Seyfer asked if there would be a percentage of employees lost from one casino to another through cannibalization. Mr. Oberkirsch indicated that was a possibility. Chair Seyfer asked if there was a specific percentage that had been utilized previously. Mr. Oberkirsch stated that a “rule of thumb” could be developed.

Commissioner Hayes, noting that the variance between the low-end and high-end capital investment ranges in Tama were relatively small compared to the other counties, questioned why. Mr. Oberkirsch stated that the capital investment figures were based on the gaming revenue potential of the facility. The gaming revenue potentially dictates the number of gaming positions, which is then used to cost out the project. With regard to the Franklin and Tama County forecasts, Mr. Oberkirsch advised that the gaming revenue percent jump was much more significant between the low to mid-to high-end range due to the fact that higher end facilities have the ability to reach further out into the market, which is where the population lies in these two markets.

Commissioner Hayes asked why the cannibalization impact from Wapello County is so much higher for Terrible’s Lakeside than Catfish Bend when both facilities would be about an equal distance from the proposed facility. Mr. Oberkirsch stated that he would have to check that information. He noted that Innovation had received the players’ databases from the current facilities and had the ability to map out where they were drawing their current players from, which has a key impact on the cannibalization numbers.

Commissioner Hayes asked what the cannibalization impact would be on the proposed Lyon County facility if South Dakota were to build a comparable facility in Sioux Falls, South Dakota. Mr. Oberkirsch indicated that it would be significant due to state loyalty, and would totally change the dynamics of Innovation’s forecast.

A copy of the presentation is attached to these minutes and is hereby incorporated in its entirety by this reference.

As there were no further questions for Mr. Oberkirsch, Chair Seyfer advised there would be a five minute break to allow Marquette to set up their presentation. Upon reconvening

the meeting, Chair Seyfer advised that copies of the presentations would be available on the Commission's website on Friday.

Chair Seyfer called on GVA Marquette Advisors. Louis Frillman and Brent Wittenberg, President and Vice President respectively, were in attendance and addressed the Commission.

Mr. Frillman thanked the Commission members for their confidence and members of the industry that provided a significant amount of information that enabled them to do the best job possible for the Commission and the State of Iowa. Mr. Frillman advised that the presentation would be given in two stages; the first will convey Marquette's thoughts and the second will convey the process used to reach the conclusions.

Mr. Frillman stated that Marquette arrived at the following conclusions from their analysis and fieldwork:

- Iowa's statewide gaming market is generally stable overall in 2009.
- Is outperforming the majority of US gaming markets in 2008 and 2009 due to the comparatively stable economy and few alternative leisure activities.
- Iowa has quality facilities that are well-built, maintained and well-managed;
- Facilities are not over-built for their respective locations.
- Are appropriately designed and themed for their respective markets.
- Iowa's economy and gaming market are well positioned for a return to modest growth, possibly in 2010.
- Recent gaming developments (2005-2008) have been well received in the market.
- Iowa's market is not saturated, but is approaching equilibrium. There are fewer opportunities for a new supply without significant cannibalization.
- Feel that most additional casino developments in most areas reviewed would result in a significant cannibalization of existing facilities.
- Expansion opportunity providing the highest participation and drawing new money in from out-of-state players and the least amount of cannibalization is in Lyon County.

Mr. Wittenberg covered some of the historical performance of Iowa's gaming market. In comparing Iowa's gaming markets to other jurisdictions for the years of 2007, 2008 and 2009, Iowa saw a total growth increase of 23.2% for that time frame.

Mr. Wittenberg stated that Marquette developed a 2008 base model, which was then adjusted for population and growth to 2013 levels; the 2013 model was then adjusted utilizing various development scenarios. The 2008 base model was created by predicting Iowa's current gaming market performance; reviewing the current gaming market performance; and by utilizing player tracking data by zip code and by county as provided by the current operators. The 2013 adjusted base model was prepared by projecting population and income growth to 2013 levels. The 2013 adjusted model assumed supply changes with new casinos in various counties; predicted modest increases in gaming

participation (this varied by county); and predicted a redistribution of market share based on their property inspections, and location/travel time considerations. Additionally, Marquette looked at key feeder markets in adjacent states. Mr. Wittenberg stated that based on the 2008 base model, Iowa is looking at a casino net win of \$1.425 billion, which is a 1% increase over the prior fiscal year. Taking those projections out to 2013 with no changes to the current facilities other than those announced – PMR&C, Horseshoe and Dubuque – Marquette is projecting a 15% growth between 2008 and 2013, or a net win of approximately \$1.64 billion. Their projections also indicate an 8.4% increase in casino admissions, a 6.4% increase in win per admission, and an 11.6% net win from non-Iowa residents.

Mr. Wittenberg stated that in reviewing potential “underserved” markets, Marquette has the following observations:

- Casino supply approximately matches up with maximum demand in most areas.
- A majority of Iowa population centers are served by multiple casinos within a 1 hour drive time.
- Additional development in most sub-markets is likely to have a significant cannibalization effect on existing casinos.
- In most areas, “cannibalization” by new casinos would exceed “new” demand (a.k.a. “incremental” gaming revenue)

Of the five counties evaluated in detail (Lyon, Wapello, Franklin, Tama and Webster), Lyon County has the most potential for gaming for the following reasons:

- Proximity to major population center: Sioux Falls, SD
- Sioux Falls market mostly un-tapped by current Iowa casinos
- Limited cannibalization impact
- Potential to capture additional gaming dollars from non-Iowans

Additionally, they looked at the potential for expansion in the Des Moines area, and presented the following information:

- There is the potential for additional casino development, but it has not been approved by referendum
- There is already a significant gaming supply within an easy drive:
 - 1 casino in the metro (PMR&C)
 - 2 within a 1 hour drive (Terrible’s, Meskwaki)
 - 3 additional within 2 hours (Riverside, Waterloo, Northwood)

Another central location means that most of the revenues are likely to originate from Iowans, with a limited potential to capture revenues from out-of-state residents. Although a large casino resort could be expected to generate revenues of around \$140

million, approximately \$70 million of those revenues would represent direct cannibalization from existing casinos, primarily PMR&C and Terrible's.

Mr. Wittenberg advised that they also looked at the Cedar Rapids market, but again the gaming has not been approved by a county-wide referendum; there is limited potential to capture revenues from out-of-state residents, and would have a significant cannibalization effect on existing casinos.

Mr. Wittenberg stated that Marquette used the following development scenarios in evaluating the proposed projects in Lyon, Wapello, Webster, Franklin and Tama Counties:

- Large Casino Resort – 1,400 plus positions, 100-150+ hotel rooms, assumed cost of \$120,000,000 - \$150,000,000;
- Mid-Size Casino Resort - +/- 800-1,000 positions, 60-80 rooms, assumed cost of \$80,000,000 - \$100,000,000;
- Small Casino – 500-600 positions (or less), no lodging, assumed cost of \$40,000,000 to \$50,000,000.

Using the above development scenarios, Mr. Wittenberg provided the following information regarding the proposed developments:

Lyon County: All three of the above scenarios were evaluated for Lyon County. Based on the type of facility, projected net win is estimated to be between \$48,000,000 to \$75,000,000; 700-1,400 gaming positions; and a capital investment between \$50,000,000 and \$120,000,000. A Lyon County facility would receive around 17-27% of its revenues from cannibalization of Argosy, Emmetsburg, DJW, the Council Bluffs facilities, PMR&C, and possibly others. Marquette projected that a Lyon County facility could generate incremental gaming revenues of \$40,000,000 to \$55,000,000, primarily from non-Iowa residents. This proposed project could generate incremental gaming taxes of \$8,800,000 to \$12,100,000.

Wapello County: The project was evaluated on the basis of a small to mid-size facility. Based on the type of facility, projected net win is estimated to be between \$32,000,000 and \$54,000,000; 500-1,000 gaming positions, and a capital investment between \$45,000,000 and \$80,000,000. A Wapello County facility would receive around 69-88% of its revenues from cannibalization of Terrible's, Catfish Bend, PMR&C, Riverside and others. A Wapello County facility could generate incremental gaming revenues of \$4,000,000 to \$17,000,000, with approximately \$2,000,000 to \$6,000,000 coming from non-Iowa residents. This proposed project could generate incremental gaming taxes of \$880,000 to \$3,740,000.

Webster County: This project was evaluated on the basis of a small to mid-size facility. Based on the type of facility, projected net win is estimated to be between \$28,000,000 to \$54,000,000; 500-1,000 gaming positions, and a capital investment between \$40,000,000

and \$80,000,000. A Webster county facility would receive around 50-80% of its revenues from cannibalization of Emmetsburg, DJW, PMR&C and others. This proposed facility could generate incremental gaming revenue of \$5,000,000 to \$27,000,000, all coming from Iowa residents. There could be incremental gaming taxes of \$1,100,000 to \$5,940,000.

Franklin County was also evaluated on the basis of a small to mid-size facility, and could have a projected net win between \$28,000,000 and \$49,000,000; 500-1,000 gaming positions, and a capital investment between \$40,000,000 and \$80,000,000. Anywhere from 69-79% of its revenues would come from cannibalization of Waterloo, Emmetsburg, DJW, PMR&C and others. This proposed facility could generate incremental gaming revenue of \$6,000,000 to \$15,000,000, with all of it coming from Iowa residents. The incremental gaming tax is estimated at \$1,320,000 to \$3,300,000.

Tama County was also evaluated on the basis of a small to mid-size facility, and could have a projected net win of \$58,000,000 to \$90,000,000, 1,000-1,700 gaming positions, and a capital investment of \$100,000,000 to \$150,000,000. Cannibalization of revenues from PMR&C, Waterloo, Riverside, Terrible's and others would make up 44-57% of their revenues. A Tama County facility could generate between \$25,000,000 and \$50,000,000 of incremental gaming revenue, with all of it coming from Iowa residents. There could be incremental gaming taxes of \$5,500,000 to \$11,000,000.

Mr. Frillman summarized the previous information in the following manner:

<u>County</u>	<u>Cannibalization</u>	<u>Out-of-State Gaming Revenue</u>
Lyon	\$8M to \$20M	\$40M to \$50M
Wapello	\$28M to \$37M	\$2M to \$6M
Webster	\$23M to \$27M	\$0
Franklin	\$22M to \$34M	\$0
Tama	\$33M to \$40M	\$0

He stated that Lyon County would have the least amount of cannibalization and provide the highest incremental gaming revenue, with the other counties listed in no particular order. Mr. Frillman stated that it is Marquette's opinion that a Tama project would need the higher capital investment in order to be competitive; however, the need to build bigger and better in order to remain competitive would eventually erode the returns from that investment, as has been seen in Las Vegas. He further stated that at a certain point in different markets, the addition of more concrete and gaming devices can have a dilutive and negative impact on the market.

Mr. Frillman stated that Innovation and Marquette are at least two of the primary consultants in the gaming industry, and ignoring differences and nuances in the numbers, the two have reached approximately the same conclusion. He stated that he and Mr. Oberkirsch met each other for the first time at the March Commission meeting, and have not talked during the course of the engagement. He called for any questions.

Commissioner Cutler, noting that Innovation indicated there was low gaming participation in Polk County and Marquette's estimate of \$140 million of revenues from the Des Moines market if a second facility was built, asked if that meant there was \$70 million of gaming revenue that PMR&C could hope to gain if they did the appropriate marketing.

Mr. Wittenberg advised that the short answer is no. He noted that gaming visits increase as expansion occurs and alternatives offer more options. He stated that the majority of the increase would be attributable to the development of a second facility in the metro area.

Mr. Frillman stated that the flip side is the obvious one; that there is no way that a second facility could be built without having a serious negative impact on the existing facility.

Commissioner Hayes noted that the report set forth the economic impact for each county regarding jobs, supplies and services. He asked if they had some idea of what the effect would be on the cannibalization of jobs. Mr. Frillman stated that if a casino doing \$100+ million per year in revenues experienced a reduction of \$30-\$40 million, there would have to be cutbacks. This has been experienced throughout the industry over the past 6-12 months; it is one way for them to try to maintain some operating economic health in a very difficult economy.

Mr. Wittenberg also stated that there can be direct cannibalization of employees, depending on the market and labor supply. He pointed out that many casino jobs require a unique skill set. There could be a significant impact, depending on the location of the facility.

A copy of the presentation is attached to these minutes and is hereby incorporated in its entirety by this reference.

Chair Seyfer thanked both Innovation and Marquette for their work, and advised that they provided the information the Commission requested.

Chair Seyfer moved to the next agenda item, Ameristar Casino's request for approval of a proposed debt financing transaction. Jane Bell, Director of Government Affairs, noted this transaction involves the refinancing of \$650 million of senior unsecured notes that were due in 2014. The net proceeds were used to prepay and permanently retire a portion of Ameristar's outstanding revolving loans and revolving loan commitments under the Company's senior secured credit facility.

As there were no comments or questions concerning the transaction, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the transaction as submitted. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-53)

Chair Seyfer moved to the contract approval portion of the agenda and called on Harrah's. Jeanne Magdefrau, Vice President of Finance, presented the following contracts for Commission approval:

- Johnson Controls – Cooler and Chiller Repair
- Scooter's Coffee – Coffee Shop Outlet in Hotel
- Zenith Media – Advertising Media Vendor

Commissioner Cutler noted that the Scooter's contract did not indicate a value. Ms. Magdefrau stated that it is a third-party lease; Scooter's will be leasing space within the Harrah's property.

Commissioner Urban asked if Scooter's was replacing an existing venue. Ms. Magdefrau stated that as individuals exit the parking garage, there is a small bijou diner which will be replaced by Scooter's.

Chair Seyfer clarified that Zenith Media comes into the market and purchases time from local stations. Ms. Magdefrau indicated that was correct.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by Harrah's. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-54)

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

- Aristocrat Technologies, Inc. – Purchase Slot Machine Conversion Kits
- Bally Gaming, Inc. – Purchase of Slot Machines
- Blue Lark, Inc. d/b/a D and J Vending and Coffee Service – Vending Machine Agreement
- The Des Moines Register – Advertising Print Weekly Flyers
- Global Payments Gaming Services, Inc. – Check Guarantee Agreement
- Global Payments Gaming Services, Inc. – CCCA/DCCA Agreement
- U.S. Bank Gaming Services/Ultrion Processing Services, Inc./U.S. Bancorp – ATM Agreement
- Riverside Realty – Name Change on RTA 7203

Commissioner Urban noted that the facilities are paying out a significant sum for check guarantee services. Mr. Massa stated that the facilities can assume the liability themselves; however, this company has the networks and data established. He indicated that it would be very difficult for the facilities to take on this task for the same price; it would not make economic sense.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by Riverside Casino. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-55)

Chair Seyfer called on Wild Rose Clinton (WRC). Tim Bollmann, General Manager, presented a contract with Schumacher Elevator Company for complete preventative maintenance of the hydraulic elevator.

Hearing no comments or questions concerning the contract, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contract as submitted by WRC. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-56)

Chair Seyfer called on Diamond Jo Dubuque (DJ). Kim Pang, General Manager of Diamond Jo Worth (DJW), presented a contract with Penguins Entertainment Management for entertainment.

Hearing no comments or questions concerning the contract, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contract as submitted by DJ. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-57)

Chair Seyfer called on DJW. Mr. Pang presented the following contracts for Commission approval:

- Konami Gaming – Slot Machines, Conversions and Parts
- LPG & NH3 Supply, Inc. – Upgrade Propane Supply System for Casino, Hotel and Convenience Store
- Ultron Processing Services, Inc. (Subsidiary of US Bank) – ATM Services

Commissioner Urban, noting DJW's proximity to Minnesota, asked if there were Iowa propane suppliers in the area. Mr. Pang advised that DJW did receive a bid from an Iowa vendor, but it came in \$500,000 higher, and there was no cap on the contract, meaning the cost difference could have been even greater.

Hearing no further comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted

by DJW. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-58)

Chair Seyfer called on Wild Rose Emmetsburg (WRE). Tom Timmons, Vice President of Operations for Wild Rose Entertainment, presented the following contracts for Commission approval:

- Ainsworth Game Technology – Equipment and Game Lease
- Bally Technologies – Equipment and Game Lease
- IGT – Equipment and Game Lease
- Konami – Equipment and Game Lease
- WMS – Equipment and Game Lease

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by WRE. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-59)

Chair Seyfer called on Dubuque Greyhound Park (DGP) at Mystique. Roger Hoeger, Assistant General Manager, presented the following contracts for Commission approval:

- Durrant Group – Construction Management Services for Casino Renovation
- Epic Construction – General Construction for Casino Renovation
- JCJ Architecture – Design Fees for Casino Renovation
- Lange Sign Group – Digital Sign Replacement and Move Existing Sign
- Sportview Technologies – Surveillance System
- Sportview Technologies – Televising and Recording Races, including equipment
- Woodcrafters – Casework for Casino Renovation

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by DGP at Mystique. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-60)

Chair Seyfer called on Bluffs Run Greyhound Park/Horseshoe Casino (BRGP/HSC). Ms. Magdefrau presented the following contracts for Commission approval:

- Burton Plumbing – Emergency and RV Park Plumbing Contractor
- Zenith Media – Advertising Media Vendor

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by BRGP/HSC. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-61)

Chair Seyfer moved to the update on the replacement of the tote board at BRGP. Lorraine May, legal counsel, advised that the facility is working their way through the process, but noted that the Decision as written relies upon the rule that governs tote boards for the horse industry and requires the tote board to be in the infield and be capable of showing quarter time splits. The Decision further includes the statement that there is no compelling reason to treat the display of race results differently for dog racing and horse racing. Ms. May stated that if that is the case; then there is no dog track currently in the state that is in compliance with the rule that states the tote board has to be in plain view. Based on her understanding of the Decision, Ms. May stated that BRGP would have to put the new tote board in the infield, meaning any patrons outside on the apron would not be able to see the backstretch. The other option is put the tote board back in its original position; however, the people in the highest seats of the grandstand would not be able to see the tote board. Ms. May asked for any advice the Commission might have.

Chair Seyfer asked Ms. May if she had any recommendations. Ms. May stated that BRGP liked their current set up. Chair Seyfer asked if she had any recommendations based on the Decision. Ms. May stated that based on the Decision which states that the tote board and race results have to be the same for dog and horse tracks, and the rule states that the tote board for horse tracks has to be in the infield, she asked if BRGP was required to put the tote board in the infield and block the backstretch.

Mr. Ketterer advised that there are tracks that have tote boards that block the backstretch. Ms. May asked if that meant the Commission wanted the tote board in the infield. Mr. Ketterer advised that if BRGP had a proposal that put the tote board on the backstretch that would be acceptable as well.

Ms. May stated that the update is that BRGP is trying to work their way through the matter. She noted that a mockup of the tote board is going up in the infield the following week that will be the potential size of the tote board. The question at that time will be how much of the backstretch is blocked. She pointed out that BRGP does not have many patrons that watch the races outside; that the majority watch the races from inside at the tables. It is BRGP's view that for the people sitting down inside at the tables, the tote board should not block the backstretch much, if it all. Ms. May stated that if the purpose for having the tote board in the infield is to serve the patrons outside, then BRGP is providing a disservice by blocking the backstretch. She stated BRGP will have a tote board somewhere outside within the next two-three months.

Commissioner Hayes asked why the tote board could not be located in the backstretch. Ms. May stated that it would not be visible to all of the patrons, which is part of the reason they installed their current system. She explained that the grandstand seating starts low and goes higher, similar to a theater and people at the top can not see the tote board behind the backstretch. She stated that it is visible down just a few rows from the top. Ms. May stated that BRGP would work with IRGC staff to try and get the tote board installed as expeditiously as possible.

Jim Quilty, representing the Iowa Greyhound Association, advised that the old location of the tote board was fine; that it was very visible.

Chair Seyfer moved to the next agenda item, contract approvals for PMR&C. Gary Palmer, General Manager, presented the following contracts for Commission approval:

- Global Spectrum, LP (Wells Fargo) – Wells Fargo Arena Skybox Lease and Advertising
- Snyder & Associates, Inc. – Engineering Services

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by PMR&C. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-62)

Chair Seyfer moved to the Hotel Committee Report from PMR&C. Mr. Palmer advised that Gary Neugent, the Chair of the committee, was replaced last week and was unable to attend today's meeting. Mr. Palmer advised an RFP had been sent out to 13 different properties that requested them; four were returned. The committee has met twice since then, and has had discussions regarding which contractors they want to negotiate with. Mr. Palmer stated that they are learning a lot, and the project is moving forward.

Commissioner Cutler asked about the timing of the project. Mr. Palmer advised that Mr. Neugent and the facilities committee had the hotel on a fast track. As soon as the pieces fall together, the financing is arranged and the contracts are signed, it will go forward.

Commissioner Urban asked how the parking garage will fit in. Mr. Palmer advised they are looking into that along with the hotel design. Commissioner Urban asked if it would be incorporated into the hotel. Mr. Palmer stated that he did not know if it would be located adjacent to the hotel, but that they hoped to build it around the same time. Commissioner Urban asked for an update at each meeting.

Following a short break, Chair Seyfer moved to the Horse Racing Committee Report. Tom Whitney, Chair, stated that the committee was appointed about one year ago for the purpose of evaluating both short-term and long-range horse racing at PMR&C. As part of the process, the committee employed Dr. Margaret Ray and Douglas Reed as consultants to assist them in their process. The committee prepared a final report that was submitted to PMR&C's Board of Directors in May. Mr. Whitney stated that the report, without amendment, was adopted by PMR&C's Board of Directors on a 9-0 vote with three abstentions and one absence. He informed the Commission that Mike Galloway, Chair of the Board of Directors, was present. He indicated that the report was self-explanatory, and would answer any questions to the best of his ability.

Commissioner Urban commended Mr. Whitney on the report; that the committee did an admirable job of answering many questions, and goes further than anticipated. She

pointed out that the Committee made many recommendations; and there were several that did not follow the study. One of the recommendations included in the study called for racing on Friday, Saturday, Monday and Tuesday as simulcasting would generate more revenue on Monday and Tuesday; however, the committee decided to go with Thursday, Friday, Saturday and Sunday. Commissioner Urban stated that it was her understanding that Sunday has never been a successful day at the racetrack, and asked the Board's rationale for making the discussion to proceed with Sunday racing.

Mr. Whitney stated the race days were adopted at the recommendation of PMR&C's administration. He indicated the race days were reviewed and discussed with Dr. Ray and Mr. Reed at the time of their report. The selection of those race days anticipates the construction of the hotel; and the administration's belief that the hotel will provide a different set of circumstances; that Thursday and Sunday racing will induce more people to come and make a long weekend. Secondly, when the committee looked at the numbers in terms of simulcasting, there could be some simulcasting on Saturday and Sunday, but the opportunities would not be as great as on Monday and Tuesday. At the present time, the best simulcast opportunity is on Tuesday, and represents about \$20,000 for PMR&C. Management believes there are ways in which the loss can be compensated for. Mr. Whitney noted that one of the things contained in a study performed by Dr. Richard Thalheimer for PMR&C and some of his findings were also taken into consideration in relation to the simulcast issue, and the Monday/Tuesday versus the Thursday/Sunday matter. At this time, the committee does not know if these projections will come to fruition, but feel the trade-off is worth trying. This issue was discussed with Dr. Ray and Mr. Reed, and they concurred with the decision at the time of the discussion. They want to look at the circumstances and numbers over a several year period. It is anticipated that all recommendations will be acted upon within a three-year window.

Mr. Whitney stated that one area of the report that has not received much attention is the establishment of the matrix and benchmarks that will be used to measure future racing seasons. He noted this has not happened in the past; there haven't been hard numbers to evaluate the racing program at PMR&C.

Chair Seyfer stated that it was his hope that the benchmarks and evaluations would be translated into numbers. Throughout the report by Dr. Ray and Mr. Reed, as well as the committee's report, there are references to long-term planning and evaluations. It seems the direction was to put these things in place and see exactly what we have before any dramatic changes are made. He feels there were numerous recommendations made by Dr. Ray and Mr. Reed in their report that were ignored.

Mr. Whitney stated that PMR&C now has enough information as to what has happened in the past, noting that PMR&C has been in operation for 20 years; casino legislation was added in 1995, and the Legislature set purse levels at 11% in 2005. He stated that PMR&C wants to establish a more refined system on which to evaluate the racing program. Mr. Whitney stated that prior to preparing the report he asked the PMR&C Board what the footprint of racing is at PMR&C versus the footprint of casino gaming at

PMR&C in terms of slot machines. The response was that casino gaming has a larger footprint geographically from which to draw than horse racing does. Mr. Whitney stated that the committee feels it has enough information to make needed changes now as much of what PMR&C is doing is not working; the changes will be measured against the matrix and benchmarks to make sure they work.

Commissioner Cutler asked if the matrix and benchmark documents had been prepared. Mr. Whitney indicated they would be developed prior to the 2010 season, the first year this report would go into effect. The report by Dr. Ray and Mr. Reed, as well as the committee's report, identify what some of the matrix and benchmarks will be but are not all inclusive. Commissioner Cutler asked when the Commission would see the matrix and benchmarks. Mr. Whitney indicated that he felt it would be this fall as part of the racing license renewal application.

Commissioner Cutler asked when the hotel was supposed to be completed. Mr. Whitney stated that he could not answer that question. Commissioner Cutler stated that she posed the question as the rationale for keeping the Sunday races was the availability of hotel rooms for patrons to make a "long weekend".

Commissioner Cutler asked if a consultant would be working with them on the matrix/benchmarks, or who would be putting the information together. Mr. Whitney answered in the affirmative, indicating that some information would come from administration, and he intends to recommend that the horse racing committee continue. He stated that he believes the Board is going to take a hard look at the entire marketing study for PMR&C, horse racing included. Mr. Whitney expressed his hope that Dr. Ray and Mr. Reed would continue their relationship with PMR&C.

Commissioner Urban noted that PMR&C spent a tremendous amount marketing opening day this year, and wondered if it had a dramatic effect. Mr. Whitney answered in the negative. He stated that PMR&C does not know enough about its horse racing customers, and in fact, needs to know a great deal more. The fact that PMR&C should have known, or known ten years ago, does not change the place where the facility is at today. They want to know much more about the individual who does patronize PMR&C, as well as those that do not.

Commissioner Urban stated that the report indicates PMR&C needs to do some marketing. She noted that while she did not know the amount spent by PMR&C, she did notice the full page ads in the newspaper in the Des Moines Register, and she is guessing they appeared in papers in other parts of the state as well. She stated that if the money and full-page ads did not have an impact on opening day, then they need to take a hard look at the way they are marketing the program and make some changes. Mr. Whitney stated that he anticipates moving forward with a number of recommendations in June; they are not going to sit back and wait. Michael Galloway, Chair of PMR&C's Board, has also indicated that the study and recommendations are high on his priority list and that of the Board as well.

Commissioner Cutler asked if horsemen would be involved with the development of the matrix and benchmarks as they are the experts in that area. Mr. Whitney answered in the affirmative. There are members of the board that are horsemen or have a family member directly involved in the industry, and at least one or two have been members of the horse committee since its inception. Mr. Whitney noted that members of the horse committee spent dozens of hours visiting with the various horse organizations, individual owners and trainers, and traveled to other tracks where they also spoke with owners, trainers, horse group representatives, and CEOs in an effort to determine how PMR&C can do a better job determining what the future of racing should look like at PMR&C. PMR&C held two public hearings at which any citizen could be heard. The entire horse committee met with the four horsemen's groups prior to the first public hearing, and again with designated representatives of those groups for two hours just before the meeting.

Commissioner Cutler asked if there were any changes to the report once the horsemen were heard. Mr. Whitney advised the horsemen were heard prior to the report. Regarding their presentation after the report, no changes were made to the committee's report. He stated that it is his intent that the horsemen would be involved in establishing the matrix and benchmarks. Commissioner Cutler suggested that the parties all work together as she did not think PMR&C wanted the Commission to make the final decision regarding race dates as it did in 2006.

Commissioner Hayes noted that one of the recommendations of Dr. Ray and Mr. Reed was that PMR&C should develop a vision of what horse racing should look like at PMR&C. He stated that recommendation was not included in the report, and wondered if that would be coming from the horse committee, or what it would look like. Mr. Whitney stated that the vision/recommendation would come from the full PMR&C Board; that it will be a statement of who PMR&C is and where they think they are going. Commissioner Hayes stated that he felt that would be helpful for everyone to know. Mr. Whitney reminded Commissioner Hayes the development of the matrix and benchmarks would be a process, noting that the study provided examples. He feels the committee will pay close attention to that, but indicated items could be included that have not been thought about at this point.

Commissioner Urban noted the study recommended dropping standardbred racing, but suggested a "festival" of racing for standardbreds. She asked if the committee took that recommendation into consideration, and if so, why they chose not to do it. Mr. Whitney advised that they did take the recommendation into consideration, but determined they did not want to pursue the "festival" for several reasons: the goal of ending racing at PMR&C on or close to Labor Day and the harness racing circuit at county fairs does not end until after that date. Secondly, if harness racing is not going to be part of the program at PMR&C, then the severance should be whole and complete in order to prevent the constant lobbying, bickering, etc. that has occurred in the past. The third issue is the safety of the track surface for the standardbreds. The report by Dr. Ray and Mr. Reed suggested that the track surface should be packed; however, the standardbreds have indicated that is not possible for safety reasons, which would require PMR&C to

remove the limestone base for a two-day festival. Mr. Whitney advised that the committee asked individuals in the harness industry what the ability to race at the track meant to them in terms of additional income. The response was approximately \$300,000 as the horses are able to run faster. That is approximately what it costs PMR&C to prepare the track for harness racing.

Commissioner Urban asked why they chose to bring paints into the mix when the decision was made to do away with standardbred racing. Mr. Whitney stated that paints currently run at Remington Park in combination with quarter horses. He indicated PMR&C is taking some high risks with respect to what they are trying to do with quarter horses. Quarter horses have historically piggybacked with thoroughbreds. PMR&C does not know if quarter horses are a viable group; a stand-alone group who can be successful. Mr. Whitney stated that quarter horses as a whole represent the largest group of horses in Iowa. PMR&C wanted to give them an opportunity to demonstrate that they are a viable group, and potentially a larger part of the entertainment package that PMR&C provides. Mr. Whitney stated that the committee was asked to consider paints, and decided to give them an opportunity to race.

Chair Seyfer asked Mr. Whitney who asked the committee to consider paints. Mr. Whitney stated that it was a representative on the committee who has quarter horse connections.

Commissioner Hayes asked about the timeline for the marketing study. Mr. Whitney hoped they would be able to start by the end of July; first part of August.

Commissioner Urban noted that at the end of the synopsis of the report there is a recommendation that states: "Encourage, with the assistance of Prairie Meadows, the State Racing and Gaming Commission to explore collaboration with other states to develop a racing circuit which would include Prairie Meadows." She stated that the Commission does not see that as their job; however, she does feel it is worthwhile for PMR&C to look into and work with other tracks. Mr. Whitney stated that what they are saying is that there may be an opportunity via the Interstate Compact that might require assistance, authorization or confirmation by the Commission, and they need to explore that but may need the Commission's participation if it is required under the Interstate Compact Act. Commissioner Urban stated that PMR&C could expect the Commission's support in whatever endeavors they undertake to better their racing program.

Commissioner Cutler referred to the twelfth recommendation which, in part, states that no new casinos should be established without requiring them to contribute to the horse and dog racing purses at existing pari-mutuel facilities. Mr. Whitney stated that the Board feels, as is done in some states, that all casinos should support horse and dog racing, and certainly that any new casinos that come on line should support horse and dog racing. Secondly, PMR&C's Board feels that all Iowa casinos, and especially any new casinos, should carry simulcast racing from PMR&C.

Commissioner Urban, referring to the same recommendation, noted that it called for the mandated requirement that all casinos in Iowa carry simulcast racing from PMR&C. She stated that is a legislative issue; not a Commission issue. She indicated that she does not believe casinos have that ability under current statute. She also noted that casinos would have a limited amount of space available, and the ability to present simulcast races would require a whole different set up. Mr. Whitney stated that those casinos that can offer simulcasting should; and noted that PMR&C is cognizant of the facts just stated by Commissioner Cutler. Mr. Whitney concurred that this is not something the Board can act on other than through legislative means.

Mr. Ketterer stated that he felt there was just some confusion as to whether or not the Commission could require casinos to carry simulcast races.

Chair Seyfer noted that one of the recommendations is that PMR&C's Board should adopt a legislative program that includes asking for more flexible purses and racing dates as to Iowa breeds. Mr. Whitney stated that PMR&C is looking at supporting Iowa-bred horses that race in other states; however, they don't feel they can do that with the amount of purse money currently available to them. They believe it would take legislative action to allow the Board more discretion with purse money in order to do that. They feel this supplement would encourage Iowa-bred horses to run at other tracks.

Commissioner Urban asked if PMR&C would seek legislation. Mr. Whitney advised that PMR&C has a legislative program every year.

Commissioner Cutler asked for a response as to the \$1 million payment to the Iowa Harness Horsemen's Association (IHHA), and the proposed agreement that calls for the IHHA to contribute one-half the cost of removing the track surface. She stated that she does not feel the funds should be held hostage by PMR&C in order to get a signed ancillary agreement with the IHHA. Mr. Whitney stated that he was not a party to the conversation.

Mr. Palmer stated that PMR&C has ancillary agreements with each breed, and have signed agreements for the current year with the thoroughbreds and quarter horses, but not with the standardbreds. A copy of the proposed agreement was forwarded to Royal Roland last week. The agreement contained the payment schedule and indicated a desire to negotiate the removal of the track surface. Mr. Palmer indicated the proposal is the standard negotiation, and that the parties have not yet met to discuss the proposed agreement.

Commissioner Cutler asked about the scheduled payment. Mr. Palmer stated that the parties have not yet agreed on a schedule of payments. He indicated that PMR&C has every intention of paying the \$1 million. Mr. Palmer stated it is his understanding that the only issue to be discussed is that the IHHA does not want to help cover the costs of removing the track surface to allow them to race at PMR&C.

Commissioner Cutler asked if the IHHA has ever paid a portion of the cost for removing the track surface. Mr. Palmer answered in the negative. He stated that he felt it would be a disservice on the part of himself and PMR&C staff to the PMR&C Board if they did not at least ask the IHHA to assume part of the cost, especially in light of the economy at this time.

Chair Seyfer asked if PMR&C was aware this contract would be coming up late last year. Mr. Palmer answered in the affirmative. He noted that the IHHA has established their own non-profit and have requested that the \$1 million be given to them versus scheduled payments as have been done in the past. Mr. Palmer stated that the Chief Financial Officer sent a copy of the ancillary agreement indicating that PMR&C would prefer a schedule and requested that they assume one-half of the cost of removing the track surface. Mr. Palmer advised this is the same process they go through every year; they just haven't finalized the negotiations at this time. He indicated that PMR&C representatives are available to meet with the IHHA to negotiate the agreement.

Commissioner Cutler indicated that she felt PMR&C's tactics were unfair to the IHHA. Chair Seyfer noted that the Commission is being asked to consider numerous changes. Mr. Palmer reiterated that PMR&C is going through the system regarding the ancillary agreement. He noted that previous payments have not been to one person in one lump sum either. Mr. Palmer stated that he felt negotiations would take about an hour. Chair Seyfer stated that it would be great if the parties could get that done today.

Royal Roland, President of the IHHA, advised the Commission that the issue is not about receiving four payments of \$250,000 over the next four months, but about the proposed \$150,000 expense to help cover the removal of the track surface. He stated that absent the Commission's intervention, the IHHA would not have any leverage or option but to accept the terms. He noted that the process for determining costs, etc has not even been started.

Commissioner Urban noted that the report includes race dates that will have to come back before the Commission in October. She advised that Commission members have received a substantial amount of correspondence from breeders, trainers and owners of thoroughbreds and quarter horses. Commissioner Cutler stated that she felt the Commission would be willing to look at different racing dates in October.

Commissioner Cutler stated that she felt PMR&C was putting the cart before the horse as the hotel will not be completed by fall and the market study is not done; but PMR&C is indicating their actions/decisions are going to be based on those factors. In her opinion, the matrix and benchmarks appear to be subjective, not objective.

Mr. Whitney stated that over the last 14 years, PMR&C's financial department has indicated that PMR&C has lost between \$30-35 million per year on horse racing, or a total of \$420 million that has not been available for capital improvements such as the turf track, a hotel; or for distribution within community, charitable contributions and public

use. He indicated PMR&C is very sensitive to that fact. Mr. Whitney stated that PMR&C has seen what is happening with racing over the last 20 years, and have had the casino since 2005. He pointed out that horse racing is in trouble in the United States, and the Board has a strong belief that they need to look at doing things differently. He stated that there was not one person in the room that wants to see PMR&C lose that kind of money, or the entertainment value they offer slide.

Mr. Whitney stated that in 1985 there were 45,000 thoroughbred foals in the United States; in 2008, that number had declined to 31,000. He advised that the Iowa Department of Agriculture distributed funds to 122 individuals for breeder supplements in 2008 for all three breeds. He reiterated that PMR&C needs to look at doing things differently or they will continue to lose between \$30-35 million per year.

Commissioner Cutler stated that when she first joined the Commission she brought up the issue of a hotel at PMR&C. She stated that PMR&C can not blame the horse people for all of the losses; some of them can be attributed to the fact that PMR&C does not have some of the amenities necessary to draw people in.

Mr. Whitney stated that the \$35 million is for the racing program alone, not the rest of the operation. Commissioner Cutler stated that had PMR&C built the hotel six or seven years ago perhaps the number would not have been as large. She stated that PMR&C's Board of Directors has contributed to some of the problems at the facility; it is not all the horsemen's fault. Mr. Whitney stated PMR&C is trying to address various issues now; that he was not there 20-10- or even 5 years ago, nor was a majority of the current Board. They are attempting to address issues in the best way possible to bring the best racing to PMR&C. They can not go back and undo what has been done previously; they can only address issues going forward.

Commissioner Urban congratulated the horse racing committee and PMR&C's Board on what they have done to this point; but indicated they needed to feel an urgency to get the numbers under control.

Chair Seyfer called on the Iowa Horsemen's Benevolent and Protective Association (IHBPA). Tom Levis, representing the IHBPA, stated that he was going to tell the Commission what the IHBPA liked about the horse racing committee report. He stated that the IHBPA owners and breeders believe the matrix and benchmarks should have been developed a long time ago and concur with getting a handle on the costs of racing for each breed. He stated that PMR&C doesn't know what the true numbers are as they relate to the cost of racing. Mr. Levis stated that before PMR&C demolishes the racing program, the IHBPA believes PMR&C should get the facts to support the numbers and look at revenue. He noted that Dr. Thalheimer's report indicated that slot revenue increases by 13% during the live race meet. Mr. Levis stated that the IHBPA does not feel PMR&C has a handle on what their revenues and expenses are; and relish and welcome the opportunity to get a handle on them. He indicated the thoroughbred owners

and breeders would like to help, and offered the following suggestions for cutting costs/increasing revenue:

- Employ pari-mutuel staff on a part-time basis rather than full-time;
- Concur with the suggestion that other casinos should be required to carry simulcast racing;
- Feel that PMR&C should focus on the simulcast revenues available on Monday and Tuesday as there is not as much competition, enabling them to raise a substantial amount of revenue from simulcast and run their horses in front of bigger crowds, drawing a bigger handle. Sundays have been tried and withdrawn and they don't understand why PMR&C thinks anything different will happen this time.
- The IHBPA has data showing that other comparable tracks are getting 5-6% of the handle for simulcast revenue, while PMR&C is only getting between 2-3%. Simulcast is big business within the industry.
- The IHBPA feels PMR&C needs to focus on revenue; feel the thoroughbreds bring revenue to the table and have a significant economic impact for the State of Iowa, as do all the breeds.
- The IHBPA agrees with the idea of a racing circuit. They also concur with Dr. Ray and Mr. Reed that the track should be focused so that the races at PMR&C fit the circuit. PMR&C doesn't need any legislation or the Commission to mandate to other states. Mr. Levis indicated there is already a circuit in place; the thoroughbred owners know that when the meet ends at PMR&C they can go to Remington Park. If PMR&C ends their thoroughbred meet in mid-July as proposed, the thoroughbred owners would not have anywhere to go to race. Mr. Levis stated that PMR&C's plan should follow the current racing circuit. Mr. Levis distributed proposed racing dates by the IHBPA, which called for 72 days of thoroughbred only racing commencing on April 15 when other tracks are finishing and ending August 14, or 685 racing opportunities. He pointed out that the Ray/Reed report indicated the average number of race days for a Midwestern track is 73; there are two that skew the average as they only have four or five races. Mr. Levis stated that Oaklawn runs during the winter months and therefore does not have any competition.

After reviewing minutes from previous Commission meetings, as this is his first meeting, Mr. Levis noted that there has been a significant amount of acrimony between the horse industry and PMR&C, which he finds very difficult to understand because what is good for PMR&C is good for the horsemen.

Mr. Levis noted that in 2002 the barns were full, the races were full and the handle was good. At that point, the IHBPA was talking to PMR&C about building new barns. Since then, PMR&C keeps making changes to the racing program, which is causing anxiety among the industry; they are worried about their ability to make a living. In closing, Mr. Levis encourage PMR&C to develop a program that is fair to all breeds.

Scott Pope, Director of the Iowa Breeders and Owners Association (ITBOA), stated that a number of his questions and issues that he intended to raise have been answered. He stated that the breeders understand that changes have to be made as the program over the last several years has not worked; however, everyone needs to be mindful of what is required by the law. He pointed out that 99D, 99F and the Administrative Code require the license holder to grow, promote, nurture, and develop the racing industry in Iowa, but the ITBOA does not see how reducing the number of thoroughbred race dates by almost 40% accomplishes that goal. Purses are no longer an issue as they have been set by the Iowa Code. Mr. Pope stated that the growth and nurturing of the racing industry are the obligation of the license holder and the regulator; and the ITBOA believes the proposal before the Commission flies in the face of the mandates. He advised the Commission that the number of thoroughbred foals born each year has steadily declined since 2002, which is when the original purse program was cut by around 25%. The decline has also been exasperated by a couple of issues: the erosion of live race dates and the number of opportunities to run. Mr. Pope stated that the ITBOA members also made the decision to focus on quality rather than quantity in the horses that are being bred. He advised the Commission that there are Iowa-breds that compete at virtually every level at PMR&C, as well as around the country. Mr. Pope stated that PMR&C holds Arkansas up as the "gold" standard, and noted that at a recent Board meeting, Mr. Whitney stated that Arkansas breeds 600 foals per year compared to Iowa's 225. The ITBOA researched the records of the Jockey Club and found that Arkansas has never had 600 foals; and in fact, their numbers are very comparable to Iowa's.

Mr. Pope stated that the ITBOA is cognizant of the fact that their horses need to be able to compete at other tracks; particularly since the number of racing days offered here don't generate sufficient revenue for the owners and breeders to cover their costs. By maintaining and improving the quality, it has allowed them to race elsewhere, compete, and win money and bring it back to Iowa. As of 2008, the Jockey Club's records indicated that Iowa-breds had started 2,172 times at other tracks around the country other than PMR&C; won 232 of those races at some of the top racetracks such as Oaklawn, Belmont, Hollywood, Santa Anita, Keeneland, and Churchill Downs. Mr. Pope stated that Iowa-breds compete everywhere, but also need the opportunity to continue to grow in Iowa; however, cutting the program down to 56 live racing dates will only exacerbate the decline in the foal crop. He noted that his trainer just made a large reinvestment in his brood mares and has 13 Iowa-bred foals. Under the current proposal, the number of racing opportunities for these foals to race by the time they reach the racetrack will be minimal. Based on the current proposal of 56 race days, there would be approximately 40 maiden races available.

Mr. Pope stated that the ITBOA is, and has been, willing to work with PMR&C to find a viable alternative to their proposal. They agree changes need to be made, and are glad to see PMR&C pursuing a marketing study, and the true cost of racing. He stated there was an interesting quote in the Ray/Reed report on page 46: "The development of fans is an effort everyone must participate in. In towns where racing is embraced, horsemen, communities and employees are apostles for the racing program, not terrorists for the

product.” Mr. Pope pointed out that PMR&C keeps stating that they lose between \$30-\$35 million per year on the racing program; however, the numbers have never been substantiated; and the Ray/Reed report states that the number is overly exaggerated. He questioned whether PMR&C was really talking up the program. Mr. Pope stated that PMR&C can do all the marketing they want; however, the attitude of many individuals in the downtown business community and PMR&C’s Board is to do the minimal amount to see if they can get rid of racing. He noted that PMR&C can not do that statutorily or they would have done so already; therefore, they have decided to erode the product until it is not viable. Mr. Pope reiterated that the quality of horse is here, and is constantly being upgraded by the membership of the ITBOA. He gave several examples of Iowa-breds competing and either winning or finishing in the top of various races at other tracks. Mr. Pope stated that if it weren’t for the Iowa-breds at PMR&C this year, there would not be a live race meet at the track this year. He advised that as of June 2nd, there were 1,091 horses on the backside; 539 are Iowa-breds. It is not possible to run a meet with only 500 horses. Mr. Pope stated that Iowa-breds have been used to fill out a number of races this year.

As there were no questions for Mr. Pope, Chair Seyfer moved to the hearings before the Commission. Mr. Ketterer advised that all of the hearings had been resolved via Stipulated Agreements.

The first two Stipulated Agreements are with Diamond Jo (DJ). Mr. Ketterer stated that the first is for a violation of Iowa Code Section 99F.4(22), the self-exclusion policy. In March 2005, a female created multiple Player’s Club accounts using variations of her name. She used the second Players Club account to enter herself into the state-wide self-exclusion program. There were several instances where checks were cashed, and she received promotional mailings for approximately two years on the account that was not part of the self-exclusion program. Then, last December and January, the individual hit two jackpots that were recorded to the “state excluded” account. The individual was paid both of the jackpots. It was not until a third jackpot was hit on January 28th of this year that the person was identified as self-excluded. The Diamond Jo has paid the required funds to the Iowa Gambling Treatment Program, and acknowledges the above facts constitute a violation of the Iowa Code, and have agreed to an administrative penalty ranging from \$3,000 - \$20,000. He recommended approval.

Commissioner Cutler moved to approve the Stipulated Agreement with a \$3,000 administrative penalty. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-63)

The second violation at DJ was for a violation of Iowa Code Section 99F.9(5), underage gambling. On February 23, 2009, an underage male and several companions entered the gaming floor through the east entrance, where the security guard failed to request identification from the individual. The individual purchased three alcoholic beverages, spoke directly to a security officer on the floor, and a buffet employee. The individual approached a third security officer to ask the time. The security officer smelled alcohol

on the individual's breath and proceeded to question the individual about his age. The individual did admit to being underage and consuming alcohol on the gaming floor earlier in the evening. Mr. Ketterer stated that DJ acknowledges the violation and has agreed to pay an administrative penalty of \$20,000. He recommended approval.

Commissioner Cutler moved to approve the Stipulated Agreement as presented. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-64)

The next two Stipulated Agreements are with Wild Rose Clinton (WRC). The first agreement stems from a violation of Iowa Code Section 99F.9(5), underage gambling. On April 25, 2009, an underage female entered through the main entrance unchallenged. The individual exited the casino and re-entered the casino on several occasions without being challenged. The individual gambled for approximately 70 minutes before exiting the gaming floor again. Upon re-entering the individual had contact with approximately eight WRC employees, none of whom requested identification. The individual returned to the casino on April 26th and was again allowed to enter the casino unchallenged. She again exited and re-entered the casino without being challenged. It was not discovered that the individual was underage until she went to Guest Services and submitted her information to obtain a Players Club Card. Mr. Ketterer stated that WRC has initiated several training and corrective actions to resolve various issues. WRC does acknowledge the violation of the Iowa Code and has agreed to pay an administrative penalty of \$20,000. He recommended approval.

Commissioner Hayes moved to approve the Stipulated Agreement as presented. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-65)

The second WRC Stipulated Agreement is for a violation of Iowa Code Section 99F.4(22), the self-exclusion policy. The individual, originally excluded at the DJ on February 15, 2005, was added to WRC's player tracking system as a "disassociated person" on February 15, 2009. This individual won a \$12,000 jackpot on May 9, 2009, and was paid. A WRC employee, performing his normal job duties, discovered the payout and reported his findings to WRC management. WRC has paid the \$12,000 into the Iowa Gambling Treatment Program as required. WRC has instituted new procedures and issued a corrective action to the cashier who failed to follow established procedures. WRC will continue to evaluate their procedures to ensure that best practices are in place. Mr. Ketterer advised that WRC acknowledges the violation, and has agreed to an administrative penalty between \$3,000 and \$20,000. He recommended approval.

Commissioner Urban moved to approve the Stipulated Agreement with a \$3,000 administrative penalty. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-66)

The next Stipulated Agreement is with Isle Casino Hotel Waterloo (Isle) for a violation of Iowa Code Section 99F.4(22), the self-exclusion policy. On November 5, 2008, an individual completed the self-exclusion paperwork and was added to the Isle's casino management system. Subsequently, four months later a security manager discovered that Isle had not uploaded the individual's information into the Iowa Gaming Association's database. The information was uploaded on March 11, 2009, 125 days after the paperwork was signed. Isle has disciplined the employee involved and updated its procedures so that the Compliance Officer will now review surveillance reports for self-excluded patrons and cross-check the IGA database to ensure the information is uploaded appropriately. Mr. Ketterer stated that the Isle acknowledges the violation, and has agreed to an administrative penalty between \$3,000 and \$20,000. He recommended approval.

Commissioner Cutler moved to approve the Stipulated Agreement with a \$3,000 administrative penalty. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-67)

The last Stipulated Agreement to come before the Commission is with the Iowa West Racing Association d/b/a Horseshoe Casino for a violation of Iowa Administrative Code Sections 11.2(1) and 11.2(2)b, which require the licensee to conduct gambling games in a manner suitable to protect the public's health, safety, moral, good order and general welfare and prohibit intoxicated persons from gambling respectively. On September 20, 2007, a security supervisor and a casino manager advised the intoxicated patron that it was necessary for him to leave the casino floor and not return for 24 hours per Horseshoe's policy. The facility found a hotel room for the individual and he was escorted off property. However, twelve hours later, the individual entered the casino through the valet entrance and received 23 drinks over the next ten hours, and even though he was exhibiting signs of intoxication, was allowed to continue gambling. The individual was subsequently noticed by a security officer, who contacted the Division of Criminal Investigation (DCI). The DCI administered a breath test which revealed a reading of .344. Mr. Ketterer stated that Horseshoe acknowledges the violation and has agreed to pay an administrative penalty in the amount of \$20,000. Mr. Ketterer recommended approval.

Commissioner Cutler moved to approve the Stipulated Agreement as presented. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-68)

Chair Seyfer moved to Administrative Business. Mr. Ketterer provided Notice of the Request for Proposals for the Greyhound Promotion Fund, with requests due in the Commission's Des Moines office by June 30, 2009 in order to be eligible for the funds. Last year's recipient, the Iowa Greyhound Association, must provide an accounting of how the funds were used last year.

Mr. Ketterer moved to the regulatory fees for Fiscal Year 2010. These fees are the recapture of the appropriations to IRGC, for DCI agents and expenses incurred in the regulation and law enforcement of gaming and racing in Iowa. He noted that IRGC's appropriation is pretty straight forward and the costs for each facility can easily be calculated. It takes the DCI longer as they have to determine the exact cost for that portion of the Department of Public Safety budget that is allocated to the racetracks and gambling structures, and riverboat licensees. Mr. Ketterer advised the Commissioners that the handout included in their packets shows what the costs are for the Commission for each facility for FY 2010. The amount shown for the DCI is the amount from last year for informational purposes, and is not calculated into the figures. Mr. Ketterer stated staff would like approval for these figures from the Commission and the figures that will subsequently be received for the DCI in order to begin billing the regulatory fees on July 1, the beginning of the new fiscal year. He advised that the final figures would be brought back before the Commission for approval at the July meeting.

Commissioner Seyfer asked if the fees would be adjusted. Mr. Ketterer stated that hopefully there would not be any adjustments needed; that the Commission would receive the DCI figures prior to the start of the fiscal year.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the regulatory fees for the Commission for FY 2010 and the DCI based on last year's figures with the understanding that the final fees would be brought before the Commission at the July 16, 2009 meeting. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-69)

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

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING & GAMING COMMISSION
MINUTES
JULY 16, 2009**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, July 16, 2009 at The Meadows Event Center, Prairie Meadows Racetrack & Casino (PMR&C) in Altoona, Iowa. Commission members present were Greg Seyfer, Chair, and members Kate Cutler, Andrea Harrison, Paul Hayes and Toni Urban.

Chair Seyfer called the meeting to order at 8:30 AM, and recognized Gary Palmer, General Manager of PMR&C, who welcomed everyone to PMR&C and Altoona. Chair Seyfer thanked Mr. Palmer for hosting the meeting, and providing the transportation for the Commission's tour of a horse farm the previous evening.

Chair Seyfer moved to the approval of the agenda. Commissioner Urban moved to approve the agenda as submitted. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Seyfer moved to the approval of the minutes from the June 4, 2009 Commission meeting. Commissioner Hayes moved to approve the minutes as submitted. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Seyfer moved to Announcements. Jack Ketterer, Administrator of IRGC, advised those in attendance that the sign up sheet for Public Comment was located by the entrance and that anyone wishing to address the Commission should sign up if they had not already done so. Chair Seyfer advised that comments should be limited to three minutes per speaker.

Mr. Ketterer recognized the following Commission employees in attendance: Jesse Goldstein and Tammy Storey, Gaming Representatives at PMR&C, and Andrew Pulford, who is the auditor in the Des Moines office.

Mr. Ketterer provided the following information on future Commission meetings:

- August 27, 2009 – Riverside Casino & Golf Resort, Riverside, IA (Submissions due by August 13, 2009)
- October 8, 2009 – Diamond Jo, Dubuque, IA (Submissions due by September 24, 2009)
- November 12, 2009 – Stoney Creek Inn, Johnston, IA (Submissions due by October 28, 2009)
- January 14, 2010 – Stoney Creek Inn, Johnston, IA (Submissions due by December 30, 2009)

Chair Seyfer moved to the Rules before the Commission for final adoption. Mr. Ketterer advised that these rules were approved for Notice of Intended Action by the Commission

at its April meeting. He stated they were unchanged and that no other public input was received other than some concern expressed about a portion of the language that was condensed in the criteria for the renewal and racing dates portion for horse racing. Mr. Ketterer advised that the original language was restored. He recommended that approval be given for the final adoption of the proposed rules.

Hearing no comments or questions concerning the rules, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the final adoption of the rules as submitted. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-70)

Chair Seyfer moved to the presentation by Harrah's regarding the financial restructuring of Harrah's Entertainment, Inc. Bo Guidry, General Manager of Harrah's and Horseshoe Casino/Bluffs Run Greyhound Park, thanked the Commission for the opportunity to provide the update. He introduced Michael Cohen, Vice President and Associate General Counsel, and Brad Belhouse, Vice President of Corporate Finance, who gave a brief power point presentation, which set forth the following points:

- There have been significant changes in the economy since the sale closed in January 2008, which required quick action to align cost structure with revenue levels while some opportunities presented themselves in the credit market. The economic downturn caused Harrah's to experience revenue declines in all of their markets starting in late 2008. The financial market crisis caused capital projects to be slowed down or cancelled, and made external refinancing almost impossible.
- Harrah's was able to reduce net debt by \$3.4 billion, reduce annual interest expense by approximately \$100 million, both of which provided greater room under their financial covenants, and extend the maturity dates. This was accomplished through two debt exchange offers which were completed in December 2008 and April 2009. The debt holders received increased security and will receive premium market value.

Harrah's was also able to refinance approximately \$1.4 billion of their \$9.2 billion credit facility by issuing \$1.375 billion of new senior, first priority secured notes. The proceeds were used to permanently repay bank debt, extend the maturity profile by two years and increase Harrah's ability to execute their business plan. In exchange for the pay down, Harrah's received a "carve-out" on the notes as they apply to the covenant test, allowing them to build room under those covenants. This also provided additional financial flexibility and reduced ongoing financial risk. Harrah's has approximately \$700 million of debt left to repay over the next three years.

- The above transactions positioned Harrah's to sustain the economic downturn while providing ample liquidity to meet near term obligations. The strengthened

balance sheet and financial flexibility will allow Harrah's to successfully operate under a variety of economic scenarios.

Commissioner Hayes asked if the financial covenant was negotiated as part of the overall restructuring in the last eight months. Mr. Cohen advised that the financial covenant, the senior secured debt over EBITDA, was in the original financial package of \$4.75 billion, which was amended in June with the ability to take some of the debt out of that ratio so that it wouldn't count against EBITDA.

Commissioner Hayes asked what type of covenants Harrah's, or any company, could expect to see today if they were to re-negotiate. Mr. Cohen indicated they would be much more traumatic than the ones Harrah's has in place from two years ago. He indicated that it would be almost impossible to get that type of financing today. Commissioner Hayes asked if the ratio would be more like 2:1, etc. Mr. Cohen stated that he was not sure what the ratio would be today. Commissioner Hayes asked if there was a reluctance to lend capital. Mr. Cohen answered in the affirmative.

Commissioner Cutler asked what contingency plans Harrah's has in place should they get close to violating the financial covenants – staff reductions, selling property, etc. Mr. Cohen indicated anything and everything would be considered. He stated that Harrah's is hopeful that their EBITDA will not decrease another 27% from today considering the decline over the past eighteen months, but would attempt to take advantage of the financial markets again, and consider any other options necessary to keep their financial covenants.

Hearing no further comments or questions for Mr. Cohen and Mr. Belhouse, Chair Seyfer called on Terrible's Lakeside Casino. Terrence Zoney, President of Herbst Gaming, Inc. (HGI), introduced Bob Thursby, General Manager of Terrible's Lakeside in Osceola; Craig Travers, Regional Manager; and David Ross, Chief Operating Officer over Gaming. He stated that he would be covering two subjects – Herbst Gaming, Inc.'s bankruptcy plan and a proposed hotel project at the Osceola property. Sean McGuinness, legal counsel for the senior lending group, provided the following information:

The bankruptcy plan was filed in March 2009 in Reno, Nevada. A pre-packaged bankruptcy plan was negotiated between the lenders and HGI which called for the equity of the casino gaming operations going to the senior lenders, who would then have to seek licensure in the various gaming jurisdictions. The other component was the slot route operated by HGI, which would have been operated under a separate business unit with the Herbst family retaining 90% interest and the senior lenders getting 10%. That has changed, and now 100% of HGI will go to the senior lending group; this change required the restatement of the lock-up agreement which the lending group had with HGI relating to some of the financial covenants and financial obligations. Disclosure statements also had to be amended and a plan of reorganization filed with the bankruptcy court. Mr. McGuinness advised he, as well as the attorney for HGI, have had ongoing conversations

with Mr. Ketterer to keep him apprised of the status, as well as ensuring that the Commission receives copies of any documents filed with regard to the bankruptcy.

Mr. McGuinness advised the Commission that the senior lending group will convert some of the debt into equity, which will create some additional debt for HGI in the process. He stressed that the lender group understands that they are not licensed and are not in a position to direct operations of gaming at any of the HGI properties. Mr. McGuinness stated that the senior lending group does not anticipate any significant changes at the Osceola property; they are happy with how it is being managed and operated.

The senior lending group is planning to maintain HGI as a public company for gaming purposes. Under the reorganization plan, the senior lending group would be issuing securities and reorganizing HGI; then registering and voluntarily filing some of the securities with the SEC under the 1934 Security and Exchange Act.

At that point, there would be a lending institution, investment buyers, and institutional investors who would normally take a passive role in operations and the 5% mandatory thresholds for licensure in Iowa. Once the debt is converted to equity, it will be determined which institutions/individuals meet the threshold or who would qualify for a waiver of a license. Mr. McGuinness stated the lending group is in the process of electing a Board of Directors for the post-bankruptcy reorganized HGI. Once those individuals are selected, he will be working with Mr. Ketterer, staff and the Division of Criminal Investigation (DCI) as these individuals will have to file license applications. Mr. McGuinness advised that it is likely the sub-gaming management group of the reorganized HGI would receive a small amount of equity, and therefore, be equity owners.

Mr. McGuinness moved to the timeline, noting the length of time necessary to get a license and undergo the DCI background investigation. He stated there is a meeting scheduled for late July in Reno to go over the latest disclosure statements. The next big benchmark to occur would be in October or November when the Bankruptcy Court would affirm the reorganization; that does not mean the senior lending group moves in as the owner at that time. The Court will affirm the reorganization plan subject to the senior lending group and any other necessary individuals getting licensed within one year from the affirmation of the reorganization plan. Mr. McGuinness stated that as the officers and directors are determined over the next few weeks, the determination of who needs to be licensed will be made in order to get the applications on file when the reorganization is affirmed later this year so the licensing process can get started immediately. Mr. McGuinness stated the plan is to move forward as expeditiously as possible.

Mr. Zoney stated that despite going through bankruptcy, HGI would like to give the Commission a brief overview of the proposed addition of a 150-room Comfort Inn & Suites hotel at the Osceola property. He noted there is currently a 60-room non-branded all suite hotel on the property, which has an occupancy rate between 88-92%. Mr. Zoney

stated the hotel has 21,900 available room nights and turns away 14,000 night requests annually. HGI is in the process of conducting a feasibility study and obtaining an appraisal. The proposed project consists of remodeling the current 60 rooms into a junior suite concept and adding an additional 90 new rooms under the Comfort Suites brand. Mr. Zoney stated the project will cost approximately \$9 million - \$7.7 in new construction and \$820,000 for the remodel of the existing rooms. He indicated HGI is working on getting the necessary approvals from their lenders, who are enthusiastic about the project from information received to date.

Mr. Zoney stated that the additional rooms will help increase gaming at the property as well as being a good addition to the community as the casino is located across the street from the winery, and Osceola is continuing to make investments in that area of the community. They feel there is an opportunity to draw in non-gaming customers as well.

Mr. Zoney stated the construction would provide jobs, utilize Iowa contractors, and once completed the additional hotel rooms would generate 15-20 full-time employment positions.

The new hotel rooms would "T" off of the existing hotel rooms, allowing them to utilize the existing front desk, lobby area and meeting space. Mr. Zoney stated that HGI feels the Comfort Inn brand is the right fit for the property and will enhance the ability to draw travelers off the interstate. He stated that despite the reorganization, HGI feels this is the right time to reinvest in the Osceola property and grow it as they are able.

Commissioner Urban asked about the timeline of the project. Mr. Zoney stated that if everything falls into place they hope to get some early work done yet this fall, which would allow construction to proceed through the winter, but feels a spring start is more likely. He indicated construction would take about a year, so a projected opening would be the first quarter of 2011.

Commissioner Harrison asked how many additional jobs the project would create. Mr. Zoney stated that the hotel alone would create 15-20 jobs, depending on scheduling, part-time, etc, and there would be spillover into food and beverage operations and possibly some on the gaming floor. There would be construction jobs during that phase of the project.

Commissioner Cutler stated that she felt this was a good project and complimented HGI in moving forward. Mr. Zoney stated that HGI could not let the restructuring process stop progress. He indicated there is a good team at the Osceola property, and HGI has continued to invest in and upgrade the quality of the Osceola property from when it was originally built.

Chair Seyfer moved to Public Comment and reminded those individuals addressing the Commission to limit their comments to three minutes. The following individuals addressed the Commission:

Mike Hobart, Mayor of Sioux City, stated that he hoped to convince the Commission to not issue a gaming license to Lyon County. He stated that one of the first corporate leaders he met was Kees Eder, General Manager of Argosy - Sioux City. Over time, he learned that Argosy is a great corporate leader and partner in the Siouxland for the citizens and taxpayers of Sioux City. He also learned the importance of Argosy to the financial health of Sioux City and Woodbury County. Funds from Argosy provide tax relief, economic development, and charitable giving of approximately \$100,000 annually over an above their tax obligation to local non-profit organizations in addition to the funds given to their non-profit, the Missouri River Historical Development (MHRD). He noted that Argosy also provides good paying jobs, spurs the economy by virtue of their purchasing of local goods and services necessary for operations and the attraction of tourism dollars. Mr. Hobart noted that Sioux City is located on the borders of Nebraska and South Dakota, creating a unique competitive disadvantage causing them to rely heavily on the state for help through tax programs, with commercial ventures, targeted tax and jobs programs. One of the biggest things Sioux City gains from the state is the tax revenue generated by the gaming industry. Mr. Hobart stated that a casino in Lyon County would hurt Sioux City by cutting off one of the legs that helps to support the community financially. Noting that South Dakota already has gaming, he expressed his opinion that South Dakota could easily retaliate against Iowa should a gaming facility open in Lyon County by building a casino in Sioux Falls; that South Dakota is not going to stand still for all of their gaming revenues crossing the state border. Mr. Hobart stated that while he is not real familiar with the referendum aspect of South Dakota law, it is his understanding that even if the Legislature does not provide for a licensed casino in South Dakota, the residents have the ability to do so by referendum.

Mr. Hobart, noting the economic downturn in northwestern Iowa and Casino Omaha's recent suspension of operations, stated his belief that the gaming industry is saturated on the western side of the state. He stated that a Lyon County casino would siphon off between \$300,000 and \$700,000 annually.

Mr. Hobart concluded his remarks by asking the Commission to not create an imbalance on the western side of the state. He stated that Sioux City is used to competing with South Dakota, who does not like to lose. Mr. Hobart requested that the Commission not grant a license to Lyon County given the fact that they have other options.

Chair Seyfer reminded everyone to limit their comments to three minutes.

Ron French, Vice President of MHRD, stated that he has been a board member since its inception. He asked the Commission to take into consideration the fact that casinos built on the edge of the state normally draw construction companies/employees from a 50-mile radius from the project, putting this project right in the heart of Sioux Falls, South Dakota, which would prevent the state from seeing an impact on construction jobs like it would if the project were built in Des Moines or Osceola. Mr. French referenced the HVAC, masonry, carpentry, and other skilled jobs that are required for this type of project and pointed out that there likely is no local talent available to do those jobs. He

noted that Sioux City is outside the 50-mile radius, making it hard for companies in that area to be competitive in fulfilling any of the construction jobs or providing goods and services during the construction phase.

Debi Durham, President of the Siouxland Chamber of Commerce and Siouxland Initiative – a private regional economic development organization, expressed opposition to additional state-licensed gaming licenses as those licenses will tip the scale toward market saturation creating negative economic consequences to existing gaming operators. She advised that her long tenure in the area of economic development has taught her that Iowa's economy constantly ebbs and flows, and while Iowa is somewhat insulated from the extremes being experienced in other areas of the country, the state has been impacted and there is no strong indication there will be relief anytime soon. She pointed out that the current facilities, once thought to be immune from recessionary pressures, have succumbed. Ms. Durham stated that Argosy has been a valued investor in the area's economic development, and continually looks for ways to invest in the region's quality of life initiatives. She noted there has been an attempt to downplay the adverse impact of an expansion of gaming into Lyon County on Argosy and MRHD. Noting the difficulty being experienced by city, county and state governments in balancing budgets, a further reduction in revenue would lead to a decrease in services or higher taxes. Ms. Durham also raised the issue of Sioux Falls and South Dakota's response to a casino opening in Lyon County. She requested that the Commission refrain from granting additional licenses at this difficult time with the caveat that should the Commission decide to grant additional licenses that the tax rate on current licenses be reduced until such time as it can be determined there is no impact or that the market can support such an expansion.

Mark Monson, President of MRHD, commenced his remarks by asking the definitions of saturation and cannibalization. He wondered if saturation means everyone is suffering from too much of something or if there is a way to determine what the saturation level is. With cannibalization, he likened it to the Pac Man game with little aliens coming in from South Dakota, video gaming, keno and pull tabs in Nebraska, and a Native American casino to the south of Sioux City. Mr. Monson expressed his belief that a license in Lyon County would be tantamount to inviting South Dakota to take another look at state-licensed gaming. Further, a license in Lyon County would make it difficult for Argosy to undertake any expansion in Sioux City; he stated that he would like to see Argosy go land-based. He asked the Commission to consider the matter very carefully. Mr. Monson stated that Argosy and MRHD would be pleased to host a meeting in Sioux City.

Karen Mitchell, Executive Director of the Franklin County Development Association, stated that the project submitted to the Commission in 2004 met all of the criteria set forth at that time – generous to education and community groups, created jobs in the area and showed profitability even if all of the licenses had been granted. She stated that Franklin County is asking the Commission to grant licenses to the previous applicants that have been waiting patiently for this opportunity. Ms. Mitchell stated that Franklin County needs this opportunity now more than ever due to two plant closings and severe contractions in other manufacturing industries. She stated that the country and Iowa will

come out of this economic downturn and the challenge facing economic developers will be to find jobs for area residents.

Ms. Mitchell stated that competition is good; it causes everyone to tune up their operation, services and provides people with choices. She referenced the tremendous growth in the financial and insurance industries, the wind industry, the entertainment industry, walking trails, etc. She stated that Franklin County bears no ill will toward the operations in Northwood or Waterloo, and is happy those operations have been able to do what they have for their respective communities. Ms. Mitchell stated that they hope all of the licenses can be granted as they know the importance of the jobs and revenue to the local economy. She stated that Iowa can not risk more Iowans leaving the state for jobs. Ms. Mitchell stated that the Franklin County facility can be competitive if given the opportunity to do so.

Gayle Burnett, representing Franklin County and the development group, set forth the following reasons why Franklin County should be granted a license. She noted that on May 21, Elizabeth Buck, Director of the Iowa Workforce Development (IWD) was a guest on Iowa Journal. During the interview, Ms. Buck referenced the high unemployment rate in the Mason City area; the surrounding counties have unemployment rates exceeding 11% while the state unemployment rate is 5.2% and the national average is 8.2%. Ms. Buck also noted that Mason City has experienced a high number of plant closures, as well as significant layoffs at Winnebago. Twenty percent of the jobs listed on IWD's website are in the health field. Ms. Burnett noted that the Mercy Medical Center in northern Iowa has also reduced their work force. Relocation for other job opportunities is often not an option for men. Ms. Burnett stated that the above numbers support the need for additional jobs not only in Franklin County, but all of northern Iowa. She stated that a casino at the proposed site on I-35 provides easy accessibility for potential employees. The proposed site at the Dows interchange has seen an increase in the number of travelers, including cross-country truck traffic. From 2002 – 2007, truck travel increased from 3,428 per day to 4,283 per day, or an increase in excess of 300,000 trucks per year. This increased traffic does not take into account any other vehicles, many who are potential tourists from other areas of the state. Ms. Burnett stated that the increased traffic flow makes this interchange an ideal location for a potential casino. There is a welcome center with many offerings and the State recently completed one of the nicest rest areas in the State. There is also a new truck stop travel center located next door to the proposed casino site, providing additional amenities to attract additional customers. Ms. Burnett stated that in addition to the benefits for Franklin County, the development group would also be receiving funds that would support financial causes such as education. She stated that the budget constraints faced by the schools are staggering. Ms. Burnett stated that educational causes are very high on the primary list of the development group. Additionally, rural Iowans believe they deserve a chance at economic development opportunities and needs the additional taxes that would be generated by a casino, and in Franklin County's case, the development of the Dows interchange. The additional funds would add to the State's support of education,

contribute to the economy of Iowa, its growth, and the best services a concerned government can offer.

Mollie Teckenberg, Provost of Development at Ellsworth Community College, stated that skills and knowledge not only drive economic growth but also increase wages. There is also evidence of a positive relationship between education levels and income levels. Ms. Teckenberg stated that the revenue received by Ellsworth Community College from the proposed casino would increase and improve the quality of life of the students by providing the tools needed to acquire the necessary skills and knowledge. She stated that during this economic hardship one way to rejuvenate the economy was to invest in community colleges where 90% of the students remain in Iowa.

Jeff Gallagher, President of the Lyon County Riverboat Foundation, advised that the voter turnout for the referendum was only a few hundred votes short of the most recent presidential election, and the 62% approval shows a clear mandate by Lyon County residents to go forward with the proposed project. He stated that the Lyon County project provides an opportunity for a new casino to not only penetrate the sizeable Sioux Falls, South Dakota market, but also southwestern Minnesota. The project would have a significant effect on tourism and provides the best opportunity to significantly increase Iowa's revenue from an out-of-state source. Mr. Gallagher stated that the market strength of this proposed project is to the north and west, and is located at the intersection of Interstates 90 and 29. He stated that Lyon County would be a land-based resort; and financial numbers from last year indicate that land-based facilities have been more successful in terms of revenue for the state. It has been projected that a Lyon County facility would generate between \$58-\$59 million for the state, or an increase in gaming taxes collected by the state in excess of \$12 million. Mr. Gallagher stated that the projected gaming revenue for Lyon County would be higher than eight of the current casino facilities. He asked the Commission for the opportunity to submit an application. He stated that he is confident the Commission would find a significant investment being made in the structure of the project, a unique ownership structure and that the project would generate new revenue for the State of Iowa in a currently underserved market.

John Pavone, representing Tama County, noted that the world of the gaming industry is changing, and will continue to change. On behalf of the voters of Tama County, Mr. Pavone asked for the opportunity to tell their story. He stated that should the Commission allow the licensing process to proceed, it is their belief their world will continue to change and the Commission's focus will be different from what it is today. Mr. Pavone stated that Tama County does appreciate the difficult challenge facing the Commission.

Terry Lutz, Mayor of Ft. Dodge, advised that Webster County is "all in" for gaming and noted that the county and city have been working closely to define and create the future. Three years ago they instituted a strategic plan called Vision 2030, and through considerable public involvement, local citizens developed several initiatives they expect community leaders to implement. The plan serves as a blueprint for the future, and a key

instrument in the plan is to create more entertainment and recreational venues. The following individuals are community and county leaders for Webster County that are here to share the opportunities that they see for their community, region and the State of Iowa that a casino will create. Mr. Lutz stated the proposed casino is just one of the many pieces being crafted for the future.

Don Woodruff, Chairman of the Development Corporation of Ft. Dodge and Webster County, encouraged the Commission to allow additional gaming licenses, and specifically one in Ft. Dodge. He noted that since the 1980 recession, with the help of good leadership, and the state and private sector, the renewable fuels industry has emerged along with other industries and the economy throughout rural Iowa has improved, leading to the need for additional employees. A recent survey of area employers and employees indicated a need for improvements in recreation, housing and entertainment in order to provide area citizens with the quality of life that metro areas are enjoying. These investments will also make the community a more attractive place to live. Mr. Woodruff advised that \$39 million has been invested in a water and sewer expansion project, \$9 million in an aquatic center that is currently under construction, and a recent increase in the sales tax to help pay for over \$40 million in street repairs. He stated that the infrastructure is in place to support a casino as well as any ancillary businesses that come because of the casino.

Phil Condon, a Webster County Supervisor, noted there are now three ethanol plants in Webster County. When the first ethanol plant opened, Webster County averaged 39 million bushels of corn per year; it now averages between 55-65 million bushels. It is estimated that between 800 and 1,000 trucks are in and out of the three plants, providing a huge economic lift to the area. Mr. Condon stated that Webster County, the City of Fort Dodge and the State of Iowa have worked together and invested one-half billion into making this area another regional hub for economic development.

Randy Kuhlman, Chief Executive Officer of the Fort Dodge Community Foundation and United Way, stated that their mission is to develop charitable resources to support community programs, services and initiatives to improve the quality of life for the citizens with the ultimate goal of investing those resources in a way that will better the community so that Fort Dodge and Webster County will become a place where people want to live, work and raise their families. Mr. Kuhlman advised that over the past 12 months, the organization has contributed over \$1 million of financial support to 42 different non-profit organizations and community betterment projects in a six-county region, but barely scratched the surface of the needs. He stated that a casino would provide the community and region with significant charitable support. Mr. Kuhlman commented on the charitable dollars given by the gaming facilities in Dubuque and Council Bluffs, noting the significant community projects, riverfront development and other amenities that attract tourism to the community. He also indicated that the facilities have the ability to change the culture, pride and vitality within a community, which is critical to the long-term success for Fort Dodge and the State of Iowa.

Susan Ahlers Leman, an active volunteer in the non-profit community, stated that she has resided in Fort Dodge for 15 years, having returned after graduating from law school. She advised that it was her intent to leave Iowa upon graduating from law school. She returned for a job, and now serves as a wealth advisor. Ms. Leman stated that she and her husband returned to the area for careers, but stayed because of the quality of life offered within the community. As time progresses, she has seen the non-profit world collaborating and partnering with the city, county and for-profit entities which have improved the quality of life, recreation, art and cultural opportunities in the area. She reiterated that the goal is to have people desire to live, work and raise their families in the community, as well as visit it. Ms. Leman stated that the organizations she works with donated over \$1 million last year, and are eager and committed to donating more this year. She advised that two community theater groups have started, as well as a number of musical groups. The Young Professionals group is committed to bringing in more young families. Ms. Leman stated that the non-profit community has proven itself to be a committed partner to improving the quality of life, working to attract and retain families, as well as making Fort Dodge a vacation destination for many. She stated that she is proud of the strides made within the community, and believes that a casino would not only benefit Fort Dodge, but the region and the State of Iowa.

Dennis Plautz, Director of Business Affairs and Community Growth for Fort Dodge, reiterated that the community has changed its direction and future in recent years, but believes there is a significant amount of lost revenue to the State of Iowa that a Fort Dodge casino would capture as a result of a number of opportunities currently provided by the community and those that will be available in the near future, which will provide new sources of revenue not reflected in any of the recent studies. Mr. Plautz stated that the opportunities are the result of visitor attractions, tourists from within Iowa and surrounding states, and transient visitors. He stated that one of the primary considerations should be that US Highway 20 is now slated for completion in 2015, and will connect Illinois to Nebraska, and I-35 to I-29 and will create a stay over destination for travelers using that corridor. Mr. Plautz noted that Fort Dodge already hosts several state-wide, regional and international events. He advised that the Iowa Department of Natural Resources recently completed the Des Moines River Valley River Trail linking Fort Dodge and launched the beginning of a unique kayaking water trail system, which will also draw additional visitors to the area. Mr. Plautz also mentioned two state parks in the area which draw visitors to the area.

Mark Crimmins, President of Heart of Iowa – the non-profit organization for the gaming license, advised that the group is still in tact, have maintained their 501c(3) status and made donations to the domestic abuse shelter in Fort Dodge every year from the original seed money. As the President of the Board of Trustees of the Iowa Central Community College, he advised that the college has been very proactive in partnerships with business and industry, with the State, and IWD, and stands ready to become involved in training opportunities associated with a casino in the area. As a resident of the community, Mr. Crimmins stated that if given the opportunity, Fort Dodge would put together a

tremendous proposal. He stated that he has watched businesses start with nothing and be successful. He asked the Commission to let the communities tell their stories.

Mayor Lutz concluded the public comments regarding a Fort Dodge facility by indicating that the community respects the past gaming Commission's decision. They have closely watched the other casinos as they came out of the ground and the revenues that have been generated for the State of Iowa. He stated that Fort Dodge has waited very patiently for this day, and acknowledged that the Commission has legitimate concerns about whether Iowa should have additional gaming facilities. Mayor Lutz stated that Fort Dodge is very sensitive to those concerns and share many of the Commission's views, and understands the pressure from the existing casinos to not allow additional licenses. He pointed out that the recent studies completed showed a net increase in gaming revenues if additional licenses were issued, and that Iowa needs the additional revenues. Mayor Lutz stated that the Commission's decision is made more difficult as the projections set forth in the studies can not be exactly correct; that this is not a black and white decision. Mayor Lutz concluded his remarks by asking the Commission to open the licensing process and allow additional gaming licenses. He stated that Fort Dodge and Webster County are confident that if given the opportunity to compete for a license, and work through the issues, they will submit a proposal that the State of Iowa can be proud to support.

Dale Uehling, Mayor of Ottumwa, advised the Commission that Ottumwa and Wapello County are still very interested in a casino license. He stated that they are a prime candidate and fit the criteria. He informed the Commission that a Job Corps is starting construction this month, will employ 140 people and will be located at the industrial airport located north of Ottumwa. The Ridgeview Event Center, a \$22 million project which received \$7.5 million from Vision Iowa, is partially completed. Mr. Uehling stated that it is his understanding that part of the goal of gambling is economic development, and the residents of Ottumwa believe that a casino would help them from the poverty standpoint. He stated that Ottumwa residents and government officials did not agree with all of the statements made at the June Commission meeting and would be submitting a written statement. Mr. Uehling pointed out that the new Honey Creek State Park is only 45 minutes from Ottumwa. He stated that a casino and the new park would make a good combination for southern Iowa. He advised that the State has completed the 4-lane expressway between Des Moines-Ottumwa-Burlington, and Highway 34 is also a 4-lane road passing through Ottumwa. Mr. Uehling stated that should the Commission decide to issue additional licenses Ottumwa should be considered as they are the hub of southeast Iowa and northern Missouri. He stated that the gaming studies underestimated the potential income from Missouri as they are already traveling to Ottumwa.

Chair Seyfer called on Wes Ehrecke, Executive Director of the Iowa Gaming Association, who distributed copies of the American Gaming Association's State of the States Report. It is a comprehensive report that sets forth the economic impact in the various states of commercial gaming, racetracks, tourism and the results of a survey on how people view gambling. Eighty percent indicated they still feel gambling is an acceptable form of entertainment. Mr. Ehrecke also reported that August 3-7 is

Responsible Gaming Education Week, which is used to heighten the awareness of problem gaming. The theme this year is “Know the Code”.

Following a short break, Chair Seyfer moved to the discussion and decision on the granting of additional gaming licenses. He advised that after the July 2005 Commission meeting, the Commission members decided not to place a moratorium on license applications but would wait and see how the four new licensees performed once they were in operation and how they impacted existing facilities. In 2008, the Commission elected to start discussions on whether there should be consideration of new license applications, and elected to have two studies done, which have now been completed and are available on the Commission’s website. The studies were focused primarily on the five counties that have passed referendums. Chair Seyfer stated that each Commissioner would address the topic of additional licenses, and after everyone has spoken, the Commission will determine how they are going to proceed. He called on Commissioner Hayes.

Commissioner Hayes pointed out that five counties by public referenda have approved having a licensed casino in their community/county. He noted that the Commission engaged two well-qualified consultants to address a number of concerns, including the likely impact of new licenses on the State, the counties that have passed referendums and existing license holders. The studies indicated there is some marginal benefit to adding new casinos, but that as a state, Iowa is reaching the saturation point. Commissioner Hayes stated that any licensing process would be much more complicated than in the past; that it would not be as simple as pointing out all of the wonderful economic benefits to those counties that are seeking a license. He pointed out that the studies showed that any new casino will have a negative impact on current licensees, and in some cases, a devastating impact. Commissioner Hayes stated that it was not his wish to grant any new licenses that will put another license holder out of business or have a serious negative impact in those counties that already have casinos. He stated that any applicant would need to address how they will minimize the impact of their operation on current license holders and the communities in which those casinos are located. He indicated that another study was not going to be the way to address that concern. Commissioner Hayes stated that he could not say how any potential licensee should address this concern, but encouraged them to be creative in their approach. He indicated that the amount of additional state tax revenues that would be generated and the proposed amenities which would make the property an asset to the community and state beyond adding casino gambling are two criteria that will be important to him when reviewing any applications. Commissioner Hayes concluded his remarks by stating that he believes it is time for the Commission to accept new license applications from any interested applicants.

Chair Seyfer called on Commissioner Urban. Commissioner Urban noted that the studies used the words “equilibrium” and “saturation”. She pointed out that Iowa has 17 licensed casinos, and there are other states like Illinois where the Legislature has mandated that there would be no more than 10 casinos in the entire state. Commissioner Urban reviewed some of the scenarios set forth by the interested parties:

- Ottumwa: Has waited for a long time for the possibility of applying for a license. The studies indicate that 15% of the revenues generated at a casino in Ottumwa would come from Terrible's Lakeside in Osceola, which is currently in bankruptcy. No one wants to see a casino in Iowa close. She pointed out that the Marquette study showed that a casino and mid-size hotel complex in Ottumwa would garner approximately 70% of their revenues from other casinos, including Prairie Meadows and Catfish Bend, causing tremendous concern for her. She also expressed concern as to whether Ottumwa has the necessary employee base to fill the positions within the casino and hotel or if they would have to be brought in from elsewhere, and whether it would have any impact on the unemployment level in the area. She noted the area would benefit from the construction phase, but that would be short-term.
- Franklin County: Has no large metropolitan area or city that is going to bring individuals to the proposed facility. A Franklin County facility would be drawing from current licensees: Prairie Meadows, Diamond Jo Worth, and Waterloo. There are currently two casinos on I-35 – Diamond Jo Worth and Prairie Meadows, which is just 5 miles off the interstate.
- Tama County: Concerns about cannibalization. Feels their intention is to draw from the Meskwaki Casino, which is doing very well, but feels they have already lost a substantial amount of business to Waterloo and possibly Prairie Meadows. She does not feel that there is as much business in the area as might be believed.
- Fort Dodge/Webster County: Is the largest city that might potentially apply for a license. Meets many of the criteria, but Emmetsburg is approximately 35 miles north of Fort Dodge. The studies show that 50% of the revenue at a Fort Dodge facility would come from other casinos. The Innovation study indicated that the gaming revenue at Emmetsburg would fall between 15-21% if a casino were located in Fort Dodge.
- Lyon County: Would have less of an impact on existing casinos than other potential applicants, but would affect Sioux City and Emmetsburg.

Commissioner Urban stated her belief that the Commission would be very protective of the facilities already in operation. She reiterated that if the application process is opened up, the applicants would have to be very innovative and creative; bring forward ideas that will break some of the handicaps the Commission sees to granting additional licenses.

Chair Seyfer called on Commissioner Cutler. Commissioner Cutler stated that she is the only remaining Commissioner from the previous licensing process. She stated that the information, site visits and the people they talked to were influential in moving the Commissioners from one thought to the next. She stated that the applicants need to keep the Commissioner's comments in their thoughts as they complete the application and

decide how they are going to present their project. Commissioner Cutler stated that she is in favor of opening the process up in order to review what appears to be five applications, possibly more. She assured the proposed applicants that the Commission would have a process that is clear, understandable, fair and transparent. Everyone will have an equal opportunity to have access to the Commissioners and staff. Commissioner Cutler stated that the members understand the hopes and dreams of the proposed applicants and the concerns of the existing casinos. She stated that the "heart and soul" of the communities will also play a part in the process.

Chair Seyfer called on Commissioner Harrison. Commissioner Harrison stated that she appreciated the earlier comments by the other Commissioners, and did not have more to offer. She stated the Commission would do their best to support the State of Iowa and its citizens. She indicated it is important to her that the Commission have a sense of balance between the communities and citizens of Iowa as well as to those individuals who are potential victims of gambling addiction. Commissioner Harrison indicated the Commission would take into consideration the creativeness of the communities applying for a license, and would entertain the idea of opening up the licensing process.

Chair Seyfer noted that everyone had heard the previous comments. He reiterated Commissioner Harrison's comment that the Commission represents the entire State of Iowa. He pointed out that all of them have received hundreds of letters and e-mails and indicated that he has not received any correspondence from anyone outside of the counties that have passed a referendum asking for a new casino. Chair Seyfer stated his belief that Touchplay taught the Commission that the State of Iowa does not want gambling in every location. The studies have been done, and are very clear on where we are now and where it looks like things are going to be going forward. Chair Seyfer stated that the consensus of the Commission is to accept new applications, but personally feels it is an uphill battle for anyone who opts to apply for a license now. The studies and information available to the Commission show that times are tough. He referred to the presentations earlier by Harrah's and Terrible's, and questioned whether there is financing available for the proposed projects. Chair Seyfer reiterated Commissioner Cutler's comments regarding the application process; that it will be fair, open and that they will listen to anyone who comes forward with an application.

Chair Seyfer advised that the Commission would accept applications until October 1, 2009. The Commission requested that staff provide them with the application form for review and comment prior to it being provided to the applicants. Chair Seyfer requested that prior to the filing of any application, a representative(s) of the applicant meet with staff and the Chair to discuss the application and any questions or concerns that may be there prior to the application being filed. Following the initial meeting with the Chair and staff, representatives of each applicant should then contact the other Commissioners to get a feel for any questions or concerns they may have.

Chair Seyfer called on Riverboat Development Authority/IOC Davenport, Inc. (RDA) regarding their request for approval of an amended operator's contract. Mary Ellen

Chamberlin, President and Chief Executive Officer of RDA, advised that the current Operator's Contract with the casino was due to expire, which led to the discussions leading to this amendment. The matter before the Commission is the adoption of the contract as amended to extend the length for a period of ten years. Ms. Chamberlin stated that this is the same contract the RDA had with The President Casino, which was then amended and transferred when the physical assets of The President Casino were sold to the Isle of Capri. At that time, negotiations were held to determine whether RDA would allow the Isle to utilize their gambling license. She stated that the basic pieces of the agreement are as follows:

- Over the years, RDA has received several non-cash benefits from the casino, such as phone service, IT service and other administrative costs that have allowed them to keep their cash disbursements to the community at approximately 96% of income. A portion of the amendment makes that type of support from the casino official in addition to the cash benefits received from the adjusted gross receipts.
- RDA currently receives 4.1% of adjusted gross receipts and has a \$2 million per year base guarantee. Changes were made in how the weekly payment and minimum base are calculated. She indicated that in the 10 years RDA has operated with Rhythm City, they have never dropped to the minimum payment.
- Currently RDA has no way to vary from the \$2 million base guarantee. Noting the changes within the industry and increased competition – many of which are outside the control of the casino or RDA, Ms. Chamberlin stated the parties have agreed to four points under which the \$2 million may be waived or re-negotiated. These include an additional casino being built in or near Scott County, which would bring the area to four boats, the smoking ban being extended to casinos, or a decision by the city, city regulation or other decision affecting Rhythm City's ability to do business.

Mr. Ketterer asked Mo Hyder, General Manager of Rhythm City, if Jumer's Casino in Illinois was having any impact on Rhythm City and IOC Bettendorf. Mr. Hyder indicated that it is difficult to determine an impact on Rhythm City as the facility was closed for 21 days in 2008 due to flooding. In normalizing the figures, he indicated that revenues at Rhythm City were flat or down, but feels Jumer's effect has been minimal. With regard to IOC Bettendorf, Mr. Hyder indicated there are several factors affecting that property: the bridge closures in the Quad Cities and economic issues as the unemployment rate has slowly been increasing. Mr. Hyder noted that while the State of Iowa in general has been insulated from the economic situation, the area is seeing a little bit of an effect in the Quad Cities area. He stated that Jumer's continues to do well; they have a nice facility and have done a good job of expanding the market. He indicated over the past several months the market has grown between 16-18%.

Ms. Chamberlin asked the Commission to adopt RDA's contract extension with the amendments previously outlined.

Chair Seyfer called for any comments or questions. Hearing none, he requested a motion. Commissioner Cutler moved to approve RDA's Amended Operator's Contract

with IOC Davenport, Inc. as presented. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 09-71)

Chair Seyfer moved to the contract approval portion of the agenda and called on Harrah's. Jeanne Magdefrau, Vice President of Finance, presented the following contracts for Commission approval:

- Staples – Acquired Corporate Express, RTA #4230 – Supplies
- Thomas Dredging and Excavating – Dredging around the Boat

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Harrah's. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 09-72)

Chair Seyfer called on The Isle Casino Hotel Waterloo (The Isle). Bari Richter, General Manager, presented a contract with Halverson Trane for a one-year maintenance agreement on the HVAC system.

Hearing no comments or questions concerning the contract, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contract as submitted by The Isle. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-73)

Chair Seyfer called on Ameristar Casino. Jane Bell, Director of Government and Community Affairs, presented the following contracts for Commission approval:

- Constellation New Energy – Gas Utility
- Doll Limited Partnership – Off-site Storage
- McMullen Ford – Vehicle Maintenance and Repair
- Waste Connections of NE d/b/a Papillion Sanitation – Refuse Removal

Commissioner Urban asked for an explanation of the Iowa Vendor-Out of State Address under Section 3 of the Request for Transaction Approval form. Ms. Bell stated that the payment is sent to an out-of-state address but that the vendor does have an in-state business address.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contracts as submitted by Ameristar. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-74)

Chair Seyfer called on Diamond Jo Dubuque (DJ). Todd Moyer, General Manager, presented a contract with the City of Dubuque for a Public Parking Facility Private Parking Agreement.

Hearing no comments or questions concerning the contract, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contract as submitted by DJ. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-75)

Chair Seyfer asked Mr. Moyer how things were going in Dubuque. Mr. Moyer advised that everything was going very well; the response to the new facility has been fantastic. He indicated DJ is happy to be the host city for the October Commission meeting.

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

- CCA Creative Artists Agency – Concert Entertainment Booking Agency
- King Food Service – Food Purchases
- Prodigy Promos – Promotional Give Away

Commissioner Urban questioned the contract with Prodigy Promotions for \$200,000 for promotional items, noting that one of the items mentioned was t-shirts. She questioned whether there were vendors in Iowa that could provide the same service. Mr. Massa answered in the affirmative, stating that all of the items had been bid. He noted that all of the bids had been included on the RTA form, and that the Iowa companies were not the lowest bids. Mr. Massa stated that Riverside has spent just under \$100,000 with the company to date. Commissioner Urban noted there are promotional companies in Des Moines and Newton, as well as other locations. Mr. Massa stated that Riverside does reach out to them for bids.

Hearing no further comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by Riverside. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-76)

Chair Seyfer called on Rhythm City (RC). Mr. Hyder presented the following contracts for Commission approval:

- Financial District Properties WF, LLC – 3 Year Lease for Office Space for Riverboat Development Authority
- White Roofing – Roofing Construction and Electrical Work

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the contracts as submitted by RC. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-77)

Ms. Chamberlin stated that she started with the casinos twenty years ago, and had the privilege of serving with two of the giant entrepreneurs that helped found the industry, both of whom have passed away since she last attended a meeting of the Commission. She requested that the record reflect that both John Connelly and Bernie Goldstein meant a great deal in developing the riverboat gaming industry in Iowa, and everyone should be sad at their passing.

Chair Seyfer called on Horseshoe Casino/Bluffs Run Greyhound Park (HC/BRGP). Ms. Magdefrau presented the following contracts for Commission approval:

- Express Jet – Charter Flight Company
- Sleep Inn – Purchase of Hotel Rooms
- Staples – Acquired Corporate Express, RTA #4173 – Supplies

Mr. Ketterer asked Ms. Magdefrau about the status of the Hilton Garden Inn hotel. Ms. Magdefrau stated that a meeting has been set with the owner for Monday, with a new opening date of October 15, 2009. She stated she would let him know after the meeting. Mr. Ketterer asked how many rooms the hotel would have. Ms. Magdefrau stated there would be 253 rooms.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contracts as submitted by HC/BRGP. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-78)

Chair Seyfer called on Dubuque Greyhound Park at Mystique Casino (DGP @ Mystique). Roger Hoeger, Assistant General Manager, presented a contract with the Community Foundation of Greater Dubuque.

Commissioner Hayes asked if the purpose of this contract is to create a substantial endowment. Mr. Hoeger answered in the affirmative. Commissioner Hayes commended the facility for taking this step.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contract as submitted by DGP @ Mystique. Commissioner Hayes seconded the motion, which carried unanimously. (See Order no. 09-79)

Chair Seyfer moved to the approval of the distribution of the Dog Racing Promotion Fund. Mr. Ketterer advised that the only applicant was the Iowa Greyhound Association and that they have provided an accounting of how the funds were disbursed last year. He stated that Jim Quilty, legal counsel, was present to answer any questions.

Hearing no comments or questions for Mr. Quilty, Chair Seyfer requested a motion. Commissioner Urban moved to approve the Iowa Greyhound Association as the recipient

of the Dog Racing Promotion Fund. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-80)

Chair Seyfer called on Prairie Meadows Racetrack & Casino (PMR&C) regarding their request for approval of the harness meet 45-day plan. Derron Heldt, Director of Racing, advised that there was a typographical error on the Schedule and Wagering Format page; it should reflect a 16-day harness meet.

Hearing no comments or questions for Mr. Heldt, Chair Seyfer requested a motion to approve that included 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 Harrison so moved. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-81)

Chair Seyfer moved to the report from the Horse Racing Committee. Mr. Palmer stated that since the presentation at the June meeting, the committee has retained Dr. Margaret Ray and Doug Reed to assist in studying the metrics for horse racing in the future as well as a marketing study for horse racing. Dr. Ray and Mr. Reed will be at the facility for a meeting on July 27th.

Commissioner Hayes asked about the timeline for the metrics. Mr. Palmer stated PMR&C would like to have it completed by October 1st.

Hearing no further comments or questions for Mr. Palmer on the Horse Racing Committee, Chair Seyfer moved to the update from the Hotel Committee. Gerry Neugent, PMR&C Board Member and Chair of the Facilities Committee, noted that he had presented the Committee's process for building the hotel, which included a target date of June 30th for making recommendations to the full board. He stated that the RFP has been sent out, interviews conducted, and that the committee has a recommendation to present at the Board meeting next week to select a developer. Mr. Neugent stated they are in the process of finalizing the lease and a relationship with the construction company. He estimated that PMR&C is within two weeks of the timeline projected.

Hearing no comments or questions for Mr. Neugent, Chair Seyfer moved to PMR&C's request for approval of the ancillary agreement with the Iowa Harness Horsemen's Association (IHHA). As there were no comments or questions concerning the agreement, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the Ancillary Agreement between the IHHA and PMR&C for the 2009 Standardbred Meet at PMR&C.

Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-82)

Chair Seyfer called on the IHHA. Royal Roland, President, requested the Commission's permission to combine this item with the following agenda item – comments from the Iowa Horsemen's Benevolent & Protective Association, Inc. by Leroy Gessman, President. Chair Seyfer concurred.

Mr. Gessman commenced his comments by introducing Butch Hammer of the Iowa Quarter Horse Racing Association (IQHRA), and Sharon Vail, President of the Iowa Thoroughbred Breeders and Owners Association. He advised that since the last Commission meeting, the four horsemen's groups have been meeting weekly in an attempt to put together a joint racing plan for 2010 and beyond that would be an alternative to the one proposed by PMR&C. Mr. Gessman stated that they are close to an agreement on a plan; that there has been a lot of give and take between the groups. He stated that they believe their proposed plan meets the intent of the law, makes all three breeds very viable in the future, supports the breeding industry and improves racing from where it is today. Mr. Gessman advised that the groups have made some adjustments that would provide a cost savings to PMR&C. He stated it is the goal to have the plan finalized and present it to the Commission at the August 27th meeting in Riverside. Mr. Gessman stated that the plan presented to the Commission is not the plan printed by Dan Johnson in The Des Moines Register.

Mr. Gessman stated that there are issues in the simulcasting area and account wagering that would require some changes in the law. He noted that nationally there is more money available; that more individuals are using their computers to make wagers and not actually going to the tracks. Mr. Gessman stated that the groups would like to explore that avenue in order to capture more of that revenue.

Commissioner Cutler asked if any of the members of the horsemen's groups were on the horse racing committee. Mr. Gessman advised that Butch Bain is the horsemen's representative on the Board, and is on board for the IQHRA.

Mr. Ketterer asked if discussions are continuing with PMR&C with regard to the racing plan. Mr. Gessman advised that there have been no discussions with PMR&C management, but there have been discussions with some members of the horse racing committee.

Mr. Roland stated that the horsemen's groups would appreciate the Commission's assistance in motivating PMR&C to consider the alternative plan prior to the Commission meeting.

Commissioner Urban thanked Doug and Sharon Vail for the tour of the River Ridge Ranch Wednesday evening; that it was very informative and a good learning opportunity.

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

- Brewer Meats, Inc. – Meat Supplier
- Durkan Patterned Carpet – Specialty Carpet for Casino
- Home Boy Enterprises, Ltd. – Concrete Contractor
- Poindexter Flooring, Inc. – Contractor – Flooring Installation

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by PMR&C. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-83)

Chair Seyfer moved to the appeal of an Administrative Law Judge Decision by Frank Cardenas. He advised Mr. Cardenas that he would have ten minutes to present his case, and three minutes for rebuttal following the presentation of the State's remarks by Assistant Attorney General Jeff Peterzalek.

Mr. Cardenas stated that he was employed as the casino host at the Diamond Jo Dubuque (DJ) for nine months. Some allegations were made by another employee that he had offered her drugs during an out-of-town trip; he has denied the allegations from the beginning. He stated that when the allegations were presented to the DJ, he was asked to take a drug test which he refused based on the DJ's drug testing policy. He believes the policy does not permit them to request the drug test. He read the following from the DJ's policy on reasonable cause for chemical testing:

“Employees will be asked to submit to a drug test if reasonable suspicion exists indicating that the employee is under the influence of illegal drugs. Reasonable suspicion means a basis for forming a belief based on specific facts and rational inferences drawn from those facts, by direct observation of specific, contemporaneous physical, behavioral or performance indicators of probable use. ...”

Mr. Cardenas stated that it was undisputed that at the time the test was requested he was not showing any signs of being under the influence nor was there was any observation of any physical signs of drug use. Based on the foregoing, Mr. Cardenas stated that he did not feel the DJ had any reason to request the drug test; that the allegations had been made several days prior to the request. He noted that he was allowed to return to work after refusing the drug test. Mr. Cardenas pointed out that DJ's alcohol drug testing policy is worded exactly the same as the drug testing policy and reads: “Employees will be asked to submit to an alcohol test if reasonable suspicion exists indicating that the employee is under the influence of alcohol.” He stated that if an employee were to make allegations that someone was drinking alcohol two days prior there would be no reason to insist that an employee take a drug test several days after the fact. He feels the policy is worded in such a way to specifically prevent random allegations to get someone in trouble. It is his interpretation of the policies that DJ would not test for drugs or alcohol unless the

individual is showing signs of being under the influence. Mr. Cardenas noted that Judge Priester's ruling indicated that he found no evidence of illegal drug usage at the time the drug test was requested, but went on to state that "the casino only needs reasonable suspicion that an employee used an illegal drug." It is Mr. Cardenas' belief that Judge Priester has misinterpreted the policy. He stated that if the DJ wanted to attach any weight to allegations made by other employees, or indicate that he violated the drug policy that would be a separate issue from the testing. Mr. Cardenas stated that testing is only allowed if an employee is showing signs of being under the influence. He then referred to Iowa's drug testing laws which state in part that drug testing must be conducted pursuant to a company policy. Mr. Cardenas stated that it is his belief that the drug test would be a violation of state law. He pointed out that the Commission's rule regarding revocation of a gaming license for refusing to take a drug test indicates that any testing must be conducted pursuant to state law.

Mr. Cardenas stated that at the time the allegations were made, the claim was made that he was on the clock, which is why the DJ was allowed to request the drug test. He stated that he was out-of-town at an event attempting to recruit a player to come to the DJ. Noting that he had made similar trips in the past, Mr. Cardenas advised that except for this last trip he was considered to be on the company's time. He stated he was specifically advised by General Manager Todd Moyer prior to leaving on the trip that the poker event was more than likely an illegal gambling event; and in order to avoid any issues with the Commission, the DJ could not appear to be sending an employee on the clock to an illegal event out-of-state. He was informed that he would not be on the clock during this trip, and could not appear to be representing or endorsing the event. Mr. Cardenas stated that this information was ignored during the hearing.

Mr. Cardenas concluded his remarks by indicating that everyone knows "what being under the influence" means; and if a policy indicates that a company can test an employee if they are showing signs of being under the influence that is different from a policy that indicates an employee can be tested if the employer has reason to believe that the employee may have used drugs at some point in the past. Mr. Cardenas noted that he passed the drug test when he was relicensed by IRGC in June 2007, has had no drug convictions or charges of any kind, and has never been arrested for anything. Mr. Cardenas stated that he believes DJ turned their back on him and chose to believe an employee that been working for them for a shorter period of time than he had.

Mr. Peterzalek stated that he had not planned to go into the facts on this case, but advised that there were a couple of significant issues that did need to be brought to their attention, some of which were not significantly disputed at the hearing:

- Whether Mr. Cardenas and the two women he recruited to accompany him were on the clock. The evidence clearly indicates that they were being paid while they were in Wisconsin.

Mr. Peterzalek stated that the case boils down to whether or not the policies and laws that govern drug testing were followed. He advised that Iowa Code Section 730.5 as addressed in the Administrative Law Judge's (ALJ) Decision requires that there be reasonable suspicion to conduct drug testing and that the facility or entity conducting the testing comply with their policies. Mr. Peterzalek stated there was reasonable suspicion. The evidence cited by the ALJ in his Decision goes through the offering of drugs to the women, the commentary and discussion of drugs during the trip back from Wisconsin, and the statement that the women had "missed some good drugs".

Mr. Peterzalek stated that another disturbing fact in this case is that one of the women, during the course of the evening, ended up being found unconscious in a hotel room naked from the waist down. The ALJ indicated this was another issue to be taken into consideration when determining if drug use might have occurred.

Mr. Peterzalek concluded his remarks by stating that there was reasonable suspicion as defined by law; the way the ALJ defined it, the way the Gaming Representative defined it and the way the casino defined it. He stated that every person or entity in a decision making capacity that has looked at this matter has found that there was reasonable suspicion and that the facility was justified in requesting that Mr. Cardenas submit to a drug test, who refused. Under IRGC rules, if an individual refuses a drug test authorized under the Code, the individual is subject to having their license revoked, which is what occurred in this instance. Mr. Peterzalek stated that Mr. Cardenas still has other avenues to appeal this matter; Iowa Code Chapter 730 provides specific methods for challenging the appropriateness of the drug test – he can go to court, seek injunctive relief, ask for a hearing, or as pointed out by the ALJ, if Mr. Cardenas pursues any of these avenues and a different outcome is reached, the ALJ could reconsider the matter. Mr. Peterzalek stated that IRGC does not want the Gaming Representatives in a position where they are acting as the district court; their role in this case was to determine if the drug test was offered in accordance with the law based upon their conversation with the facility, at which time license revocation became mandatory. Mr. Peterzalek stated that the procedures followed in this case are the same as in other similar cases; that the only thing unusual about this case is Mr. Cardenas' overly strict interpretation of the policies. Under Mr. Cardenas' interpretation, the facility or IRGC would be prohibited from doing anything about drug use occurring off facility property but while on company time, which is contradictory to DJ's policy and the law. Mr. Peterzalek requested that the Commission uphold the ALJ's Decision.

Mr. Cardenas pointed out that only one of the women made allegations, noting that the other woman was present when the offer of drugs supposedly occurred; however, she could not confirm the conversation. With regard to the woman found in the hotel room, Mr. Cardenas stated that it was never implied in the hearing that he was connected to that incident. He stated that the woman had a meeting with the DJ Director of Human Resources who asked her if she thought she was violated in any way. Her response was that she bruised easily, that she did not have any bruises and did not think anything had happened.

With regard to the interpretation of Iowa's drug testing laws, Mr. Cardenas indicated he had brought a ruling issued by the Unemployment Board. He made the statement that the Unemployment Board probably deals with the drug testing laws more often than Judge Priester. The Unemployment Board ruling stated that: "Our records indicate that you were dismissed from work on April 6, 2009 for alleged misconduct; however, your employer did not furnish sufficient evidence to show misconduct." Mr. Cardenas stated that anytime there was some conflict as to the interpretation of the drug testing laws, the Iowa Unemployment Board was involved. In this matter, the Board has indicated there is no evidence of misconduct; the misconduct that was alleged was violating DJ's drug testing policy.

Mr. Peterzalek advised that the case mentioned by Mr. Cardenas was something that was mentioned throughout the proceeding; legal issues surrounding it were addressed during the hearing, and the ALJ determined that for a variety of reasons that it did not change the way the ruling should be issued.

Chair Seyfer asked Mr. Ketterer how the Commission makes decisions on affirming ALJ Decisions. Mr. Ketterer stated that the Commission either needed to affirm or overturn the ALJ's Decision.

Hearing no comments or questions for Mr. Cardenas or Mr. Peterzalek, Chair Seyfer requested a motion. Commissioner Hayes moved to affirm the ALJ's Decision in this matter. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-84)

Chair Seyfer moved to the election of a chair and vice chair for FY 2010. Commissioner Cutler moved to reappoint Greg Seyfer as Chair and appoint Toni Urban as vice chair for FY 2010. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-85)

Chair Seyfer moved to Administrative Business. Mr. Ketterer advised that the Commission was provided with proposed regulatory fees for FY 2010 at the June Commission meeting which showed the new IRGC fees for FY 2010, but the FY 2009 figures for the Division of Criminal Investigation (DCI). The fees before the Commission today reflect the final figures for both IRGC and the DCI. He recommended approval.

Hearing no comments or questions concerning the fees, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the FY 2010 Regulatory Fees as presented. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-86)

Chair Seyfer requested a motion to adjourn the meeting. Commissioner Cutler so moved. Commissioner Urban seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING & GAMING COMMISSION
MINUTES
AUGUST 27, 2009**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, August 27, 2009 at Riverside Casino & Golf Resort (RCGR), Riverside, Iowa. Commission members present were: Greg Seyfer, Chair; Toni Urban, Vice Chair, and members Kate Cutler, Paul Hayes and Andrea Harrison.

Chair Seyfer called the meeting to order at 8:30 AM, and requested a motion to approve the agenda. Mr. Ketterer advised that there was an amendment to the contract approval portion of the agenda for Lady Luck Marquette. He advised that the contract to be added is an increase to a previously approved contract, and that a copy is included in their meeting packets. The contract was inadvertently left off the agenda. Commissioner Cutler moved to approve the agenda as amended. Commissioner Hayes seconded the motion, which carried unanimously.

Chair Seyfer called on Dan Kehl, CEO of RCGR, who welcomed the Commission to Riverside on behalf of the Iowa investors and employees. He noted the facility is preparing to celebrate its three-year anniversary. Mr. Kehl advised that over the last three years RCGR has generated in excess of \$53 million in gaming taxes, over \$9 million in fees for the Washington County Riverboat Foundation (WCRF), \$48+ million in payroll, \$8 million in other taxes, \$10 million in license fees, and purchased approximately \$85 million in Iowa goods and services.

Mr. Kehl introduced Tim Putney, Chair of the WCRF, who gave a brief history of how RCGR came to be, noting that the Kehl family indicated the facility would employ 600, that the non-profit would receive approximately \$2.3 million and the local community would have an opportunity to invest in the project. Mr. Putney stated that the above numbers weren't quite accurate: The project cost \$140 million, employs over 800, and the non-profit has received in excess of \$12 million over the last three years. He noted that Washington County investors own 30% of the facility, which is 100% owned by Iowa investors.

Mr. Putney advised that WCRF has funded projects anywhere from \$3,000 to \$2 million. They have provided \$1.8 million to Washington County school districts and \$1.1 million into fire and rescue units. Additionally, 25% of WCRF's income is distributed to the municipalities in the county, and to date, they have received \$2.2 million. Mr. Putney pointed out that all of Washington County, not just Riverside, is benefiting from RCGR. He noted that the University of Iowa is opening a new medical clinic, that there are several new businesses on main street, and that Riverside received a Vision Iowa grant to

renovate main street. Mr. Putney thanked the Commissioners and those that had the foresight to grant Riverside a license.

Chair Seyfer moved to the approval of the minutes. Commissioner Urban moved to approve the minutes from the July 16, 2009 meeting as submitted. Commissioner Hayes seconded the motion, which carried unanimously.

Chair Seyfer called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer introduced Scott Ditch and Sue Hansen, who are the on-site Gaming Representatives for IRGC at RCGR.

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

- September 2009 – No Meeting
- October 8, 2009 – Diamond Jo, Dubuque, IA (Submissions due by September 24, 2009)
- November 12, 2009 – Stoney Creek Inn, Johnston, IA (Submissions due by October 28, 2009)
- December 2009 – No Meeting
- January 14, 2010 – Stoney Creek Inn, Johnston, IA (Submissions due by December 30, 2009)

Chair Seyfer moved to the review of the financial audit for the Isle of Capri (IOC) properties. Dale Black, Chief Financial Officer for IOC, was present to answer any questions regarding the financial statement relating to the parent company. There were also staff members present from IOC Bettendorf, Rhythm City, Lady Luck Marquette and IOC Waterloo.

Commissioner Hayes advised there was not a consolidated statement of cash flow breaking out the individual casinos. He stated that he was primarily interested in the amount of capital expenditures at each facility. He requested that the information be provided. Mr. Black indicated the information would be provided.

Commissioner Hayes also noted that the Internal Control letter was very detailed. He asked if that was unusual. Mr. Black advised that any public company subject to the Sarbanes-Oxley rules is somewhat different than some of the other licensees due to their structure.

Chair Seyfer moved to the next agenda item, New Applications, and particularly the application filing deadline. He advised that at the July 16th Commission meeting, the Commission agreed to accept new applications and requested informal meetings with the interested groups. During those meetings it became very clear that the original deadline of October 1st would be very difficult for the applicants to meet. One of the main stumbling blocks was the issue of financing and being able to know where it might be coming from that quickly. Chair Seyfer stated that the Commission has discussed the

matter and decided as a group to extend the application deadline to November 9, 2009. He stated that it is the Commission's goal to establish some guidelines over the next couple of weeks regarding financing, and what they would like to see in the application when it is filed. The information will be distributed to the interested parties.

Chair Seyfer moved to the discussion of the time frame for the licensing process. Mr. Ketterer stated that the following would be a preliminary guideline regarding the licensing process; that once the applications have been filed the time frame would be finalized. He noted that there are a number of issues that play into the amount of time necessary to complete the licensing process. Mr. Ketterer stated that the goal is to have a fair, open and transparent process; all meetings with the exception of the background investigation reports, are open to the public. Sometime in March, the Commission will hear the 45-minute presentation by each applicant; there will not be a question and answer period at this time. This is an opportunity for each applicant to "sell" their project to the Commission. Mr. Ketterer anticipates that the Commission will also receive the DCI background investigation reports in Executive Session sometime in March as well. In April, the Commissioners will be offered the opportunity to view the proposed sites; he noted that the logistics have not been worked out at this time. Mr. Ketterer advised that in late April/early May, the Commission will receive public comment on the proposed projects to allow individuals not involved with the applicants an opportunity to express their views or concerns. Mr. Ketterer stated that the Commission members wish to enforce the same rules regarding the licensing process that were in place during the 2004-2005 process. A couple of those rules are as follows: No amendments or additions to the application, except those requested by the Commission, will be allowed once the application has been filed with the Commission. Secondly, once the applications are submitted, the Commission members have requested that there will be no contact by the applicants or any representatives with the Commission members. Mr. Ketterer stated the above would be reviewed at the November Commission meeting, and possibly finalized.

Chair Seyfer moved to the discussion of the Greater Des Moines market. Chair Seyfer advised there is no application pending before the Commission concerning Polk County or the Greater Des Moines market. He noted that from information the Commission has been reading, and contacts regarding discussions that have been taking place, the Commission felt it was an issue that should be discussed at this meeting. He opened the floor up to the Commission members to express their thoughts on the issue.

Commissioner Cutler stated that she had been advised there was an article in the Des Moines Register indicating that Prairie Meadows Racetrack & Casino (PMR&C) had decided not to pursue a second casino in Polk County. She noted that the Commission does not believe any precedence was set for the splitting of a license, and it now becomes a moot issue. Noting there was a comment in the newspaper article which said "that unless the Commission promotes the idea", PMR&C would not pursue a second license"; Commissioner Cutler stated that the Commission is not in a position, nor is it their job, to promote or encourage people to apply for a license. There are currently five counties

who have passed referenda who are seeking a license. In her opinion, the issue should be put to rest.

Chair Seyfer stated that the Commission will give the five counties that have passed a referendum the best shot at a license.

Chair Seyfer called on Peninsula Gaming Company, Inc. (PNG) for the approval of acquisition and financing agreements. Curt Beason, legal counsel, stated that he had submitted the financing documents along with a short memorandum explaining the transaction. PNG and AB Casino Acquisition have entered into a definitive purchase agreement with Columbia Properties New Orleans, LLC to purchase 100% of the outstanding limited liability interests of Belle of Orleans, LLC for \$106.5 million. The Belle of Orleans operates a riverboat casino, Amelia Belle, in Amelia, Louisiana. It is anticipated the transaction will close in September.

Commissioner Hayes asked about the debt to EBITDA ratio once the refinancing is in place. Jonathan Swain, COO for PNG, indicated it would be approximately 4.5 to 4.8 times, or \$120 million.

Hearing no further questions for Mr. Beason or Mr. Swain, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the transaction as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-87)

Chair Seyfer moved to contract approvals and called on Harrah's. Janae Sternberg, Director of Finance, presented a contract with Roto Rooter for plumbing repairs for Commission approval.

Hearing no comments or questions, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contract as submitted by Harrah's. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-88)

Chair Seyfer called on RCGR. Joe Massa, General Manager, presented the following contracts for Commission approval:

- Baxter Construction Company, LLC – Blue Top Ridge Golf Expansion
- Comerica Bank – Purchasing Card Transactions
- Hawkeye Foodservices Distribution – Food Purchases
- Konami Gaming, Inc. – Purchase of Slot Machines
- Marsh USA, Inc. – Insurance
- Myers-Cox Company – Purchase of Cigarettes, Sundries, and Candy/Chips
- Rees Jones, Inc. – Design Services for Blue Top Ridge Expansion
- Tournament Golf – Blue Top Ridge Golf Expansion

Commissioner Urban, noting that Hawkeye Foodservice Distribution has already received approximately \$83,000 in payments, asked Mr. Massa if there was a way to submit the contract earlier. Mr. Massa answered in the negative, noting that RCGR aggressively shops the foodservice vendors for the best deals.

Commissioner Seyfer asked about the timeline for the golf course expansion. Mr. Massa stated that the expansion is currently under construction, and it is anticipated that the four holes will be open in mid-July.

Commissioner Cutler asked about the contract with Comerica Bank, noting that Wells Fargo Bank had also submitted a bid. She questioned whether their bid was lower. Mr. Massa advised that Wells Fargo chose to add profit sharing to their bid, which made it more expensive than Comerica's bid. Commissioner Cutler asked if the profit-sharing was part of the bidding process. Mr. Massa indicated that it was an option.

Hearing no further comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by RCGR. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 08-89)

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

- Agilysys NV, LLC – IT Solutions and Services
- Hawkins Construction – Capital Construction Projects
- Interline Brands, Inc. – Cleaning Equipment
- J&B Group – Meat Inventory
- Vital Signs – Marquee and External Lighting

Commissioner Cutler asked Ms. Bell if Ameristar received additional bids for the marquee and external lighting work. Ms. Bell advised that Vital Signs has done all of Ameristar's sign work for a number of years, but due to the age of some of the signs more extensive work was needed this year.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contracts as submitted by Ameristar. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 08-90)

Chair Seyfer called on the Diamond Jo (DJ). Todd Moyer, General Manager, presented the following contracts for Commission approval:

- Alliant Energy – Utilities
- Aristocrat Technology – Replacement Slot Machines, Parts, Repairs & Enhancement Services
- Beecher Company, Inc. – Beverage Purveyor

- Conlon Construction – Gas-fired Humidifiers for Casino
- Kirchoff Distributing Company, Inc. – Beverage Purveyor
- Mail Services Unlimited, Inc. – Direct Mail Postage
- Matthews Distributing – Beverage Purveyor
- The Media Marketing Group – Marketing, Media Purchasing and Creative Services

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by the DJ. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-91)

Chair Seyfer called on Rhythm City (RC). Mo Hyder, General Manager, presented the following contracts for Commission approval:

- Qwest – Three-year Contract for Direct Inward Dialing/PRI
- Qwest – Three-year Contract for T1 Service

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by RC. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 09-92)

Chair Seyfer called on Lady Luck Marquette (LLM). Todd Steffen, General Manager, presented the following contracts for Commission approval:

- Southwest Bus Service – Line Run Transportation to Property
- Epic Constructions – Interior Remodel Project – Rebranding to Lady Luck

Commissioner Urban asked for an explanation of the contract with Southwest Bus Service. Mr. Steffen explained that it is a bus service that runs from La Crosse, Wisconsin to the property that runs seven days a week. The service is strictly for individuals wishing to visit the LLM property.

Chair Seyfer asked about the renovation of the property. Mr. Steffen indicated that it is progressing, and they hope to finish it up in the next couple weeks. He indicated that a few more change orders are expected.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by LLM. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-93)

Chair Seyfer called on Bluffs Run Greyhound Park/Horseshoe Casino (BR/HC). Ms. Sternberg presented the following contracts for Commission approval:

- Andersen Construction – General Construction
- Lamborghini Dallas – Purchase of Car
- Roto Rooter – Plumbing Repair

Commissioner Urban asked what BR/HC was going to do with the Lamborghini. Ms. Sternberg stated that it was being given away on Sunday. The winner will have a choice between the Lamborghini and \$150,000 cash. Ms. Sternberg indicated that it would most likely be the cash due to the insurance costs on the Lamborghini.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the contracts as submitted by BR/HC. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 09-94)

Chair Seyfer called on Dubuque Greyhound Park/Mystique Casino (DGP/MC). Roger Hoeger, Assistant General Manager, presented the following contracts for Commission approval:

- Kochan & Company – Full Service Advertising Agency
- Qwest – T1 Upgrade for Internet Connection
- Shuffle Master, Inc. – Leased Games/Shuffler and Shuffle Maintenance Agreement
- Sysco – Food Purchases
- The Printer, Inc. – Direct Mail and Printing Services

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by DGP/MC. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-95)

Chair Seyfer called on the Iowa Horsemen's Benevolent and Protective Association (IHBPA) for a presentation on an alternative racing program for 2010 at PMR&C. Tom Levis, an attorney representing the Iowa Thoroughbred Breeders and Owners Association and IHBPA, noted that he first addressed the Commission in June in response to the racing program proposed by the horse racing committee, and adopted by PMR&C. He stated that today he was representing all three breeds. Mr. Levis stated that since the June meeting, the three breeds have met and made numerous compromises to arrive at a plan, or horsemen's proposal, that all three could live with, and hopefully would address the needs of PMR&C.

Mr. Levis advised that the horsemen's proposal calls for racing to begin in mid-April and end at the end of September. The thoroughbreds would have a 35-day meet commencing in mid-April, followed by a thoroughbred/quarter horse meet starting in mid-June that would run for 45 days. Then in late August, the quarter horses and standardbreds would have a 9-day meet, followed by 10 days of standardbred racing. The above schedule

would coincide with the Midwest racing circuit. This proposal calls for racing to take place on Monday, Tuesday, Friday and Saturday, with the exception of Extreme Racing days and one day of standardbred racing, in order to maximize simulcast revenue.

A copy of the Proposal for Horse Racing in Iowa for 2010-2014 submitted by the IHBPA, ITBOA, Iowa Quarter Horse Association and the Iowa Harness Horsemen's Association is attached and incorporated in its entirety by this reference.

The following is a summary of the Horsemen's proposal:

1. During the life of the five-year agreement, PMR&C will save approximately \$22,000,000.
2. The Horsemen's proposal nurtures the Iowa horse racing and breeding industry as required by Iowa law.
3. The Horsemen, including all three breeds, would sign a five-year agreement with PMR&C.
4. Horse races would begin in mid-April and end at the end of September. The Thoroughbreds would have a 35-day Thoroughbred meet from Mid-April to mid-June. The Thoroughbreds and Quarter Horses would have a 45-day combined meet beginning in mid-June and ending in late August. In late August, the Quarter Horses would have a nine day combined meet with the Standardbreds. The Standardbreds would have ten days of racing on their own the last two weeks of September. On four Sundays in August, the Standardbreds, the Quarter Horses and Thoroughbreds would have a combined meet with each breed having three races.
5. To accommodate the racing schedule, PMR&C would construct a new Standardbred track on the inside of the current track. The cost of constructing the new track will be \$400,000 – 500,000 and will constitute a significant cost savings to PMR&C during the life of the contract.
6. The Horsemen and PMR&C will establish benchmarks to accurately evaluate horse racing at PMR&C.
7. The Horsemen will partner with PMR&C in generating additional simulcast revenue and lobbying the Iowa Legislature to allow Advanced Deposit Wagering (ADW) account wagering. The Horsemen will make no claim to any simulcast or ADW wagering revenue.

Mr. Levi concluded his remarks by advising the Commission that the PMR&C Board of Directors had voted against adopting the horsemen's racing proposal at their meeting on Wednesday, August 26th.

Commissioner Hayes asked Mr. Levis to address the \$1,000,000 savings to PMR&C set forth on page 4 of the report. Mr. Levis advised that former General Manager Bob Farinella told the Commission that it cost PMR&C \$57,000/day to conduct racing. Using that figure times the number of racing days eliminated in October would equate to the savings.

Commissioner Harrison asked Mr. Levis if he could explain the reasoning behind PMR&C's rejection of the proposal. Mr. Levis stated that the PMR&C Board does not want standardbreds to run at the track; they want to shorten up the racing season. He advised that Mr. Whitney did indicate that the PMR&C Board is still open to discussions and negotiations.

Commissioner Hayes asked if adding the new 7/8 mile track would increase maintenance costs. Mr. Levis indicated that it probably would.

Commissioner Hayes asked if all three breeds could sign the proposed five-year contract. Mr. Levis answered in the affirmative, noting that the Iowa Quarter Horse Association had to change their By-Laws in order to be able to sign the agreement.

Commissioner Hayes asked Mr. Levis if the breeds had discussed the split of the purses; if they would be set for five years or vary from year to year. Mr. Levis advised that the purses are an open item, but indicated he thought the horsemen were prepared to sign a five-year contract.

Commissioner Cutler stated that the Commission was pleased to see this proposal from the horsemen, and appreciated their hard work. Mr. Levis indicated that he believes this is the first time that all three breeds have come together on a proposal

Mr. Ketterer noted that the proposal indicated the standardbred group would agree to a \$100,000 annual reduction in the county fair funding received from PMR&C contingent upon the construction of the new track. He asked if the proposal contemplates the continued funding of racing at the county fairs with the current rate of \$1 million. Mr. Levis answered in the affirmative.

Royal Roland, President of the IHHA, asked for the Commission's help in insuring the continuation of standardbred racing at PMR&C. He stated that based on the PMR&C Board of Directors' vote yesterday, he does not believe PMR&C will continue standardbred racing in the future. Mr. Roland stated that the standardbred industry would suffer substantial losses, noting there are two upcoming sales for standardbred yearlings where the value of the horses could be steeply impacted.

Chair Seyfer called on PMR&C and requested an update from the Horse Racing Committee. Gary Palmer, General Manager, and Derron Heldt, Director of Racing, were present to address this item. Mr. Palmer advised that the committee continues to move forward and has rehired Dr. Margaret Ray and Doug Reed to work on the marketing

study for racing, evaluation of the metrics, as well as economic models of different race scenarios – all thoroughbred, all quarter horse, mixed meet, etc. Dr. Ray and Mr. Reed hope to have the statistics ready to submit at the November Commission meeting. Commissioner Urban asked about the time frame. Mr. Palmer reiterated it is their goal to present the information to the Commission at the November 12th meeting.

Commissioner Cutler advised Mr. Palmer that the Commission would really encourage PMR&C to enter into a five-year contract with the horsemen.

Commissioner Seyfer noted there is still time to negotiate an agreement, and asked if PMR&C was willing to continue to work toward that goal. Mr. Palmer answered in the affirmative, noting that the Board reaffirmed their goal yesterday to provide a quality horse racing program that works for the community.

Commissioner Cutler, referencing the discussions about a second Polk County casino and an untapped market, asked how that would be factored in to PMR&C plans, noting that PMR&C's current marketing has not reached as many people as it could have. She questioned whether some of the racing losses could be attributed to the non-promotion of PMR&C to the aggregate.

Mr. Palmer stated that PMR&C has to look at 20 years of experience in horse racing, what has worked, what hasn't, the handle, attendance, etc. He stated that he does not believe the market area is underserved; that there are a number of table games and slot machines open that should be full if the market were underserved. Mr. Palmer stated that PMR&C appreciates the support for the hotel they are working on. He stated that attendance is up over last year, but revenues are down, which he attributed to the economic issues facing the country and area now. Mr. Palmer stated that the Board's emphasis is to make PMR&C the best that it can be in horse racing, slot machines, gaming, etc.

Commissioner Cutler advised Mr. Palmer that PMR&C should not balance the budget on the back of the horsemen; that there are other areas where they can generate additional revenue.

Mr. Ketterer requested that the report being prepared by Dr. Ray and Mr. Reed be completed around October 25th, thus giving the Commission members an opportunity to review the report prior to the November 12th Commission meeting.

Commissioner Harrison asked Mr. Palmer what PMR&C's reasons were for declining the horsemen's racing proposal. Mr. Palmer stated that as PMR&C put the committee together, hired Dr. Ray and Mr. Reed, traveled around the country, and reviewed the past 20 years at PMR&C, the committee put together a program that they feel will bring the quality of racing they want to see to PMR&C. He stated the Board is confident this is the right direction to go.

Commission Harrison asked for clarification on what was meant by “quality”. Mr. Palmer indicated it meant a variety of things: handle, attendance, field size; to have a product that people want to come out and see that will generate some kind of revenue. He noted that it is important for PMR&C to develop metrics and an evaluation process in order to be able to show progress in developing a premier program.

Commissioner Harrison asked if the upcoming marketing study would help PMR&C. Mr. Palmer stated that is the hope of the Board. Commissioner Harrison asked about the deadline for the marketing study. Mr. Palmer advised that it is now October 25th.

Chair Seyfer moved to the report from the Hotel Committee. Mr. Palmer read a memo from the committee to the Board, which is attached and incorporated in its entirety by this reference.

Commissioner Cutler asked about the proposed start date for construction. Mr. Palmer indicated it would be sometime in March, if all of the details set forth in the above-mentioned memo can be finalized.

Commissioner Seyfer asked if it would be necessary for PMR&C to amend their agreement with Polk County. Mr. Palmer answered in the affirmative. Commissioner Seyfer asked if those discussions were underway. Mr. Palmer again answered in the affirmative; stating that they are progressing very well.

Hearing no further questions concerning the hotel committee report, Chair Seyfer moved to the contract approvals. Mr. Palmer submitted the following contracts for Commission approval:

- Adventureland – Ticket Sales and Lodging Expense
- Belin, Lamson, McCormick, Zumbach, Flynn – Corporate Legal Counsel
- Citadel Broadcasting – Advertising Expense
- Hawkeye Foodservice Distribution – Food, Equipment and Supplies
- North Country Business Products – Paper Products and IT Supplies

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by PMR&C. Commissioner Hayes seconded the motion which carried unanimously. (See Order No. 09-96)

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

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
OCTOBER 8, 2009**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, October 8, 2009 at the Diamond Jo Casino (DJ) in Dubuque, Iowa. Commission members present were: Greg Seyfer, Chair; Toni Urban, Vice Chair; and members Kate Cutler, Andrea Harrison and Paul Hayes.

Chair Seyfer called the meeting to order at 8:30 AM and requested a motion to approve the agenda. He stated that the following items had been pulled from the agenda: 7E, a contract for Harrah's; No. 8 – the Iowa Horsemen's Benevolent and Protective Association, Inc., (IHBPA) and 11(A)3 – a contract for Bluffs Run. Commissioner Cutler moved to approve the agenda as amended. Commissioner Urban second the motion, which carried unanimously.

Chair Seyfer moved to Executive Session. Commissioner Hayes moved to go into Executive Session pursuant to Iowa Code Section 21.5(1)g for the purpose of receiving Division of Criminal Investigation (DCI) background reports. Commissioner Harrison seconded the motion. The motion carried on a 5-0 roll call vote. Mr. Ketterer requested those who were not IRGC or DCI staff to leave the room until such time as the meeting is reconvened in open session.

Following the conclusion of the Executive Session, the meeting reconvened in open session at 9:15 AM. Todd Moyer, General Manager of the Diamond Jo, welcomed the Commission and those in attendance to Dubuque, where the theme is the "Power of Possibility" – where anything is possible when everyone utilizes their strengths to promote growth and opportunity for everyone and the community. Mr. Moyer introduced Mayor Roy Buol and Jesus Aviles, General Manager of the Dubuque Greyhound Park/Mystique Casino.

Mr. Aviles took a moment to recognize Bruce Wentworth, the leader of the Dubuque Racing Association for 25 years. He noted that Mystique Casino and the DJ have started working together to market the gaming facilities and other venues in Dubuque and have created the website www.playDubuque.com. Mr. Aviles noted that while other markets are struggling to keep their numbers from falling below last year's level, the Dubuque properties have managed to grow their market by approximately 18% despite extreme competition. Mr. Aviles stated that great minds can do lots of things, but the people of Dubuque have made it work.

Mayor Buol welcomed everyone to Dubuque. He noted that the government and public have created a partnership to work together for the greater good of the community and all of its residents. Dubuque has been named one of the top 100 communities for youth, and

was previously selected as an All American City. He noted that as leaders in other communities become aware of the successes in Dubuque, they call and inquire as to what Dubuque is doing. Mayor Buol stated that no one cares where an idea came from; they just work to make sure the ultimate goal is achieved. Part of the success is attributable to a non-partisan government; politics are “parked at the door” when approaching an issue important to the community and its citizens. Mayor Buol noted the important impact the facilities have on the community – good paying jobs, purchases of goods and services locally, and support of local events and charities.

Chair Seyfer moved to the approval of the minutes from the previous meeting. Commissioner Urban moved to approve the minutes from the August 27, 2009 meeting as submitted. Commissioner Hayes seconded the motion, which carried unanimously.

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

- November 12, 2009 – Stoney Creek Inn, Johnston, IA (Submissions due by October 28, 2009)
- December 2009 – No Meeting
- January 14, 2010 – Stoney Creek Inn, Johnston, IA (Submissions due by December 30, 2009)
- February 2010 – No Meeting

Mr. Ketterer noted there would be additional meetings in March and April as part of the application process for new licenses. Those dates will be finalized subsequent to the November 9th application deadline.

Chair Seyfer moved to the application process for new licenses regarding the evidence of financing for the proposed project. He noted that as the Commission continues to do its own due diligence regarding the applications, they felt it was important to spend a few minutes discussing what the Commission feels needs to happen and what should be included in the application with regard to financing in light of the difficulty of obtaining financing for major projects at this time.

Commissioner Hayes stated that everyone is aware of the issues surrounding financing for any project, large or small. He stated that as part of the application, the Commission needs to see specific commitments, or conditional commitments, from financial institutions providing debt financing for the project. Commissioner Hayes stated that he did understand that commencement of the projects are quite some time off and that it may be difficult to get the commitment by the time the applications are due, but feels that any applicant should be able to have a commitment for adequate financing of the project by the January meeting. He indicated that he believes this information is necessary in order for the Commission to make good decisions on the applications that are submitted.

Commissioner Cutler stated it was her understanding that by the January meeting the Commission should have received documentation showing adequate financing for the project. She feels that if sufficient evidence of financing has not been received by that time, the Commission would not give consideration to that application.

Commissioner Hayes stated that he understands that any lender would require their commitment to be conditioned on the receipt of a license. He reiterated the Commission's expectation that all proposed projects would have a commitment for adequate financing in place by January.

Mr. Ketterer clarified that it was his understanding from the members' comments that the Commission would not give any additional consideration to any application that did not have evidence of a financing commitment on file by January 14, 2010.

Commissioners Hayes and Cutler concurred with Mr. Ketterer's understanding. Chair Seyfer asked if any Commissioner disagreed. Hearing none, Chair Seyfer requested that staff prepare a clarification to the application and provide the information to known interested parties.

Chair Seyfer moved to the contract approval portion of the agenda and called on Argosy Casino. Kees Eder, General Manager, presented a contract with XIOTech Corp. for the upgrade of the current Storage Area Network (SAN) and increasing the storage capacity.

Commissioner Urban asked for clarification of what was being requested. Mr. Eder stated that it was for the expansion of the facility's storage network, for hardware and software. It is an expansion of an existing system.

Commissioner Urban asked if the facility had been working with this company out of Eden Prairie, Minnesota for quite some time. Mr. Eder answered in the affirmative.

Hearing no further comments or questions concerning the contract, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contract as submitted by Argosy Casino. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-97)

Chair Seyfer called on Isle of Capri Davenport (IOCD). Nancy Ballenger, General Manager for Isle of Capri Bettendorf (IOCB), presented the following contracts for Commission approval:

- Coventry Health Care – Provides Health Care Insurance
- Kimberly Distributing – Provides cigarettes for resale

Commissioner Hayes asked about the substantial increase in the contract with Coventry Health Care. Ms. Ballenger stated that it was basically to ensure that the approved value was high enough to cover potential increases for company participation and costs.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contracts as submitted by IOCD. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-98)

Chair Seyfer called on IOCB. Ms. Ballenger presented the following contracts for Commission approval:

- Coventry – Provides Health Care Insurance
- Kimberly Distributing – Provides Cigarettes for Resale
- I Wireless Center – Provides Event Tickets

Hearing no comments or questions, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by IOCB. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-99)

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

- D&K Products – Golf Course Chemicals and Supplies
- IA Department of Human Services – Child Support Payment
- Wells Fargo – First Amendment to Credit Agreement
- WMS – Conversions & Additional Leases

Commissioner Urban asked about the contract with the Iowa Department of Human Services for child support payments, and how many people the contract covered. Mr. Massa advised that the contract covered 20-25 individuals. Commissioner Harrison asked if the amount would increase based on the number of employees covered. Mr. Massa advised that the facility is specifically collecting these payments as they have been court ordered.

Commissioner Hayes questioned whether it was necessary for the Commission to approve something that has been ordered by the Court. Mr. Massa stated that regulations exempt taxes and utilities, but is silent on this particular scenario. They felt it was better to be safe rather than sorry, based on previous experience.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contracts as submitted by RCGR. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-100)

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

- Hawkins Construction – Capital Construction Projects

- Leick Landscaping, Inc. – Landscaping/Snow Removal
- Southwest Iowa Newspapers, Inc. – Newspaper and Advertising Subscriptions

Commissioner Urban asked about the substantial contract with Hawkins Construction, and whether it was a company Ameristar had previously done business with or had an agreement with or if bids were let. Ms. Bell answered in the affirmative, advising that Hawkins is a long-standing, well-known major construction contractor. She noted that Hawkins subs out a lot of the work. Ms. Bell stated that Ameristar's agreement with Hawkins requires them to utilize as many Iowa vendors as possible.

Commissioner Urban asked if the bidding is competitive, or if Ameristar looked for Iowa vendors to serve as the overall contractor, or just goes back to Hawkins. Ms. Bell stated that Ameristar normally just goes back to Hawkins due to their knowledge of the property/systems.

Commissioner Hayes requested that Ameristar submit a list of Iowa vendors utilized by Hawkins, as the current submission appears to just be a non-Iowa provider. Ms. Bell agreed, but pointed out that the contract before the Commission is a capital improvement request and does not cover any specific project. She noted there may not be anything for 6 months or more. Commissioner Hayes indicated that the information could be submitted after the fact.

Commissioner Urban clarified that Hawkins is aware that they should seek out Iowa vendors to perform the work first. Ms. Bell answered in the affirmative. She advised that Hawkins is one of the few major contractors in the immediate area that can perform the type of work needed by Ameristar.

Hearing no further comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Ameristar. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-101)

Chair Seyfer called on Lady Luck Marquette (LLM). Todd Steffens, General Manager, presented the following contracts for Commission approval:

- Ryan Companies US, Inc. – Removal of Hotel on Bluff
- Captive Management Services – Workman's Comp, Vehicle and General Liability Insurance
- TSI Engineered Systems – TV and Mass Marketing Media Provision, Distribution and Installation

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by LLM. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-102)

Chair Seyfer called on Diamond Jo Worth (DJW). Kim Pang, General Manager, presented the following contracts for Commission approval:

- Wellmark Blue Cross Blue Shield – Employee Medical Insurance Premium
- Wess, Inc. – Fuel Delivery for The Jo Shop

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contracts as submitted by DJW. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-103)

Chair Seyfer called on Wild Rose Emmetsburg (WRE). Tom Timmons, Vice President of Operations for Wild Rose Entertainment, Inc., presented the following contracts for Commission approval:

- Triple Point Solutions – Hardware Installation of Media Store
- Aristocrat Technologies – Additional Leased Games

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by WRE. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-104)

Chair Seyfer called on Wild Rose Clinton (WRC). Tim Bollmann, General Manager, presented a contract with Stericycle for the disposal of regulated medical waste.

Hearing no comments or questions concerning the contract, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contract as submitted by WRC. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-105)

Chair Seyfer called on Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer, General Manager, provided an update from the Horse Racing Committee. Mr. Palmer advised that the consultants, Mr. Reed and Dr. Ray, will submit their recommendations to the committee, which will forward the results to the full Board of Directors who will meet on October 28th. The report will be forwarded to the Des Moines office no later than November 1st. He indicated that meetings had been held with the standardbred and quarter horse representatives.

Commissioner Cutler asked who from PMR&C had met with the representatives. Mr. Palmer advised that it was the Chairman of the Board, the Horse Racing Committee and himself.

Commissioner Urban noted that when the horsemen brought their proposal before the Commission, they indicated there was additional money to be made if the simulcasting

contracts were re-negotiated. She asked if that was something that PMR&C has an issue with, or if there is someone who oversees simulcasting. Mr. Palmer answered in the affirmative, and advised that the contracts were looked at following the last agreement, and will be reviewed again prior to next year.

Chair Seyfer moved to the update from the Hotel Committee. Mr. Palmer advised that the committee is constantly meeting with the lawyers and representatives from Kinseth Hospitality. There is a meeting tomorrow morning and another on Monday. They are reviewing elevation layouts and are close to making a decision there. Monday's meeting will deal with legal documents – land lease, room lease, etc.

Commissioner Cutler asked about a date for the start of construction. Mr. Palmer indicated April or May 2010.

Commissioner Urban asked if PMR&C has seen an increase in business due to the opening of the Bass Pro Shop. Mr. Palmer answered in the affirmative, but indicated they can not quantify an amount. He noted that many of the small local businesses have also seen an influx in business. Commissioner Urban noted that when Bass Pro first opened there was some collaboration between PMR&C, Adventureland and Bass Pro as far as moving individuals between the properties. She asked if PMR&C had any advertising for Bass Pro on property. Mr. Palmer indicated that he is meeting with the managers of Bass Pro, Adventureland, and the Newton Speedway next week. They will be working together to promote the central Iowa venues.

Chair Seyfer noted that Mr. Palmer had indicated PMR&C hopes to break ground for the hotel in April or May of 2010. He questioned whether PMR&C would need to have an amendment to their lease with Polk County prior to doing so. Mr. Palmer answered in the affirmative, noting that the Executive Committee has spoken with the Polk County Supervisors who have indicated they don't have a problem amending the lease to provide for a land lease. He indicated the only hold up PMR&C sees at this point is financing.

Commissioner Harrison asked if the Commission would receive another update in November. Mr. Palmer again answered in the affirmative, noting that possibly Gerry Neugent, chairman of the Horse Racing Committee, would be able to attend.

Chair Seyfer moved to the contracts being presented for Commission approval. Mr. Palmer presented the following contracts for Commission approval:

- Delta Dental of Iowa – Employee Dental Insurance
- Wellmark Blue Cross Blue Shield of Iowa – Employee Medical Insurance

Hearing no questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by PMR&C. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-106)

Chair Seyfer called on the Iowa Harness Horsemen's Association. Royal Roland, President, stated that he wished to update the Commission on the status of the negotiations of the horsemen's groups with PMRC and ask for the Commission's support. Mr. Roland advised that there have not been any significant developments in the negotiations between the horsemen and PMR&C. He noted that PMR&C presented their racing proposal to the Commission in June and the Board of Directors reaffirmed that plan at a subsequent meeting. Mr. Roland stated that the horsemen's proposal, which was also presented to the Commission, has been formally rejected by PMR&C, and the license renewal application and request for race dates does not include any dates for standardbred racing in the future. He stated that while PMR&C's proposal for racing is detrimental to the thoroughbred and quarter horse interests, it is devastating to the standardbred industry. Mr. Roland noted that PMR&C has supported harness racing for the past 15 years; recent support has included \$800,000 for purses for races run at PMR&C and \$1 million in purses for the county fair circuit.

Mr. Roland stated that PMR&C's plan to end standardbred racing at the track would reduce the earning potential of Iowa standardbred horsemen by approximately 40%. In addition to deleting the ability to race and showcase their horses at the track, this move would reduce the retail value of the horses, which is a substantial source of income to Iowa standardbred owners. Mr. Roland stated that the horsemen feel PMR&C's plan is morally wrong and is clearly deficient in one of the criteria for the renewal of the license. He stated that Iowa harness horsemen have raised over 1,200 two-year olds, yearlings, weanlings and mares in expectation of PMR&C's compliance with Iowa law concerning nurturing the Iowa racing industry. A 40% reduction in earning potential and the inability to showcase the horses at PMR&C creates a financial disaster for many Iowans. PMR&C has created additional stress by indicating that the implementation of this plan would save them less than 25% of their total budget. The purses formerly allocated to the standardbreds will have to be paid to the other breeds under Iowa law. While the savings to PMR&C is minimal, the result for the horse industry will be financial devastation, particularly for the standardbreds.

Mr. Roland stated that the standardbreds are a significant part of the horse racing industry, accounting for 35% of the foals born in Iowa. He noted that Iowans are raising quality standardbreds, advising that in 2008 Iowa-registered standardbreds won more money racing outside Iowa than in Iowa. Mr. Roland stated that another element of quality racing required by the Code is the field size. In the current meet, there are so many horses entered that PMR&C is adding additional races, conducting eleven races versus ten, and there are nine horses in almost every race. Mr. Roland also advised that over 70% of the purse money won in the current meet at PMR&C has been won by horses that are Iowa-registered.

Mr. Roland stated that the only issues regarding standardbred racing that are detrimental to PMR&C are the handle and attendance; however, the IHHA feels that any racing program running in October would face these obstacles.

In summary, Mr. Roland stated that PMR&C's racing plan for horse racing in 2010 has clear deficiencies in meeting the criteria for the renewal of its gaming license under Iowa Administrative Rules 491-1.7. The horsemen are asking the Commission to acknowledge the deficiencies and direct PMR&C to submit a plan for racing that includes all three breeds and meets the requirements of the Iowa Code.

Hearing no comments or questions for Mr. Roland, Chair Seyfer called on Jill Paxton, Director of the Horse and Dog Breeding Program, appearing on behalf of Deputy Secretary of Agriculture Karey Claghorn. Ms. Paxton read a letter from Iowa Secretary of Agriculture Bill Northey. A copy of the letter is attached to these minutes and incorporated in its entirety by this reference.

Mr. Ketterer asked Ms. Paxton if Secretary Northey has shared the information contained in his letter with PMR&C. Ms. Paxton indicated that she did not know, but indicated she would ask him if he has, and if not, to do so.

Hearing no further questions or comments for Ms. Paxton, Chair Seyfer moved to the renewal of the racetrack licenses and granting of race dates and racetrack enclosure licenses. He called on Iowa West Racing Association/Bluffs Run Greyhound Park and Horseshoe Casino (IWRA/BRGP/HC), who is requesting live race dates from January 1 through December 31, 2010 with six performances per week for a total of 302 performances. Matinee performances will be held on Tuesday through Sunday at 4:00 PM with 15 races per performance. No racing will occur on January 12-15, April 4, May 1, November 25 and December 23-26.

Jerry Mathiason, Associate Executive Director of IWRA, requested the Commission's support of the license renewal application at BRGP/HC. He stated that IWRA's relationship with the three gaming properties in Council Bluffs has been invaluable in the community. Mr. Mathiason advised that the community is still on the move, especially in the area of HC and the riverboats; and provided the following sampling of things occurring in the area and community: Missouri River Pedestrian Bridge, the Mid America Center is still going strong; a brand new public art initiative that has art popping up all over the community; new art space lofts, and the renovation of the Baylis Park area. Additionally, a human service campus was developed, which contains offices for five different human services agencies. Mr. Mathiason concluded his remarks by indicating that the casino and IWRA funds have had a major impact on the community. Mr. Mathiason introduced Bo Guidry, the General Manager of BRGP/HC.

Mr. Guidry advised that BRGP/HC is committed to their customers and employees. He noted that 2008-2009 has not been kind to the Council Bluffs market, stating that for the first six months the market declined approximately 7%, and has declined 10% over the last three months. Mr. Guidry stated that the good news is that BRGP/HC has not had to institute layoffs, and employs approximately 1,000 at the BRGP/HC location. Mr. Guidry noted that employees donate thousands of hours to performing volunteer work

within the community. He stated that the Hilton Garden Inn, with 151 rooms, will open around October 20th on the BRGP/HC property.

Mr. Guidry advised that since the track opened, live handle has continually declined, and is now down approximately 96% since the track began operations. That decline has occurred despite all the money that Harrah's continues to put into the track facilities. He stated that BRGP holds five \$60,000 stakes races per year and hosts the \$500,000 Iowa Breeder's Cup, which is the largest and richest breeders' race in greyhound history. Mr. Guidry stated that Harrah's continues to review that area for improvements and supports it as much as they can.

Mr. Ketterer stated that IRGC had an independent testing lab go into each track facility to perform independent testing of the systems. The company has made recommendations for each facility. Mr. Ketterer stated that he would like IRGC staff; facility staff and a representative of the tote company to meet to discuss implementation of the recommendations. Mr. Guidry advised that BRGP/HC staff is continuing to meet regarding the recommendations from the tote company. He indicated a report would be submitted by the end of the month.

Hearing no further comments or questions, Chair Seyfer noted that there are two applications requiring two separate motions; the first is the application for the renewal of the racetrack license and granting of race dates.

Commissioner Cutler moved to approve the renewal of the racetrack license and granting of race dates for BRGP. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-107)

Chair Seyfer indicated the second matter is the license renewal of the racetrack enclosure license for 2010, and requested a motion. Commissioner Harrison moved to approve the renewal of the racetrack enclosure license for BRGP/HC. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-108)

Chair Seyfer called on the Dubuque Racing Association/Dubuque Greyhound Park & Casino (DRA/DGP&C). DRA/DGP&C has requested live race dates from April 24 – October 24, 2010 with six performances per week for a total of 161 performances. Evening performances and post times requested are Thursday, Friday, and Saturday at 7:00 PM. Matinee performances and post times were requested for Wednesday, Saturday, and Sunday at 1:00 PM. Additional performances and post times requested were as follows: May 31 at 1:00 PM; July 4 at 7:00 PM; September 6 at 1:00 PM. No races will be held on the evening of July 3rd.

Roger Hoeger and Brian Carpenter, Assistant General Manager and Director of Racing respectively, were present to answer any questions concerning the license renewal application. Mr. Hoeger provided a brief overview of 2008. DRA/DGP&C made payments to the following: State of Iowa - \$16 million; City of Dubuque - \$9.9 million;

Dubuque County - \$400,000; charitable distributions - \$1.25 million; employee taxes and benefits were in excess of \$16 million, and purses were approximately \$4 million. He stated that since DRA's inception, they have made payments to individuals and corporations in excess of \$523 million, with approximately 91% going for goods and services that can be purchased in Iowa. Capital expenditures in the last year totaled between \$12.5 - \$13 million, which included an upgrade to the pari-mutuel operations, food & beverage operations and an expansion of the square footage of the casino gaming floor.

As there were no questions for Mr. Hoeger or Mr. Carpenter, Chair Seyfer again requested two separate motions – one for the racetrack license and racing dates and the other for the racetrack enclosure license. Commissioner Hayes moved to approve the license renewal and grant race dates as submitted by DRA/DGP&C. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-109)

Commissioner Cutler moved to approve the renewal of the racetrack enclosure gambling license and any additional contracts as submitted by DRA/DGP&C. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 09-110)

Chair Seyfer moved to Administrative Business and the appointment of the Administrator. Chair Seyfer stated that the Iowa Code requires the Commission to evaluate the Administrator's job performance and recommend the individual for reappointment every four years, with the appointment being subject to Senate approval. He stated that the Commission members have completed their evaluation and conference with Mr. Ketterer. Chair Seyfer requested a motion.

Commissioner Cutler moved that pursuant to Iowa Code Section 99D.6, the Commission appoint Jack P. Ketterer as Administrator of the Iowa Racing & Gaming Commission for the term commencing on May 1, 2010 and ending April 30, 2014; and that based upon the information contained in the evaluation report prepared by Chair Seyfer, and after receiving input from Commission members, the Commission recommends to Governor Culver that Mr. Ketterer's salary be set at the maximum amount provided for Pay Grade 51 of the Department Directors Appointed, Not Elected Annual Pay Plan as established by the State Legislature. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-111)

Chair Seyfer thanked Mr. Ketterer for his service and agreeing to another four year term. Commissioner Cutler echoed his sentiments. Mr. Ketterer thanked the Commissioners for their support.

Chair Seyfer moved to Public Comment, advised that three individuals had signed up. He called on Doug Vail. Mr. Vail stated that he was hoping to clear the air on questions and concerns about the direction the negotiations between the horsemen and PMR&C have gone. He advised that though he serves as the Vice President for the IHBPA, he is not representing the IHBPA, but signed up as a representative in a leadership role in the

coalition of the three breeds that was formed earlier this year. Referencing Mr. Palmer's remarks concerning the Horse Racing Committee, Mr. Vail noted that Mr. Palmer indicated there were meetings taking place next week with the quarter horses and the standardbreds, but did not make any mention of the progress or position on negotiations between the thoroughbreds and PMR&C, which is what he is going to try to clear up. Mr. Vail stated that he was not sure where that process was at himself as there is confusion amongst the horsemen and the Board members of PMR&C as to where the negotiations stand.

Mr. Vail noted that Tom Levis, legal counsel for the coalition, presented the horsemen's racing proposal to the Commission at their August meeting. The proposal was a plan for all three breeds to race at PMR&C for the next five years. This same proposal had previously been submitted to, and rejected by, the PMR&C Board. In May, the Board received, and voted unanimously, to accept a recommendation from the Horse Racing Committee that basically left one of the three breeds out of the picture. Members of the other two groups – the thoroughbreds and quarter horses, did not agree with that proposal for that reason alone, regardless of what was offered to them, thus the coalition was formed. Mr. Vail noted that three members of the Board were asked not to vote due to the possibility of a conflict of interest. At the June meeting during the presentation of the Horsemen's proposal, the horsemen asked the Board to rescind the proposal accepted in May and consider the one presented. The motion to rescind the May proposal failed, but not unanimously. The vote was 5-8, making it obvious there were people on the Board who felt they should at least consider the horsemen's proposal as a possibility. Due to the failure of the vote to rescind the other proposal, Commission members did not get an opportunity to consider the horsemen's proposal, which is why the proposal was presented at the Commission meeting. The presentation was an attempt by the horsemen to keep the Commission abreast of what is occurring between the horsemen and PMR&C.

Mr. Vail stated that since the presentation in June, Mr. Levis has resigned as legal counsel for the coalition of all three breeds. All three breeds plus the Iowa Thoroughbred Breeders and Owners Association (ITBOA) have taken votes as to whether to keep the coalition together or not. All organizations, including the IHBPA, voted unanimously to continue the coalition. At this time, Mr. Levis is in negotiations with PMR&C on behalf of the HBPA on two terms: the number of days for thoroughbreds to race (possibly 70) and a five-year contract. Another condition of the negotiations is that the meet would meet the circuit requirements to accommodate the thoroughbred industry. Mr. Vail voiced his approval of that condition, noting that the horsemen's proposal covers the three items just mentioned plus leaves the standardbreds whole with the potential to build that segment of the industry; leaves the quarter horses whole with the possibility to grow their breeding industry, and leaves the thoroughbreds whole. The proposal accepted by PMR&C's Board in May does not any leave any of the three organization's breeding programs whole, or with the possibility of a future. Mr. Vail stated there are decisions being made at this time by owners within the organizations that will be detrimental to the breeding industry in the next few years. The decisions to breed those horses have to be

made now; they can't wait. The horses have to be bred in the early spring next year. The results of those decisions will not be known for four or five years down the road.

Mr. Vail commended the standardbreds on the fact that their industry comes the closest to being a grass roots organization in Iowa and keeping most of the purse money in Iowa. He noted that thoroughbreds don't do that, they participate on a broader picture. If this was an item that was on the table that had all four groups, including PMR&C, that could be discussed and possibly come up with ideas to solve the issue. He advised that there have been many occasions when the horsemen, as well as him personally, have appeared before the PMR&C Board and asked if there was something they were doing wrong. They have asked PMR&C to tell them what the racing costs are, indicating that they are willing to work with them to figure out how to correct the problem/reduce costs. Mr. Vail stated that if the horsemen could not help PMR&C lower the numbers, then perhaps they didn't have any business being in the industry.

Mr. Vail stated that he has heard the comment made that "The Board drives the train at PMR&C." He indicated that is an accurate statement, but that the fuel station for that train is with the Commission, that the train can't move if it doesn't have any fuel. He stated that the two entities that built the track that the train runs on were the horsemen and Polk County for having the guts to put the money up to build the track. When it failed, everyone had to go back to the drawing board, and bring a third partner in – the State of Iowa, who was asked to give the facility a casino license to subsidize the horse industry. Today, the horsemen are again wondering what is going to happen to their industry. Mr. Vail stated that he can not justify the handle or the on-track attendance; they are a symptom of the entire horse racing industry. Iowa was the very first to allow casinos at the pari-mutuel facilities. Mr. Vail stated that the horsemen did not cost PMR&C \$35 million last year; that if his memory serves him correctly, PMR&C made \$190 million to give to the community, taxes, horse races, 1300-1400 jobs. He stated that he feels the partnership needs to continue; but that the road suggested by the PMR&C Board and the Horse Racing Committee is one of potential disaster. He asked that the PMR&C Board and the Commission give the horsemen an opportunity to prove themselves with what they have learned. Additionally, he asked that the PMR&C Board agree to sit down with the horsemen to solve the problems together; that it is not necessary for individuals from other parts of the country to come in and tell them what is good for Iowa; they can do that themselves. Mr. Vail stated that the horsemen are in dire straits over the proposal; it would be easy to roll over and give up, but they are not going to do that. He noted that Mr. Moyer's comments made everyone feel good as they were part of a process that generated a job that brought an individual to Iowa, who had a baby who will forever say they were born in Iowa. The thought process was somewhat the same when the track was opened twenty years ago. There are several hundred people and families that will be impacted by the decisions made over the next couple of months. He indicated that it would be better to make decisions that keep people in Iowa, building Iowa and Iowa industries. He asked PMR&C to join the horsemen to sit down and resolve everyone's concerns.

Butch Hammer, President of the Iowa Quarter Horse Racing Association (IQHRA), reaffirmed that the organization is still backing the coalition of the thoroughbreds and standardbreds. He expressed his hope that the Commission members had the opportunity to read the letter the American Quarter Horse Association sent to Doug Reed, who is one of two people that will be evaluating the PMR&C Horse Racing Study Committee, earlier this week. He expressed his hope that long-term contracts will be attainable as the state is losing breeding stock to other states that do not face the uncertainty the Iowa breeders are facing at this time. Mr. Hammer concluded his remarks with the following statement: Iowa is the first state where the general public and Legislators are debating the reason for supplementing racing with funds from a casino for which the horsemen are responsible in the first place.

Chair Seyfer called on Sandra Rasmussen. Ms. Rasmussen stated that as a breeder she is re-evaluating whether or not she will continue to breed horses. If she does, she will make severe cutbacks in her program going forward. She noted that she has already made plans to foal horses in other states where the supplement program is just as good as PMR&C's. Ms. Rasmussen stated that it takes longer to train a thoroughbred than the other breeds. It can be up to four years from conception to racing for a thoroughbred. She stated that her whole business is in jeopardy due to the low number of racing opportunities being proposed by PMR&C. Ms. Rasmussen advised that the plan submitted by PMR&C would only allow her to start one race, if any at all; therefore, it could be five years before any income is realized.

Ms. Rasmussen stated that she knows many people are not concerned about the breeding side of the industry, but noted that her farm utilizes Iowa veterinarians and farriers, purchases feed and bedding from Iowa farmers; has 7 full-time employees and three seasonal employees, and purchases farm machinery, and the necessary fuel for their operation, from Iowa vendors.

Ms. Rasmussen noted that she and her husband purchased their first horse after PMR&C opened in 1989, and by the end of the summer, they owned seven. In order to have a place for the horses, they purchased a farm in need of substantial renovations near Runnells, Iowa. They spent a considerable amount of time and money turning it into a racehorse breeding farm. She stated that when PMR&C entered bankruptcy, and the voters of Polk County subsequently voted to approve the addition of a casino at PMR&C, the voters understood that the casino would support the racing programs as well as bring an additional form of entertainment to PMR&C. She reiterated that the voters of Polk County understood that the casino would be used to subsidize the horse industry, purses and strengthen other Iowa agricultural businesses. Ms. Rasmussen stated that the investments made by the Iowa horse breeders over the past 20 years have had a significant impact on the economy. She encouraged the Commission to continue to support the Iowa horse industry.

As there was no further Public Comment, Chair Seyfer requested a motion to adjourn. Commissioner Harrison so moved. Commissioner Hayes seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
NOVEMBER 12, 2009**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, November 12, 2009 at the Stoney Creek Inn and Conference Center, Johnston, Iowa. Commission members present were: Greg Seyfer, Chair; Toni Urban, Vice Chair; and members Kate Cutler, Andrea Harrison and Paul Hayes.

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

Chair Seyfer moved to Executive Session, noting that it was being held pursuant to Iowa Code Section 21.5(1)g for the purpose of receiving Division of Criminal Investigation background reports. Commissioner Urban moved to go into Executive Session. Commissioner Cutler seconded the motion, which carried unanimously on a roll call vote.

The meeting reconvened in open session at 9:15 AM. Chair Seyfer moved to the approval of the minutes. Commissioner Urban moved to approve the minutes from the October 8, 2009 Commission meeting as submitted. Commissioner Hayes seconded the motion, which carried unanimously.

Chair Seyfer moved to announcements, and called on Jack Ketterer, Administrator for IRGC, who provided the following information on upcoming meetings.

- December 2009 – No Meeting
- January 14, 2010 – Stoney Creek Inn, Johnston, IA (Submissions due by December 30, 2009)
- February 2010 – No Meeting
- March 4, 2010 – Stoney Creek Inn, Johnston, IA (Submissions due by February 18, 2010)

Mr. Ketterer advised that January is when the applicants for the new casino licenses are required to submit firm commitments for equity and financing for their respective projects. The Commission will be taking up the license renewals for the excursion gambling boats and gambling structures at the March meeting. There are no meetings scheduled for December 2009 and February 2010.

With regard to additional meeting dates, Mr. Ketterer advised that the tentative dates are March 23 for applicant presentations, April 7 for the tour of the facilities, and then a couple of meetings for public comments and background investigation reports, with the

final decision in early May. The March and May meetings will be held at Stoney Creek. The tour will originate at Stoney Creek.

Chair Seyfer moved to Public Comment. He noted that a number of people signed up for public comment, and requested that individuals limit their comments to three minutes. He called on Arlen Nichols.

Mr. Nichols stated that Iowa Code Section 99D.7(14) requires the licensees to file an annual balance sheet and profit and loss statement pertaining to the licensee's racing activities in the state, together with a list of the stockholders or other persons having any beneficial interest in the racing activities of each licensee. Mr. Nichols advised that in going through some records he found a list of people that had received money from Prairie Meadows Racetrack & Casino (PMR&C). One entry that stood out was "Citizens for the Preservation of Racing", which received \$20,300 in 2008. He stated that according to Google, this organization dates back to 2002. Mr. Nichols stated that the law dictionary defines beneficial interest: A) PMR&C gave them the money; B) to the Citizens for the Preservation of Racing; C) Where did that money go? According to this report, William Leroy Gessman received the funds. Mr. Nichols stated that he wanted the Commission to look at the report to determine if things are being done correctly. He stated that he believes an injustice has been done. With regard to the coalition among the horse breeds, Mr. Nichols stated that everyone did everything they could to destroy it, but he believes it is beneficial to racing and the State of Iowa.

Chair Seyfer called on Cynthia McIntosh. Ms. McIntosh stated that she and her husband stand two Iowa-registered quarter horse stallions and 10 quarter horse brood mares at their Stonestrow Ranch, making them Iowa horsemen. She stated that Iowa Code Sections 99D and 99F are the laws which must govern the Commission's decision. Ms. McIntosh stated that according to the law, the recommendations presented by PMR&C's Executive Committee are blatantly discriminatory and illegal. Referencing the Ray/Reed Report, paid for by PMR&C, Ms. McIntosh noted that through cost gap analysis, everyone should be breeding camels and ostriches. She then referenced a report prepared by Dr. Richard Thalheimer, a renowned equine economist researcher, which is available on the Department of Agriculture's website. She stated this report provides reliable, economic data to govern the Commission's decision. According to Dr. Thalheimer's research, the direct and indirect economic benefit of horse racing increases proportionately with the increase in purse money and live racing. Ms. McIntosh stated that Dr. Thalheimer's report is solid research; the Ray/Reed report is an answer that PMR&C paid for; it is the answer they wanted.

Chair Seyfer called on Bob Urich. Mr. Urich stated that he raises quarter horses, stands a quarter horse stallion, and breeds his six mares as well as outside mares, resulting in Iowa-bred foals. Some of the colts are sold, and some race at PMR&C. He stated that he and his son are both horseshoers and farriers, and belong to the Iowa Farriers' Association. He noted that some members have moved out of state due to their inability to make a living. Mr. Urich stated that a vote for PMR&C's plan is against the law and

will result in additional job losses in Iowa. He asked the Commissioners to vote against the proposal and get back to filling the barns at PMR&C by having a premier mixed meet. Mr. Urich stated that he had given the Commission members copies of his planned comments and requested that they read it.

Chair Seyfer called on Chris Hovey. Ms. Hovey stated that she is a taxpayer, voter and owner/breeder of race horses. She stated that according to the 2006 Horse Racing Analysis prepared by PMR&C management, the cost of horse racing was approximately \$23 million. In 2008, Gary Palmer, CEO of PMR&C, stated that the cost was \$29 million. Now, the Horse Racing Committee Chair, Tom Whitney, states the cost is \$33 million. She questioned how the cost of horse racing can continue to increase when the number of racing days has continued to decrease. Ms. Hovey stated that after repeated, unsuccessful attempts by the general public to obtain the actual breakdown of the costs related to horse racing, she is beginning to question whether management is at fault, and not horse racing.

Chair Seyfer called on Tom Lopic. Mr. Lopic stated that he is aware the Commission members have been filled with and received a substantial amount of information over the past 2-3 months, and that they are still trying to digest it. Mr. Lopic stated that he was not going to dwell on the legal aspects as he knows the Commissioners will do what is best. He has been a jockey and is now an owner and breeder. He won his first race as a jockey in 1972 on a horse owned by Leonard Reed, who is still an owner/breeder in Iowa. Mr. Lopic stated that when he started in the owner/breeding area of horse racing, it was a hobby, and believes that it is a hobby for a lot of the individuals present. It is no longer a hobby for him as he currently has six mares in Oklahoma City waiting on the Commission's decision as to where he will eventually locate them. Mr. Lopic stated that his quarter horse racing stock is valued at over \$100 million. He also owns and races thoroughbreds. His horses race all over the country. Mr. Lopic stated that he is aware of quarter horse owners that will not return or send any horses to PMR&C next year for a 15-day quarter horse meet. He stressed that a 15-day quarter horse meet would signal the end of quarter horse racing in Iowa. Mr. Lopic encouraged the Commission to take the time to fully understand the consequences of their actions. He questioned whether the Commission could make a decision today and know that it is right for the future. In his opinion, there is a lot of confusion and feels there needs to be more discussion among the parties. Mr. Lopic stated that the decision does not have to be made today.

Chair Seyfer called on Sharon Vail. Ms. Vail stated that she and her husband have managed a thoroughbred breeding farm in excess of 15 years, and have foaled mares from all breeds. She stated that this year all of the breeds have tried to educate the Commission on the history of racing, where it was in the past to where it is at today. Ms. Vail stated this issue is a very emotional one, even among the various breeds. Even as the horsemen attempt to work together, there are those who are working to drive them apart. Ms. Vail advised that the Iowa Thoroughbred Breeders and Owners Association signed a contract with PMR&C on Wednesday, November 11th, but there is concern over one condition contained therein, number 23, which deals with legislation. She stated that

every member of the Iowa Horsemen's Benevolent and Protective Association (IHBPA) as a breeder or owner of racehorses that races at PMR&C is considered to be a member of the Iowa Thoroughbred Breeders & Owners Association (ITBOA). This clause prevents them from directly or indirectly supporting any legislation, judicial actions or possible lawsuits for five years. Ms. Vail stated this condition would prevent members from supporting the other horse industries, even if they don't race at PMR&C. It even goes so far as to state that they have to have PMR&C's permission to offer support even if it deals with issues outside PMR&C. Ms. Vail stated if these individuals are not able to support each other, it will affect a lot of people's livelihoods.

Chair Seyfer called on Ed Shaffner. Mr. Shaffner stated that he was present because he is interested in racing, has fought for it all of his life, and is deeply troubled by what is occurring in the State of Iowa. He stated that the licensee has a proven track record of poor performance and not sticking with the Code. Mr. Shaffner stated that the Commission should step on the licensee. He stated that Polk County doesn't need to be involved in racing and gaming except to the extent they are the lessor of the property. Mr. Shaffner stated that the Commission is the only group of people who can support gaming and enforce the Iowa Code. He indicated that any time numbers are requested from the licensee and the Commission, different numbers are received. Mr. Shaffner stated that an audit should be performed to determine the true and accurate numbers that anyone can understand. Mr. Shaffner stated that PMR&C should support what they are here for in the first place, promote agriculture and horse racing.

As that concluded the Public Comment section of the agenda, Chair Seyfer moved on to contract approvals and called on Ameristar Casino. Jane Bell, Director of Government Affairs, presented a contract with Midwest Diving for repair of the boat thrusters.

Hearing no comments or questions concerning the contract, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contract as submitted by Ameristar. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-112)

Chair Seyfer called on Harrah's. Jeannie Magdefrau, Vice President of Finance, presented the following contracts for Commission approval:

- Skymall Ventures, Inc. – Promotional Items
- Creative Artists Agency – Booking Agent for Concert Events

Commissioner Cutler stated she had a question concerning the RFP that was sent out. Ms. Magdefrau stated that two Iowa vendors have stipulated that they can meet the requirements set forth in the RFP. Commissioner Cutler asked if the RFP was a corporate one versus a local RFP. Ms. Magdefrau answered in the affirmative.

Hearing no further comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted

by Harrah's. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 09-113)

Chair Seyfer called on Riverside Casino & Golf Resort (RCGR). Joe Massa, General Manager, presented a contract with Wells Fargo for Credit Card Processing.

Hearing no comments or questions concerning the contract, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contract as submitted by RCGR. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-114)

Chair Seyfer called on Argosy Casino-Sioux City (Argosy). Kees Eder, General Manager, presented a contract with Trahan, Burden & Charles, Inc. for Marketing, Creative Services, and Local Media Buys.

Hearing no comments or questions concerning the contract, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contract as submitted by Argosy. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 09-115)

Chair Seyfer called on Rhythm City. Mo Hyder, General Manager, presented the following contracts for Commission approval:

- Prudential Insurance Company of America – 401k Plan Administration
- Blackhawk Fleet – Used for Barge Fabrication and Dredging Services

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Rhythm City. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-116)

Chair Seyfer called on IOC Bettendorf (IOCB). Nancy Ballenger, General Manager, presented the following contracts for Commission approval:

- Prudential Insurance Company of America – 401k Plan Administration
- Blackhawk Fleet – Used for Annual Marina Maintenance, including dredging services
- Gabriel Group – Provides Marketing Production and Mailing Services
- AT&T – Provides Phone Service

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contracts as submitted by IOCB. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-117)

Chair Seyfer called on Diamond Jo Worth (DJW). Kim Pang, General Manager, submitted a contract with Randall Ready Mix, LLC for concrete products and snow plowing/removal.

Commissioner Urban asked if the contract had been let for bids. Mr. Pang answered in the affirmative, noting that both bids were by local companies.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contract as submitted by DJW. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 09-118)

Chair Seyfer called on The Isle Casino Hotel Waterloo (IOCW). Bari Richter, General Manager, presented the following contracts for Commission approval:

- Prudential Insurance Company of America – 401K Administration
- Bertch Cabinets Mfg., Inc. – Real Estate True Up
- Lane & Waterman LLP – Legal Services Provider
- Shyewest Inc. d/b/a Imagine This – Marketing Promotional Item Vendor
- Lamar Advertising Company – Vendor for Outdoor Advertising Signage

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by IOCW. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 09-119)

Chair Seyfer called on Dubuque Racing Association d/b/a Mystique Casino (Mystique). Roger Hoeger, Assistant General Manager, presented a contract with Dubuque Ice & Recreation Center, Inc. to construct additional parking for the community ice arena.

Commissioner Urban asked if this contract was let for bids. Mr. Hoeger explained that this entity is part of Mystique's "Resolution Funding" and is part of the grant program. The ice arena was originally given \$1 million, but is in need of an additional \$300,000 for parking.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contract as submitted by Mystique. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-120)

Chair Seyfer called on Iowa West Racing Association d/b/a Bluffs Run Greyhound Park @ Horseshoe Casino (BRGP/HC) for the season approvals for the 2010 live racing meet. Ms. Magdefrau was available to answer questions from the Commission.

Hearing no comments or questions concerning the season approval submission, Chair Seyfer requested a motion, noting there were some staff recommendations that needed to be included in the motion.

Commissioner Hayes moved to approve the season approvals as submitted, including the following staff recommendations/requirements:

- That Bluffs Run Greyhound Park staff continue to submit simulcast schedule requests for approval by IRGC staff to insurance compliance with all regulatory requirements;
- Full payment to Gaming Laboratories International to provide totalizator testing and certification in compliance of IRGC Rule 8.2(1). Meet with staff and totalizator company to implement testing recommendations.
- Work with Commission staff on an ongoing basis to review procedures related to housing, management, care, infectious disease control and welfare of racing greyhounds, including periodic review with staff members and IGA members on track maintenance and safety issues.

Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-121)

Chair Seyfer moved to the additional contract submitted by BRGP/HC. Ms. Magdefrau presented a contract with SkyMall Ventures, Inc. for promotional items.

Hearing no comments or questions concerning the contract, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contract as submitted by BRGP/HC. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 09-122)

Chair Seyfer called on the Iowa Quarter Horse Racing Association (IQHRA). John Vernon, legal counsel for the IQHRA, commenced his comments by thanking the Commission for the time they have taken over the past few weeks to read and review the e-mails and packets of information received from the thoroughbred, quarter horse and standardbred interests. He indicated the Commission's vote will determine whether the quarter horse and standard bred racing industries in Iowa will live or die. The IQHRA membership is very much aware that the Commission's decision should not and cannot be based on emotions, but on the Commission's mandates and the facts. Mr. Vernon proceeded to address various facts and Iowa law. He stated that racing is defined in Iowa Code Section 99D.2(7) as "... horse racing, including, but not limited to, quarterhorse, thoroughbred, and harness racing, as approved by the commission."

He noted that, among other things, the Commission has the power to adopt standards under which all race meetings shall be held and standards for the facilities within which the race meetings shall be held. (99D.7(3)) Iowa Code Section 99D.7 also requires the Commission to adopt rules which govern the Commission's operation. The Commission

did adopt administrative rules, which are contained in Chapter 491 of the Administrative Code, and contain criteria for granting licenses, renewing licenses and determining race dates.

Mr. Vernon stated there are no issues about security, safety, integrity, efficiency, character and reputation of PMR&C's operation. The questions and issues deal with the other criteria. Mr. Vernon stated that PMR&C quarter horse proposal clashes with six separate criteria contained in Iowa Administrative Rule 491-1.7. 491-1.7(6) is titled "Nurture of the racing industry. The commission will consider whether the proposed racetrack operation would serve to nurture, promote, develop, and improve the racing industry in Iowa and provide high-quality racing in Iowa. ...". Mr. Vernon stated that cutting quarter horse racing to 15 days does not meet the above stated goals. The same administrative rule requires the Commission to consider whether the proposed racetrack operation is beneficial to Iowa breeders. Mr. Vernon questioned how cutting the quarter horse meet to 15 days would be beneficial to the breeders. He noted that the Commission members have received e-mails from breeders, as well as received comments from others earlier today.

Iowa Administrative Rule 491-1.7(3) relates to economic development, and directs the Commission to consider whether the operation will maximize economic development. He posed the following questions:

- Does knocking out the quarter horse breeders guarantee replacement by thoroughbred breeders?
- Does knocking out quarter horses have an adverse economic ripple effect all across the Iowa horse industry?

He also referenced the letter received from Iowa Secretary of Agriculture Bill Northey dated June 3, 2009.

Mr. Vernon moved to whether the proposed plan is beneficial to tourism; will owners and breeders come to Iowa for a 15-day meet. He noted that the Commission has received e-mails and letters from owners around the county indicating they would not come to Iowa for a 15-day meet. He also addressed whether the proposed plan would create and promote employment opportunities.

Mr. Vernon asked whether the proposed plan promotes the development and sale of Iowa products. Will the value of Iowa-bred quarter horses decrease, what will happen to the value of Iowa quarter horses sold out of state; is there the same adverse ripple effect as the economic development for the suppliers of feed, hay, hotel and campground accommodations, etc.

Mr. Vernon asked what or if there is a solution. He stated that the IQHRA firmly believes there is a clear solution. If the Commission wants to kill quarter horse racing in Iowa, they will vote for the PMR&C proposal; if the Commission wants to nurture,

promote, develop and improve the racing industry in Iowa, then they will reject the PMR&C quarter horse proposal, or approve it with conditions. Mr. Vernon stated that the IQHRA needs a 30-day stand-alone meet with racing three days per week, along with a 5-year contract for stability. He stated that the first proposal from PMR&C to the IQHRA was for a 30-day stand alone meet. The IQHRA is eager to have a 30-day stand alone meet to prove to PMR&C that they can make it work. The only objection the IQHRA had to the first proposal from PMR&C was the number of racing days. PMR&C wanted four days per week while the IQHRA feels very strongly that it should only be three days per week – Thursday, Friday and Saturday or Friday, Saturday and Sunday. PMR&C also wanted a two-year contract; however, the IQHRA is seeking stability, and wants a minimum of a three-year contract, and would be happier with a five-year contract.

Mr. Vernon introduced Butch Hammer, President of IQHRA, who had a message from Trey Buck, Executive Director of Racing for the American Quarter Horse Racing Association (AQHRA). Mr. Hammer offered the following highlights from Mr. Buck's letter:

- Iowa has the opportunity to do something that is rare in this industry. With all three breeds competing at one track, the horsemen and PMR&C can come together to make it a bigger and better meet than ever before.
- The AQHRA does not fully support the Ray-Reed report, but there is research data that could be used to benefit the industry.
- It is important to not make decisions that might change aspects of the racing program, including race dates.
- Mr. Buck referenced PMR&C's Executive Committee's Recommendations to the Commission regarding the racing program at PMR&C. Items 1-3 go directly against the Ray-Reed report. Item 7 addresses the issue of learning more about their patron, fans and horsemen involved in horse racing. Mr. Buck stated that if he understands the situation correctly, PMR&C is making the recommendations, and then will do the research. He questioned why a company would hire consultants and then utilize only those portions of the report that serve their agenda. It appears they had their mind made up prior to receiving the report. Mr. Buck noted that Dr. Richard Thalheimer conducted and submitted an economic impact study on the horse racing industry that was sponsored by all four horse racing groups. This report was dismissed by PMR&C, Dr. Ray and Mr. Reed. Mr. Buck pointed out that Dr. Thalheimer's report also contained some valid points and information that would be beneficial to the industry.
- The IQHRA is among the top of AHRA-recognized affiliates in North America, and is a model for horsemen's organizations everywhere.

Mr. Hammer also encouraged the Commissioners to take another look at a report prepared by Rich Wilke from the University of Louisville.

Butch Bain, Vice President of the IQHRA and the horsemen's representative on the PMR&C Board of Directors, stated that a new proposal calling for 70 thoroughbred racing days and 15 days of quarter horse racing was presented to the Board of Directors by the Executive Committee. Mr. Bain advised that the Executive Committee has four members who have no knowledge of horse racing, and one member who does. Mr. Bain stated that before the Board of Directors approved the proposal, the Horse Committee was not consulted, and did not discuss or vote on the proposal, and was not informed of this proposal until that day.

Chair Seyfer called for any comments or questions. Commissioner Urban stated that the letter received from the AQHRA indicated there were 76,000 quarter horses in the State of Iowa, while the information received from the Iowa Department of Agriculture (IDALS) states there are only 96 licensed Iowa-bred ... Mr. Hammer stated there are 75,921 quarter horses registered in Iowa representing approximately 20,000 different owners. Mr. Hammer advised that the quarter horse is a very versatile animal; they can jump fences, perform in reining competitions, etc. He stated that a significant number of race horses go on to compete in other quarter horse venues.

Commissioner Urban stated that she brought the issue up as so many of the letters the Commissioners received mentioned the breeding program for quarter horses, but there are only 96 Iowa-bred quarter horses that are registered to race. Mr. Hammer stated that over the past 3-4 years, Iowa has lost 30-40 mares out of the breeding program to the State of Oklahoma. People aren't just sending their mares to Oklahoma; they have physically moved their residence to Oklahoma.

Commissioner Hayes, referencing the joint proposal from the horsemen, stated that the quarter horses were the only breed that did not have a stand alone meet; they are always part of a mixed meet. Mr. Hammer stated that early on consideration was given to a mixed meet that would have started around the middle of June and concluded the first or second week of September, which would have coincided well with Remington Park's meet, and Los Alamitos in California which starts racing the first week of March and concludes around the last week of May/first week of June depending on the calendar. He also advised that Will Rogers Downs, which has run a mixed meet during their spring meet, is changing to a thoroughbred only meet during the spring meet and will have a quarter horse meet in October. This change would have created a nice quarter horse circuit among Los Alamitos, PMR&C, Remington Park and Will Rogers Downs. A 30-day meet at PMR&C would have also coincided with Canterbury Downs. Mr. Hammer stated that the IQHRA does not have any objections to a stand alone meet.

Mr. Vernon stated that the IQHRA initially asked for a mixed meet. Commissioner Seyfer stated there was a question as to whether or not there were enough quarter horse entries to fill a race. Mr. Hammer stated that the IQHRA has not had a problem filling a race in the mixed meet; they have an average, after scratches, of 8.88 horses, and trials races had an average of 8.22 after scratches. He noted that many tracks would love to have an 8-horse field for their betting interests. Mr. Hammer stated that some of their

racers are 870 racers, which are run on a hook and start on a curve. Due to safety factors, those racers can only accommodate eight horses.

Commissioner Seyfer indicated that his question was more toward the stand alone meet. Mr. Hammer stated that with a 15-day meet, they will be unable to attract horses, but will be able to do so with a 30-day meet. According to his calculations over the past ten years, with eight racers per day, the quarter horse meet has drawn approximately 800 horses to PMR&C's grounds. He does not feel that number is obtainable if a 15-day quarter horse meet is held.

Commissioner Hayes noted that one of the recommendations of the Ray/Reed report was to establish objective criteria to determine the worth of the meet. Mr. Hammer advised that the IQHRA does not have a problem with establishing the aforementioned criteria. He stated that when PMR&C offered the IQHRA the 30-day meet and 2-year contract, there were no criteria established. Mr. Hammer stated that the horsemen need to know what they are up against before they sign a contract. Commissioner Hayes asked Mr. Hammer if he had any specific criteria that he felt should be considered or included. Mr. Hammer answered in the negative.

Commissioner Hayes asked Mr. Hammer how the handle for quarter horse racing compares to thoroughbred racing. Mr. Hammer stated that one of the reasons the IQHRA requested to race on Thursday, Friday and Saturday or Friday, Saturday and Sunday is so the signal could be sent to Los Alamitos in California. He stated that when the signal is sent to Los Alamitos, the quarter horses can do fairly well with their handle. Mr. Hammer stated that the quarter horses would be unable to draw spectators for racing on Monday and Tuesday with a post time of 3:30 PM. He noted that the IQHRA also proposed shortening the interval between racers. Currently, with a nine or ten race card, the racers don't end until 10:30 or 10:45 PM. If the interval was shortened from 27 minutes to 20-22 minutes, with the racers starting at 6:30 PM, the racers could conclude around 9:30 PM, thus opening up the possibility that race patrons may choose to patronize the casino prior to heading home. Mr. Hammer stated that America is a fast-moving society, and people don't like to sit that long between racers. He feels the shorter interval between racers would be beneficial in attracting a younger crowd to the racers. Mr. Hammer stated that Rich Helzer of the AQHRA thinks it is possible to cut the interval between racers down to 18 minutes; however he believes 20-22 minutes is best based on the layout of the facility at PMR&C.

Commissioner Harrison asked about the possibility of injury. Mr. Hammer advised that the horses do not run back-to-back racers. Trials are normally held in the morning, while finals are held in the afternoon. The horses normally run every two weeks in order to keep stock sound and healthy.

Hearing no further comments or questions for Mr. Hammer or Mr. Vernon, Chair Seyfer called on the IHBPA and recognized Tom Levis, legal counsel. Mr. Levis stated that the thoroughbred owners have entered into an agreement with PMR&C, which he distributed

to Commission members. He advised the Commissioners that last spring the IHBPA informed him they needed 70 days of racing, 630-700 racing opportunities per year at PMR&C with nine to ten races per day. He was also informed that racing at PMR&C needed to take place during the Midwest racing circuit of Hot Springs, PMR&C and Remington Park; otherwise the horses would not come. The IHBPA also requested that he attempt to negotiate a five-year agreement with PMR&C. The constant changing of the racing program at PMR&C, and the fact that the final decision is sometimes not made until November or January, creates a substantial amount of uncertainty within the industry. Mr. Levis stated that thoroughbred owners in Iowa and across the country have already made, or have started to make, their racing plans for 2010. He pointed out that a long-term contract is critical to the owners and trainers. The IHBPA believes that a five-year agreement will help to attract out-of-state individuals to race at PMR&C, and that more Iowa residents would choose to breed and/or race thoroughbreds at PMR&C. They also requested that at least two races per day be restricted to Iowa-bred thoroughbreds. Mr. Levis stated that the contract in front of the Commission does all of the above.

Mr. Levis stated this is the first year he has represented the IHBPA, or even been involved in this particular process. He stated that the acrimony he saw when he first started working for the IHBPA was unbelievable – no trust, no communication, no dialogue between any of the horsemen or with PMR&C. He stated the thoroughbreds have started having dialogue with PMR&C for the first time in a long time; the IHBPA is able to express their concerns regarding the racing program and PMR&C is listening, and vice versa. Mr. Levis stated that he was aware the Commission required PMR&C to do the study because of issues with the racing program. Mr. Levis advised that the members of IHBPA had approved the contract on Wednesday, November 11th, and PMR&C's Board is expected to approve the contract later today. Both parties are aware that the contract is subject to approval by IRGC, and Mr. Levis asked the Commission to approve it. He stated that should the Commission fail to approve the contract, the IHBPA would be in front of the Commission year in/year out asking the Commission to approve a racing program for the thoroughbreds.

Commissioner Cutler, referring to Sharon Vail's comments regarding Item 23 of the agreement, asked who was bound by the contract, whether all of the members are or the organization itself. She asked Mr. Levis for his legal interpretation of the paragraph.

Mr. Levis stated the paragraph was included due to the acrimony between the IHBPA and PMR&C and the resulting lack of trust on the part of both parties. The IHBPA did not want PMR&C to send a lobbyist to the Legislature seeking legislation that could change the circuit, their ability to race at PMR&C, the purses, the number racing opportunities, etc. PMR&C did not want the IHBPA to be able to go to the Legislature seeking legislation that would have an adverse impact on PMR&C. Paragraph 23 is an attempt by both organizations to let the contract play itself out for the full five years without someone going to the Legislature.

Commissioner Cutler asked if the paragraph referred to everyone that is part of the IHBPA. Mr. Levis stated that it was binding on the IHBPA. Commissioner Cutler questioned how the paragraph could be binding if the members are not parties to the contract individually. She raised concerns about freedom of speech. Mr. Levis stated that if an individual is not a member of the IHBPA, then the contract would not be binding on them. He stated it is not the intent of the IHPBA and PMR&C to prevent individuals from supporting whoever they want. Mr. Levis stated that the IHBPA represents the thoroughbreds, and are trying to do the best possible job for the thoroughbreds that they can. He expressed his hope that the IHBPA won't have to come before the Commission regarding the racing program next year. It is the goal of the IHBPA to make PMR&C a superior racetrack.

Commissioner Cutler asked if the contract would be null and void if a member of the IHBPA lobbied the Legislature. Mr. Levis answered in the negative, noting that PMR&C could get an injunction at the Court House if they chose. Commissioner Cutler asked how many members the IHBPA has. Leroy Gessman, President of the IHBPA, indicated there are approximately 1,200.

Commissioner Cutler stated that she did not think the Commission was at a point where they could approve the contract between the IHBPA and PMR&C today.

Chair Seyfer asked Mr. Levis if the IHBPA had had an opportunity to review the metrics. Mr. Levis answered in the affirmative, noting that the contract is not binding as to the proposed metrics. The IHBPA does intend to sit down and discuss those with PMR&C.

Commissioner Cutler stated that if metrics are put in place, they should be in place for all of the horsemen. Mr. Levis advised that they were just submitted in the past couple of weeks. The IHBPA has not had an opportunity to sit down and negotiate with PMR&C. He indicated the IHBPA is interested in insuring that they and PMR&C are doing the right things. They want PMR&C to advertise the racing program, etc.

Commissioner Hayes asked Mr. Levis what would constitute a successful meet in his mind. Mr. Levis responded that it would include more quality horses, people from New York, Texas, Florida – states that have a significant thoroughbred program. He noted that a significant number of people now place bets on their computers. They would like to be able to capture some of that simulcast revenue.

Commissioner Hayes asked about attracting customers. Mr. Levis stated that the IHBPA feels marketing is absolutely essential. He indicated that he is old enough to recall Aksarben in Omaha; that he would like to see something like that here. Mr. Levis stated that will only be accomplished if everyone works together and the program is sufficiently marketed.

Commissioner Cutler noted that Mr. Hammer had talked about shortening the time between races. She asked if that had been a discussion between PMR&C and the IHBPA. Mr. Levis answered in the negative.

Chair Seyfer stated that the Ray/Reed report talks about a three-year time frame. Mr. Levis indicated that is not part of the contract. Chair Seyfer stated that he understood that and asked Mr. Levis' thoughts on the three-year time frame. Mr. Levis stated that the program should be reviewed every year. He stated that the plan is that members of the IHBPA and PMR&C staff will meet every couple of weeks to talk about the racing program, marketing, attendance, etc. Regardless of the time frame, Mr. Levis stated the IHBPA is comfortable working within any time frame; they just want to make PMR&C a better facility.

Hearing no further comments or questions, Chair Seyfer stated there would be a ten minute break.

Upon reconvening the meeting, Chair Seyfer moved to the next agenda item: Renewal of Racetrack License and Granting of Race Dates and Racetrack Enclosure Gambling License for PMR&C. The first item was an update on the proposed hotel.

Gerry Neugent, a member of the PMR&C Board of Directors and Chair of the Hotel Committee, stated the hotel committee has approved the conceptual hotel design, as well as the specifications and design of the connectivity in order to connect the hotel to the casino. The budget was approved at the October meeting. The committee is in negotiations with Kinseth Hospitality, an Iowa company, and contractors are tweaking their price estimates. Hotel industry representatives have advised that lenders are approving amounts that are 15-20% less and requiring more equity than in the past. Mr. Neugent stated they had hoped to begin construction this fall, but it is looking more like it will be spring. He stated that Polk County has been very supportive and cooperative regarding the subordination lease necessary for the ground for the hotel. Mr. Neugent stated that he hopes to have a lease in front of the PMR&C Board by December.

Commissioner Urban asked when the hotel would be completed and open if construction did not commence until spring. Mr. Neugent indicated that construction would take 9-10 months, making it early in 2011.

Hearing no further questions for Mr. Neugent, Chair Seyfer moved to the update on the long-term racing plan. Tom Whitney, a member of PMR&C's Board and Chair of the Horse Racing Committee, requested, with the Commission's consent, to address all of the racing at PMR&C and some of the comments made during Public Comment. He stated that PMR&C has supported horse racing for 20 years, in anticipation of racing at PMR&C for another 20 years and with the encouragement of the Commission, PMR&C appointed a horse racing committee approximately 1½ years ago. The committee, composed of members of its Board of Directors, was charged with looking at the future of horse racing at PMR&C. Mr. Whitney stated that most of the committee members, as

did most of the people in attendance, knew from the outset that there were aspects and major parts of the horse racing program, on the basis of objective and subjective criteria and anecdotal evidence, that left much to be desired and that there were serious issues with where the program was going in the future. He stated that the purpose of the committee was to address those, and ultimately, for the Board of Directors to address those issues.

Mr. Whitney stated that much of the past in terms of the last 20 years of racing at PMR&C has been predicated on truths that have been promulgated; truths in terms of what they do and why they do those things. He noted that everyone is entitled to their opinion, but are not entitled to their own facts. Mr. Whitney indicated there is group of facts or truths that have been developed around racing that he continually hears repeated, and heard again today as to where PMR&C has been and where it ought to go in the future. He stated that everyone has heard and told stories about economic issues regarding racing, and in particular PMR&C; noting that the issues need to be addressed honestly and openly. Mr. Whitney stated that the horse racing industry in Iowa is not a significant factor with respect to Iowa's economy or Iowa's agricultural economy. He pointed out that the study referenced earlier today conducted on behalf of the horse groups indicated the economic impact on agriculture in the State of Iowa by horse racing is somewhere between \$123 and \$130 million. Mr. Whitney stated that while those figures are good, they are not significant. He went on to state that Iowa's agricultural economy is \$20 billion, and the above figure represents .01% of Iowa's agricultural economy. He pointed out that if horse racing's share increased by 100 fold, it would account for 1%. Mr. Whitney asked if those figures meant that PMR&C did not want to take the necessary steps to grow the racing program since it is not a significant part of the agricultural economy. He answered in the negative, stating that PMR&C is seeking to have a quality racing program, but that the truths need to be dealt with. Mr. Whitney reiterated his statement that the contribution of racing on the agricultural economy of Iowa is not significant, nor does he feel that it ever will be; however, that does not mean that it's not important to a number of people in Iowa, and some of those in the room. Mr. Whitney stated that in addressing some of the concerns he has heard previously, and again today, all that he has heard today are the same things the horse racing committee and PMR&C's Board of Directors have heard and examined before. He indicated that he has not ignored these comments in any conclusions that he has drawn, or in any recommendations he has made. Mr. Whitney stated he has spent many hours with many of the individuals who addressed the Commission during Public Comment or addressed the Commission on behalf of the horse people in terms of listening to their viewpoint and commentary, as has the horse committee and the PMR&C Board of Directors.

Mr. Whitney stated that he wanted to address a couple of items, one of which is the question of nurturing. He stated that PMR&C has been nurturing horse racing in the State of Iowa for 20 years. He pointed out that the Iowa Department of Agriculture (IDALS) provides the supplements for racing, money that comes from PMR&C to IDALS for the purpose of providing supplements to horses that are successful at PMR&C. He stated that supplements are paid to the top four winners who are Iowa

breeders. Mr. Whitney advised that in the last year for which statistics are available, and PMR&C was provided, 30 people in the State of Iowa received a standardbred supplement in 2008; there were 41 who received quarter horse supplements. He noted that not all of the individuals were Iowans because the criteria for receiving a supplement only require that the horse be bred in Iowa. Using those same statistics, there were 24 Iowans who received a standardbred supplement and 37 for quarter horses; those numbers are after 20 years of nurturing.

Mr. Whitney stated that the law also requires and directs PMR&C on a number of items with regard to the quality of racing. He advised that he has received numerous letters from individuals, phone calls from out-of-state individuals, and still others who have stopped him on the sidewalk or at PMR&C to discuss horse racing; and is aware that the Commission members have experienced the same thing over the last few weeks as he received copies of those communications as well. Mr. Whitney stated that he has read all of the correspondence that he has received. He pointed out that not one of the letters addresses the customer, the patron of PMR&C – the person that PMR&C relies upon with respect to having any success on any side of the facility. Mr. Whitney stated that when certain breeds race at PMR&C, there is no one there, indicating that the customer/patron has voted with their feet for 20 years with respect to horse racing at PMR&C, and no one, including the Board, has listened. With regard to quarter horse racing, the patron either leaves early or does not come at all; for standardbred racing, they don't come at all. Mr. Whitney stated that Board member Bob Beattie took it upon himself to go down on the apron during a day of standardbred racing and counted 10 patrons. He stated that the Commission members have been provided with information, prepared by PMR&C's Finance Department, as to the costs versus income for standardbred racing; it shows a win during the 16-day standardbred meet of \$43,390.00, while costs for the same time frame, including funds to support standardbreds at the county fairs for which PMR&C receives no benefit, are \$2,481,145, or a negative 5,736%. Mr. Whitney stated there is not a business or industry anywhere that can have that kind of fiscal disaster, but indicated that is what PRM&C has been doing for 20 years with the patrons. He questioned for whom PMR&C was attempting to achieve quality racing. The patron has been telling PMR&C that it is not entertainment that they enjoy, and are not going to participate or support the quarter horse and standardbred racing programs. Mr. Whitney stated that in recognition of that and other realities that the horse committee and Board of Directors have been faced with, the proposal that has been offered by the PMR&C Board of Directors for racing in the future consists of a 70-day thoroughbred meet and a 5-year contract between the IHBPA and PMR&C with respect to the 70-day meet. He stated that Mr. Levis addressed that matter previously, and advised that he would not be making any comments on that particular issue.

Mr. Whitney stated the second issue he wished to address was the quarter horse racing program. He indicated PMR&C has not been able to reach an agreement with the quarter horses. The recommendation of the PMR&C Board of Directors is an 18-day meet that includes three days of trials with respect to their futurities. Mr. Whitney indicated there were numerous discussions as to whether or not there would be sufficient stock available

to fill the race cards for the entire 18 days. He stated the one group of individuals with the most expertise is the one that is paid by PMR&C to do just that. Mr. Whitney advised that members of PMR&C's Racing Department have stated that the quarter horse inventory would be sufficient for an 18-day meet, including the days for the futurity trials. During discussions with the quarter horse representatives, the quarter horse people requested a 30-day meet, but indicated they could live with a 24-day meet. Mr. Whitney stated that there have been a number of different proposals with respect to the quarter horse meet, but feels what they presented today is the meet they are most desirous of having. He emphasized that during the negotiations and discussions the IQRHA looked at fewer days and believes that fewer days could be successful.

Mr. Whitney advised that PMR&C's proposal with respect to standardbreds is that, finally for the first time, PMR&C has listened to the customer and standardbreds will no longer race at the track. He stated that PMR&C is prepared, and has been prepared and held discussions with respect to the support and expanded support of their county fair program. PMR&C has proposed a five-year contract to support the county fair races beginning at \$1.5 million in the first year and representing \$5 million over the 5-year period. After discussion of the proposal, the Iowa Harness Horsemen's Association (IHHA) Board rejected the proposal and chose to pursue a different course in front of the Commission.

Mr. Whitney pointed out that PMR&C is a non-profit corporation, and its Board of Directors does not receive compensation. He noted that many of the letters hinted at some kind of conspiracy with respect to the horses, etc. He stated there is no conspiracy, just a genuine desire on the part of the Board to get it right, do it right and be responsible for what is in the best interest of the community, the State and PMR&C.

Chair Seyfer pointed out that the Ray/Reed report recommends that data be collected for two years for comparison prior to making any radical changes to the racing program, including racing dates. Chair Seyfer questioned, based on the Ray/Reed report, whether the removal of the standardbred was a radical change from previous years.

Mr. Whitney stated that when the discussion is on radical change, the short answer would be no. He further stated that it was necessary to take into consideration PMR&C's offer to the IHHA to beef up their support of the county fair racing circuit. Mr. Whitney voiced his opinion that the offer was more than a significant offset. He indicated there were many debates and discussions with Dr. Ray and Mr. Reed on whether to recommend the termination of standardbred racing. Ray/Reed suggested a 2-day Festival of Racing for standardbreds; however, PMR&C felt it would be better to beef up and support standardbred racing with regard to the county fair racing as there were several logistical issues with the proposed Festival. Mr. Whitney stated unequivocally that horse racing will take place at PMR&C, in his judgment, into perpetuity, and will continue to be subsidized.

Commissioner Seyfer asked if the agreement proposed to the standardbreds had an end to it. Mr. Whitney stated that it was a 5-year contract, giving the standardbreds \$5 million over the life of the agreement. They would have received \$1.5 million the first year, with the amount decelerating each year. Chair Seyfer asked what would happen at the end of the five years. Mr. Whitney stated the parties could negotiate a new agreement. He stated the parties would have to develop a set of metrics to evaluate the program, and feels that they would have to be different than the metrics for the thoroughbreds and quarter horses. Standardbreds are not included in the current set of metrics. Mr. Whitney advised that the metrics for the thoroughbreds and quarter horses are also not complete at this time, and are a work in progress. He reminded everyone that the metrics will not be implemented and used for several years; they will be put into effect but they won't be utilized until the measures are determined. Mr. Whitney stated there would be a meeting with the horsemen's representatives to get their input prior to the metrics being finalized.

Commissioner Harrison noted that one of Mr. Whitney's statements was that PMR&C had supported and nurtured the horse racing industry for the past 20 years. She asked him to explain how PMR&C has gone about doing that; how has the marketing aspect of that been handled. Mr. Whitney stated that PMR&C has supported and nurtured the racing industry, partly by the continuation of horse racing at PMR&C and the subsidizing of purses. He stated there is a disconnect between the handle and purses in Iowa; dollars being spent in support of purses are not justified on the basis of the handle at the track. Mr. Whitney stated that he was not sure the supplement as it currently exists was anticipated by the Legislature, but PMR&C has supported it. He noted that the supplement trickles down in terms of nurturing and expanding the breeding programs in Iowa. Mr. Whitney stated the fact that there are only 24-25 breeders in the State of Iowa in 2008 that received supplements raises questions, and should suggest that what has occurred in the past is not working and that alternatives and new ways of doing things should be considered. He pointed out that the study paid for by the horsemen's groups projected an impact of \$123 – \$130 million on Iowa's economy. He stated that \$15 million of that is money that comes from the patrons of PMR&C – a pretty significant amount in support of nurturing and breeding programs in the state.

Chair Seyfer asked if there had been any discussion by the horse committee or among the Board of Directors regarding legislative changes. Mr. Whitney stated that there have been some discussions; but his personal opinion is that any changes would be more acceptable if PMR&C and all three of the breeds were corroborating. He stated that for the first time since he has been involved, the thoroughbreds are working with PMR&C on legislative issues. Mr. Whitney stated that PMR&C would like to see the referendum requirement discontinued, the ability to accept Internet wagering, as well as many other items. He stated that PMR&C will work on those items with the horsemen's groups. He noted that the standardbreds made several legislative suggestions to PMR&C, most of which PMR&C could support.

Mr. Whitney addressed paragraph 23 in the agreement with the thoroughbreds. He stated that he was a party to the negotiations, and indicated there would probably be some

disagreement between Mr. Levis and himself as to whether the paragraph means the thoroughbred association or the members individually. He stated that PMR&C interprets that paragraph to mean the association; that what an individual does is between the person and the association. PMR&C does not intend to limit an individual's freedom of speech.

Commissioner Cutler stated that she had a lengthy conversation with Gary Palmer, General Manager of PMR&C, and inquired about marketing and determining what it is that the people who are not coming to the facility want. Mr. Whitney advised that PMR&C spends millions of dollars per year in marketing; whether or not those dollars are being spent wisely is an issue that needs to be reviewed. He stated that in the recommendations of the horse committee, and adopted by the PMR&C Board, there is a specific recommendation with regard to the patrons, as well as a larger marketing study. He stated that he and current Board members can not do anything about past years, but can have an impact on what is done in 2010. They will be seeking ways to be more effective in their support of horse racing at PMR&C. Commissioner Cutler stated that the Commission has encouraged that over the years; however, that has not occurred, or if it has, not to the point where the Commission has received feedback. She requested a timeline on the study. Mr. Whitney stated the information would be provided. He also noted that there have been some specific discussions with the horsemen on this topic.

Commissioner Seyfer called for any further comments or questions concerning the long term racing plan. Hearing none, Chair Seyfer moved to the license renewal for PMR&C, and indicated agenda items 10C and 10D would be combined.

Mr. Palmer presented the license renewal for 2010, noting there are lots of exciting things in store at PMR&C. PMR&C believes they have done very well, even with the current economy. He provided the following statistics: 1,360 employees, all state taxes paid last year totaled \$27,588,000; Polk County received \$28,374,000; City of Des Moines received \$977,000; Des Moines Public and Private schools received \$750,000, and charitable contributions were 4 million, which included \$1 million to the standardbreds for the county fair racing circuit. The purse supplement last year was \$19,939,000. PMR&C spent in excess of \$13 million with Iowa vendors, or 96.5% of their expenditures. He noted that PMR&C has many large and exciting goals ahead of them.

Chair Seyfer called for any comments or questions concerning the license renewal application.

Commissioner Urban pointed out that over the years the Commission has had discussions about the types of things PMR&C needed to do, noting that marketing is just one facet. She stated that simulcasting has been a topic at the past couple of Commission meetings. Commissioner Urban stated that there have been many things on PMR&C's plate that the Commission has not seen come to fruition; one of those being a hotel, and the Commission is very excited to see that finally taking shape and feels it will be a tremendous asset. She stated that PMR&C has continued the horse racing at PMR&C for

20 years, without looking at it strategically, and without letting the public, the breeders, owners, etc. know what to expect, and continues to struggle every year to come to an agreement with the horsemen's groups that are longer than one year, which would allow them to make some long-term plans. Commissioner Urban stated that the proposal in front of the Commission seems as if PMR&C suddenly awakened to the fact that they are not making any money from the standardbreds; they are costing us too much to allow them to race, and to a lesser extent, the same is true with the quarter horses. In her opinion, this is an abrupt decision that dramatically changes the racing program without first providing the breeders and owners some idea of what the future held. Commissioner Urban stated that the Commission has some trouble with PMR&C's actions towards the standardbreds and quarter horses, and voiced her disappointment with the fact that PMR&C has not been able to come up with a contract with either of those horse groups.

Chair Seyfer stated that he concurred with a number of Commissioner Urban's comments. He again referred to the timing recommendations in the Ray/Reed report and the significant changes being proposed by PMR&C in direct conflict of that report. He stated that the process over the past year has been a good one, and that progress has been made with the Commission continuing to push PMR&C on various issues. Chair Seyfer stated that when he looks at the Code, Iowa Administrative Rules and the Commission's responsibilities, he has to weigh all issues fairly and does not feel the proposal before the Commission is fair.

Commissioner Harrison brought up the loss of jobs with the reduction in the number of race dates for the quarter horses and no race dates for the standardbreds. She stated that in light of the current economy and jobs already lost that there does not need to be additional losses; if anything, jobs need to be created to help PMR&C become bigger and better than it has been in the past.

Commissioner Hayes stated that it is good to see PMR&C and the thoroughbreds getting along, but feels that a valid point was made earlier in the meeting: ultimately, horse racing and the casino are entertainment for customers, and the product has to be entertaining. He stated that the quarter horses' suggestion of shortening the time frame between races is a good response to what people want; and the more of those types of responses, the better PMR&C will be. He stated that his comments are not just directed at PMR&C, but the horsemen as well. He expressed concern that the attendance at the standardbred meets are next to nil and is apparently not that entertaining for the patrons of PMR&C. Commissioner Hayes suggested that it may be possible for PMR&C to pay the standardbreds a higher amount in the early years for the county fair races, and that it would not be unreasonable for the parties to review the proposal and reach an agreement.

Chair Seyfer stated that the county fair circuit is not within the Commission's purview, and, therefore, the Commission can not mandate and require that the payment be made, but does make one more radical change if this proposal is approved to what has been the racing program at PMR&C for the last several years. Chair Seyfer stated that he did not

want any misunderstanding concerning the county fair circuit and the fact that they are not under the Commission's jurisdiction.

Commissioner Cutler stated that during her lengthy conversation with Mr. Palmer she advised him that she would not approve the license renewal; however, in reviewing the statement, she realized that position hurts everyone. Keeping that in mind, there were discussions on the impact of rural communities, the horse people, and some impact on the casino. She indicated that she was not sure what the impact would be, but there would be the possibility of job losses. She indicated that she had a motion, if the Commission was ready to receive a motion.

Commissioner Urban noted that Mr. Ketterer has pulled together a list of items that he feels should be included in the license approval, and that one of them was long-range planning, particularly with respect to racing. Commissioner Urban stated it was her belief that PMR&C needs to develop a plan that could be distributed to the breeders to show what PMR&C intends to do 5-10 years down the road.

Chair Seyfer noted there was a condition concerning the metrics for measuring the progress of the racing programs and stated that it should include a horsemen's representative with a report of the findings submitted to the IRGC. Chair Seyfer stated that he felt there needed to be a commitment to that and a commitment to whatever the Commission approves for longer than one year. He again referred to the 3-year time frame set forth in the Ray/Reed report.

Commissioner Cutler asked Mr. Palmer how many members of the Board of Directors were present at the meeting. Mr. Palmer responded there were three or four. Commissioner Cutler stated that it was good they had heard what the Commission is saying; that the Commission understands that he is just the message giver and taker. She stated the Commission wants the Board to hear and understand for themselves how the Commission feels about the recommendations. Commissioner Cutler stated that Chair Seyfer had hit the nail on the head when he talked about fairness. She stated that what has happened is so draconian at this particular point that it is difficult for the Commission to see the justification for PMR&C's Board to propose this. The only thing that is clear to her at this point is PMR&C's profit motive.

Chair Seyfer stated that the Commission was ready for the motion. Chair Cutler moved to approve PMR&C's submission for race dates for 2010 with the following amendments:

- Thoroughbred racing Thursday August 12th, replacing Thursday, June 3rd;
- Thoroughbred racing will consist of 10 races/day ON up to 10 special event days as horse inventory allows from April 23rd to July 31st;
- A mixed meet from August 2nd to August 14th, consisting of 7 thoroughbred races per day; and three to four quarter horse races or trials as horse inventory allows from August 2nd to August 14th;

- and Quarter Horse racing on Monday, August 23rd.

Commissioner Cutler went on to state that the Commission had discussions concerning standardbred racing, and looked at 10 races/day from September 24th to October 9th. She stated that the Commission wants the IHHA and PMR&C to meet and decide how to allocate the \$1 million supplement for the circuit and then report back to the Commission at its January 14th meeting with that information. At the January 14th meeting, if the IHHA and PMR&C don't have an agreement, the Commission will make a determination of the \$1 million supplement and racing dates. Commissioner Cutler stated that with regard to purses, if the standardbreds have races at PMR&C, they would receive \$550,000, with the remainder to be divided as follows: thoroughbreds – 85% and quarter horses – 15%. She stated that the Commission was carving out money for the standardbreds as they are concerned about their ability to negotiate back and forth with PMR&C.

Commissioner Cutler noted that Mr. Ketterer had additional conditions on the license approval.

Mr. Ketterer read the following conditions that will apply to the above license renewal for 2010:

- That PMR&C bring the Commission up-to-date on racing-related capital improvements that they foresee over the next 10 years, and what the schedule might be,
- At this time next year, have some kind of funding mechanism for a reserve that would be able to fund and support that list,
- Continue the long-term racing plan as Chair Seyfer mentioned with the measurement for track progress and include a horsemen's representative and keep the Commission apprised of the findings;
- Establish a committee to study the simulcast program at PRM&C. This issue has been brought up by horsemen to the Commission at prior meetings. PMR&C has expressed a willingness to meet and try to improve simulcasting with the goal to increase net revenue and measures that would include any impact on live racing and then make recommendations. The committee should include a horsemen's representative, a Commission representative, PMR&C management staff and possibly a PMR&C Board member.
- Continue to monitor the track surface issue. The issue with artificial surfaces around the country is somewhat contentious, and still subject to a lot of debate; however, it does merit PMR&C staying apprised of what is transpiring. PMR&C should report the status of the track to the Commission prior to the start of the live meet regarding the reserve materials available and again at the conclusion of the meet giving the results of the meet.
- Address some accounting issues in the mutuel department. There have been instances where the reports from PMR&C's mutuel department and the totalizator reports on simulcast numbers are inconsistent. IRGC staff would like to get this

matter resolved. PMR&C staff and representatives from the totalizator company to meet in order to implement testing recommendations.

Mr. Ketterer also indicated the following standard conditions for license renewal:

- Completion of DCI background investigations for all racing officials;
- Approval of all export simulcast agreements;
- Approval of totalizator system in compliance with IRGC rule 8.2(1)
- Prior approval of all marketing promotions affecting the live racing schedule;
- Audit in compliance with 99D.20 to clarify the cost of racing and subsidies and exactly what assumptions were made, recognizing that there may be people who agree or disagree with the assumptions made, but present the information so that some of the mystery that appears to be out in the public with regard to various numbers can be resolved.

Commissioner Harrison seconded the motion.

Commissioner Seyfer stated that with the motion just made, his calculations show that in 2010 the thoroughbreds would have between 610-620 racing opportunities, down slightly from 631 opportunities in 2009. Quarter horses would have potential opportunities of 158-169, a slight increase from their 154 opportunities in 2009. Standardbreds would have 100 racing opportunities, a decrease from the 150 available to them in 2009. He reiterated that purses could not be determined until the Commission knows what is going to happen with the standardbreds.

Commissioner Hayes asked if the motion before the Commission included standardbreds or if standardbreds were being deferred. Chair Seyfer advised that action on the standardbreds was being deferred until the January Commission meeting.

Commissioner Cutler advised PMR&C representatives that the Commission would still have an opportunity in January to tell them what to do in the event the parties are unable to reach an agreement.

Commissioner Urban stated that PMR&C might be able to comply with some of the conditions just read by Mr. Ketterer prior to July. With regard to the improvement fund, Commissioner Urban stated that the list would need to be established prior to discussions with Polk County on a new lease.

Hearing no further comments concerning the motion, Chair Seyfer called for the vote. The motion carried unanimously. (See Order No. 09-123)

Chair Seyfer moved to the contract submitted by PMR&C. Mr. Palmer submitted a contract with Imagine This for promotional items.

Commissioner Urban asked Mr. Palmer if the contracts with Allied Construction and Baker, etc. had been let out for bid. Mr. Palmer advised that all of them were let out for bids. Mr. Palmer indicated that he was not seeing those contracts listed on the agenda. Commissioner Urban advised that they were part of the license renewal application and were not listed on the agenda.

Chair Seyfer stated that the motion regarding the renewal of PMR&C's pari-mutuel license needed to be amended include the racetrack enclosure license. Commissioner Cutler amended her motion. Commissioner Harrison seconded the amended motion. The motion carried unanimously. (See Order No. 09-124)

Commissioner Hayes moved to approve the additional contract as submitted by PMR&C. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-125)

Chair Seyfer moved to Administrative Business. Mr. Ketterer advised that one of the requirements of the Code is that the Commission establish regulatory fees that are based upon the appropriation to the Commission and the presence of Division of Criminal Investigation (DCI) at the facility for law enforcement. Due to the 10% across the board budget cut, and a proposal that has not been finalized that would result in the layoffs of some of the agents assigned to the facilities, the Commission would be required to amend the regulatory fees assessed to the facilities. At this time, staff is asking the Commission's approval to proceed with those adjustments if necessary. Staff does not know what the amounts will be. Prior to implementation, the adjusted fees would be distributed to the licensees for their review and feedback. The final adjustments would be brought back to the Commission for approval at the January meeting. It is anticipated that if they become necessary, the adjusted fees would commence in January.

Commissioner Hayes clarified that it was his understanding that the facilities' expenses would be less due to the across-the-board cuts; but there is no change in IRGC's costs. Mr. Ketterer explained that the money has already been removed from IRGC's budget; the benefit goes to the licensed facilities, not the State's General Fund. Commissioner Hayes asked if it was a matter of law that this action be taken. Mr. Ketterer answered in the affirmative.

Commissioner Cutler moved to proceed with the regulatory fee adjustment in order to stay in compliance with State law, but with the hope that someone would reinstate the funds. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 09-126)

Mr. Ketterer addressed the need for revised security plans in the event the layoffs of DCI agents do occur. He noted that DCI and facility representatives are meeting. If there are issues regarding coverage with law enforcement at the facility, IRGC will want to review the revised plans. At this point, that is not an issue because the plan that calls for layoffs at DCI has not been finalized. This is just an informational item.

Chair Seyfer moved to the hearings listed on the agenda. Mr. Ketterer advised that Stipulated Agreements have been agreed to by the facilities – Diamond Jo in Dubuque and Catfish Bend Casino (CBC) in Burlington.

In Dubuque, an individual who was voluntarily excluded in 2006 was allowed to establish a Player's Club account two years later. Due to either a software error or human error, the fact that the individual had self-excluded themselves was not caught. The person did gamble at the facility, and did receive coupons for free play, which were not redeemed. During an audit comparing new Player's Club accounts to the state-excluded list, the error was caught.

Mr. Ketterer stated that Diamond Jo has acknowledged the violation of Iowa Code Section 99F.4(22) and agreed to pay an administrative penalty in the range of \$3,000 to \$20,000 for the violation. Commissioner Cutler asked if this was Diamond Jo's first violation. Mr. Ketterer answered in the affirmative.

Commissioner Hayes moved to approve the Stipulated Agreement as presented with a \$3,000 administrative penalty. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-127)

Mr. Ketterer stated that an under age female was allowed to enter the CBC facility in violation of Iowa Code Section 99F.9(5), proceeded to play slot machines and was served an alcoholic beverage. Approximately 45 minutes later and after several contacts with CBC employees, a security supervisor requested identification from the individual and discovered that she was under age. Mr. Ketterer advised that the agreed upon administrative penalty is \$20,000 based on the circumstances, and recommended approval of the Stipulated Agreement.

Chair Seyfer requested a motion. Commissioner Hayes moved to approve the Stipulated Agreement as submitted with an administrative penalty of \$20,000. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 09-128)

Chair Seyfer requested a motion to adjourn the meeting. Commissioner Cutler so moved. Commissioner Harrison seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK