

**IOWA RACING AND GAMING COMMISSION
MINUTES
JANUARY 14, 2010**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, January 14, 2010 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 8:00 AM and requested a motion to approve the agenda. Commissioner Cutler moved to approve the agenda as submitted. Commissioner Hayes seconded the motion, which carried unanimously.

Chair Seyfer moved to Executive Session, which was being held pursuant to Iowa Code Section 21.5(1)g for the purpose of receiving Division of Criminal Investigation (DCI) background reports. Commissioner Hayes moved to go into Executive Session for the purpose previously stated. Commissioner Urban seconded the motion. The roll call vote was 5-0 in favor of going into Executive Session. Mr. Ketterer requested that anyone present not affiliated with IRGC or the DCI leave.

Upon reconvening in open session, Chair Seyfer moved to the approval of the minutes from the November 12, 2009 Commission meeting. Commissioner Urban so moved. 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 concerning upcoming meetings:

- February – No Meeting
- March 4, 2010 – Stoney Creek Inn, Johnston, IA (Submissions due by February 18, 2010)
- April 15, 2010 – Ameristar Casino, Council Bluffs, IA (Submissions due by April 1, 2010)
- June 3, 2010 – Stoney Creek Inn, Johnston, IA (Submissions due by May 20, 2010)

Mr. Ketterer noted that the March meeting would be the renewal of the excursion gambling boat and gambling structure licenses. He noted that within the next couple of months, the Commission would determine meeting dates for the next fiscal year.

With regard to the application process for potential new licenses, Mr. Ketterer advised that March 23, 2010 has been established as the date for the applicants to make their presentations to the Commission. The meeting will be held at Stoney Creek Inn. Each applicant will have 45 minutes to present their project to the Commission; there will not

be a question and answer session following the presentation. At this time, it is anticipated the presentations will start at 10:00 AM, 11:00, 1:30 and 2:30 and be done by 3:30.

On April 6th, the Commission members will be receiving the DCI background reports, which is the only portion of the process that is not open to the public. That meeting will also be held at Stoney Creek and commence in the afternoon. Then on April 7th, the Commission members will visit Fort Dodge, Tama and Ottumwa by motor coach. A detailed itinerary will be provided to the contact person for each project as the date gets closer.

On April 14th, the Commission members will visit the proposed site in Lyon County. Commission members will travel to Council Bluffs via motor coach, pick up Commissioner Cutler, proceed to Lyon County and return to Council Bluffs that evening. Mr. Ketterer stated that the visits to the proposed sites will be approximately 45 minutes in length. He advised that the schedule for the presentations and site visits will be very regimented.

On May 4th, the Commission will hold a Public Hearing on the proposed projects with the Commissioners asking questions of the applicants, as well as receiving comments from members of the public on specific applicants, applicants as a whole, gambling licenses as a whole, or whatever they would like to address the Commission about. This is the first opportunity for the public to participate in this licensing process, but it occurs at a time when the most information is available. It is anticipated this will be an all day meeting. Mr. Ketterer asked that no one who is a representative of an applicant or who has previously participated on behalf of an applicant address the Commission on this date. This date is specifically reserved for those individuals of the public who have not had an opportunity to be heard. Mr. Ketterer stated that representatives of the applicants should be present for the entire time as there will be questions from the Commission members on all aspects of the applications.

On May 13th, the Commission will meet at Stoney Creek Inn for the purpose of making a decision regarding the license applications. The meeting will commence at 10:00 AM. While this will be a short meeting, each Commission member will have an opportunity to review all of the applications and explain their feelings and possibly how they intend to vote. Mr. Ketterer advised that notice of this meeting will be posted one week in advance on the website. He stated that the above dates are posted on the website as well.

Chair Seyfer moved to the next agenda item – New Applicants for Licenses – Review of Required Equity and Financing Commitments, and called on Lyon County. Dan Kehl and Ken Bonnet, Chief Executive Officer (CEO) and Chief Financial Officer (CFO) respectively, were present. Mr. Kehl advised that a signed copy of the equity commitments to date and debt commitment from Jeffries were submitted to the Commission last week. The Iowa investor documents were submitted to the Insurance Commissioner's Office in September, with approval expected within three to four weeks;

however, the approval was not received until two weeks prior to Christmas. Investor meetings were held over the holidays in an effort to raise between \$28 and \$42 million. The week before Christmas, they collected \$15.2 million, and have collected another \$1 million via subscription. The Kehl family has committed to covering the remaining equity balance, and provided letters of commitment indicating that the funds are available. Mr. Kehl advised there is a \$70 million debt component through Jeffries. The commitment is such that they will go to the credit rating agencies for a credit rating; the credit will then be placed on the market. If Jeffries is unsuccessful in placing the credit, they are required to keep the debt.

Commissioner Cutler advised that the submission was thorough, and exactly what the Commission asked for. Chair Seyfer concurred.

Chair Seyfer called on Webster County. Natalie Schramm, CFO of Peninsula Gaming, and Steve Daniels of Webster County Gaming, were present. Ms. Schramm advised that Webster County has also engaged Jeffries & Company. In addition, Peninsula Gaming has committed the availability of one or more of the following: \$58.5 million in their revolving credit agreement, which can be increased to \$115 million; \$35 million cash on hand; FF&E financing of \$30 million or an unsecured financing basket of \$50 million.

Commissioner Urban stated that the documents were thorough and what the Commission was looking for.

Chair Seyfer called on Wapello County. Ken Mimmack, President and CEO of Ingenus of Iowa, stated they had submitted a commitment letter from SAQQARA Gruppe, L.L.C. for \$40 million, or 100% of the financing, an Addendum and a signed Memorandum of Intent amongst River Hills Riverboat Authority, the City of Ottumwa, Wapello County and Ingenus Management/Consulting, LLC, signed by representatives for the City of Ottumwa and Wapello County respectively. Mr. Mimmack advised that the SAQQARA Group provides both private equity and loan services for projects of this size up to \$1 billion.

Commissioner Hayes asked who the equity owners would be. Mr. Mimmack advised that at this time the project is 100% owned by Ingenus and SAQQARA will provide 100% of the debt financing. Equity partners are still considering joining the project, which will improve the bottom line for the project. Ingenus didn't want to be continually adding equity partners throughout the application process. There is also a commitment of up to 25% for local investors.

Commissioner Hayes noted that projections provided to the Commission indicates \$20 million in equity. Mr. Mimmack indicated that was correct, and that they have interest in excess of \$20 million; however, due to other projects in which the companies are involved, they are unable to participate at this particular time.

Commissioner Hayes asked if the other group would provide 100% of the financing. He asked if that much debt would change the projections for the project. Mr. Mimmack answered in the negative, noting that the projections would still support the project.

Commissioner Cutler asked Mr. Ketterer whether the investors that may or may not come on board later would still be subject to the 5% background investigations. Mr. Ketterer answered in the affirmative. Mr. Mimmack stated that Ingenus and the possible investors are aware of and understand that requirement.

Chair Seyfer asked if the whole process is continuing to move forward; noting that the commitment letter states in part: "... so long as the "Beneficiary" shall evidence the necessary sophisticated financial wherewithal, creditworthiness, and legal capabilities ...". Chair Seyfer asked if the necessary information had been submitted. Mr. Mimmack answered in the affirmative, stating that SAQQARA had submitted an Addendum to the commitment letter stating there are no additional equity or debt investment requirements for Ingenus to obtain the necessary financing.

Hearing no further questions or comments for Mr. Mimmack, Chair Seyfer called on Tama County. John Pavone, representing Signature Management Company and Chris Bearden, representing Tama County Enrichment, were present to address the submitted financing documents. Mr. Pavone advised that they had submitted four letters – three from Northland Securities and one from Great Western Bank in Des Moines. He stated that the project is estimated at \$45 million, with 50% covered by debt financing via traditional bank financing and bond funds, and the other 50% will be equity, insuring that the project is financially viable. Mr. Pavone stated that the license application states that up to 60% of the project will be available to Iowa investors and lenders, which is one of the reasons for the letter from Great Western Bank. They would like to have as much of the project as possible be funded by Iowa investors and lenders, and that is why the offering is structured as it is. Northland Securities was engaged approximately five or six months ago and they are diligently working to provide both debt and equity. Any equity that is not raised by Northland will be made available through the project partners and/or Iowa investors.

Commissioner Cutler asked Mr. Pavone how soon the equity investors or partner names would be available. Mr. Pavone advised that Midwest Gaming is the equity partner and they have committed to providing whatever equity is necessary should the Iowa portion of funding not be met. He advised that these partners would own less than 5%. He reiterated that the goal is to make the project as much about Iowa investors and bankers as possible. He stated that any portion of the Iowa component that is not met will be fulfilled by Midwest Gaming and Signature Management, which will represent 50% of the project.

Commissioner Hayes asked when that would be. Mr. Pavone stated they hoped to have that component completed within the next 60-90 days at the latest; that following today's meeting, Signature Management would be working with Northland to get everything

completed. Commissioner Hayes asked how the DCI would know who to background. Mr. Pavone advised that none of the Iowa equity partners would own more than 5%. The total of the Iowa offering may own up to 60% of the project, but none of the individuals would own more than 5%, allowing Signature and Midwest Gaming to maintain control of the project.

Commissioner Cutler advised that the Commission does need to see that information. Mr. Pavone indicated he understood. Commissioner Cutler stated that the information submitted does not fulfill the requirement of setting forth who will be participating in the equity and debt financing of the project.

Commissioner Hayes expressed concern about the letter submitted by Great Western Bank as it confirms their interest in providing financing but does not commit to providing funding. Mr. Pavone indicated that was correct; that Northland Securities is the main source of debt and equity financing. The letter from Great Western Bank was provided because they are an Iowa bank; and are working with a group of Iowa banks. Mr. Pavone noted that the process has happened fairly quickly. He reiterated the project's goal to provide as much opportunity as possible for local Iowa banks to participate as quickly as possible with the Northland.

Commissioner Hayes asked what Northland's process has been in seeking equity investors or debt financing. Mr. Pavone reiterated that Northland Securities has been hired to do the work, but have not started the process at this time. They will get started next Monday to provide the debt and equity. Northland has provided the commitment, but without knowing what this process was going to entail, Signature and Midwest did not want to go down the road with them and place the needed commitment funds until they were sure they were going to get past today's date and fulfill the Commission's requirements. Mr. Pavone stated that Northland is ready to go, and Signature and Midwest have had a commitment from them for approximately four months.

Chair Seyfer advised that was the reason the Commission established the initial debt and equity financing requirements. Mr. Pavone stated that it is their belief that they have met the requirements of the October 15th letter; the project is ready to go and Northland has provided a commitment for debt and equity financing, and Midwest Gaming and Signature are ready to provide the balance of any outstanding debt and/or equity financing. He indicated the start date for seeking the necessary investors is right now.

Chair Seyfer advised that the Commission intended to set a hurdle for this date and to go forward. He stated that the Commission was looking for the kind of information provided by the other applicants; that the Commission really doesn't have any information to go on regarding the debt and equity financing for this project.

Mr. Pavone advised that they have submitted a commitment letter from Northland, and the partners in the project will inject \$20 million in cash. He indicated the confusing piece is the desire to have as many Iowa investors as possible, which is the only reason

the investment has been structured in the manner it has. Mr. Pavone stated that if that portion of the financing piece needed to be removed, it could be done, which would allow them to compile a list of the partners and where the equity and debt financing is coming from. He stated that he understands the Commission members' frustration, but reiterated the debt and equity financing of the project was structured in this manner as indicated in the application submitted in November in order to make an investment opportunity available to as many Iowa investors as possible. Mr. Pavone noted that the partnership was willing to forego up to 60% of the ownership in order to allow Iowa investors to own less than 5% of the project. He again expressed a willingness to change the structure of the financing, but indicated the partners are committed to the project in terms of debt and equity. They have submitted three letters from Northland Securities, who reiterated their commitment to the project during a phone conversation yesterday.

Chair Seyfer inquired about the extent of local interest. Mr. Pavone indicated there is substantial amount of interest in the project. He advised that there have been several meetings on the other side of the state.

Commissioner Urban asked about the time frame for providing the equity partners' names. Mr. Pavone advised that he felt the information could be provided within 60 days. He stated that if they proceed with the Iowa offering, it would be somewhat more difficult to meet that time frame. Mr. Pavone indicated that he would discuss the matter with the attorney and determine how quickly the information can be pulled together. He stated that he feels the Iowa investor portion of the financing is the "fly in the ointment". Mr. Pavone again stated that they are willing to change that component of the application, but don't want to violate the Commission's rule regarding changes to the original application submission.

Commissioner Cutler stated that the Commission is not telling them to change this component, but noted that other applicants with the same type of financing component have listed all of their equity partners. Mr. Pavone stated that he would get the list. Commissioner Cutler stated that they would like the list soon; 60 days is too long.

Commissioner Harrison commended Mr. Pavone and his partners for trying to include Iowa investors, however, without the names of the investors, it is difficult to do the background checks. She noted that during the initial meeting with Commission members and staff, he stated that if at any time during the licensing process he could not provide the Commission with requested information that he would step back and not take more of the Commission's time and his company's money as well. She asked if he still stood by that statement. Mr. Pavone answered in the affirmative. He stated that a list of investors has been provided to the DCI and IRGC; however, the equity partners in Sioux City are prepared, provided that portion of the financing can not be raised through Iowa investors, to fund the balance of the \$20 million in cash. Mr. Pavone again stated that the sticking point is the Iowa investors, and the fact that they would own less than 5%, which was the goal when it was decided to make the offer. Those involved with the project felt that was doing the right thing for Iowa, even though at this point, it appears to have created some

confusion. Mr. Pavone requested time to put the equity investor list together, stating that it would be submitted to the Commission as quickly as possible. It was not their intent to circumvent the requirements established by the Commission.

Commissioner Hayes stated that the Commission needs the names of all of the investors who are committed to the project.

Commissioner Urban noted that the Commission does not meet again until March, and does not believe the Commission wants to wait that long to receive the information. Mr. Ketterer stated that the information can be submitted to the Des Moines office, which would then disseminate the information to the Commission members.

Mr. Pavone again apologized for any confusion that the Iowa component of the financing may have caused, and their belief that if the ownership was less than 5% they could pursue a public offering and provide those names at a later time. He reaffirmed the goal of getting as many Iowa investors involved in the project as possible.

Commissioner Harrison asked when the Commission might expect the information. Mr. Pavone stated that he hoped to have it submitted within 30 days, but would have to speak with the partners.

Chair Seyfer asked if those investors have been named, and if they are Iowans. Mr. Pavone answered in the affirmative. He stated that individuals connected to Midwest Gaming Group and Signature Management Group are all from Iowa, and constitute the primary investors. The goal of these two groups was to offer a larger piece of the project – up to 60% - to other Iowa investors who would own less than 5%.

Commissioner Hayes asked if the names of the Midwest Gaming and Signature Management investors were listed in the application. Mr. Pavone answered in the affirmative, and indicated they had been submitted to the DCI as well.

Chair Seyfer noted that the original agenda indicated the Commission would approve the financing documents, but decided to change it to “reviewing financing” so that the Commission could clarify the complete criteria of what they are to consider when issuing new licenses. He stated that financing will be a major component of what they will be looking at when they make their final decision.

Chair Seyfer moved to the contract approval portion of the agenda and called on Wild Rose Clinton (WRC). Tim Bollman, General Manager, presented the following contracts for Commission approval:

- Aristocrat Technologies, Inc. – Purchase of 12 Aristocrat Viridian Games
- International Gaming Technology – Purchase of 12 IGT Multi Games
- Konami Gaming, Inc. – Purchase of 12 Konami Games
- WMS Gaming, Inc. – Purchase of 6 WMS BlueBird II Slot Machines

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by WRC. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-01)

Chair Seyfer called on Terrible's Lakeside Casino. Randy Bechel, Slot Manager, and Lisa Slatniske, Controller, presented the following contracts for Commission approval:

- Alliant Energy – Gas & Electric Service
- Aristocrat – Slot leases/hardware-software maint. agrees/parts/supplies
- Atronic America's – Slot leases/parts/supplies and Slot Machines
- Bally – Slot leases/parts/supplies and Slot Machines
- Citadel Broadcasting Company – Radio advertising
- Clarke County Development – Contributions for Terrible's Lakeside Casino Comm. Fund
- ColorFx – Marketing services
- Core-Mark International – Purchase for resale at the C-Store – candy, food, tobacco & supplies
- Crawford Law Firm – Legal services
- The Des Moines Register – Marketing services – advertising
- Golden Eagle Distributing – Purchase of beer for resale at casino and c-store
- Guardian Life – Life and dental insurance
- Holmes Murphy – Property/Casualty/Liability & Workers Comp Ins
- International Gaming Technology – Lease of slot machines/parts/supplies and Slot Machines
- Konami – Lease of slot machines/parts/supplies and Slot Machines
- Loffredo – Purchase fresh produce for kitchen
- Martin Brothers – Purchase food and supplies for kitchen
- Metro Fish – Purchase food for kitchen
- Global Payment Check Services – Patron check processing guarantee service
- Osceola Municipal Services – Water & sewer service
- Pepsi – Beverages for patrons/employees & resale
- Principal Financial Group – 401K Plan
- Reinhart Food Services – Food & supplies for kitchen
- Roberts Dairy – Food & supplies for kitchen – Dairy product
- Sierra Health & Life Insurance Co., Inc. – Health insurance for employees
- Spurrier Oil Co., Inc. – Fuel purchase for C-Store
- Sysco – Purchase food and supplies for kitchen
- WMS Gaming – Lease of slot machines/parts/supplies

Commissioner Harrison asked if Lakeside had considered Iowa companies for the insurance services covered by the contracts with Guardian Life and Sierra Health & Life

Insurance. Ms. Slatniske advised that the corporate office had solicited bids for the insurance for the company as a whole.

Commissioner Hayes asked if that was a “Yes”, that it was important for the Commission to know if any Iowa companies were considered since Iowa is considered to be an insurance center. Ms. Slatniske stated that she did not know the answer but would find out. Commissioner Hayes stated that as long as Iowa gets a chance to compete that is all that is necessary.

Ms. Slatniske advised that Terrible’s has had an Iowa insurance vendor in the past. The corporate office put out an RFP seeking bids for company-wide insurance coverage.

Hearing no further comments or questions for Mr. Bechel or Ms. Slatniske, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contracts as submitted by Lakeside. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-02)

Chair Seyfer called on Riverside Casino & Golf Resort (RCGR). Joe Massa, General Manager, presented a contract with Koch Brothers, Inc. for an equipment lease agreement.

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 Harrison seconded the motion, which carried unanimously. (See Order No. 10-03)

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
- Aristocrat – Equipment and game lease
- Atronic/Spielo – Equipment and game lease
- Bally – Equipment and game lease
- Konami – Equipment and game lease
- WMS – Equipment and game lease
- USA Security – Surveillance equipment

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 Cutler seconded the motion, which carried unanimously. (See Order No. 10-04)

Chair Seyfer called on Diamond Jo Casino (DJ). Todd Moyer, General Manager, presented a contract with Paltronics for a unique slot bonusing system.

Hearing no comments or questions concerning the contract, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the contract as submitted by DJ. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-05)

Chair Seyfer called on Mystique Casino. Jesus Aviles, General Manager, presented the following contracts for the Commission's approval:

- American Trust & Savings Bank – Increase value of construction loan
- Garda CL Great Lakes, Inc. – Armored car service – transfer of currency, coin & checks
- Pitney Bowes – Postage machine lease and maintenance agreement

Chair Seyfer asked about the construction loan increase with American Trust & Savings Bank. Mr. Aviles explained that the loan was being increased from \$25 million to \$35 million.

Commissioner Urban asked the status. Mr. Aviles advised that the renovated property is beautiful. He stated that Dubuque has two wonderful gaming facilities between Diamond Jo and Mystique. Mr. Aviles advised that their joint marketing program has been successful in growing the market.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Mystique. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-06)

Chair Seyfer moved to the agenda items for Prairie Meadows Racetrack & Casino (PMR&C), with the first item being racing dates for the standardbreds, which were deferred at the November Commission meeting.

Gary Palmer, General Manager, introduced Tom Whitney, a member of the Board of Directors and Chair of the Horse Racing Committee, and Derron Heldt, Director of Racing. Mr. Palmer asked Mr. Whitney to address the harness racing dates.

Mr. Whitney stated that PMR&C does not have an agreement with respect to the harness season for 2010. He advised that the parties have had some extensive negotiations; however, the last proposal submitted to the standardbreds called for 10 days of live racing at PMR&C for a purse of \$550,000 as discussed and directed by IRGC at the November meeting. In addition, PMR&C offered to provide \$1 million for a year to the standardbreds for the county fair races with the caveat that the amount would be reduced by \$250,000, and capped at that amount, with respect to the changeover of the track surface, which is necessary in order for the standardbreds to run at PMR&C. Mr. Whitney stated that the project had been let for bid, and if there is a bidder who meets the standards and time frames necessary for completing the project that can be offered by the

standardbreds, PMR&C would accept the bid in a formal process for the track changeover. He noted that McAninch Corporation has been successful in the bid process and performed the service for a number of years. They are the largest turf mover in the State of Iowa. The caveat for the successful bidder is that they would have to meet the terms and standards of what PMR&C expects. The standardbred association rejected this offer. Mr. Whitney stated they want to maintain the status quo with regard to what has been done in the past. He noted that while the parties had discussed the length of the contract, PMR&C was only talking in terms of the county fairs, and the parties are nowhere near reaching an agreement with regard to the offers made. At the present time, the offer is ten days of live racing at PMR&C, \$550,000 for purses and \$1 million for the county fair program with a \$250,000 cap to go toward the necessary track surface changeover.

Chair Seyfer asked how the proposed race dates would work with the race dates as set forth at the November Commission meeting. Mr. Whitney advised that Mr. Heldt had been working with the various groups with regard to race dates. Mr. Heldt advised that the dates as discussed at the last meeting would change. He stated that PMR&C has reached a tentative agreement with the thoroughbreds and quarter horses.

Commissioner Cutler asked how long the contract with the standard bred would be. Mr. Whitney stated that it would be one year. He stated that his personal assumption as it relates to the standard bred is that if other areas could be resolved, such as live racing at PMR&C, etc., he feels PMR&C would provide additional years of funding for the county fairs. Additionally, if the standardbreds would agree to pack the track surface versus a complete changeover, the \$250,000 could go to the county fair program.

Commissioner Harrison, noting the standardbreds had rejected PMR&C's offer, asked if they had come back with a counter offer. Mr. Whitney advised that they would like to maintain the status quo and according to a letter forwarded to the Commission, they want what they have had in the past - \$1 million for the county fairs plus a live racing schedule at PMR&C. They have expressed a desire to have an eleven-year contract, or in the alternative, a one-year contract.

Commissioner Urban asked if PMR&C had originally offered the standardbreds \$1 million per year for five years for the county fairs. Mr. Whitney answered in the affirmative. Commissioner Urban asked if that offer was still on the table. Mr. Whitney again answered in the affirmative. He went on to state that it was the Board's overwhelming view that standardbreds would not be racing in the future at PMR&C; but wanted to support the county fair program, so the initial offer was really \$1 million per year over a five year period, and in return, the standardbreds would not race at PMR&C in the future. PMR&C was willing to enter into a five year contract to support the county fair program. This offer was rejected; and the proposal just outlined was reached through further negotiations.

Commissioner Cutler asked if a meeting was scheduled with standardbred representatives to continue discussions. Mr. Whitney advised that no meeting is currently scheduled, but stated he had spoken with Jeff Lamberti, the standardbred representative, this morning about some other options. He stated that PMR&C would continue to try and find solutions to some of the problems throughout the year, and will continue negotiations and discussions with all of the horse groups. Mr. Whitney advised that PMR&C will be bringing the metrics for all of the horse groups before the Commission at the March meeting, noting that metrics had only been developed for the thoroughbreds and quarter horses. The metrics for the standardbreds will be developed and ready by March in light of the Commission's mandate that they race for ten days.

Chair Seyfer asked if anyone would like to address the Commission on behalf of the standardbreds. Royal Roland, President of the Iowa Harness Horsemen's Association, stated that he respects Mr. Whitney's opinion and efforts regarding negotiations with PMR&C. He advised that there was one particular element of what was conveyed that he was surprised to hear – the bidding for the conversion of the track. He stated that it was news to him that they were willing to accept or provide some bids or accept bidding for the conversion of the track and that it could be some amount less. The negotiations and discussions up to this point were that there had been some bidding done in the past, not for 2009, and that those bids were still in effect and there was no discussion about putting it out for bid for the upcoming year. It was his understanding that the standardbreds could take the \$750,000 and convert the track, or take the \$1 million and pack the track.

Mr. Roland stated that as far as what was going to happen in the future, Mr. Whitney conveyed that he had been in contact with Mr. Lamberti about an extended contract. Mr. Roland advised that happened approximately 15 minutes ago. He stated that he was highly offended by the unwillingness to hold discussions and then the conveyance to the Commission that they are willing to have discussions.

Commissioner Urban asked who Mr. Roland takes the information back to – Board, Association, etc. Mr. Roland advised there is a nine member board of director, three of whom make up the negotiation committee.

Commissioner Hayes asked if the negotiation committee had the authority to make decisions during the process. Mr. Roland answered in the affirmative.

Commissioner Urban stated that based on Mr. Roland's comments, she is assuming that it is the track that is causing the problems – compacting, packing, or whatever. She asked if that was the major concern. Mr. Roland stated that the problem is the cost. Commissioner Urban stated that the Commission has encouraged all of the tracks and casinos to seek competitive bids for whatever services are needed, and doesn't see that as a problem.

Commissioner Cutler stated that any contract totaling \$100,000 or more would come before the Commission for approval. She noted that if they didn't go out for bid last

year, she wondered if the Commission saw a contract last year. Mr. Ketterer answered in the affirmative.

Mr. Palmer advised that the same company has performed the services for the last 2-3 years. He noted that there are time constraints in changing the track surface and that it requires sophisticated satellite equipment for the radius of the track. Mr. Palmer indicated there are three or four companies that could potentially bid on the project, but that not just any company would meet the standards for performing the work.

Mr. Lamberti stated that he believes the issue for the standardbreds is that they feel there may be a potential for some savings, but don't know that for sure, nor will they guarantee that there is. The real issue is who will be responsible for the cost. In previous negotiations, the parties have agreed to the ten days and a reduction in purses, which amounts to a 17% reduction in support for the industry. It is their opinion that PMR&C could realize some savings by putting the process out for bid, but that the cost of the changeover should be the responsibility of the track. If the horsemen accept the \$250,000 reduction in county fair support, then they are looking at a 30% reduction in support for the industry. Mr. Lamberti stated that the standardbreds' proposal does provide some significant savings in terms of the reduction in racing days and that they would attempt to find additional savings without burdening the standardbred group with an additional reduction in support.

Commissioner Urban stated that the problem the standardbreds are facing is that they don't have the same kind of audience as the other breeds; and don't provide any income from bets as a result of that, and that is the issue for PMR&C and the Commission.

Mr. Lamberti stated that he and the standardbred horsemen understand that, and understand the need for cost reductions/savings; but would prefer the status quo for 2010. They knew that was unlikely to happen, but did work to try and locate some cost savings. He indicated their willingness to continue negotiations.

Commissioner Hayes advised the standardbred group to keep negotiating.

Commissioner Harrison asked if the standardbred horsemen would be involved in drawing up the metrics. Mr. Whitney answered in the affirmative, stating the track representatives would be meeting with representatives of all three horsemen's groups over the next 10-14 days to get their input. Commissioner Harrison asked Mr. Whitney about Mr. Roland's statement regarding negotiations. Mr. Whitney stated that his last conversation with Mr. Lamberti had taken place earlier in the morning at the Commission meeting. He stated that PMR&C's Board of Directors is prepared to meet and negotiate; they have never denied meetings or negotiations at any time for the purposes of resolving some of the issues. Mr. Whitney indicated that a consequence of that philosophy over the past year is that they may have raced through some issues being presented today with respect to the quarter horses and thoroughbreds. He expressed PMR&C's hope that all issues had been resolved, but indicated the Board's willingness to continue discussions in

the event they are not. Mr. Whitney stated that he didn't want to dwell on the track surface, but pointed out that changing the surface benefits the standard bred, according to a representative, in the approximate amount of \$300,000, but costs the track in excess of \$350,000 to change the track surface. PMR&C is simply saying that the standard bred is the direct beneficiary of the change, that it is expensive for the track, who does not receive any benefit from the change. Mr. Whitney stated that PMR&C is not asking the standardbred to cover the full cost of the change in the surface, and have agreed to cap their cost at \$250,000. He advised that RFPs for this project were last put out two years ago, and all of those contracts did come before the Commission for approval.

Commissioner Cutler asked Mr. Ketterer if PMR&C and the standardbred didn't have an agreement by the March meeting if the Commission would then tell PMR&C what to do. Mr. Ketterer advised that the race dates need to be resolved today in order to establish purses, get printed material out and meet other deadlines the Racing Department is facing. He noted that any agreements that include purse supplements have to be submitted simultaneously by law. If PMR&C has agreements addressing other issues – long-term plans, number of racing opportunities, racing dates, etc. – that they want to submit, those can be submitted individually. Mr. Ketterer pointed out that there is nothing about agreements on the agenda for today's meeting.

Commissioner Cutler again asked if PMR&C and the standardbred reach a point where they have not come to an agreement if the Commission would make the decision for them. Mr. Ketterer stated that the Commission would make the decision with regard to purses. Chair Seyfer stated it was his understanding that, procedurally, the Commission needs to establish the racing dates for PMR&C. Commissioner Cutler asked if that would be for all three breeds. Mr. Ketterer answered in the affirmative. There was a brief discussion as to what racing dates were being decided.

Chair Seyfer noted that the harness dates had been deferred at the January meeting. He reminded everyone that the Commission does not have any authority or jurisdiction over what PMR&C does with the county fair races or the supplement, but can establish racing dates at PMR&C if there is no agreement. There was a brief discussion as to the number of harness racing days at PMR&C. It was decided to establish ten racing days for the standardbred at the track. Chair Seyfer stated that he thought PMR&C and the standardbred representatives has reached an agreement for ten days.

Mr. Heldt advised that if the Commission would take up the amended race dates for the thoroughbreds and quarter horses, the dates for the standardbred would fall into place. Hearing no concerns from the Commission, Chair Seyfer deferred the standardbred dates until after the amendment of the race dates for the other two breeds.

Chair Seyfer moved to the next agenda item for PMR&C – Request for Revision of 2010 Thoroughbred and Quarter Horse Racing Dates. Mr. Palmer advised that since January's meeting, PMR&C representatives have had an opportunity to meet with representatives of the thoroughbreds and quarter horses and reached a tentative agreement that Mr.

Whitney will present to the Board for a vote. The tentative agreement calls for 67 days of thoroughbred racing and 26 days of quarter horse racing in separate meets. He stated that part of the agreement is that the parties have agreed in principle to a five year contract with the thoroughbreds and a three year contract with the quarter horses. Mr. Palmer asked for representatives from the thoroughbreds and quarter horses to verify the agreement.

Tom Levis, legal counsel for the thoroughbreds, noted that since last November the parties have been negotiating, and have reached an agreement for 67 days of racing starting around April 24th and ending around August 7th. They have agreed to a five year contract and a reduction in the purse amount to 83%.

Commissioner Urban asked if the race days could be manipulated at a later date if the need arises. Mr. Palmer answered in the affirmative, stating that it is PMR&C's intention upon the completion of the hotel to race on Saturday and Sunday.

Chair Seyfer asked if the Commission was ready to determine race dates for the standardbreds. Mr. Heldt, referring to the proposed racing calendar for the thoroughbreds and quarter horses, stated that the standardbred races could be held on October 1-2, 4-5, 8-9, 11-12 and 15-16. Chair Cutler noted those are Friday, Saturday, Monday and Tuesday dates. Mr. Heldt stated that is similar to what they have done in the past.

Chair Seyfer called for any further questions. Commissioner Cutler stated that she would like to hear from a standardbred representative. Mr. Lamberti stated there needed to be some clarification regarding the meet. He noted that as part of the overall negotiations, they did agree to the ten day meet, but that the county fair funding is somewhat in jeopardy. He indicated they tried to look at the overall picture during the negotiations, and as part of that, they did agree to the ten days; however, they don't want to be on record as agreeing to the ten days, they would prefer 16 days of racing at PMR&C.

Chair Seyfer stated that PMR&C does not have any agreements with any of the breeds at this time so it is necessary for the Commission to set the racing dates and purses for the three different breeds. He stated that it is his understanding that the thoroughbreds will have 67 days of racing, the quarter horses will have 26, and the standardbreds will have ten. Purses will be \$550,000 for the standardbreds, with the remaining amount being distributed as follows: 83% for the thoroughbreds and 17% for the quarter horses.

Chair Seyfer called for any further comments from the Commission. Hearing none, he requested a motion. Commissioner Urban moved to approve the race dates and purses as set forth above. Commissioner Harrison seconded the motion.

Commissioner Cutler again asked if the parties did not reach an agreement if they could make changes. Mr. Ketterer stated that no further changes can be made to the race dates or purses for the 2010 race meet.

Commissioner Hayes stated that he hoped the standardbred representatives listened to PMR&C; that it sounds like they are trying to work the situation out.

Chair Seyfer noted that the motion had been moved and seconded, and called for the vote. The motion carried unanimously. (See Order No. 10-7)

Chair Seyfer moved to the Long Term Racing Plan/Metrics. Mr. Palmer stated that the Ray/Reed study established some benchmarks for a metrics and evaluation system. He noted that PMR&C plans to work with the breeds over the next 10-14 days to set forth their benchmarks and be ready to submit a draft to the Commissioners in March.

Chair Seyfer moved to the Hotel Update. Mr. Palmer advised that the project is progressing, and the committee is meeting at least twice a week. He stated there are several banks that are meeting with Kinseth Hospitality. It is hoped that they will be able to break ground in May, and hope to have it completed in June 2011. The holdup at this point is the financing. Mr. Palmer stated that he would like to show the Commission concept and grade drawings at the March meeting.

Chair Seyfer moved to the season approvals for the thoroughbred and mixed meets. Mr. Heldt advised that the revised racing calendar would need to be inserted in the plan.

Chair Seyfer called for any questions or comments concerning the submission. Hearing none, he noted there are some staff recommendations that need to be included in the motion.

Commissioner Hayes moved to approve the season approvals for the thoroughbred and quarter horse meets, including the following staff recommendations:

- The immediate written notification of any change in racing official positions.
- The completion of necessary IRGC licensing and DCI backgrounds.
- Continuation of all import/export simulcast contracts being reviewed and approved by IRGC staff.
- Prior notification and approval of any schedule changes: race days, post times, or the number of races.
- Continuing compliance with conditions entered into the record at the November 2009 Commission meeting.

Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-8)

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

- Acme Printing – Printing services
- Des Moines Register – Advertising and subscription expense

- Giesecke & Devrient America, Inc. – Cash handling equipment
- Wellmark Blue Cross Blue Shield of Iowa – Employee medical insurance

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-9)

Commissioner Urban asked how long the contract is for the dates just approved. Chair Seyfer advised there is no contract. Mr. Ketterer stated that the dates are for 2010 only.

Chair Seyfer moved to Public Comment. Ed Shaffner stated that after hearing some of the comments today and being made aware of some things that he did not know were happening that he had a few comments. He prefaced his comments by noting the number of years individuals fought to get pari-mutuel racing in Iowa. He stated that the enemy at that time was the Knights of Aksarben, now the enemy is from within. He stated that the IRGC, who would not be here if not for racing, needs to step up and regulate. Mr. Shaffner stated there needs to be an accurate accounting of everything; he called for the State Auditor to audit PMR&C and decide where everything should be allocated. He stated that although he had tried numerous times, without success, to get a breakdown of any expenses. He asked what the profit was on the non-existent hockey games downtown, the Bass Pro Shop, and races at Newton. He noted there is nothing in the Iowa Code that requires horse racing to make money. Mr. Shaffner stated that PMR&C is here because of the horses, not in spite of them. He stated that Mr. Whitney indicated that he had not received letters from any of the supporters of racing or anyone else. He pointed out that PMR&C had two meetings where people got up and read letters. He stated that he had submitted a signed petition from the horse players in Iowa, most of whom are Prairie Gold Club members, to the Board with a list of things that could be done to improve racing in Iowa. Mr. Shaffner stated that the situation at PMR&C is a charade and that it is time for the Commission to stand up and regulate PMR&C. He stated that he did not know what they did not understand about not coming with signed contracts for today's meeting; that was his understanding from the last meeting.

Chair Seyfer moved to Administrative Business. He stated that the IRGC has determined probable cause to believe that action should be taken as to the occupational licenses issued to Lawrence Dale Bain under Iowa Code Chapters 99D and/or 99F. The contested case hearing shall be held on March 3, 2010 before the IRGC. The hearing shall be at 1:00 PM and located at Stoney Creek Inn in Johnston, Iowa.

Chair Seyfer called for any further business to come before the Commission. Hearing none, he 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 4, 2010**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, March 4, 2010 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 advised there was one amendment to the agenda – the contract for Kinseth Hotel under agenda item 6B (Prairie Meadows Racetrack & Casino (PMR&C) is being deferred until the April Commission meeting, and will be discussed under agenda item 6D. Chair Seyfer requested a motion to approve the agenda as amended. Commissioner Cutler so moved. Commissioner Urban seconded the motion, which carried unanimously.

Chair Seyfer moved to the approval of the minutes from the January 14, 2010 Commission meeting and requested a motion. Commissioner Urban moved to approve the minutes as submitted. Commissioner Harrison seconded the motion, which carried unanimously.

Chair Seyfer called on Jack Ketterer, Administrator, for announcements. Mr. Ketterer outlined the upcoming meetings of the Commission as follows:

- March 23, 2010 – New Applicant Presentations, Stoney Creek Inn, Johnston, IA (START TIME: 10:00 AM)
- April 6, 2010 – Division of Criminal Investigation Background Reports Re: New Applications – **CLOSED SESSION** – Stoney Creek Inn, Johnston, IA
- April 7, 2010 – Proposed Casino Site Visits by Commissioners & Staff
- April 14, 2010 – Proposed Casino Site Visit – Larchwood, IA
- April 15, 2010 – Ameristar Casino, Council Bluffs, IA (Submissions due by April 1, 2010)
- May 4, 2010 – Public Hearing – New License Applications, Stoney Creek Inn, Johnston, IA
- May 13, 2010 – Commission Meeting (START TIME: 10:00 AM)
- June 3, 2010 – Stoney Creek Inn, Johnston, IA (Submissions due by May 20, 2010)

He advised that the meeting on March 23rd will be for the new applicants to make their presentations to the Commission. The presentations will be the only agenda item, and the meeting is open to the public. The presentations will be at 10:00, 11:00, 1:00 and 2:00. The order of the presentations will be determined at the end of the meeting by means of a drawing. On April 6th, the Commission members will be receiving the Division of

Criminal Investigation background reports. This is the only portion of the licensing process that is closed to the public. Both the March 23rd and April 6th meetings will be held at Stoney Creek Inn.

On April 7th, the Commission and staff members will visit the central Iowa proposed casino sites in Webster County, Tama and Wapello County. On April 14th, in connection with the April 15th regular Commission meeting to be held at Ameristar Casino, the Commission will visit the proposed site in Lyon County.

On May 4th, the Commission will hold a Public Hearing regarding the proposed casinos at Stoney Creek Inn. This meeting is an opportunity for any member of the public that is not connected with any of the applicants, to comment on anything having to do with the application process for new licenses. Mr. Ketterer stated that the applicants should be in attendance to respond to some of the public input; Commission members will also have an opportunity to ask questions of them at this time. This will be the time when the Commission members have the most information available to them regarding the applications and proposed sites. On May 13th, the Commission will make their final decision on the new applications, which will be the only item on the agenda.

The Commission's last regularly scheduled meeting for Fiscal Year 2010 will be held on June 3rd at Stoney Creek Inn. Mr. Ketterer advised that meeting dates for Fiscal Year 2011 will be announced at the April Commission meeting.

Mr. Ketterer requested Chair Seyfer's permission to read a statement related to the recent breach of the Commission's server that affected many of those in attendance. A copy is attached and incorporated in its entirety by this reference. Mr. Ketterer expressed regret for any anxiety and concern caused and thanked IRGC staff and State Printing for their assistance in getting the letters out, and especially Karyl Jones for putting in some long hours throughout this process. He expressed his hope that the Commission would never have to deal with this type of situation again.

Chair Seyfer called on Horseshoe Casino/Bluffs Run Greyhound Park (BRGP). Janae Sternberg, Director of Finance, presented a contract with Siemens IT Solutions to provide information technology services.

Hearing no comments or questions concerning the contract, Chair Seyfer requested a motion to approve the contract. Commissioner Cutler moved to approve the contract as submitted by Horseshoe Casino/BRGP. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-10)

Chair Seyfer called on Mystique Casino/Dubuque Greyhound Park (Mystique). Roger Hoeger and Brian Carpenter, Assistant General Manager and Director of Racing respectively, were present to address the 45-day submission for the upcoming live race meet and the contract with McClain Excavating for the removal and replacement of sand in the kennel area.

Chair Seyfer called for any comments or questions concerning the 45-day plan or the contract. Mr. Ketterer acknowledged the contract to remove and replace the sand in the kennel compound area; noting that it was a large expense, but one that needed to be made.

Hearing nothing further, Chair Seyfer requested a motion, noting there were staff recommendations to be included in the motion. Commissioner Hayes moved to approve the 45-day plan as submitted by Mystique contingent upon the completion of all appropriate Division of Criminal Investigation (DCI) backgrounds, that staff approve simulcast schedule requests to insure compliance with all regulatory requirements as well as a required tote test prior to live racing; and these additional requirements: that Mystique staff meet with IRGC staff and the totalizator company to implement testing recommendations, and they 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 representatives on track maintenance and safety issues, and the additional contract. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-11)

Chair Seyfer called on PMR&C. Derron Heldt, Director of Racing, submitted a request to amend the post time schedule for the 2010 Quarter Horse meet, which runs from August 13th through September 25th. The post times for races on Monday and Tuesday would change from 3:30 PM to 6:30 PM. PMR&C also requested a special post time of 4:00 PM for Monday, September 6th. The start time on September 6th will allow PMR&C to showcase the American Futurity Race, which is similar to what they do with the Triple Crown races for the thoroughbreds. Mr. Ketterer asked if the change was being made due to simulcasting. Mr. Heldt answered in the affirmative, stating PMR&C felt they could see an increase in handle and simulcast revenues.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Urban moved to approve the requested change in post times for the quarter horse meet. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-12)

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

- Cities Edge Architects – Architectural Services – Hotel Development
- Durkan Patterned Carpet – Specialty Carpet for Casino
- Shive-Hattery Inc. – Engineering Services
- Weitz Company – Construction Services – Hotel Development

Commissioner Urban asked Mr. Palmer to bring the Commission up-to-date on the whole process relating to the hotel. Mr. Palmer stated that in order to get the “fishbowl”, PMR&C has to do some work in order to attach the hotel to the existing property. The

first phase is the “fishbowl”, which requires a roof being put over some current square footage that will be unreachable later due to framing, etc. Weitz Company will be performing that work for PMR&C. They will also be performing work related to the utilities. Mr. Palmer stated that PMR&C would be spending approximately \$1.5 million just to be able to start building the hotel. Mr. Palmer stated that is also the reason behind the contracts with Cities Edge, Durkan Patterned Carpet and Shive-Hattery, Inc.

Commissioner Urban pointed out that the contract with Weitz was for \$7 million, and asked if that was what PMR&C anticipated the cost would be to add the roof, etc. Mr. Palmer answered in the affirmative, advising that PMR&C would be spending approximately \$10 million of their own money as they have to put the utilities in. He stated that PMR&C would own approximately 17% of the hotel, or the convention space on the bottom floor, which is creating additional costs for them.

Commissioner Urban asked how PMR&C intended to cover those costs. Mr. Palmer advised that PMR&C has a line of credit of \$10 million that is available if needed. He noted that PMR&C is debt-free at this time.

Commissioner Urban asked about the \$5 million contract with Kineth. Mr. Palmer stated that is what PMR&C will owe them for PMR&C’s part of the utilities, expenses of connecting the facility to the hotel, and certain items that PMR&C has committed to do for Kineth for the construction of the hotel. He stated that PMR&C’s Board of Directors approved five contracts with Kineth, which will now be presented to the Polk County Board of Supervisors. Mr. Palmer stated that PMR&C is not worried about the financial end of the hotel at this time. Commissioner Urban pointed out that in previous discussions concerning additional parking, or other capital improvements; PMR&C has indicated they did not have the funds to do the projects.

Hearing no further 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. 10-13)

Chair Seyfer moved to the hotel update. Mr. Palmer advised that he had distributed copies of the Hotel Concept Plan, noting that groundbreaking will take place in May and be completed by July 2011. (Copy attached) He stated that Tom Flynn, legal counsel, had reviewed the contracts that were signed the previous day.

Chair Seyfer asked if there is an underlying ground lease, or just how the title would be held. Mr. Flynn advised that PMR&C has the lease with Polk County, and will enter into a lease with Kineth. The project will be condominiumized; two separate taxing parcels will be created. One will be the hotel, or Kineth’s unit, and the other one will be the link and banquet and eating rooms, or PMR&C’s 17% of the project. Kineth will have a 60-year lease on the hotel, and pay rent on a sliding scale: the first payment is \$4 million of gross sales; the rent will increase as sales improve. In order to make the project attractive

and feasible for Kinseth, and its investors and lenders, PMR&C has agreed that if the referendum in November 2010 should fail, PMR&C would reimburse Kinseth for any investment in the project. If construction has started and the referendum fails, PMR&C would be obligated to reimburse Kinseth for whatever costs they have put into the hotel plus their investment.

Commissioner Urban asked if there was an agreement between Kinseth & PMR&C to purchase the hotel at some point. Mr. Flynn advised that the document under discussion provides that after 3 years Kinseth can seek to sell the hotel, and if a buyer is located, PMR&C has the right of first refusal and can purchase the hotel. After five years, PMR&C has the absolute right to purchase the property under a specific formula; the first would be the greater of the investment made by Kinseth plus a percentage, or the appraised value. This allows Kinseth to inform the investors and lenders that they will get back 100% plus or the appraised value. Mr. Flynn stated that Kinseth's last proposal to PMR&C was to get their investment back plus 110%. PMR&C's board did not agree to the proposal; thus it is an open term and has been sent back to Kinseth. It is hoped they will have an agreement by the April meeting.

Commissioner Hayes asked what steps and/or approvals had to take place in order for construction to begin. Mr. Flynn stated there are six different documents involved in this transaction, some of which involve PMR&C and Polk County. At PMR&C's board meeting yesterday, the board approved several documents; he was instructed to put those in final form and forward to Kinseth. Those documents will be submitted to the Polk County Board of Supervisors. If the Supervisors make changes to those documents, they will have to go back to Kinseth and PMR&C's boards for approval. If everyone approves, the documents will come before the Commission.

Commissioner Hayes asked if the land lease was one of the documents. Mr. Flynn answered in the affirmative. He stated that PMR&C needs to amend the land lease with Polk County. One of the major provisions in the current land lease is that PMR&C can not construct a hotel on the property. Mr. Flynn advised that the Supervisors have already informed PMR&C that they have no objection to the construction of a hotel on the property. He stated that PMR&C has tried to project and provide for the concerns of the county and Kinseth's lenders in this transaction.

Commissioner Hayes asked Mr. Flynn if this matter was part of the discussion for the new lease with Polk County. Mr. Flynn indicated it was not. Commissioner Hayes stated that it was possible the issue could surface again. Mr. Flynn stated that one of the documents that has been approved is a Recognition and Non-Disturbance Agreement which states that Polk County agrees to the construction of the hotel, and Kinseth's operation of the hotel. The document also states that if Kinseth defaults, Kinseth's lenders would step in and Polk County would honor the terms of the lease with Kinseth. Mr. Flynn stated that even though the lease is for 60 years and beyond, the lease will be honored by Polk County no matter what happens to PMR&C. Polk County will have to

agree to these conditions; the hotel lease will have a life of its own separate and distinct from the County's lease with PMR&C.

Commissioner Hayes, in reviewing a drawing from the concept plan, noted a large structure at the south end of the facility, asked if that was the parking garage. Mr. Palmer answered in the affirmative, indicating it was a 1,000 stall parking garage. Commissioner Hayes asked if the parking garage had been approved by the board at its meeting, or if the drawing was just a conceptual drawing. Mr. Palmer indicated it was just a conceptual drawing.

Chair Seyfer called for any further comments or questions concerning the hotel project. Hearing none, he moved to the update on the racing plan. Mr. Palmer stated that he had provided a copy of the signed five-year agreement with the Iowa Thoroughbred Breeders and Owners Association (ITBOA) and the Iowa Horsemen's Benevolent and Protective Association (IHBPA) to Mr. Ketterer this morning.

Tom Levis, legal counsel for the IHBPA, requested the Commission's blessing of the contract, stating if they did so, they wouldn't have to see him for five years.

Commissioner Seyfer thanked Mr. Palmer and Mr. Levis, reminding them that the Commission could "bless" the agreement, but could not approve it at this meeting as it was not an action item on the agenda.

With regard to an agreement with the Iowa Quarter Horse Racing Association (IQHRA), Mr. Palmer advised there are still some issues to be worked out, but stated he feels they are on the road to success.

Commissioner Seyfer asked the length of the proposed agreement with the IQHRA. Mr. Palmer indicated it was for three years.

Mr. Palmer next addressed an agreement with the standardbreds. He stated that the agreement the parties discussed approximately three weeks ago called for ten days of racing at PMR&C this year, and the option of \$1 million for the county fair circuit or \$250,000, at the most, to help cover the expense of removing the track surface. Mr. Palmer stated that if the standardbreds elect to take the \$1 million for the county fairs, the track surface will be packed for their races, not removed. If they agree to help cover the expense of removing the track surface, PMR&C will give them \$750,000 for the county fair race circuit.

Commissioner Urban asked the length of the proposed agreement. Mr. Palmer indicated that it would be for one year.

Commissioner Cutler asked Mr. Palmer if he anticipated being able to submit the agreement at the April Commission meeting. Mr. Palmer answered in the affirmative.

Hearing no further comments or questions for Mr. Palmer, Chair Seyfer moved to the next agenda item – Isle of Capri Casinos, Inc. (IOC) – First Amendment to Credit Agreement. Curt Beason, legal counsel, stated that the amendment provides Isle with leverage and interest coverage covenant relief through April 30, 2012 and gives them the flexibility to issue senior unsecured notes provided the proceeds are applied to pay down the senior credit facility. Additionally, Isle will increase the interest rate on both the revolving and term loan portions of the credit facility to LIBOR + 3.00% with a LIBOR floor of 2.00%. They have also agreed to reduce the revolving loan commitments by \$100 million to \$375 million.

Hearing no comments or questions for Mr. Beason, Chair Seyfer requested a motion to approve the contract as submitted by IOC. Commissioner Cutler moved to approve the First Amendment to the Credit Agreement as submitted by IOC. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-14)

Chair Seyfer called on Iowa West Racing Association (IWRA)/Ameristar Casino Council Bluffs, Inc. (Ameristar). Todd Graham, Executive Director of IWRA, and Jim Franke, Interim General Manager of Ameristar, were present to address questions. Mr. Graham advised that IWRA is the non-profit sponsor for the Ameristar license in Council Bluffs, and that the current agreement expires on March 31st. The parties have agreed to an extension of the amendment to the Sponsorship Agreement for IWRA to continue their non-profit sponsorship of the license. Mr. Graham advised that the partnership has been mutually beneficial, which resulted in smooth negotiations to continue the sponsorship agreement. He thanked Ameristar for being an active corporate citizen within the community and their support of IWRA projects in the region.

At this time, Mr. Graham turned the floor over to Mr. Franke, who indicated Ameristar was grateful they could extend the partnership with IWRA. Ameristar values the care and compassion that IWRA shows to the community; that those are the same characteristics that Ameristar strives to show in the communities in which they operate.

Chair Seyfer asked if the agreement was for five years. Mr. Graham answered in the affirmative, noting it contains an option to extend it for another five years.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the Amendment to Second Amended and Restated Excursion Boat Sponsorship and Operations Agreement as submitted by IWRA and Ameristar. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-15)

Chair Seyfer called on Wild Rose Entertainment, L.L.C. (Wild Rose)/Wild Rose Clinton, L.L.C. (WRC). Tom Timmons, Vice President of Operations for WRE, stated that the Amended and Restated Management Agreement is an update of the current agreement and is very similar to the agreement approved for Wild Rose Emmetsburg (WRE). He

advised that there is no change in the money or percentages; that it is more for clarification of duties and to bring it more in line with the WRE Management Agreement.

Hearing no comments or questions for Mr. Timmons, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the Amended and Restated Management Agreement between Wild Rose and WRC as submitted. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-16)

Chair Seyfer moved to the review of the Year-to-Date Economic Impact Reports. Mr. Ketterer advised that the licensees submit their expenditures that contribute to the overall economic impact of the industry on a quarterly basis; this year's total was \$1.61 billion. He stated that the numbers are not audited by a CPA firm, but they are reviewed by IRGC staff assigned to the facility. Mr. Ketterer stated that the licensees spent \$1.967 million with Iowa sources and vendors. He stated that one of the key categories the Commission looks at in approving contracts is to see where equipment, supplies and services are coming from, and whether it can be attributed to an Iowa source. This year 70% of their expenditures were with Iowa sources. Of the remaining 30%, approximately 12% was for gaming equipment, which generally is not available from an Iowa vendor; and 8% was for necessary or specialized sources, which are typically media buys or beverage distributorships in border locations,. Mr. Ketterer stated that he felt the numbers were down somewhat from calendar year 2009. He noted that the adjusted gross revenue being reported by the facilities is down 4-5%, the number of employees has dropped, and the amount being paid in taxes is less. Mr. Ketterer stated that the numbers were a good showing in support of Iowa goods and resources.

Chair Seyfer called for any comments or questions. Commissioner Hayes thanked the licensees for spending as much as they did with Iowa businesses. He stated that if the licensees could figure out a way to get the gaming equipment companies to locate in Iowa, it would be a home run.

Chair Seyfer moved to the Excursion Gambling Boat and Gambling Structure License Renewals, and called on IWRA and Ameristar. Mr. Graham stated that IWRA is the non-profit sponsor for both Ameristar and Harrah's Council Bluffs Casino Hotel (Harrah's), and requested the Commission's support of the license renewals for both properties. He stated that IWRA's relationship with Ameristar and Harrah's has been excellent, which has allowed IWRA to maintain its level of grants. He noted that many non-profits have had to scale back their grant programs just as the level of need has increased. Mr. Graham advised that both companies represent the non-profit well, and are good corporate citizens. Mr. Graham stated that IWRA has awarded over \$20 million in the Council Bluffs area. One of the top areas identified in the area was the need to reduce the high school drop out rate. He advised that IWRA has provided leadership and financial support for innovative programs to help reach that goal. Mr. Graham advised that over the past several years, IWRA has provided approximately \$8 million in grants to the Council Bluffs Community School Board to track the high school drop out rate and improve the quality of instruction and curriculum in the classroom. Additionally, IWRA

has provided \$4.4 million for a college accessibility program, which provides 25 9th graders with support through the remainder of their high school years and then a grant for college. Another goal of the IWRA Board is to improve the quality of “place”, and they recently announced a commitment of \$5.4 million toward the first phase of Council Bluffs’ Riverfront Park, located at the base of the pedestrian bridge connecting Council Bluffs and Omaha. The park will feature a green space, or Great Lawn, which will be utilized for concerts and festivals, numerous hiking and biking trails and other amenities. IWRA is partnering with the Iowa Department of Transportation on a sculpture park located where I-29 and I-80 converge.

At this time, Mr. Graham turned the floor over to Mr. Franke. He advised that Mr. Franke would be followed by Bo Guidry, the General Manager at Harrah’s.

Mr. Franke commenced his remarks by stating that the work of IWRA is making Council Bluffs a better place to live. He stated that he is currently the General Manager of Ameristar in St. Charles, Missouri, and is in Iowa on an interim basis. Mr. Franke noted that 2009 was a difficult year for the country, the states, and businesses. He pointed out that the gaming industry is not immune from the economic impact, but feels Ameristar did a good job. They were able to continue to reinvest in the property; \$4.4 million in new product, replaced all of the carpet on the casino floor at a cost of approximately \$500,000, and recently completed a \$3 million project to improve the air quality in the casino. Mr. Franke stated that Ameristar will continue to invest in the Council Bluffs property in 2010 by making additional upgrades totaling approximately \$1.5 million. Mr. Franke stated that Ameristar believes it is a privilege to do business in Iowa, and strives at all levels to support Iowa vendors, noting that their total economic impact was \$90 million, or 91% of total expenditures. He stated that as a brand, Ameristar is working with Meredith, an Iowa printing firm, and spent an additional \$3.1 million with the firm.

Mr. Franke advised that Ameristar takes serious issue with problem gambling, and all key members receive annual training. They are aware of the 1-800-Bets-Off helpline, the number is displayed throughout the property, and it is also included in promotional mailings. He noted the property offers patrons the ability to ban themselves from the property, as well as check cashing privileges. Mr. Franke stated that Ameristar participates in the Responsible Gaming Education Week. They have stepped up their efforts to deter underage gaming; the first phase is security officers being able to validate the ID at the turnstile; and Ameristar has purchased new technology, VeriDoc, to help determine the validity of the ID being submitted. Security officers also go through training on verifying that the individual submitting the ID is the one shown on the ID.

Mr. Franke stated that aside from IWRA’s charitable contributions, Ameristar provided \$132,000 to various charities in southwest Iowa and the Council Bluffs metro area. Key members also raised \$102,000, which was added to a company match of \$150,000, which was provided to other worthy charities within the area. He stated that many employees serve in volunteer capacities for various programs throughout the community.

Chair Seyfer called for any comments or questions concerning Ameristar's license renewal application. Commissioner Harrison commented on the many great programs, and indicated that she hoped Iowa colleges were being promoted. Mr. Franke stated that he was not aware of the specifics of IWRA's program, but advised that he would pass the information along.

Commissioner Hayes asked IWRA to provide a brief description of their process for soliciting, reviewing and awarding grants. Mr. Graham advised that the application process is completed on line, with grants being awarded four times per year. When the applications are received, they are divided into four focus areas: Economic Development, Community Development, Education and Human Resources. Staff performs due diligence on all of the applications prior to them going to committees in the four areas. Those committees make recommendations to a larger grant committee, which then makes the final recommendations to the Iowa West Foundation (IWF) Board. Mr. Graham advised that from time to time IWRA also initiates larger projects that don't go through the normal process.

Commissioner Urban asked how the IWRA and IWF Boards are made up. Mr. Graham advised that they are nominated. He stated that IWRA/IWF has five nominating bodies that submit names for openings on the board. All names remain in a pool and are considered by the nominating committee. Once an individual is elected, a determination is made as to whether they will serve on the board of IWRA or IWF. Each board has nine members, and all must be Pottawattamie County residents.

Commissioner Urban stated that one of the issues she was looking at now, as well as into the future, was that the Commission did not want the benefactors of grants to also be the grantors. She asked how IWRA and IWF prevented any overlapping when individuals were selected for the boards. Mr. Graham advised that IWRA has a new Conflict of Interest policy, which requires individuals to leave the room during the awarding of grants if they have a conflict of interest. Commissioner Urban requested a copy be sent to the office.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the license renewal application of IWRA/Ameristar Casino Council Bluffs, Inc. d/b/a Ameristar Casino as an Excursion Boat that will not cruise. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-17)

Chair Seyfer called on Harrah's. Mr. Guidry thanked Mr. Graham and Mr. Mathiasen from IWRA; stating that they have been great to work with, and looks forward to working with them over the next several years. He requested approval of their license renewal application. Mr. Guidry presented the following contracts for Commission approval:

- Siemens IT Solutions – Information Technology Service Provider
- Simmons Hospitality – Beds for Hotel Remodel

Mr. Ketterer noted that Harrah's agreement with IWRA expires on December 31, 2010; and indicated it was his understanding that negotiations have begun. He requested an update on the process when the Commission meets in Council Bluffs in April.

Hearing no further comments or questions concerning the license renewal, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the license renewal application of IWRA/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 application and the additional contracts as submitted. Commissioner Harrison seconded the motion, which carried unanimously. (See Order no. 10-18)

Chair Seyfer called on Washington County Riverboat Foundation (WCRF)/Riverside Casino & Golf Resort, LLC d/b/a Riverside Casino & Golf Resort (RCGR). Tim Putney, President of WCRF, informed the Commission that the economic impact on Washington County to date has been over \$10 million, with funds having been distributed to non-profit organizations in Washington County as well as surrounding counties. He stated that the 800 jobs at the casino have been beneficial to not only Riverside, but the entire county. He requested the Commission's approval of the license renewal application for WCRF and RCGR.

Commissioner Hayes asked for a brief description of how the applications for grants are solicited, reviewed and approved. Mr. Putney stated that WCRF's grant application is also on line; applications are accepted twice a year – in the spring and fall. The process is open to any non-profit organization in Washington County or the surrounding counties. The applications are put together by the administrator, and a copy of each application is provided to all board members (14). The applications are scored by the board members using a scoring system – by rank or importance. The members are also allowed to give partial funding to requests. After the grant applications have been scored by the full board, they are submitted to a 7-member board for additional review. This board then makes a final recommendation to the full board, which the full board then votes on.

Commissioner Hayes asked if WCRG also had a conflict of interest policy. Mr. Putney answered in the affirmative.

Chair Seyfer asked if the term "surrounding counties" included Linn County. Mr. Putney advised that WCRG has done some things in Linn County, although it's minimal. One award went to MECCA, the drug treatment center in Cedar Rapids, as well as some reconstruction/renovation in the county. Chair Seyfer clarified that they are not precluded from applying for funds. Mr. Putney advised that no one is precluded from applying for a grant.

Commissioner Urban requested that WCRG submit a copy of their Conflict of Interest Policy. Mr. Putney answered in the affirmative.

Commissioner Harrison asked if MECCA also dealt with gambling addictions. Mr. Putney stated that he believed that statement to be correct, but did not know for certain.

Joe Massa, General Manager, presented the following contracts for Commission approval:

- IGT – IGT Eastern Operations – Slot Machine Lease (Increase for 2009)
- State University of Iowa Hospitals & Clinics – Additional Health Plan Costs for 2009
- Vital Support Systems – 3-Year Support for HP

Chair Seyfer called for any comments or questions concerning the contracts as submitted by RCGR. Hearing none, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the license renewal application of WCRF, Inc./Riverside Casino & Golf Resort, LLC d/b/a RCGR as a Gambling Structure, the contracts contained within the license renewal, and the additional contracts. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-19)

Chair Seyfer called on Scott County Regional Authority (SCRA)/Isle of Capri Bettendorf, L.C. d/b/a Isle of Capri Bettendorf (IOCB). Nancy Ballenger and Sally Rogers, General Manager and Senior Director of Finance respectively, were present to address any questions concerning the license renewal application. Ms. Ballenger stated that she has been involved with the IOCB property since 1995, and advised that 2009 was one of the most difficult and interesting years. She indicated that while the area market grew, IOCB's core market was flat due to Jumer's opening their \$151 million land-base facility across the river. Ms. Ballenger stated that IOCB experienced a double digit decline in their revenue. She noted that IOCB gets a majority of their business from Illinois, and always have. She pointed out that IOCB continues to be the market leader in the market area. Ms. Ballenger advised there were several bright spots in the year as well; one being their partnership with the City of Bettendorf to build a convention center the addition of 500 more hotel rooms, and 45,000 square feet of flexible meeting space, which is beneficial in attracting regional and national conventions and entertainment to the area. The project cost was \$20 million. During the first year, they hosted approximately 168 events. Ms. Ballenger stated that SCRA received \$3.4 million to help meet the needs of the area.

Ms. Ballenger presented the following contracts for Commission approval:

- Colonial Life – Supplemental Insurance Coverage
- Green Bridge Company – Contract Addendum for Existing Covered Parking & Adjacent Lot (RP)

She advised that the Green Bridge contract is an update to Section 6, Paragraph B of the license renewal. They made some changes in their arrangements with the group. Ms. Ballenger requested approval of the license renewal on behalf of SCRA and all of the team members.

Commissioner Hayes asked Mr. Ketterer to request that the non-profit qualified sponsoring organizations report in writing as to the process utilized in receiving, reviewing and awarding the grants. Mr. Ketterer acknowledged the request, and advised that staff would follow up.

Mr. Ketterer noted that with the changes approved in the credit facility, IOC has more flexibility. He wondered if the Bettendorf property was any closer to taking the final leap to a land-based facility. Ms. Ballenger stated that she would love to say that a timeline is in place, but can not. They are still working on design and layout.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the license renewal application of SCRA/Isle of Capri Bettendorf, L.C. d/b/a IOCB as an Excursion Boat that will not cruise and the additional contracts. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-20)

Chair Seyfer called on Riverboat Development Authority (RDA)/IOC Davenport, Inc. d/b/a Rhythm City Casino (RC). Mo Hyder, General Manager, introduced Mary Ellen Chamberlain, President of RDA, who advised that she has held that position since 1989. She stated that RDA is nearing the \$50 million mark for distributions. Ms. Chamberlain advised that they have concentrated very heavily on the redevelopment of the downtown district in order to encourage tourism and grow the area as a destination market for cultural and entertainment amenities. She stated that RDA continues to work with the city and Quad Cities Visitors and Convention Bureau to increase tourism. RDA attempts to get various groups to work together collaboratively, and asks that question of groups seeking funding from RDA. Ms. Chamberlain stated that the RDA has established a cooperative marketing tool for all of the cultural and entertainment venues in Davenport. The cooperative has developed a web page called "Experience the Quad Cities"; there are approximately 60 venues involved with the project. Ms. Chamberlain stated that RDA continues to contribute approximately \$100,000 to the Scott County Housing Council, which enables them to collect additional state and federal funds that are then placed in a trust fund. These funds are then redistributed in an effort to help with homelessness. They are also working to develop a youth shelter.

Mr. Hyder stated that RC values their partnership with RDA, and particularly Ms. Chamberlain. He advised that RC has partnered with RDA for many events. Mr. Hyder requested approval of the license renewal application.

Chair Seyfer called for any comments or questions concerning the license renewal application. Commissioner Urban inquired about a conflict of interest policy. Ms.

Chamberlain stated that RDA has had a conflict of interest policy almost from the beginning. The decision was made that if you want active people on the Board that know the community, they will be active in other areas. She stated that the policy is strongly enforced. Each board member is required to not participate in any discussions, ratings or voting on any grant in which they have a conflict of interest either through employment or relationship with the other entity. Commissioner Urban requested that a copy be provided.

Commissioner Hayes asked about the grant approval process. She advised that all of the reading is done within the Board structure. The grant application is downloadable from RDA's webpage, but the applicants are required to submit a hard copy for review. The Board is separated into three reading panels: economic/new development projects; cultural and educational, and human services. The panels score the applications; four board members and Ms. Chamberlain read all of the grant applications and score them as well. The scores are brought back in and tabulated. Following that process, two individuals from each of the reading panels participate in a review process where the scores and other criteria are reviewed in order to come up with a budget that is fair and equitable. The budget and scores go back to the full Board for comments. These are all compiled into a final budget that is voted on by the entire Board.

Hearing no further comments or questions concerning the license renewal application, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the license renewal application of RDA/IOC Davenport, Inc. d/b/a RC as an Excursion Boat that will not cruise. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-21)

Chair Seyfer called on Worth County Development Authority (WCDA)/Diamond Jo Worth, LLC d/b/a Diamond Jo Worth (DJW). Kim Pang, General Manager, presented a contract with Surveillance System Integration for DVR and NAS Unit replacement.

Mr. Pang introduced Kim Koenigs, Executive Director of WCDA. Ms. Koenigs distributed a packet of information which highlighted the impact the casino had in Worth County in 2009. One of WCDA's main focal points is the school system; each county senior received \$6,181.18, 1,348 county students received a gift card for free school supplies, 66 preschool students received free preschool, hundreds of teachers received money to use in their classrooms, student fees were reduced and curriculums and technology were improved. Overall, the Worth County school districts received \$2,007,737.81 in 2009. Another 96 grants totaling \$1,912,034.04 was distributed to fire departments, cemeteries, churches, playgrounds, and school libraries to name a few. Worth County also received \$284,015.87 directly. Ms. Koenigs advised that in just over three years, WCDA has distributed more than \$12 million. She pointed out that WCDA had over \$85,000 in interest that they were able to distribute to various organizations and communities.

Ms. Koenigs stated that WCDA gives 7% right off the top to the county; then one-half of the remaining funds (46.5%) go to the five different school districts. The school districts determine how they are going to spend the money, but come before the WCDA Board for approval of the expenditures. Twenty-five percent is distributed to the Township Trustees and the rest is utilized by WCDA for grants. Ms. Koenigs stated that because Worth County is small, it is rare that a grant application does not receive funding. She advised that approximately 10% is distributed outside of the county and up into Minnesota. Ms. Koenigs stated that WCDA is working on their conflict of interest policy, and will submit it when it is completed.

Commissioner Urban asked if there has been an influx of people moving into Worth County – business, retail, enterprises, etc. Ms. Koenigs stated that the communities in Worth County are trying to draw residents by making improvements to infrastructure. She stated there are families moving into Worth County so their students can receive the scholarships for college, etc. Mr. Pang stated that with regard to infrastructure, DJW is working to increase the water/sewer capacity. In order for growth and expansion, that needs to happen first. Commissioner Urban stated that if people are moving into the county, there is a need for jobs. Ms. Pang advised that DJW employs 442; 107 come from southern Minnesota; which is why WCDA distributes funds in those areas; they are trying to give back to those communities.

Mr. Ketterer asked Ms. Koenigs the percentage of the seniors take advantage of the scholarship funds every year. Ms. Koenigs stated that almost all of them apply; it is an easy application to complete. The student has to provide their name and address, is required to reside in Worth County during their junior and senior years, and they have to do something to give back to the community at some point in their life. She stated that half of the students go to NIACC in Cerro Gordo County.

Commissioner Harrison asked about the graduation rate in Worth County. Ms. Koenigs stated that she did not know the exact rate; that there are very few seniors that don't graduate. She noted there were only 107 in the most recent graduating class, which is up 20 from the previous year.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the license renewal application of WCDA/Diamond Jo Worth, LLC d/b/a DJW as a Gambling Structure, the contracts contained within the license renewal application and the additional contract. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-22)

Following a short break, Chair Seyfer called on the Dubuque Racing Association (DRA)/Diamond Jo, LLC d/b/a Diamond Jo (DJ). Mr. Hoeger, representing DRA, introduced Brent Stevens and Natalie Schramm, Chief Executive Officer and Chief Financial Officer for Peninsula Gaming. Mr. Hoeger stated that DRA supports the license renewal application of DJ; they have a great working relationship and have

initiated a joint marketing campaign, which has drawn customers from other communities as well as out-of-state. He noted that DJ has partnered with some local businesses in promotions, which has proven beneficial to all. The opening of the land-based facility in December 2008 has had an impact on the Ice Harbor area. Mr. Hoeger stated that DRA receives one-half percent of DJ's adjusted gross receipts, which becomes part of the distribution to local charities and the City of Dubuque. With regard to the grant program, DRA solicits applicants based upon the organization having a 501(c)(3) status or the equivalent. Five board members review all of the applications and rank them; the applications are then brought before the full board for final approval. Mr. Hoeger stated that DRA is subject to the open meetings laws, and does have a conflict of interest policy in place. He concluded his remarks by stating that to date DRA has distributed \$30.4 million to local charities since 1985.

Mr. Stevens provided some history and philosophy regarding Peninsula Gaming. He stated that Peninsula has been in business since 1999, when they acquired the Diamond Jo riverboat. Over the past ten years, Peninsula has grown, and now operates four properties in two states. Peninsula feels they should invest in their facilities and the communities wisely. He noted that the gaming industry is facing one of its most challenging times. Mr. Stevens stated that many companies are being faced with financial constraints and how they make decisions; Peninsula Gaming is proud of its ability to continue to invest in its employees, communities, facilities and customer. He noted that the gaming customer today is seeking value, and stated that when they decide to spend their entertainment dollars gaming, the industry needs to be respond and is what will drive the future of the industry. Mr. Stevens presented a contract with Reliable Technologies for computer network hardware, software and consulting for Commission approval.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the license renewal application of DRA/Diamond Jo, LLC d/b/a DJ as a Gambling Structure, the contracts contained within the license renewal application, and the additional contract. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-23)

Chair Seyfer called on Black Hawk County Gaming Association (BHC GA)/IOC Black Hawk County, Inc. d/b/a Isle Casino & Hotel Waterloo (Isle). Bari Richter, General Manager, stated that the property is blessed to be located in the Cedar Valley. She advised that the property has done very well; and while revenues were flat in 2009, the property held its own in difficult economic times. Ms. Richter stated that the majority of the management team was raised in Iowa. At this time she turned the floor over to Beth Knipp, Executive Director of BHC GA, who advised that Isle has lived up to all of its commitments and are an asset to the community. She stated that in the last twelve months BHC GA has distributed \$4.4 million to 45 non-profits in 21 municipalities. Ms. Knipp stated that the goal of the BHC GA is to help the Cedar Valley prosper. Overall, BHC GA has provided \$10.1 million to 149 different projects.

Commissioner Hayes inquired about BHCGA's grant application process. Ms. Knipp advised that BHCGA has a Conflict of Interest policy as well as a Code of Ethics. Commissioner Urban requested that copies be sent to the Commission office. Ms. Knipp indicated she would do so. She advised that BHCGA has sixteen members, all of whom have chosen to review all of the grants received each year. There is a scoring/ranking process. If the board members have questions, they can submit those to her, and she will follow up with the applicant. Ms. Knipp advised that she performs the due diligence on the applicants. Grants are distributed four times per year.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Urban moved to approve the license renewal application of BHCGA/IOC Black Hawk County, Inc. d/b/a Isle as a gambling structure. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-24)

Chair Seyfer called on Missouri River Historical Development, Inc. (MRHD)/Belle of Sioux City, L.P. d/b/a Argosy Casino Sioux City (Argosy). Kees Eder, General Manager, advised that Mark Monson, President of MRHD, was unable to be present, but Larry Jensen, Treasurer of MHRD, was present. Mr. Jensen advised that he has been Treasurer of MHRD for the last 20 years. He stated that all Board members are impressed with the staff and management members. They are involved in the community and various organizations. Mr. Jensen stated that in 2009 MHRD approved grants to all of the community colleges in the area. He noted that MHRD celebrated its 20th Anniversary last November, and has distributed over \$17 million in that time frame.

With respect to the grant application process, Mr. Jensen advised that MHRD has a grant review committee of eight who review each grant application, rate them and then present them to the Board for final approval. Grants are distributed annually. Mr. Jensen stated that MHRD does do special grants throughout the year.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the license renewal application of MRHD/Belle of Sioux City, L.P. d/b/a Argosy as an Excursion Boat that will not cruise. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-25)

Chair Seyfer called on Clarke County Development Corporation (CCDC)/HGI-Lakeside, Inc., d/b/a Terrible's Lakeside Casino Resort (Lakeside). Bob Thursby, General Manager, introduced Bill Trickey, Executive Director of CCDC, and Craig Travers, the Regional Manager for Terrible's. Mr. Trickey expressed CCDC's support of Lakeside's license renewal application. He distributed information showing the impact of the casino on the community over the last ten years. Mr. Trickey stated that CCDC does have a Conflict of Interest policy, which is also included in their By-Laws. With respect to the grant application process, he advised that the application is available on line, but they do require that a hard copy be submitted for review. They require the application to be received 30 days prior to the next Board meeting, at which the applicant is allowed to

make a presentation and allows the Board to ask questions. The Board will make their decision at the next Board meeting. Mr. Trickey advised that grants are made over the course of the year; there is no set grant cycle. This past year they found themselves providing funds to a childhood center, food pantry; and home health care. It is not their intent to provide funds to those programs long-term, but they are willing to step in to help out during difficult economic times.

Mr. Trickey expressed CCDC's concern about the proposed casino in Ottumwa and the impact it would have on the Lakeside property, and in turn, the community.

Commissioner Urban stated that someone had inquired if there was a problem between the casinos and the non-profit sponsoring organizations. She stated that there are no problems that the Commission is aware of, but felt this was an opportune time to request some information from the non-profits in order to learn more about them and their policies.

Mr. Thursby stated that if there were no questions for him, Lakeside respectfully requested renewal of their license.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the license renewal application of CCDC/HGI-Lakeside, Inc. d/b/a Lakeside as a Moored Barge. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-26)

Chair Seyfer called on Clinton County Community Development Association (CCCDA)/Wild Rose Clinton, L.L.C d/b/a Wild Rose Clinton (WRC). Tim Bollman, General Manager, introduced Jerome Burken, Vice Chair of CCCDA. Mr. Burken commenced his comments by advising that CCCDA just updated their Conflict of Interest policy, and will submit a copy to the office. With regard to the grant application process, he advised that there are nine members on the Board; grants are distributed twice a year. In 2009, CCCDA distributed \$1 million, and the City of Clinton received \$78,500. Mr. Burken also provided examples of some long term commitments for funding from the CCCDA. They provided some emergency funds in the amount of \$253,000 to three different local agencies. CCCDA also distributed \$25,000 through scholarships to Clinton County students. Mr. Burken requested renewal of the license for CCCDA/WRC.

Hearing no comments or questions, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the license renewal application of CCCDA/Wild Rose Clinton, L.L.C. d/b/a Wild Rose Clinton as a Gambling Structure. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-27)

Chair Seyfer called on Palo Alto County Gaming Development Corporation (PACGDC)/Wild Rose Emmetsburg, L.L. C./Wild Rose Emmetsburg, L.L.C. d/b/a Wild Rose Emmetsburg. (WRE) Amy Williams, General Manager, stated that WRE has

worked so hard to be a destination area. She noted that in a small community like Emmetsburg, many of the employees are related to the patrons. There is a small town feel with big city fun. Ms. Williams stated that WRE was one of the few facilities to show growth in 2009, and has not had to lay off any employees. She introduced Bill Lapczenski, representing PACGDC, who stated that they receive six percent from ownership with one percent going to communities within the county. The grant application is available on line, with distribution occurring annually. All board members read every application and score them individually. They are then turned over to an outside accountant who tabulates the scores to obtain average scores. The applications then go to a subcommittee who do a further review and make recommendations to the full Board, who determines which grants will be approved. This year's grant awards night is coming up, and PACGDC will fund all or partially fund 111 requests. Mr. Lapczenski noted that WRE is the largest employer in Palo Alto County, and Emmetsburg has experienced growth since the arrival of the casino – new restaurants, a new hotel. He stated that he has heard positive comments from surrounding communities regarding increased traffic.

Hearing no further comments or questions, Chair Seyfer called for a motion. Commissioner Hayes moved to approve the license renewal application of PACGDC/Wild Rose Emmetsburg, L.L.C. d/b/a WRE as a Gambling Structure. Commissioner Cutler seconded the motion

Chair Seyfer noted there were numerous contracts contained within the license renewal that also needed approval. Hearing no questions, he requested a motion. Commissioner Cutler moved to approve the contracts as submitted by WRE. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-28)

There was discussion as to whether or not a vote had been taken regarding the license renewal of PACGDC/WRE. It was determined that a vote had not been taken; Chair Seyfer called for the vote on the license renewal. The motion carried unanimously. (See Order No. 10-29)

Chair Seyfer called on Southeast Iowa Regional Riverboat Commission (SIRRC)/Catfish Bend Casinos II, L.C. d/b/a Catfish Bend Casinos II (CBC). Jerry Baum, Chief Operating Officer for Great River Entertainment, advised that Steve Link, the new chair of SIRRC, was unable to attend today's meeting. Mr. Baum advised that CBC's revenues were relatively flat in 2009, up just 1% from the previous year. They continue to look for new marketing ideas and promotions for 2010. He stated that CBC's economic impact to southeast Iowa was \$21 million, and Huckleberry Entertainment had an economic impact of \$14 million in the area.

Chair Seyfer asked if the license renewal continued the Fort Madison portion. Mr. Baum answered in the affirmative. Chair Seyfer asked how long it had been since CBC ceased operations in Fort Madison. Mr. Baum advised that they discontinued operations in Fort Madison in November 2007. Chair Seyfer asked if the Commission would like to have a

discussion on whether or not to consider not renewing the Fort Madison portion of the license.

Commissioner Hayes stated that he would be interested in an explanation as to why they still want or need the bifurcated license. Mr. Baum stated that it has always been CBC's hope and intent when they closed the Fort Madison operations to be able to bring gaming back to Lee County at some point in a fixed facility. At this time, the Board does not feel that it is economically feasible, or to obtain the necessary financing. Mr. Baum stated they are here to move forward on a short-term basis, but are interested on a long-term basis. Commissioner Hayes pointed out that the Commission has four new license applicants that are willing to take that risk. Mr. Baum stated that CBC felt fortunate to be able to maintain revenues from the previous year, noting that they receive the majority of their revenue from Illinois. He indicated that CBC monitors the situation very closely.

Commissioner Cutler asked what the process would be if the Commission did not approve the Fort Madison portion of the license renewal; can they reapply? Mr. Ketterer advised that it would be up to the Commission. Commissioner Cutler asked if it would be considered a new license, not a bifurcated license as in the past. Mr. Ketterer answered in the affirmative.

Commissioner Hayes stated that he was not sure what purpose having the bifurcated license served without any meaningful plan in place to do anything in Fort Madison.

Chair Seyfer concurred with Commissioner Hayes' comments. He stated that his approach would be to not renew the Fort Madison portion of the license; and, if and when they are ready to do something in Fort Madison, CBC would have to reapply. Chair Seyfer called for any further comments. Hearing none, he requested a motion to approve the license renewal with the amendment. Commissioner Hayes moved to approve the license renewal application of SIRRC/Catfish Bend Casinos II, L.C. d/b/a Catfish Bend Casinos II for a gambling structure in Burlington, Iowa. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-30)

Chair Seyfer called on Upper Mississippi Gaming Corp./Isle of Capri, Marquette, Inc., d/b/a Lady Luck Casino Marquette (UMGC/IOCM/LLCM). Todd Steffens, General Manager, introduced Sindee Gohde, Executive Director of UMGC. Mr. Steffens stated that in 2009 the property concluded the changeover to the Lady Luck brand, investing \$3 million in capital in the property. He requested approval of the license renewal application.

Ms. Gohde stated she believes everyone is here for the same purpose; to bring tourism, prosperity, and education to Iowa. She stated that since 1994, the Iowa Department of Economic Development has shown a 102% increase in the amount of tourism generated in Clayton County alone. Ms. Gohde stated that UMGC has granted over \$4 million over the years, which is significant in that area of the state. She stated that UMGC has a nine member board that is highly representative of the residents of Clayton County, and do a

wonderful job of encouraging organizations to apply for the grants as well as determining who will receive the grants. Ms. Gohde advised that the grant process is online, with the applications being reviewed by the Board in September, and the decision being made in October. The organizations are able to attend the October board meeting and listen, but can not address the board unless they are asked a question. She stated that UMGC does have a Conflict of Interest policy with their By-Laws. Ms. Gohde pointed out that Clayton County is one of the most scenic areas in the state and McGregor was recently voted one of Iowa's Great Places.

Hearing no further comments or questions, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the license renewal application of UMGC/IOCM d/b/a/ LLCM as an Excursion Boat that will not cruise. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-31)

As no one signed up for Public Comment, Chair Seyfer moved to Administrative Business and the Notice of Horse Promotion Fund. Dr. Keith Soring, Director of Racing for IRGC, stated that the Commission would accept applications for the Horse Racing Promotion Fund until 4:30 PM on April 2, 2010. The funds available for 2010 are \$3,338.00. Applicants are required to submit a statement indicating how the funds will be utilized. The recipient of the 2009 funds is also required to submit an accounting of how the funds were utilized.

Mr. Ketterer advised that Chair Seyfer would draw to determine the order of the new applicant presentations to be held on March 23rd. Mr. Ketterer stated that the drawing is being conducted in alphabetical order. The presentations will take place in the following order: Lyon County – 2:00 PM; Tama County – 10:00 AM; Wapello County – 1:00 PM; and Webster County – 11:00 AM.

As there was no further business to come before the Commission, 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 23, 2010**

The Iowa Racing & Gaming Commission (Commission) met on Tuesday, March 23, 2010 at Stoney Creek Inn & Conference Center, Johnston, 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 9:55 AM in order to allow for the presentations to commence exactly at 10:00 AM and requested a motion to approve the agenda. He noted there would be an Executive Session after the conclusion of the presentations. Commissioner Cutler moved to approve the agenda. Commissioner Harrison seconded the motion, which carried unanimously.

Chair Seyfer advised that each presentation would be 45 minutes long without interruptions, at the five and two minute marks, a warning will be given to the presenter. There will be a 15 minute break between the presentations to allow for the set up of the next presentation.

Chair Seyfer called on Signature Management Group of Iowa, L.L.C. (Signature)/Tama County Community Enrichment, Inc. (TCCE). John Pavone, President of Signature, thanked the Commission for allowing them to present their proposal for the Prairie Hills Resort Casino in Tama, Iowa. He asked for the support of the Commission on behalf of the residents of Tama and one of the greatest economic development opportunities in Tama's history. Mr. Pavone advised that the economic impact created by the facility will reach far beyond any financial considerations that can be conveyed to the Commission at this time. Mr. Pavone introduced various individuals in attendance representing local government, the non-profit organization, and school board members. He stated that the process of creating new opportunities for the residents of Tama County started approximately four and one-half years ago, and with the Commission's approval of the application, Tama County can begin a new era of economic prosperity at a time when all of Iowa is suffering from economic distress. Mr. Pavone stated that Signature and TACCE have worked diligently to develop a proposal that is right for Iowa; and the right size and fit for Tama County. The facility will provide new opportunities for the citizens of Tama and far exceeds the criteria the Commission has established for the applicants. Mr. Pavone advised that the criteria would be listed in the presentation.

Mr. Pavone played a short video sharing some background information about Tama County. Tama is located less than an hours' drive from Des Moines, Ames, Waterloo and Cedar Rapids. Approximately 50% of the total 2007 Iowa tourism market happened within the radius of Tama County. The four-lane bypass connecting Tama-Toledo to Des Moines is scheduled to be completed in November 2010. A four-lane connection to Cedar Rapids is in progress as part of the Iowa Commercial Network. The video

highlighted many tourist sites located in Tama County; noting that there are many mobile artists that generate over 1.5 million visits annually, which helps the local economy. Vision Iowa has awarded funds to six different projects in Tama County. Tama County has no long-term debt, as do four of the cities located in Tama County. With regard to taxable retail and services, six communities experienced double digit growth; construction investment increased by 11% in 2008; and Tama County high school graduation rates exceed the state average.

The video stated that residents talk about the future and building on the past; giving a sense of pride in their communities; there is a sense of optimism about what this economic opportunity would mean in their lives and the future of their families.

Mr. Pavone advised that the project will encompass 148 acres of land, and will include a next generation 80-room Holiday Inn Express, 500 state-of-the-art slot machines, 18 table games, a unique regionally-themed restaurant, sports bar and entertainment area, and a 500-seat conference center. The conference center will attract conventions, social and city events and will compliment the outdoor amphitheater, which will be utilized for concerts, community events and social gatherings. Mr. Pavone advised that all of the facilities would be designed and built to provide the players with a variety of entertainment, and state-of-the-art safety and security inside and out. The facility will include an upscale RV park with an Executive Club House, and amenities such as a private gathering area, private locker rooms, and separate kitchen and dining facilities. Located in proximity to the new Highway 30 bypass and along the historic Lincoln Highway, the RV park and amenities will appeal to the upscale RV traveler.

Mr. Pavone advised that there will be over 90 acres of trails and support facilities will be home to the Prairie Hills Motor Sports Complex. This complex will allow Tama to promote and expand the rapidly growing ATV, motor cross, and snowmobile recreation market. There will be two separate tracks and clinics, which will also be available for other recreational activities. In addition to the motorsports complex, a portion of the land will be designated for cross country skiing and other winter events.

Mr. Pavone stated that at 131,000 square feet and costing in excess of \$42 million, this proposed facility will become the crown jewel in Tama County landscape.

Mr. Pavone indicated the facility will be located along the new Highway 30 bypass, providing great access and visibility. The new bypass accommodated over 8,000 cars per day in 2005 according to the Department of Transportation, and usage is expected to increase dramatically once the bypass is completed later this year. The new bypass is the shortest route between Des Moines and Cedar Rapids and is the second busiest east-west corridor in Iowa.

Mr. Pavone stated that when Signature set out to evaluate the opportunity in Tama, they considered many factors: community support, location, proximity to Iowa's major markets, availability of a qualified workforce, general economic conditions and the

financial viability of a facility in this market. In 2006, Signature commissioned a gaming market advisory group from Denver, Colorado to complete a feasibility study in order to determine market size, revenues, and other factors critical to the success of a facility. He noted that over the last seven years, communities vying for gaming licenses have completed 16 independent studies; and the Commission has commissioned four studies of the Iowa gaming market since 2003. Signature engaged The Innovation Group (Innovation) in November 2009 to update their study of the market to better reflect the amenities contemplated for the gaming site. He provided the following summary of the most recent Innovation study: \$42 million in revenue, \$39 million in gaming revenue with 54% of the dollars being new or incremental revenues. The facility will attract visitors from 21 markets within the reach of the facility; the markets contain approximately 1.49 million adult gamers. The study determined that a portion of the revenues would come from Cedar Falls, Waterloo, Des Moines, Iowa City, Marshalltown and Cedar Rapids. Mr. Pavone noted that Tama is on the north edge of the Des Moines market. The Innovation Group study indicated that the proposed facility would generate \$175 win per position per day, the largest win per position being presented today, and would rank Tama ninth in Iowa's current overall gaming market. The study also indicated that Tama is strategically located within easy driving distance of four of Iowa's largest cities (Cedar Rapids, Waterloo, Iowa City and Des Moines), as well as Ames and Marshalltown. Mr. Pavone noted that cannibalization of existing facilities is one of the most pressing concerns, and advised that the Innovation Group study completed in May 2009 concluded that none of the existing casinos would be materially impacted by a facility in Tama.

Mr. Pavone advised that the Tama facility will generate fees during the construction phase and the first year of operations in excess of \$20 million. Signature and TCCE have agreed to one of the most impactful revenue sharing arrangements in Iowa at this time; TCCE will receive a base fee of 3.5% of gaming revenues, which will increase to 4.5% as revenues increase. The City of Tama will also receive 2% of all gaming revenues, which will increase to 3% as the revenues increase. It is projected the facility will generate taxes and fees in excess of \$97 million in the first five years. If payroll dollars generated from the facility are included, not including additional community benefits, the facility will generate over \$135 million during the first five years of operations in taxes, fees, payroll and benefits. Mr. Pavone stated that employees will receive full medical, dental, vision and disability benefits. Additional benefits include retirement plans, and the company will offer part-time benefits to employees as well as PTO and a flexible schedule.

The proposed facility will utilize the Iowa State University curriculum for hospitality training, and will reimburse employees for credits earned through the program. Iowa State is ranked 15th among the world's top 100 hospitality programs. These types of benefits can have a life changing impact on employees. It is projected that the facility will employ between 300 and 400, which equates to approximately 4% of Tama's current employment base. It is the opinion of Signature and TCCE that there is nowhere in Iowa

where the Commission's vote will have more of an impact or importance than in Tama County.

Mr. Pavone stated that Tama County welcomes approximately 1.5 million visitors annually; they come for family events, meetings, various festivals, and the arts and crafts of local artists. Tama County has 287 historic places, cultural and leisure activities, 37 annual festivals and cultural events and 13 live music and performance spaces. Tama County also has three golf courses, four nature parks and recreational trails, and 91 social and service clubs. Mr. Pavone noted that the Innovation Group study completed in November 2009 also concluded that out-of-state revenues generated by this facility would exceed 12.4% of total revenue.

Mr. Pavone noted that the Commission has reinforced that the projects need to be properly financed and be economically viable. At this time, Mr. Pavone introduced Michael Hlavsa, Vice President of Signature, to review the projects financials. Mr. Hlavsa stated that the most important item to be discussed is the economic viability of the project. He pointed out that in the initial meetings with staff and Commission members there was a discussion as to whether or not the financial markets would be able to provide any kind of capital for any of the projects. He stated that the capital markets have eased up; financing and money is available at reasonable terms. Mr. Hlavsa advised that Signature has submitted equity commitments for 35% of the project costs, which far exceed equity requirements for previous projects and will insure the viability of the project. The equity commitment of approximately \$17 million is being provided by Sunway Hotel Group through their affiliation with London Bay Capital, a private equity firm in San Francisco, California. The balance of the project funding will be provided by Northland Securities in the form of debt financing. Mr. Hlavsa stated that the debt coverage ratios assure that the project is economically viable. The application assumes the most conservative projections and project costs, so that even if revenues were diminished by 40%, the project would be able to service its debt and remain viable.

Mr. Hlavsa introduced Jeff Seidel, Vice President of Northland Securities and Northland Networks, based in Minneapolis, Minnesota. He stated the primary business enterprise of Northland is to provide underwriting for cities, counties, states, and specialty projects. Last year Northland underwrote and managed in excess of \$1.5 billion in municipal bonds. The second main area of the business is Northland Networks, which places commercial loans for real estate, equipment financing and other types of projects; one-quarter each for family housing, multi-family housing, gaming and then various other projects. Within gaming itself, Mr. Seidel advised that Northland looked at various forms of financing; bank debt, tax exempt bonds, taxable bonds and FF&E financing. Mr. Seidel provided a brief description of each type of financing. He stated that Northland is very committed to this project; they like the numbers and like what they see.

Mr. Pavone addressed the issue of gaming integrity, and provided his background within the gaming industry in Iowa and other jurisdictions. He also provided background information on Mr. Hlavsa. Mr. Pavone introduced Barry Brautman, President of the

Sunway Hotel Group & Sunway Gaming Group, who advised that the company has been very active even in the current tough economic and financial times, noting they will be opening two new properties in the next several months. He stated that several years ago the company was approached to provide financing and development expertise for a number of Native American casinos. As this partnership proved to be successful, Sunway was asked to expand the scope and provide financing to the projects as well. Sunway currently works with some of the largest Native American tribes in the country. Mr. Brautman advised that Sunway and the principals generally own a significant piece of all of the projects, while the other piece is owned by a small equity group also based in Kansas City, London Bay Capital, which has partnered with Sunway on numerous projects. Mr. Brautman stated that the principals of Sunway Hotel Group and London Bay Capital are very excited by the opportunity in Tama County. He requested the Commission's support of the license application.

Mr. Pavone next addressed the issue of community support, noting that the referendum passed in November 2006 with 55.3% of the county voters voting in favor of the proposal, stating that he has been overwhelmed by the support and excitement shown by Tama residents. He introduced Chris Bearden, Mayor and Chairman of TCCE, who stated that the project would increase tourism and help reduce the unemployment rate, currently 8.4%. Mr. Bearden stated that they had only 3 months to prepare for the referendum, and feel that if the issue is voted on again, the percentage voting for the proposal would be higher. Funds received by the non-profit will be used for disaster relief, additional funds will be used to assist with rescue, clean-up, and food; historical preservation, promote Tama County as a tourist destination, schools, road improvements, and public safety. TCCE will also reach out to non-profit organizations in Benton, Grundy, Marshall and Poweshiek Counties. Mr. Bearden concluded his remarks by stating that the proposed casino would help Tama County grow and prosper.

Mr. Bearden introduced Jim Roan, a member of the Tama County Economic Development Commission. Mr. Roan stated that his comments were meant to put a "face" on the project for Tama County. He stated that he practiced law in Toledo until 2000, at which time he decided it was time to give something back to the community and county. He has worked on many volunteer projects, and has been successful in getting a new church, school and library built. His current project is restoration of a theater built in 1912 in Toledo. Mr. Roan stated that a year ago, five different projects joined together and worked as a group to get Tama County named a "Great Place", which the Iowa Department of Cultural Affairs did last fall. He stated that the residents of the county have learned to work together and are all behind this project. While he acknowledged there may be a small amount of opposition, he feels there is a great deal of support within the county; there is a good job market, a well-educated, hard working work force, and many goods and services that could be utilized by the casino project. Mr. Roan stated that the biggest benefit would be to the other non-profits located in Tama County, and surrounding counties. He requested that the Commission grant a casino license to Tama County to further feed the spirit of the State of Iowa one step at a time.

Mr. Pavone played videos of Tama County residents expressing their opinion as to the difference they feel a casino would make in their lives and fellow county residents. Following the videos, Mr. Pavone thanked the Commission for their support, time and effort, noting the difficult decision facing the Commission. He reiterated that no where in Iowa would their vote have more of an impact than in Tama County. Mr. Pavone asked the Commissioners to vote “yes” for Tama County.

Chair Seyfer called on Webster County Gaming, LLC/Heart of Iowa Foundation. Natalie Schramm, Chief Financial Officer (CFO) for Peninsula Gaming Company (Peninsula), stated they are excited to present today and have an opportunity to partner with local businesses/residents. She stated that the Commission has received a commitment letter from Peninsula to the local partners providing the necessary financing to complete the project.

Bonnie Campbell, legal counsel for Peninsula, stated that she has been an observer of the evolution of gaming in Iowa since 1983, noting that she was the Attorney General during a period of significant growth in the gaming industry in Iowa. She stated that the proposal for Fort Dodge is well thought out and complete. Ms. Campbell stated that she values the Commission’s history of approving quality operations in Iowa.

Brent Stevens, Chair of the Board of Directors and Chief Executive Officer (CEO) of Peninsula, provided Peninsula’s history in the gaming industry, noting the company was founded in 1997, is Iowa-based and community focused. The company takes a conservative approach, and has experienced growth primarily through building. He stated that Peninsula has one of the best operating margins of the regional companies.

Mr. Stevens moved on to the issue of cannibalization, and reviewed historical actual versus market study numbers on cannibalization. Mr. Stevens introduced Jim Oberkirsch, Director of Consulting Services for Innovation. Mr. Oberkirsch compared a statewide assessment regarding cannibalization of Wild Rose Emmetsburg (WRE) done for the State in May 2009 versus a study done for Peninsula on the Fort Dodge site in November 2009; noting that two different models were utilized. The state study utilized a coordinate gravity model; the Fort Dodge study utilized a drive time gravity model. The report provided to the State showed a Fort Dodge casino would affect WRE’s revenues by approximately \$4.8 million; while the report prepared for Peninsula shows it would be approximately \$2.8 million, a difference of \$2.02 million. Mr. Oberkirsch stated that while Emmetsburg is just 70 miles from Fort Dodge, the drive takes approximately 90 minutes as there is no direct route, and is on two-lane road. He estimates that by 2012 gaming revenues will increase by approximately 7.7%, including the Fort Dodge location. The study indicated that WRE would also see a slight increase.

Mr. Stevens questioned whether cannibalization is real. He pointed out that a Cummings Associates report prepared for the Commission in April 2005 predicted cannibalization would occur in the nine existing markets. Historical data shows that six markets saw their revenues increase, and one market remain unchanged. Four of the six markets

reported double digit increases. Mr. Stevens reported that Dubuque gaming revenues saw a decline with the opening of Diamond Jo Worth, Riverside, WRE, and Isle of Capri Waterloo in 2005, but has since experienced market growth of 15.9%, or \$15.4 million. Des Moines gaming revenues saw a slight decline with the opening of the new facilities in 2005, but has seen market growth of 10.7% or \$18.6 million. For all existing facilities, market growth was 4.7%, or \$51 million. The Cummings market predicted market cannibalization of 3.2%.

Mr. Stevens stated that the 2004 WRE license application predicted projected revenues between \$14-\$22 million. WRE's 2009 revenues were \$28.2 million; Innovation projects their 2012 revenue will be \$28.4 million. WRE commissioned Wells Gaming Research to do a market study in 2004, which projected revenues of \$19-\$31 million. WRE officials stated: "Assuming the worst-case scenario with eight new casinos, ...the proposed Emmetsburg casino would still be able to produce the revenues required for a successful casino." Mr. Steven provided a quote from WRE's legal counsel at the March 3, 2005 Commission meeting, stating that the projections in the application are very conservative, and based on the fact that all applicants would receive a license. Mr. Stevens pointed out that Wild Rose would have built the casino even if every applicant in 2004-2005 received a license.

The 2004 application asked the applicants to indicate the effect of competition with other actual or proposed casino operations in the area. WRE's response was that the feasibility study showed no overlap between their primary market area and that of any existing or proposed casino. Wild Rose intends to proceed with the development of the casino in Emmetsburg regardless of the number of gaming licenses granted in the state. Wild Rose believes that its feasibility study shows that casinos in Black Hawk, Palo Alto, Wapello, Webster and Worth counties can all be successful and do not create competitive overlap in any primary market." Mr. Stevens indicated that this response again indicates that Wild Rose would have built the casino anyway.

Mr. Stevens addressed the various stakeholders and the effect that a license in Fort Dodge would have:

- Palo Alto County Gaming Development Corp. – The Heart of Iowa Foundation (HoIF) has offered to indemnify them for any losses;
- State of Iowa – Would receive \$10 million in license fees; and \$12.17 million per year;
- Employees – The proposed facility would create 350 new job opportunities;
- Suppliers – The facility will offer suppliers more opportunities; and
- Owners – Have an opportunity to recoup 100% of their investment.

Mr. Stevens introduced Monica Vernon, President of Vernon Research, who performed a study on the attitudes and opinions on gaming of Webster County citizens. Ms. Vernon stated that the 2004 referendum won by 57%; if the vote were held today, the vote would pass with 67-71%. The economic impact of the proposed facility is:

- Casino salaries: \$12 million+
- Casino spending: \$8.7 million+
- Charitable giving in Webster County: \$1.7 million+

The long term annual regional impact is estimated to be \$67.5 million; the short term impact will be \$50 million for the construction of the facility and purchasing of building supplies locally.

Lisa Shimkat, Secretary of the HoIF Board, the qualified non-profit sponsoring organization, provided information on the various ways the funds received from Peninsula would have an impact on the other non-profits in Webster County, as well as the quality of life in the area. Ms. Shimkat thanked the Commission for their consideration, and requested a vote in favor of Fort Dodge to generate growth and vitality for future generations.

Pat Leiting, a local investor in Diamond Jo Fort Dodge, stated that the proposal is more than just about gaming; it is about the preservation of the community; being able to put Fort Dodge on the path to economic prosperity that has been witnessed by some of the other communities around the state. He indicated the facility would be located on 80 acres at the junction of US Highways 20 and 169, and would work in concert with the local environment. The gaming floor will hold 600 slot machines, 20 table games, 5 poker tables, and a friendly, professional staff ready to meet their needs. Business leaders feel confident the casino will act as an anchor to the development of more than 200 acres of land adjacent to the property. Parking surrounds the casino and hotel, making accessibility as hassle-free as possible. The hotel will be attached to the casino; Peninsula will partner with an established Iowa hotel operator who has built their reputation on quality accommodations and high quality customer standards. Mr. Leiting stated that the indoor/outdoor multi-use facility, the Edward Campbell Event Center, will attract visitors for outdoor concerts, exhibitions, and trade shows, which will attract additional tourist spending in the area.

Ms. Campbell noted that the Commission has received a lot of information and numbers. A video was played showing the economic impact of gaming in Dubuque, which allowed the city to rebuild its infrastructure and revitalize the community. There were statements from Electrolux employees, teachers, and residents about the lack of, and loss of jobs, in the region, the lack of entertainment options, the need to retain current residents, and attract new residents.

Ms. Schramm thanked the Commission for their time, and indicated Peninsula and the HoIF are looking forward to the Commission's site visit.

Following a lunch break, Chair Seyfer called the meeting back to order, and requested that all cell phones be turned off. He called on Ingenus of Iowa, LLC (Ingenus)/River Hills Riverboat Authority (RHRA). Steve Siegel, Chair of RHRA, and Ken Mimmack,

CEO of Ingenus, stated they are excited about the possibility of bringing a casino to Wapello County. A video was played highlighting some of the attributes of Ottumwa.

Mr. Mimmack touched on the many benefits of the proposed project for Ottumwa: an experienced casino operator, extensive community support, significant revenues to the state and local governments, and an ongoing economic impact to the state and locally. The casino will provide 367 jobs, 600 construction jobs and 1.5 times ancillary jobs.

With regard to financing, Mr. Mimmack advised that the project is 100% financed with a highly respected financing partner. He stated the only condition to the funds being available to them is the granting of a casino license. Mr. Mimmack stated that the cash flow projections work at the lowest level of pro forma.

Mr. Mimmack stated that a casino in Ottumwa would minimize cannibalization, as they would focus on the Missouri market, and work with neighboring facilities on marketing. It is their hope that the casino will have a ripple effect and spark development beyond the casino; that it will help to develop an entertainment zone, the revitalization of the downtown area and development of the riverfront area.

Dave Wirshing, Chief Operating Officer (COO) of Ingenus, provided additional background information on Ingenus, noting they are not as well known in Iowa as some of the other applicants. He pointed out that Ingenus has been licensed in many jurisdictions, both nationally and internationally. They tailor the project to the location, market and community. Mr. Wirshing stated that Ingenus is not afraid to tackle a project of any size, and is really excited about the proposed project for Ottumwa.

Ottumwa has the Bridge View Center, a Vision Iowa project, and Mr. Siegel stated that they believe a casino and hotel will be complimentary and help attract more conventions and larger groups. The casino will help the local economy and provide jobs.

Mr. Mimmack stated that location is in downtown Ottumwa by the Des Moines River. The Bridge View Center allows Ingenus to enter the market as a Tier 2 property. Bridge View has 30,000 square feet of convention space, and a 750 seat theater. Ingenus has a partnership with the City to bring new infrastructure downtown, which will allow for expanded growth beyond the casino. The location, on a major highway, will support existing businesses.

Mr. Mimmack introduced Pierce Coady of Simonson & Associates Architects of Des Moines, Iowa. Mr. Coady stated that the site is easily accessed from Highway 34, which is a divided road, and Highway 63 from northern Missouri. He stated the existing Bridge View parking lot would be expanded by relocating Church Street, allowing for approximately 350 parking stalls at the entrance. Additionally, there will be a four-story parking structure that will accommodate 750 cars and three spaces for buses. Mr. Coady stated the proposal does require some changes to existing infrastructure as some on and off ramps will have to be modified; he indicated that the changes are good as it will allow

infrastructure to be brought up to current standards. He stated the Iowa Department of Transportation (IDOT) has reviewed the plan and given their conceptual approval. A RISE grant application has been submitted, and positive feedback has been received from IDOT, but they are waiting to see what the Commission does prior to moving forward in their process.

Mr. Coady stated that traffic flow has been designed to not only accommodate the initial phase of growth, but future casino and hotel expansion as well as the “ripple effect”, or additional development that is expected to come to the area later. Growth opportunities exist on either side of the river. He advised that the central character of the proposed facility draws directly from the local environment, utilizing sandstone from the bluffs along the river, glass and metal to replicate the flowing form of the river itself. The interior will also utilize sandstone, and steel trusses to replicate bridges. Mr. Coady stated that the Bridge View Center has 650 seats, and 30,000 square feet of convention space; the casino will add an additional 150,000 square feet total, the gaming floor will be just under 20,000 square feet and have 625 slots in addition to table games. There will be office space for casino administration and DCI, the Iowa store, dining venues, and over 100 hotel rooms and suites, and an additional 14,000 square feet of break out space. He stated that Weitz Company, one of Iowa’s largest contractors, has been engaged as the general contractor for the project, primarily because they have the ability to deliver the project on time and on budget.

Mr. Mimmack advised that the total cost of the project is \$55 million. He stated that Ingenus has received a commitment letter from the Saqqara Gruppe, and has entered into a partnership with the city for infrastructure costs; the city and county have signed a 28E Agreement to provide \$20 million in infrastructure bonding to assist with the roads and the additional infrastructure for future development. He stated that Ingenus has decided to reimburse the city and county for their joint involvement in the infrastructure spending at a rate of 200% for the first \$10 million. At this time, Mr. Mimmack introduced Antoine Smith, Chairman and CEO of the Saqqara Funding Gruppe (Saqqara), who addressed additional financing issues.

Mr. Smith advised the Commission that Saqqara is an extraordinary commercial financier, providing a unique and somewhat sophisticated access to the debt and equity markets on Wall Street. The project offers an opportunity to get very, very low cost capital with a very, very strong rate of return for the investor that allows them a maximum and optimum return as it relates to the capital. Mr. Smith stated that Saqqara has funded projects up to multiples of \$1 billion from either traditional or non-traditional banking channels and private equity, as well as other channels and resources. He stated that he has over 22 years experience in legal and finance experience in the debt and equity markets on Wall Street.

Mr. Smith stated that the Commission has received a commitment letter, and may be questioning the strength behind the commitment letter. He stated that because Saqqara has strategic resources from companies like Goldman Sachs, Boston Capital, HSBC,

Wells Fargo, Bank of America Securities and other strategic Wall Street capital partners, Saqqara has their underwriting guidelines in house so that they can underwrite up to 90% specificity of an approval of a project before the commitment letter is released. Mr. Smith stated that Saqqara Funding Gruppe, LLC is ready and able to deliver the necessary capital to do this project. He further stated that Saqqara has previously provided funding for other projects, and reiterated that Saqqara is very sophisticated and able to execute at any level of commercial financing. Mr. Smith noted that the Commissioners may be questioning the 100% debt structure. He pointed out that traditional bank channels are not in a position to provide capital due to the most recently released FDIC underwriting guidelines; this transaction is a value added asset for the strategic investment projects and how they view the project. Additionally, he pointed out that Ingenus Management executes in the gaming arena like no one's business, and will get the job done, and done well. They have proven their ability to deliver projects to the marketplace in a very timely and efficient manner. Mr. Smith stated that the project represents very, very valuable and needed infrastructure resources and jobs to Wapello County. He reiterated Saqqara's commitment to provide the necessary funding for the Ottumwa project, and requested the Commission's approval of the application.

Mr. Mimmack stated that Ingenus will be employing best business practices, working with the regulatory agency, and providing training and development opportunities for the staff through the Indian Hills Community College by working with them to develop a program geared toward the skill sets needed by the casino employees. He stated that it is very important to Ingenus that they avoid cannibalization of existing facilities, but hopes to work with them to develop a "casino trail" of cross promotions. Mr. Mimmack stated that approximately 25% of the revenues at the Ottumwa facility would come from the Missouri market. They also hope to establish corporate partnerships with the Honey Creek Resort and community partner rewards with local businesses. He advised that rather than do another market study, Ingenus commissioned Econsult Corporation to conduct an economic impact analysis. At this time, Mr. Mimmack introduced Mike Mariano, a management director for Econsult. Mr. Mariano advised that Econsult is an economic and statistical consulting firm based in Philadelphia, Pennsylvania; and has worked on numerous economic impact analysis reports for economic development and real estate investment projects.

Mr. Mariano stated that there are various kinds of economic impacts: one time, ongoing and tax revenues. The casino will make payment for goods and services to local vendors, which in turn will spend money in the region, and casino employees will spend their earnings in the region, promoting additional business. Mr. Mariano stated that the company specifically looked at the impact in Wapello County and to the State of Iowa attributable to one-time development costs; and the ongoing impact attributable to ongoing operations and ancillary (visitor) spending.

The one-time development impact, based on a total development cost of approximately \$71 million, with estimated in-state expenditures of close to \$51 million, Wapello County will see a total economic impact in excess of \$83 million, including \$26 million from

employee salaries and wages supporting almost 850 jobs. The impact on the State is larger, in excess of \$102 million, including \$31 million in employee salary and wages and supporting nearly 1,000 total jobs. The next component is on-going casino operations, with estimated casino operating expenditures estimated at approximately \$34 million in the first year; which translates to a county-wide economic impact of nearly \$49 million and close to \$55 million for the State. Econsult estimated there would be 800,000 casino visits during the first year, and visitor spending in Ottumwa would amount to just over \$15 million, translating into an economic impact for Wapello County of \$23 million and over \$25 million for the State. The total annual ongoing economic impact attributable to casino operations and ancillary or visitor spending amounts to almost \$72 million and \$80 million, respectively, for Wapello County and the State.

Mr. Mariano advised that another important consideration is the local and state tax revenues: gaming taxes, taxes generated by non-gaming economic impacts and property taxes. Econsult estimated gaming taxes at the local level would be \$238,000 in the first year, increasing to \$340,000 in the fifth year of operations. The State would receive approximately \$8 million in the first year, which is estimated to increase to over \$11.5 million in year five. It is estimated Wapello County would receive an additional \$1.06 million in sales taxes during the first year of operations, increasing to \$1.6 million in the fifth year, while the transient hotel tax will amount to over \$380,000 the first year, and exceed \$750,000 in year five. The final component of the analysis is the property taxes. Econsult assumed the facility would have a market value of \$37.5 million in the first four years of operations, increasing to \$52.5 million after the expansion, which translates into almost \$1.8 million in property taxes the first year and reaching approximately \$2.5 million in the fifth year.

Mr. Mimmack stated that at this point the presentation would focus on development beyond the casino. He stated that Ingenus tries to develop additional venues within the community. He introduced Fred Lynn of The Lynn Group, LLC, which has been successful at providing design and consulting services to a wide variety of businesses. Mr. Lynn stated that The Lynn Group brings the fun to the project. He indicated the company's interest in the Ottumwa project came about due to several conversations with Mr. Mimmack. Mr. Lynn stated there are many different elements that come together to create entertainment. He noted there is already an indoor water park and ball fields located nearby that could be maintained and included to produce a larger venue. Mr. Lynn stated that the area opposite the casino could be dedicated to an entertainment complex that would include a 420 key hotel with a 42,000 square foot indoor water park, plus other entertainment attractions. A parking garage would be built, which would then allow the existing water park to be expanded to generate longer stays in the area. The Lynn Group also intends to bring in some brand name specialty restaurants to anchor the facility, but also allow current business owners in the community to lease space in the buildings. These plans would extend the projected employment beyond 1,700 people. Mr. Lynn advised the Commission that they are in the process of completing the financing on this part of the project, and are excited to be working with Saqqara to accomplish that goal. He stated they do intend to have an outdoor amphitheater in order

to host concerts and shows during the summer months; but the facility has been designed to be all-weather, and there is an interior corridor providing access to all of the amenities and areas. Mr. Lynn stated that the most exciting part is that once they have an opportunity to present this to the public on a broader scale, especially on economic growth, it will spur additional development, creating the “ripple effect”.

Mr. Mimmack concluded the presentation by indicating that this project is about the right revenues and impact, right jobs, right support, right financing, right operator, right approach and the right future; the right decision. He thanked the Commissioners for their time, and indicated that he was looking forward to the site visit.

Following a short break, Chair Seyfer called on Lyon County Resort & Casino, LLC (LCR&C) and Lyon County Riverboat Foundation, Inc. (LCRF). Sharon Haselhoff, Public Relations Director at Riverside Casino & Golf Resort (RCGR), opened her comments by noting that she was raised in northwest Iowa and would love the opportunity to return home for one of the 700 jobs the proposed casino would create. She provided a brief history as to how the project came into being. She noted that the northwest corner is truly the last location for a casino in Iowa, with an underserved market and an out-of-state market. A group of Lyon County residents, representing all of Lyon County and all walks of life, and some skeptics, traveled to Riverside to view the property, meet with city representatives, a county supervisor, the non-profit and the DCI. Lyon County held their referendum on September 23, 2008.

Ms. Haselhoff stated there is no direct route to Lyon County through the State of Iowa; pointing out that I-29 through South Dakota or I-90 through Minnesota are the best options. The location is just shy of the South Dakota border or a three mile jog into Minnesota, and will be located on Highway 9, in Iowa, on the east side of the road right before it enters South Dakota. She stated LCR&C now has 207 acres under option following the recently signed option agreements on the final parcels needed to complete the facility. The tri-state marker is less than 3 miles away, Sioux Falls is 6 miles away, I-29 is 17 miles away and I-90 is located just 9 miles from the site. She noted that I-90 is heavily traveled and is utilized by many families on their way to visit Mt. Rushmore and Yellowstone National Park, as well as many other attractions. Ms. Haselhoff stated that beginning in 2011, LCR&C hopes their facility will be their last Iowa stop to or from their trips to the west. She advised that the Sioux Falls market has 224,000 adults over the age of 21, another reason LCR&C makes sense. She introduced Mohammed Lawal and Larry Rafferty, representing KKE Architects, which designed the RCGR project. She indicated that while they have designed casinos and resorts nationally, she feels RCGR is their best. She went on to introduce Jeff Gallagher, president of the LCRF, Dan Kehl, CEO of RCGR, and who will also serve as the CEO of LCR&C. Several board members of LCRF were also in attendance. Ken Bonnet will serve as the CFO for LCR&C. She also introduced Joe Massa, the COO of Kehl Management and the current general manager at RCGR.

At this time Ms. Haselhoff turned the presentation over to Mr. Lawal and Mr. Rafferty. Mr. Lawal stated that he was contacted by Mr. Kehl to look at property in northwest Iowa. After looking at several properties, it became clear to him that land located along Highway 9, 6 miles from Sioux Falls was the obvious choice due to visibility, good freeway access and topography, the main component of a successful destination resort. The project will be a \$120 million destination resort on 207 acres of rolling Iowa land, providing over 285,000 square feet of building area. The facility will feature 900 slot machines, 24 table games, an action station buffet, steak house, ala carte daily café, 100-room hotel, 1200-seat event center with a convention center, show lounge, center bar, spa, boutique, retail outlets, an indoor-outdoor terrace and pool and an 18-hole Rees Jones-designed golf course. In looking at a view of the proposed project, the overall project centers on the main octagonal gaming floor, with the event center off to the left, to the right is an open space for future gaming expansion and additional amenities. The multiple food venues and back-of-house operations, including offices for the Commission and DCI, are located between the gaming floor and the event center. The show lounge and hotel are located on the southeast corner; the hotel will have several suite and balconies overlooking the terrace, swimming pool, golf course, landscaped grounds and a 10-acre man-made geothermal lake. The lake will serve as the backdrop for outdoor concerts, and will be used to irrigate the golf course, treat storm water runoff from the parking lot, and provide heating and cooling for the overall resort property. Mr. Lawal advised that there will be 560 geothermal heat exchangers in the lake, 44 million gallons of water and in excess of 83 miles of geothermal heating pipe, making LCR&C one of the most energy-efficient, sustainable and green resorts in the country. Parking will be available for over 2000 cars, RVs and trucks. The façade will include locally quarried stone in a rich, soft golden hue. The main gaming floor will have a mechanical ventilation, in addition to an under floor air distribution system, that will improve the indoor air quality, energy efficiency and create a comfortable indoor environment for all patrons.

At this time Mr. Lawal turned the floor over to Mr. Rafferty, who described the interior design, ambiance and quality of the resort facility. Mr. Rafferty stated that he and Mr. Kehl first met in Las Vegas and toured several casino properties in which he had been involved. During the tour, Mr. Kehl shared his vision for a new property he was developing in northwest Iowa. Since they had worked together on RCGR, discussions were held on how gaming in Iowa could be raised to the next level. The only mandates set forth by Mr. Kehl were that it had to be of the highest quality, and provide a warm, comfortable environment that would encourage return visits to the resort. In order to assure return visits, it is necessary to utilize many layers of design detail so that the guests will continue to discover new features on each return visit. The interior of the project includes many unique features, and the layout of the casino naturally leads guests to the various venues.

Mr. Rafferty stated that the money has been spent where the customer can touch and feel the materials throughout the resort. The color scheme of muted earth tones creates a soothing and relaxed atmosphere tying the various areas of the property together. He

stated that long after the guests have gone home, the attention to detail is what they will recall. Another benefit is the smiles on the faces of the employees as they assume the pride of ownership once the property opens. Mr. Rafferty stated that LCR&C will be the most talked about destination in the upper Midwest.

Mr. Lawal stated that they were able to open RCGR 14 months after being granted the license, one year ahead of schedule. He stated that KKE has spent the last 8 months developing design details for LCR&C, stating that the project is ready for construction, which could start in June this year by building the exterior and having the project enclosed before winter, helping to insure a grand opening in the fall of 2011.

Mr. Lawal introduced Mr. Gallagher, who talked about the community support, noting that a referendum was held in September, 2008 with a 69% voter turnout, and 62% voting in favor of the project. The project also has the support of all the governing bodies in Lyon County. A letter of support was also received from the Northwest Iowa Economic Development Board, which represents the counties of Osceola, Sioux, O'Brien, Plymouth and Cherokee in addition to Lyon, showing that all of northwest Iowa recognizes the value this project will have in spurring economic growth in that section of the state. Mr. Gallagher, noting that Lyon County is basically a rural county, stated that approximately 1,500 residents leave the county each day to go to work elsewhere, three times the average of the rest of the state. Lyon County looks forward to the opportunity to add 700 jobs, allowing residents to stay close to their family and residence. It is hoped that the casino will spur further economic growth in the cities around the resort, and the county at large. He highlighted some of the recreational opportunities and other attractions available in Lyon County.

Mr. Gallagher advised that the LCRF consists of a representative from each of the eight cities located within the county, and each of the five supervisor districts, thus representing all areas of the county. The LCRF would receive approximately \$2.7 million in the early years of the operation, and decided that 50% would be utilized to fund grants. Of the remaining 50%, 25% is going to the schools; each of the three public school districts will receive 7.5% or just over \$200,000; private schools will receive 2.5%. The remaining 25% will be distributed to the county and the eight communities. The communities will receive \$40,000 plus a percentage based on the population of each city. A video was shown of Lyon County residents expressing their desire for jobs that are closer to home and family, and expressing support for the project. It also highlighted specifics of the project. Local residents indicated their approval of Kehl Management, their attitude when in the area, the Riverside operation, and the fact that they make themselves known to the residents; they know what they are doing.

Mr. Kehl, noting this is the first time Lyon County has presented to the Commission, stated they feel they have exceeded all of the requirements. Community Support: He indicated they have spent a considerable amount of time in Lyon County visiting with residents about the project. Mr. Kehl stated there is strong community support. He stated that when the Lyon County residents visited Riverside, he felt it would be difficult to pass

a referendum based on previous polling conducted in the area; however, the enthusiasm of those residents was contagious. Compliance and Gaming Integrity: The company's reputation speaks for itself. Mr. Kehl also provided his word that they will comply with all regulatory requirements, not only of the Commission, but any other state or local agencies as well. He advised that the facility would be operated in the safest possible manner to protect the guests, employees and the integrity of gaming.

Mr. Kehl provided some brief history regarding his family's involvement in Iowa's gaming industry, noting they received the first gaming license in 1990, and added additional properties over the years. He noted that was the beginning of careers for many individuals on both the industry and regulatory side. He indicated the experience has been great; and mostly positive for everyone involved. The company has experienced substantial changes over the last year, and encountered a few knocks along the way; but their commitment to the integrity of gaming has never waived, and they fully understand the importance of running a safe and clean operation, and will do so in Lyon County. Mr. Kehl stated that they have established high standards for themselves, and try very hard to meet those standards and meet the expectations of the guests, employees, investors, Commission and DCI. He stated the company is very proud of their track record and look forward to bringing it to Lyon County. Economic Development: Mr. Kehl indicated that he agreed with the two independent studies. The Marquette Advisors study stated: "... expansion opportunity providing the highest participation from out-of-state players and the least amount of cannibalization is in Lyon County. The Sioux Falls market is mostly untapped by current Iowa casinos. ..."

Mr. Kehl stated that over the years the company has consistently been in the top tier within the industry for in-state purchases. Their philosophy is to start in the local communities, and then to businesses within the state's borders. They believe in doing business with individuals that do business with them. He stated that their business model encourages other Iowans to invest along with them for the betterment of the state. They have received subscriptions from over 400 Iowans who will be investing \$120 million in the LCR&C. The breakdown is as follows: \$50 million in equity and \$70 million in debt. Mr. Kehl advised that the Lyon County project is the largest project before the Commission, and is being built to take advantage of the large untapped Sioux Falls market. The project will be the second destination resort in Iowa; there is nothing like it in northwest Iowa, South Dakota, or southwest Minnesota. Mr. Kehl stated that the amenities at this high-end resort will ensure its success through both the good and difficult economic times. He noted the company has a much stronger ratio of debt to equity than when they started the Riverside project five years ago. All funding is in place, and has been secured through Jefferies Funding, LLC, and locked in place for the first five years of the project. Mr. Kehl indicated that they believe the revenue projections are conservative; \$70 million in gaming revenue and \$80 million in total resort revenue. The studies commissioned by Commission estimated the top end of the market at \$79 million in gaming revenues. The above revenue would generate \$95 million in taxes and fees to the State over the first five years of operation, \$72 million from gaming taxes alone. Over five years, Lyon County will receive \$23 million in the

form of property taxes, gaming taxes and fees to the not-for-profit. In addition to the hundreds of construction jobs, the project will create in excess of 700 new jobs for Lyon County, with approximately 450 being full-time. Benefits will include health insurance, paid vacations, profit sharing and a 401K plan. The annual estimated payroll is \$13.5 million.

Mr. Kehl concluded his remarks by noting that the economic impact of the project would be very significant in that area of the state; over 81% of the revenues would come from outside the state of Iowa. He noted that Lyon County is becoming a bedroom community for Sioux Falls, which is experiencing rapid growth to the east - toward the proposed site for the facility. He reiterated their belief that the project meets all of the criteria established by the Commission and requested the Commission's approval of the project at the May 13th Commission meeting.

Following a short break, Chair Seyfer requested a motion to go into 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 background reports. Commissioner Cutler seconded the motion, which carried unanimously on a roll call vote. (See Order No. 10-32)

At the conclusion of the Executive Session, Chair Seyfer requested a motion to leave Executive Session. Commissioner Cutler so moved. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-33)

Chair Seyfer called for a motion to adjourn. Commissioner Hayes so moved. Commissioner Cutler seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
APRIL 6-7, 2010**

The Iowa Racing & Gaming Commission (IRGC) met on Tuesday, April 6, 2010 at Stoney Creek Inn, 5291 Stoney Creek Court, 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 4:00 PM and requested a motion to approve the agenda. Commissioner Cutler moved to approve the agenda as submitted. Commissioner Urban seconded the motion, which carried unanimously.

Chair Seyfer requested a motion to go into Executive Session. Commissioner Hayes moved to go into Executive Session for the purpose of receiving Division of Criminal Investigation (DCI) background investigation reports pursuant to Iowa Code Section 21.5(1)g. Commissioner Harrison seconded the motion, which carried unanimously on a roll call vote.

Executive Session was recessed for a dinner break. Executive Session resumed at 7:15 PM. At the conclusion of the background investigative reports, Chair Seyfer requested a motion to leave Executive Session. Commissioner Urban moved to leave Executive Session. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Seyfer requested a motion to recess the meeting until 8:00 AM on April 7, 2010. Commissioner Harrison so moved. Commissioner Hayes seconded the motion, which carried unanimously.

On Wednesday morning, the Commission members and staff traveled by motor coach to the following proposed sites for new excursion gambling structures:

- 9:30 AM Webster County Gaming, LLC/Heart of Iowa Foundation (Fort Dodge)
- 12:30 PM Signature Management Group of Iowa, LLC/Tama County Community Enrichment, Inc. (Tama)
- 3:00 PM Ingenus of Iowa, LLC/River Hills Riverboat Authority (Ottumwa)

The Commissioners and staff returned to Stoney Creek Inn at approximately 5:30 PM.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
APRIL 14-15, 2010**

On Wednesday, April 14, 2010, Greg Seyfer, Chair; Toni Urban, Vice Chair; and members Andrea Harrison and Paul Hayes, along with Commission staff, left Stoney Creek Inn, Johnston, Iowa via motor coach to travel to Council Bluffs, Iowa, where they were joined by Kate Cutler. They then traveled to Larchwood, Iowa to view the site for the proposed Lyon County Resort and Casino. The motor coach returned to Council Bluffs at 6:00 PM that evening. Racing and gaming matters may have been discussed, but no official action was taken.

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, April 15, 2010 at Ameristar Casino, Council Bluffs, 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 Urban moved to approve the agenda as submitted. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Seyfer called on Mayor Tom Hanafan, who welcomed the Commission to Council Bluffs. Mayor Hanafan noted that gaming has not only made a big difference in Council Bluffs from 1984 to 2010, but also the State of Iowa. Mayor Hanafan stated that Ameristar and Harrah's are good corporate citizens, the employees, hotels and restaurants have also contributed to the growth in Council Bluffs. He advised that the non-profit organization, Iowa West Racing Association (IWRA), has made a huge contribution to Council Bluffs, southwest Iowa, and Nebraska. Mayor Hanafan stated that gaming has provided many great opportunities for Council Bluffs. He thanked the Commission for a job well done.

Chair Seyfer moved to the approval of the minutes, noting there had been some minor clerical revisions. Commissioner Urban moved to approve the minutes as revised. Commissioner Cutler seconded the motion, which carried unanimously.

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

- May 4, 2010 – Public Hearing – New License Applications, Stoney Creek Inn, Johnston, IA
- May 13, 2010 – Commission Meeting (START TIME: 10:00 AM)

- June 3, 2010 – Stoney Creek Inn, Johnston, IA (Submissions due by May 20, 2010)

The May 4 meeting will be the public hearing on the new applications for licenses, as well as an opportunity for the Commission members to question all of the applicants. On May 13th, the Commission will be convening at 10:00 AM to make their decision regarding the applications for licenses. Both meetings will be held at Stoney Creek Inn in Johnston, Iowa.

Mr. Ketterer provided the following proposed meeting dates for Fiscal Year 2011:

July 29, 2010	Stoney Creek Inn, Johnston
August 26, 2010	Riverside Casino & Golf Resort
October 7, 2010	Dubuque
November 10, 2010*	Stoney Creek Inn, Johnston
January 13, 2011	Stoney Creek Inn, Johnston
March 3, 2011	Stoney Creek Inn, Johnston
April 14, 2011	Harrah's, Council Bluffs
June 9, 2011	Stoney Creek Inn, Johnston

He advised that the dates would be available on the Commission's website. Mr. Ketterer noted that the July meeting would be held late in the month due to conflicts with schedules, and that the November meeting would be held on a Wednesday due to Veteran's Day.

Chair Seyfer moved to Rules submitted under Notice of Intended Action. Brian Ohorilko, Director of Gaming, advised that the proposed rules before the Commission were brought forth from the Commission's Rules Review Committee. He noted that a majority of the rules provide for input and clarification of existing rules, and allow for new slot machine technology. Mr. Ohorilko stated that the committee worked with the Iowa Gaming Association on many of the rules. He provided the following synopsis:

Item 1 provides for clarification of existing rules stating that firearms are not permitted unless a waiver is granted from the Administrator.

Item 2 discusses the need for a Standard Operating Procedure (SOP) addressing surveillance maintenance, emergency plans and surveillance systems capabilities.

Items 3 removes implements of gambling such as cards and dice as something where written notice is required. This item ties into No. 13, which addresses game control and procedures for storage, removal and recording implements of gambling.

Item 4 allows for a piece of technology regarding system bonusing and eligibility for deductions paid.

Items 5, 6 and 7 are keno rules, bringing the Commission's rules in line with industry standards.

Item 8 allows for a new piece of slot machine technology.

Items 9, 10 and 11 clarify slot machine or slot system rules.

Item 12 states that gambling revenue exceptions that can not be reconciled should be reported to the Commission immediately. All others are recorded in a log.

Items 13 and 14 address internal controls for table games and surveillance respectively.

Items 15, 16 and 17 clarify existing rules relating to key control, drop boxes and any modifications in the slot system respectively.

Items 18, 20, 21 and 22 clarify or allow changes in Administrative Rules with respect to procedures for count drop teams, which otherwise may have been addressed individually at the respective facilities.

Item 19 allows for alternative wear when conducting the drop.

Mr. Ohorilko advised that IRGC staff recommends approval of the rules as submitted under Notice of Intended Action.

Hearing no questions for Mr. Ohorilko on the rules, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the rules as submitted for Notice of Intended Action. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-34)

Mr. Ketterer introduced the following IRGC staff members from the Council Bluffs facilities: Gaming Representatives Lynette Masker and Bryan Crowdy from Ameristar; Jeff Rethmeier and Max Zaragosa from Harrah's, and Carol Fajen and Corey Ostermeyer from Horseshoe/Bluffs Run; Richard Woodsmall, a Racing Steward at Bluffs Run, and Licensing Assistants Gina Goos, Linda Baxter and Julie Peterson.

Chair Seyfer called on IWRA/Harvey Iowa Management, Inc. regarding the Third Amendment to the Amended and Restated Excursion Boat Sponsorship and Operations Agreement. Todd Graham, Executive Director of IWRA, and Bo Guidry, General

Manager of Harrah's were available for any questions. Mr. Graham stated that the Commission had requested an update on the negotiations between Harrah's and IWRA at this meeting. He advised that the parties have reached an agreement, allowing IWRA to continue its sponsorship of Harrah's license. Mr. Graham stated that both parties have signed the agreement, and are present to indicate their approval of the amendment. He advised that the negotiations had gone smoothly. He stated that IWRA appreciates Harrah's support of IWRA's efforts, and the fact that they are a good corporate citizen. Mr. Graham advised that since its inception, the IWRA has granted in excess of \$250 million to non-profit organizations throughout southwest Iowa. He called on Mr. Guidry for any comments.

Mr. Guidry advised that Harrah's has a great working relationship with IWRA, and is excited about their upcoming projects on the riverfront.

Mr. Ketterer asked Mr. Graham how many different Iowa counties IWRA distributes funds. Mr. Graham indicated IWRA has distributed funds in 17 Iowa counties and four in Nebraska, but their focus is Pottawattamie County and Council Bluffs.

Hearing no further comments or questions, Chair Seyfer requested a motion to approve the Third Amendment to Amended and Restated Excursion Boat Sponsorship and Operations Agreement. Commissioner Cutler so moved. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-35)

Chair Seyfer moved to the contract approval portion of the agenda, and called on Wild Rose Clinton (WRC). Tim Bollmann, General Manager, presented the following contracts for Commission approval:

- A.D. Huesing Bottling Works/G. Baker Distributing – Purchase of Pepsi Products from G. Baker Distributing, partnering w/ A. D. Huesing Bottling of Davenport
- Aristocrat Technologies – Purchase of Slot Machine Conversions & Parts
- Ecolab – Lease & Maintenance of Kitchen/Dining Ware Washing Equipment, plus Purchase of Required Cleaning Chemicals
- International Game Technology (IGT) – Leases, Royalties, Purchase of Conversions & Parts
- King Food Service – Purchase of Seafood Products
- Konami Gaming, Inc. – Purchase of Slot Machine Conversions & Parts
- Kopp's Market, Inc. – Purchase of Meat and Dairy Products
- Mediacom Iowa, LLC – Mediacom Commercial Family Cable Video Service in Casino & Coaches Corner Sports Bar
- Mediacom Iowa, LLC – Mediacom CATV Service (Expanded Basic)
- MetLife – Employee Life Insurance, Long & Short Term Disability, and Dental Insurance Premiums
- Pitney Bowes – Lease of Postage Meter System

- Wellmark Blue Cross Blue Shield of Iowa – Employee Health Insurance Premiums
- WMS Gaming, Inc. – Slot Machine Leases, Purchase of Conversions & Parts

Commissioner Hayes asked how WRC knows that MetLife provides the best product for employee life insurance, long and short term disability, and dental insurance. Mr. Bollmann advised that the insurance provider, Holmes Murphy, selected the best program from a number of companies.

Commissioner Urban stated that she thought Ecolab was an Iowa vendor. Mr. Bollmann advised that there are service products available in the Quad Cities area, but payments go to an out-of-state address.

Commissioner Harrison asked about the large increase in the amount to Konami. Mr. Bollmann stated WRC had increased the number of Konami games on the floor; they previously had 15, and now have 60.

Hearing no further comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by WRC. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-36)

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

- Data Business Equipment, Inc. – Kiosk Maintenance Agreement
- Konami Gaming, Inc. – Lot A Bucks Purchase and License Agreement
- WMS – Slot Game Conversions

Hearing no comments or questions concerning the contracts, 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. 10-37)

Chair Seyfer called on Diamond Jo Worth (DJW). Kim Pang, General Manager, presented a contract with Vital Support Systems for servers, software and support.

Hearing no comments or questions concerning the contract, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contract as submitted by DJW. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-38)

Chair Seyfer called on Ameristar. Jim Franke, General Manager, presented the following contracts for Commission approval:

- Tech Art – 5 Year Installation and Maintenance Agreement for MAXTime card readers on Black Jack Tables
- Trace 3 – IT System Support
- Western Money Systems – Kiosk Purchases

Hearing no 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. 10-39)

Chair Seyfer called on Harrah's. Janae Sternberg, Director of Finance, presented the following contracts for Commission approval:

- American Hotel Registry – Hotel Renovations
- Custom Countertop – Hotel Renovations
- Interior Designs – Hotel Renovations
- Kelly's Carpet – Hotel Renovations
- Richardson Sales – Hotel Renovations
- The JDR Group – Promotional Items

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 Hayes seconded the motion, which carried unanimously. (See Order No. 10-40)

Chair Seyfer called on Lakeside Casino. Bob Thursby, General Manager, presented the following contracts for Commission approval:

- Reinhart Food Services – Food & Supplies for Kitchen
- Sierra Health & Life Insurance Co., Inc. – Health Insurance for Employees

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by Lakeside. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-41)

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

- Buhrow Construction – Cement Work, Replacement of Floor
- Del's Garden Center – Landscaping and Maintenance
- Lakes Print – Printing and Advertising
- Triple Point/Alliance Technologies – Computer Equipment and Maintenance

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 Harrison seconded the motion, which carried unanimously. (See Order No. 10-42)

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

- Alliant Energy – Local Utility – Electrical Services
- Wellmark, Inc. – Third Party Administrator for Employee Health Benefits
- International Game Technology – Purchase of Slots and Parts, Participation Fees, Upgrades and Maintenance
- North American Video, Inc. – Purchase and Maintenance of Digital Surveillance System

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contracts as submitted by LLCM. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-43)

Chair Seyfer called on Mystique Casino. Roger Hoeger, Assistant General Manager, presented the following contracts for Commission approval:

- Cottingham & Butler – Property and Casualty Insurance Renewal
- Micro Edge – Grant Software Maintenance Agreement

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Mystique. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-44)

Chair Seyfer called on Prairie Meadows Racetrack & Casino (PMR&C). Ann Atkins, Vice President of Operations, and Derron Heldt, Director of Racing, were present to address the issues before the Commission:

- Horsemens Benevolent and Protective Association – Have a signed contract for five years. Ms. Atkins advised that the racing season is about to start. She noted that PMR&C has been given one additional stakes race; they now have two Grade 3 stakes races and one Grade 2 stakes race.
- Quarter Horse Racing Association – There is still one issue to work out on the agreement; negotiations are continuing.

Chair Seyfer called for any questions. Commissioner Hayes asked if the stables are getting full. Ms. Atkins turned the floor over to Mr. Heldt, who advised there are 650

horses on the back side; there is room for 1,350. He noted that two tracks will be wrapping up their meets on Saturday, and two more will be doing so shortly. Mr. Heldt stated there are 18 new trainers coming this season that were not here in 2009. He indicated that PMR&C is pleased with the response; horsemen are coming from Arizona, Texas and Florida. There are also five or six new jockeys competing at PMR&C for the first time. Mr. Heldt stated that he believes the barns will be close to capacity.

Commissioner Urban asked if the horses were mostly thoroughbreds. Mr. Heldt answered in the affirmative.

Hearing no further questions, Chair Seyfer called on the quarter horse representative to address the Commission. John Vernon, legal counsel for the Iowa Quarter Horse Racing Association (IQHRA), stated that Ms. Atkins was correct in that there is one issue remaining, which was discussed in a letter sent to Mr. Ketterer on April 1st and forwarded to the Commissioners. The issue still under negotiation pertains to Paragraph 21 of the draft agreement titled "Legislation." Mr. Vernon advised that the IQHRA Board voted unanimously to delete that paragraph; PMR&C has stated that the paragraph has to stay because the thoroughbreds did not take exception to it being included in their agreement. PMR&C further indicated that they did not want to enter into a three-year agreement with the IQHRA if they would seek the passage of legislation that would be detrimental to PMR&C. Mr. Vernon stated that historically this particular paragraph has not been included in the contract; it was included in the contract for 2008, but was removed in 2009 at the insistence of the IQHRA. He went on to state that IQHRA believes that just because the thoroughbreds have similar language in their contract; it doesn't mean the IQHRA should waive their rights to weigh in on certain legislative issues. Mr. Vernon stated that paragraph 21 states in part: "... they will not directly or indirectly support any legislation ...". He stated that the word "directly" is very clear; indirectly would mean that individual members who do not sign the contract could have their First Amendment rights waived. The IQHRA does not want to litigate the question at the Court House. The agreement provides for automatic injunctive relief; and it would be too costly for the IQHRA to litigate. Mr. Vernon stated that the IQHRA feels the purpose of the language, if it is included, puts the IQHRA in the position of telling its members to do this, but as an association, they can not take a stance to support legislation. The IQHRA does not feel that follows the spirit or the intent of the agreement. Mr. Vernon went on to say that the language in paragraph 21 prohibits PMR&C and IQHRA from supporting certain legislation but it does not extend to opposing legislation; if legislation were introduced regarding the percentage of slot machine revenue to be used to support purses, the IQHRA could not support the legislation but PMR&C could oppose the legislation. The language could also restrict how IQHRA members deal with the American Quarter Horse Association. If the American Quarter Horse Association supported legislation that dealt with racing opportunities or days; the IQHRA could not support the legislation.

Mr. Vernon advised that the proposed contract is for three years. He indicated the IQHRA is ready to race in August as the Commission set purses at the November 2009 meeting. The next contract to be negotiated would be in the fall of 2012 for the racing

season of 2013 and beyond. Mr. Vernon pointed out that PMR&C usually makes its proposal to the thoroughbreds and quarter horses in October, and presents it to the Commission in November. He stated that because the next agreement would come before the Commission in the fall of 2012, no one in the IQHRA could technically support any administrative agency action or judicial action which dealt with the 2013 contract as it would be contrary to paragraph 21. Mr. Vernon advised that the last e-mail from the PMR&C representative was that there would be no further negotiations unless paragraph 21 is included.

As there were no questions for Mr. Vernon, Chair Seyfer moved to the hotel update. Ms. Atkins advised that Brian Wessels, Chief Financial Officer, would provide the update. Mr. Wessels advised that the project is moving forward; that on April 13th, the Polk County Board of Supervisors approved all of the agreements pertaining to the hotel. At this time, PMR&C is waiting on notification that Kinseth has received the necessary financing. Once that has been completed, a groundbreaking date can be established. Mr. Wessels stated that construction trailers are moving onto the property, and construction fence is being erected today. The crane will be arriving next week.

Commissioner Cutler asked how soon PMR&C expected to hear from Kinseth regarding the financing. Mr. Wessels indicated they hoped it would be soon. Commissioner Cutler asked if that meant within a week. Mr. Wessels answered in the affirmative as they would like to have the groundbreaking ceremony in May.

Commissioner Urban asked how the construction necessary to connect the hotel to the current facility would impact current operations and parking. Mr. Wessels indicated there would be some minor disruption at the beginning; however, once construction of the hotel commences, the front of The Meadows will be blocked off for a period of time.

Commissioner Harrison asked if the construction would impact parking. Mr. Wessels indicated there would be a short period of time where a portion of the parking lot will be shut down, but it will be reopened as soon as possible. Commissioner Harrison asked if there were plans to make parking available in other areas. Mr. Wessels advised that PMR&C is moving some parking lots around and increasing the frequency of the shuttles to the various lots.

Commissioner Urban asked if the parking ramp is still an additional phase of the construction project. Mr. Wessels answered in the affirmative. Commissioner Urban asked if there are any procedural plans for constructing the ramp. Mr. Wessels again answered in the affirmative, stating PMR&C plans to get the hotel completed and then start on the parking garage.

Hearing no further questions for Mr. Wessels, Chair Seyfer moved to the contracts before the Commission for approval. Mr. Wessels presented the following contracts for Commission approval:

- Image Solutions – Promotional Items
- Imagine This – Promotional Items
- Altoona Hotel Associates, LLC – Hotel Development/Development & Construction Agreement

Commissioner Urban asked if the contract with Altoona Hotel Associates, LLC was Kinseth. Mr. Wessels 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 PMR&C. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-45)

Mr. Ketterer advised that he had one more question for Ms. Atkins and Mr. Heldt. He advised that he met earlier in the week with representatives of the Iowa Harness Horsemen's Association (IHHA); and from negotiations with the thoroughbreds and quarter horses, it appears the metrics for those breeds have been agreed to by all parties. He stated the IHHA had some feedback that PMR&C has not responded to at this time; the IHHA also had some questions that were set forth in a letter with respect to the Request for Quote for the conversion of the track relating to the process and specifications. Mr. Ketterer requested an update on the status of the items at the June Commission meeting.

Chair Seyfer called on IWRA/Iowa Greyhound Association for a review of the financial audit of the escrow account for the year ending December 31, 2009. Jim Quilty, legal counsel for the Iowa Greyhound Association, was available to answer any questions.

Hearing no comments or questions concerning the audit, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the IWRA/Iowa Greyhound Escrow Account financial audit as presented. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-46)

Chair Seyfer moved to the Approval of the Distribution of the Horse Racing Promotion Fund. Dr. Keith Soring, Director of Racing, advised that since the distribution of the meeting material, the IQHRA has withdrawn their application, leaving the Legacy Harness Horse Foundation as the sole applicant for the funds. There is \$3,337.80 available for FY 2010.

Hearing no comments or questions for Dr. Soring, Chair Seyfer requested a motion. Commissioner Hayes moved to approve distribution of the Horse Racing Promotion Fund in the amount of \$3,337.80 to the Legacy Harness Horse Foundation. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-47)

Chair Seyfer moved to the hearing for RCGR for a violation of Iowa Code §99F.4(22), the self-exclusion policy. Mr. Ketterer advised that the matter has been resolved via a

Stipulated Agreement subject to the Commission's decision on a penalty, and involves a voluntarily excluded individual. He explained that on February 5, 2005, the individual was enrolled in the Lifetime Self-Exclusion Program at Rhythm City in Davenport. Approximately 20 months later, on October 13, 2006, the individual was added to RCGR's database by creating a Player's Club account and designating it as "state excluded". On December 21, 2007, the individual signed up for a Player's Club account at RCGR using a different last name. Two months later, the individual won a reportable jackpot of \$1,260. Over the next two years, the individual notified RCGR staff of another name change. No additional changes were noted. From the time the Player's Club account was opened in December 2007 through January 25, 2010, the individual received numerous promotional mailings, and the individual gambled frequently at RCGR. On January 26, 2010, RCGR staff was auditing paperwork and discovered that a 2008 jackpot was paid to a patron that had the same social security number of the self-excluded patron. On March 5, 2010, Riverside paid \$1,260 to the State of Iowa General Fund.

Mr. Ketterer advised that the one item that makes this situation different from others that have come before the Commission is that when the Commission adopted a resolution in August 2008 regarding procedures for voluntary self-exclusion process, the licensees were required to provide sufficient training and allocation of resources to support a process to check a person's name against the licensee's system when a guest won a jackpot. The resolution did not specifically state that the licensee should support a process to check a person's social security number. Mr. Ketterer stated that as a result of this incident, RCGR has instituted a procedure requiring cage staff to search the player tracking system for a matching social security number prior to paying a taxable jackpot.

Mr. Ketterer stated that, if this was not understood previously, the Commission should make it clear to the licensees that the expectation is there that the person's social security number is on paperwork enrolling them in the program and is disseminated to all of the facilities. When an individual comes to the cage to cash in a taxable jackpot, they are required to show their social security number; and it should be checked by the cage worker filling out the tax paperwork for the jackpot. He noted that while this incident seems to involve some deception, that would not always be the case. A name change can occur due to a change in an individual's marital status, or their address can change if they move; however, the social security number would always be the same. Now, if the evidence showed that when the individual either signed up for the program or presented information to the cage when they hit the jackpot and had manipulated or changed their social security number, that would be excusable, but if they have presented the same social security number, the Commission would expect that it would be checked. Mr. Ketterer reiterated that the resolution adopted by the Commission did not specifically address the issue of checking social security numbers. He advised that he wanted to bring that matter to their attention as they will have to determine if it excuses RCGR from the violation; or in the alternative, if there was a violation, then they need to determine the amount of the fine. Mr. Ketterer recommended an administrative penalty of \$3,000 if the Commission determines that a violation did occur. He also recommended that the

Commission amend the resolution to include social security numbers so that everyone is clear on the issue.

Chair Seyfer asked if the Commission could make that change at this meeting since no notice had been provided. Mr. Ketterer answered in the negative. Chair Seyfer stated that it should be added to the June meeting agenda.

Commissioner Hayes asked if the Commission knew what other facilities are doing in these instances. Mr. Ketterer advised that staff did not know that information.

Commissioner Cutler stated that she feels the circumstances excuse RCGR from the violation as the resolution was not as clear as it should have been. Chair Seyfer and Commissioner Hayes indicated their agreement. Commissioner Hayes stated that he would like to receive information regarding the cost to the licensee to comply and be able to capture the social security numbers, match them and any time limitations on staff.

Commissioner Cutler asked what action the Commission needed to take. Mr. Ketterer advised that the motion could indicate that due to the wording of the resolution, the Commission has determined that no violation occurred.

Commissioner Cutler moved that due to the wording of the resolution adopted by the Commission in August 2008, there is no violation on the part of RCGR. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-48)

Chair Seyfer moved to Public Comment. As no one had signed up for Public Comment, he moved to Administrative Business. Mr. Ketterer advised there is none at this time. Chair Seyfer requested a motion to adjourn the meeting. Commissioner Cutler moved to adjourn the meeting. Commissioner Hayes seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
MAY 4, 2010**

The Iowa Racing & Gaming Commission (IRGC) met on Tuesday, May 4, 2010 at Stoney Creek Inn, 5291 Stoney Creek Court, Johnston, Iowa. Commission members present were Greg Seyfer, Chair; and members Kate Cutler, Andrea Harrison and Paul Hayes.

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

Chair Seyfer requested a motion to go into Executive Session. Commissioner Hayes moved to go into Executive Session for the purpose of receiving Division of Criminal Investigation (DCI) background investigation reports pursuant to Iowa Code Section 21.5(1)g. Commissioner Harrison seconded the motion, which carried unanimously on a roll call vote. (See Order No. 10-49)

Toni Urban, Vice Chair joined Executive Session within a few minutes after it began.

At the conclusion of the background investigative reports, Chair Seyfer requested a motion to leave Executive Session. Commissioner Urban moved to leave Executive Session. Commissioner Cutler seconded the motion, which carried unanimously. (See Order 10-50)

Following a brief recess, the meeting resumed at 9:30 AM.

Chair Seyfer stated that the purpose of the public forum is for members of the public who are not affiliated with an applicant to have an opportunity to address the Commission. This includes those people who spoke or were recognized at the March presentations or those individuals present at the site visits. He noted the applicants and those individuals supporting the proposals have had sufficient opportunities to present their case to the Commission. This day is for the members of general public who have not previously had an opportunity to be heard.

Jack Ketterer, Administrator for IRGC advised that those individuals who had contacted the office were signed up to speak. If individuals had not contacted the office, they had the opportunity to sign up at the back of the room. He advised that everyone would need to check in with staff located at the sign-in sheet in order to keep the process moving smoothly. Each speaker was requested to state their name, spell it, and indicate whether they were representing a group or themselves.

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

Chair Seyfer called on comments for Lyon County Resort & Casino, LLC/Lyon County Riverboat Foundation, Inc. As no one had signed up to speak on this application, Chair Seyfer moved on to comments for Signature Management Group of Iowa, L.L.C./Tama County Community Enrichment, Inc.

Thomas J. Jochum and Jon Papakee, representing the Meskwaki Tribe, and Dan Stromer representing the Meskwaki Casino spoke in opposition to the application.

Following these comments, Chair Seyfer called on individuals wishing to speak to the Ingenus of Iowa LLC/River Hills Riverboat Authority. David Ross, Herbst Gaming; Bill Trickey, Clarke County Development Corporation; and Gary Hoyer, Catfish Bend Casino spoke in opposition, citing the negative impact the casino would have on revenues at their facilities.

In addition, the following individuals addressed the Commission in support of the application. Andy Woodrick, Honey Creek Resort; Jami Matice, KYOU Fox 15 TV; Bill Gerhard, State Building Construction Trade Council; Cheryl Cox, Bridge View Center, Inc.; Tom Rubel, Indian Hills Community College; Tim Schwartz, Hotel Ottumwa; Sarah Hartley, AmericInn; Roger Jones, Ottumwa Economic Development; Les Thostenson, Ottumwa Board of Realtors; Mary Gaskill, State Representative; Andrew Grove, KTVO-TV; Hans Wilz, Edd the Florist; Richard Palen, KLEE/KOTM; and Jeremy Weller, representing himself. These individuals cited economic development, additional tax receipts, entertainment, jobs, and an added attraction to market with other tourist sites that currently exist.

Phil Griffith, representing himself, spoke in opposition to the application in Ottumwa. He cited broken promises relating to previous projects within the community, the negative impact on the community, and there are enough casinos already.

Following a short break, Chair Seyfer called on those individuals wishing to speak to the Webster County Gaming, LLC/Heart of Iowa Foundation application. The following individuals spoke in opposition of the casino, citing the negative impact of the casino on revenues for Wild Rose and the non-profit, jobs and the local economy. Tom Timmons, Wild Rose Casino Emmetsburg; Nate Newhouse, Palo Alto County Gaming Development Corporation; John Bird, Emmetsburg City Administrator; State Representative Marcie Frevert (District 7); Tracey Mattice, Citizens of Palo Alto County; and John Brown, Citizens of Palo Alto County. State Senator Jack Kibbie (District 4) in general about gaming in Iowa.

Terry Dillon, Nancy Stanek, Gregory A. Olson, J. Faulkner Martin, Jean Black, Carla Warner, and Blair Conley, representing themselves; and William S. Doan, representing the Doan Family Foundation spoke out against the application.

The following individuals spoke in support of the application: Mark Campbell, Rhonda Chambers, Jason Kahler, Jeff Hill, Deb Johnson, Chad Schaeffer, Lori Branderhorst, Mike Aschers, David Fierke, Don Woodruff, Tim Burns, Paula Anderson, Amy Bruno, Jim Reed, Sara Hill, Lynette Pearson, Keely Gunderson, Chef Michael Hirst, Bridget Lambright, Michelle Bemrich, Jessica Smith, Margy Halverson-Collins, David J. Bradley, Bill L. Thomas; Kenneth K. Kull, Bruce Kingfield, Dennis Plautz, Derick Anderson, Randy Vanderpool, Toni Schmalen, Mark Jorgensen, Bob Wood, Karen Wood, Scott McQueen, Dean Kitley, Cheryl O'Hern, Bob Singer, Susan Ahlers Leyman, Tom Miklo, Andy Patel, Mike McCarville, Dan Payne, Michael Ascherl. They cited jobs, tourism, revenue, entertainment, quality of life enhancements, joint marketing opportunities, and economic development. Kim Koenigs voiced her support for the project on behalf of Peninsula Gaming. Mary Beth Frischmeyer read a letter on behalf of Senator Daryl Beall expressing his support. Joel Lizer read a letter on behalf of State Representative Helen Miller.

A break for lunch was taken from noon until 1:00 PM during the comments on the Webster County Gaming, LLC/Heart of Iowa Foundation application.

Following these comments, the Chair called on those individuals that wished to make comments not related to any particular application. Mitch Henry, Dan Kelley, Paul Totten, Jonathan Narcisse, Gary Thellen and Nancy Stillians all spoke in opposition of issuing any new licenses.

Following a short break, the Chair called up the Questions from Commission Members portion of the agenda and called on Lyon County Resort & Casino, LLC/Lyon County Riverboat Foundation, Inc. Dan Kehl, CEO, and Ken Bonnet, CFO, Joe Massa, General Manager at Riverside Casino & Golf Resort, Jeff Gallagher, Tony Baxter with Baxter Construction, and Dan Hoffman and Gary Bishop from the non-profit board, and Sharon Haselhoff were available to answer questions. As there were no public comments received on this project, the Commission moved forward with their questions.

Commissioner Urban expressed concern about the project employing Iowans, given its proximity to the borders of South Dakota and Minnesota. Mr. Kehl stated that they make a point of employing Iowans and utilizing Iowa companies and services at their properties. He stated that when their facilities are seeking bids, if all aspects are equal, they will go with the Iowa vendor. Mr. Kehl stated that some preliminary bid pages have been sent out, and they are receiving a good response from Iowa vendors, and they are being very competitive. With respect to employees, Mr. Kehl noted that Lyon County is a very small county, and they will do their best to hire as many Iowans as possible, but they can only hire those that apply. He conceded there will be some employees from the Sioux Falls area. Mr. Kehl pointed out that South Dakota does not have any income tax, but if an individual is working Iowa, they would be required to pay Iowa income tax.

Commissioner Hayes asked Mr. Kehl where he was at in the process of obtaining the necessary permits, and how quickly construction could commence if a license were granted. Mr. Kehl advised that the first set of bids were received the previous week, and the second set just arrived so bids are ready to be let if they are granted a license. Some of the bids are below the estimate. Tony Baxter is the Iowa contractor. The high end project cost for the project is \$50 million; if some changes are made it could be done for \$46 million. Mr. Kehl indicated that they still have to go through the permit process; they have filed for a preliminary permit with the Corp of Engineers, and there are no wetlands on the site. Mr. Kehl stated that if they receive the permit from the Corp, they will proceed with getting the construction permit from the County. He advised that if they are granted a license on May 13th, they intend to close on the land on the 14th and begin construction in June. It is his intent to have the property open in June 2011.

Chair Seyfer stated that they have submitted financial commitments for \$50 million in equity financing and \$70 million in debt financing.

Commissioner Harrison asked what steps Mr. Kehl was taking to insure the safety of the patrons. Mr. Kehl stated that the town of Larchwood is only 8-10 minutes away. The fire chief, who is also the mayor of Larchwood, has indicated they are able to purchase any necessary equipment, and Mr. Kehl stated that facility would do what they could to assist them in those endeavors. He also indicated there will be a 3' firewall between all of the floors and rooms; the property will be fully sprinkled and the steel beams will be covered in insulation. Mr. Kehl advised that there is a ladder truck in Sioux Falls should the need arise. During the design process, he has worked with the architectural firm to insure they are in compliance with the State Fire Code. Mr. Kehl advised that half of the Sheriff Department lives within 15 minutes of the proposed casino site. The Sheriff has indicated his willingness to provide his assistance at the facility if necessary, and plans to meet with the DCI to determine if there will be a need to hire additional staff. Mr. Kehl indicated that he would work with the Sheriff's Department as much as possible to help insure they have the needed resources. He pointed out that the situation in Washington County is not much different than what is occurring in Lyon County. Mr. Kehl stated that the property sent a check to the Washington County Sheriff's Department for the purchase of a drug dog; the Sheriff respectfully returned the funds.

Commissioner Urban, noting that some of the project will be geo-thermal, asked if they would be seeking Leeds certification. Mr. Kehl stated that he was not sure the project will be a full Leeds project, but they are doing everything they can to make it as green and environmentally friendly as possible so that it can be model for new construction.

Commissioner Hayes asked how the slot machine budget was determined. Mr. Bonnet stated that it was based on the number of machines; the number selected for this project was based on the number of machines at Riverside. He indicated they have gone out and solicited bids from the vendors. The slot machines can range in price from \$15,000 - \$18,500, most are just a smidge under \$16,000. Commissioner Hayes asked if that was

for each machine. Mr. Bonnet answered in the affirmative, that each machine can cost approximately \$20,000 when complete.

Commissioner Urban, noting they are paying a higher interest rate on the debt and the anticipated lower revenues over the first year, asked if that would create any problems in building the golf course, which was to be built using revenues from the facility. Mr. Kehl indicated they intend to start construction of the golf course after completion of the first full year of operations. He indicated that if revenues are substantially less, they will be back in front of the Commission, but currently believes the higher interest rate will not impair their plans to utilize revenue to construct the golf course.

Mr. Ketterer asked about the Iowa investors. Mr. Kehl advised that 457 individual subscribers have committed to supply in excess of \$21 million in equity. The Kehl family has to fulfill the remaining Iowa investor portion of the project in the amount of \$7 million. He indicated there are still a few stragglers committing to the project. Mr. Ketterer asked about the remaining \$22 million of equity in the project. Mr. Kehl stated that the Kehl family is providing the remaining amount. Mr. Ketterer clarified that the project is being financed with \$70 million of debt and \$50 million of equity. Mr. Kehl indicated that was correct.

Commissioner Hayes asked if the above scenario would create additional debt. Mr. Bonnet answered in the affirmative. He indicated that some of it could possibly be moved around, but the financing would get a little uncomfortable; they are at the “sweet spot” between debt and equity.

As there were no further questions concerning the Lyon County project, Chair Seyfer called on the Signature Management Group of Iowa. The following individuals were present to address any questions: John Pavone and Michael Hlavsa for Signature, Barry Brautman for Sunway Capital, and Jeff Seidel of Northlands Securities. Sam Humphreys, Chairman of London Bay Capital was available by web cam.

Chair Seyfer asked Mr. Pavone if there were any comments made during the public hearing that he wanted to respond to. Mr. Pavone noted that the members of the Meskwaki Tribe have expressed concern about a second facility in Tama and advised that they are cognizant of the fact. He stated it is their belief that a second facility will help grow the market, as has occurred in Council Bluffs. The proposed facility is small, and will provide a second opportunity for employment should it have a negative impact on the Meskwaki operation. Mr. Pavone stated it is their intent to work with the tribe, and hope to do some joint marketing. He noted the tribe completed a large expansion to their operation two or three years ago. All of the market studies completed by the Commission and various other groups have stated that the market has approximately 1.4 million gamers within a 90-minute drive. It is Signature’s belief that there is a robust market with room for growth.

Chair Seyfer noted that when Signature first started talking to the Commission about this project, he indicated that he would work with the Meskwaki Tribe. Chair Seyfer stated that he assumed that would take place sooner rather than later and asked Mr. Pavone if he has done anything to reach out to the Tribe. Mr. Pavone stated they have had one meeting with the Tribe as has Chris Bearden, the chairman of the non-profit. He stated that the letter provided to the Commission today is one of the contacts made. Mr. Pavone stated the goal is not to carve up the market, but to work with the Tribe and bring more bodies to the market. He indicated that they would need the Tribe more than the Tribe will need them. Mr. Pavone reiterated that it will be a small facility with an 80-room hotel. A second facility will provide the gamers with a second option, and will be beneficial for both properties.

Chair Seyfer stated that both of the studies completed on behalf of the Commission stated that in order for a second casino to survive in Tama it would have to be of a significant size. Mr. Pavone stated there were three different levels shown in the feasibility study done for the Commission. They had the Innovation Group update it to be more site specific and include the RV park, the number of hotel rooms, and gaming devices. That updated study projected revenues in excess of \$40 million, and it is Signature's belief that the proposed project is the right size and right fit for Tama. They believe the proposed project is viable and will generate substantial revenues for the state, county and non-profit as indicated by the financials submitted to the Commission during the presentation.

Commissioner Hayes stated that the GVA Marquette (Marquette) study indicated that a destination resort facility would cost approximately \$150 million. He asked Mr. Pavone to explain why their assessment is wrong. Mr. Pavone pointed out that the study also indicated that if they spent that kind of money, they would be the largest casino in the state, even larger than Lyon County. He stated that all of the other studies that have been completed refute the Marquette numbers, and have indicated that if the project were appropriately sized, it could be profitable. Mr. Pavone stated that he does not believe there is a bank or lender that would lend \$100 million for a casino in Tama. He indicated the other studies provide a higher comfort level than the Marquette study, and believe their numbers are closer to being right.

Commissioner Cutler asked about the source of the funding for the project, noting that it has been a moving target. Mr. Pavone asked Barry Brautman of Sunway Hotel Group and Sam Humphreys from London Bay Capital to address the financing. Mr. Brautman stated that the debt financing for the project is going to be raised by Northland Networks. He stated that Sunway has numerous gaming projects and noted that Sam Humphreys and London Bay Capital out of San Francisco are putting together a pool of equity for the projects on behalf of Sunway; the Tama project is included in the pool.

Commissioner Hayes asked if it was known where the equity was coming from, who the investors are. Mr. Brautman deferred to Mr. Humphreys, again reiterating that London Bay is putting together the equity; that they have the necessary sources to do so. Chair Seyfer indicated he was hearing that there is still no indication of who the source of the

funding will be. Mr. Brautman indicated that was correct. Commissioner Cutler asked if Mr. Humphreys knew who the source would be. Mr. Humphreys advised that London Bay Capital is a private equity firm that invests their own capital and help others arrange capital for projects of this size. He stated that over the last two years London Bay has purchased businesses with their own funds totaling approximately \$250 million. London Bay typically buys businesses where the equity need is somewhere in the \$50 million range. Mr. Humphreys noted that London Bay has been able to do so even in a very tricky debt market. He indicated London Bay was contacted by the principals of the Sunway Hotel Group, and the two companies have been partners in various projects over the last few years to help them understand what is occurring in the capital market and how to put together a project like this together with debt and equity on a combined basis in the area of \$40 million, where the project itself should, given a range of possible outcomes, generate \$30-45 million per year in revenues and have cash flow margins in the mid-\$20 to high \$30's, which would not be all that surprising for a project like this. Mr. Humphreys stated that London Bay had reviewed The Innovation Group study, and are also somewhat familiar with the project themselves. He further stated that based on where they believe Northland will be able to come out on the debt side, they believe the equity component will probably be in the area of \$12-18 million, based on what is going on in the credit market. Mr. Humphreys stated that London Bay is not coming in as the investor, and generally only come in where they are buying an existing mature business and are taking control of it. He explained that London Bay is playing an agent role here as the current team is trying to retain as much of the equity ownership as possible, which is understandable with a project such as this. Mr. Humphreys stated that to assemble a mid-teen million dollar equity rate for something like this, London Bay would approach a small number of individual investors and family offices with whom they have done business over the years. He indicated the project would be too difficult to sell to small investors, but stated there are many sophisticated family offices that would each put several million into a project like this based on due diligence. Mr. Humphreys stated that London Bay believes that a smaller rather than a larger facility is the way to go; that a \$40 million project is more attractive and practical in this particular setting than a \$100 million project. Mr. Humphreys stated that while the Commission will need to know who those individuals are, and they will be subject to all of the due diligence of the Commission's background investigators; London Bay would also perform background checks and perform their own due diligence on the individuals. He stated that the investors would be people that London Bay knows; that they have invested with previously and has an established relationship with based on history and ethics. Mr. Humphreys stated that the investors are not named at this point, but would be subject to clearance and all of the standard background investigation that is customary in a project of this nature.

Commissioner Cutler asked Mr. Humphreys how long it would take London Bay to put together the \$12-18 million of equity. Mr. Humphreys stated that with the debt being pretty far down the road, and being able to more specifically identify the equity needs, which is where they are at now, he feels he could do so in as little as 60 days.

Commissioner Hayes stated that he is confused about the equity ownership, London Bay versus Sunway. Mr. Pavone stated that London Bay will be supplying the equity to Sunway; Sunway is the one contributing the equity and the one who will stand behind the project, not only with London Bay but with their own capital and equity as well. He reminded Commissioner Hayes that they have a debt commitment from Northland Securities. London Bay's job is to provide the equity to Sunway, not only for this project, but other Sunway projects as well. Mr. Pavone stated that Sunway will be providing approximately \$17 million of equity to the project.

Commissioner Hayes clarified that London Bay will be providing the equity to Sunway. Commissioner Hayes asked if they would own part of Sunway. Mr. Pavone indicated they would not. He stated that Sunway will contribute the equity to the project directly; they are in the process of raising equity for this project and other Sunway projects as well. Commissioner Hayes asked if Sunway will be borrowing any funds from the London Bay investors. Chair Seyfer stated that it appears the project will be 100% financed. Commissioner Cutler concurred, indicating it was debt. Mr. Brautman stated that Sunway does have equity that they will be putting into the project. Commissioner Cutler asked how much. Mr. Brautman stated that the amount varies, indicating Sunway had funds ready to put into the project at this time, but it will depend on how much debt is raised by Northland and any equity raised by London Bay.

Mr. Humphreys stated that London Bay would not be bringing debt to the project, but equity. He stated that irrespective of the final structure, there would be equity that London Bay is arranging on behalf of Sunway and Northland will be arranging the indebtedness. He indicated the ratios would not be terribly different than the Lyon County project, 50% debt from Northland and 50% equity from London Bay. Their role is that of an agent, similar to the role being played by Jefferies for Lyon County. He stressed that London Bay would not own the project, but the investors they bring to the project will expect to have an equity ownership in Sunway; they will be sitting at the Sunway level. He stated his expectation that it would be a small number of individuals or family offices that would have to come before the Commission before being confirmed.

Commissioner Urban stated that when the Commissioners talked to John in January he still had the expectation that he was going to put together a group of Iowa equity investors. Mr. Pavone was advised at that point he was wasting his financing; that a deadline for submitting financial information had been set. A conference call took place at the end of January and told him that the names of the equity investors had to be submitted by February 8th; that it was necessary to know who the equity investors were so that they could go through the normal channels and DCI background. The information was never received. Now, we are talking about equity partners after the fact. Commissioner Urban stated that she did not feel it was the intention of the Commission to give a license to someone when they don't know where the money is coming from. She asked Mr. Pavone to provide clarification.

Mr. Pavone stated that he knew this area had been a point of confusion. He stated that when Signature came forward with the all-Iowa investor group, it was their belief from conversations and communications received from the Commission that background investigations would only be conducted on those individuals who were going to own 5% or more, and that those were the only individuals who needed to be identified. He indicated the issue became a matter of timing. Mr. Pavone stated that London Bay is the equity partner and will be raising equity for the Tama project and other projects through independent investors. Financing for the project will be through Northland on the debt side and London Bay on the equity side. The equity investors will be no different than the equity investors in the Lyon County project. Mr. Pavone advised that Sunway is actually contributing the equity and will be the equity investor in this project along with Midwest Gaming and Signature, who have been funding this project for two years. He assured the Commission that all of the investors on the equity side will be identified; that the only thing Mr. Kehl has ahead of them is an actual list of individuals. Mr. Pavone stated the Commission will have that information, and they will be disclosed to the DCI. He stated that the structure will be the same as Jefferies has in place for Lyon County. He noted that they have two letters of commitment from Northland. Mr. Pavone again apologized for the confusion surrounding this area of the application going back to January.

Chair Seyfer stated that he does not believe that there has been any confusion on the Commission's part. The process started back in July when they announced the application process would be opened. At that point, the Commission made it very clear that one of the main concerns was financing. Now, the process is nearing the end and the Commission still doesn't have a clue where the financing for the project is coming from. He stated that Mr. Pavone could provide the explanations today, but that the financing would probably change again the next day. Mr. Pavone assured Chair Seyfer that it would not.

Commissioner Cutler stated that the Commission still does not have any idea of who the equity investors will be; there is no list and there is nothing in place. She stated that he has been given every opportunity to provide the information so that the necessary background checks could be performed. Mr. Pavone advised that background checks have been completed on Sunway, Midwest, Northlands, Signature and London Bay. He indicated that London Bay has spoken with the DCI. He stated that it was his understanding that SA Brosnahan was going to receive the names of the investors from London Bay. Mr. Pavone reiterated that all of the backgrounds have been done on the rest of the groups and they are committed to providing equity for the project. He stated that if the Commission wanted specific names of individuals that are going to be putting in every dollar he was not sure that anyone else has that information available today. He stated that he had seen Jefferies information, and that for all of the other projects. He stated that if that is what the Commission is looking for, he will contact Mr. Humphreys immediately upon leaving the meeting room and will get that information to the Commission. Mr. Pavone again reiterated his understanding that the equity is being provided through Sunway by London Bay.

Chair Seyfer asked Mr. Pavone if that was his understanding. Mr. Pavone answered in the affirmative. Chair Seyfer asked if London Bay is committed to providing the necessary equity in the event they cannot find investors. Mr. Pavone stated that he didn't know about London Bay, but that Sunway is committed to put the equity in the project regardless.

Commissioner Urban asked Mr. Pavone if he had a letter from Sunway regarding the equity commitment stating that they are going to provide all of the equity. Mr. Pavone stated that he did not know if the Commissioner's packet contained such a letter or not. He stated that what the Commission had requested was a commitment for debt financing, and they have received a commitment from Sunway and London Bay to provide the equity and two letters of commitment for debt from Northland.

Chair Seyfer moved the discussion to the debt financing, and expressed his belief that Northland is acting as a facilitator, and asked where the funds were coming from. Mr. Pavone asked Mr. Seidel of Northland to respond. Mr. Seidel confirmed that Northland would be underwriting the debt financing; that they intended to go out to the local and regional bank markets but do not feel they would be successful in selling the debt. He indicated the non-Indian gaming market has been very active so far this year. Mr. Seidel advised that they do not have the necessary funds setting in an account at the bank ready to put into the project. He stated that Northland has a high degree of confidence based on the ratios that this issue can be done.

Commissioner Hayes asked Mr. Seidel what kind of terms he expected. Mr. Seidel indicated 11-12% for a 20-year amortization. He clarified that it would not be a bank-financed loan. Commissioner Cutler asked how much the loan would be. Mr. Seidel stated that based on the equity, it would not be much, approximately \$20-22 million. He stated that in a \$30 million market, that is not much. Commissioner Cutler asked how long it would take Northland to raise the funds. Mr. Seidel indicated 60-90 days. He stated that it is very difficult to go out into the markets and solicit the funds without a license in hand. Commissioner Cutler asked what makes it difficult. Mr. Seidel advised that Northland has gone as far as they can in answering the questions of potential investors, but their ultimate question is whether the project is ready to go. The response is that they are not quite ready to go as they don't have the license. They are in a Catch-22 situation.

Commissioner Hayes asked what the lending institutes would be looking for as collateral. Mr. Seidel indicated it would be the facilities, revenues and improvements. Commissioner Hayes asked how obtaining financing from the slot machine manufacturers for the gaming equipment would impact the loans. Mr. Seidel indicated the lenders would take that into account; it would be considered part of the overall debt coverage. He indicated that has been taken into consideration as it is not feasible to have one without the other. He stated that machine financing generally has better terms, approximately 8%. Mr. Seidel indicated that it is better to finance the machines

separately from the project, but everyone looks at the overall debt load of the project. Mr. Seidel advised that Northland could go as high as \$28 million in debt financing; that debt service would be about 2.

Commissioner Urban asked Mr. Seidel if Northland was familiar with London Bay. He indicated Northland was not, but were very familiar with Sunway, and has done various projects for Sunway, and knows that one of the funding sources for Sunway is London Bay. Commissioner Urban stated that she felt Northland had received that information from Sunway since they are not familiar with London Bay. Mr. Seidel reiterated that Northland is not familiar with London Bay separately.

Commissioner Urban asked Mr. Humphreys if London Bay is a hedge fund. Mr. Humphreys answered in the negative. Commissioner Urban asked Mr. Humphreys to explain what it is that London Bay does. Mr. Humphreys stated that London Bay buys businesses and assumes the controlling interest, which most people refer to as private equity. Additionally, they help others arrange capital for projects similar to this one, essentially acting as a facilitator. Mr. Humphreys stated that the individuals London Bay puts into these types of investments are pretty well-known and well regarded family office investors; they generally go to families that are willing to invest several million each in a project with a small number of other family offices. He defined a family office as an arm of a family that has created some wealth. Mr. Humphreys stated that London Bay would generally approach 4 or 5 investors, but no more than 10 for an investment of this nature.

Commissioner Cutler asked if he had reviewed the pro forma for the project. Mr. Humphreys stated that they have looked at the next five years' projected results. There is an expectation that the project would generate as much as \$40 million in its first full year and \$10 million in earnings before debt costs, taxes, depreciation, etc. creating a low \$20s cash flow margin. London Bay feels this is a reasonable look into the future; it is not aggressive, but it also does not assume failure of the project. Mr. Humphreys stated that this is a good project, will be well run, and if attended by a number of consumers in the mid-range of the Innovation Group's expectations, plus a small amount of growth in revenue over the next five years, there would be some improvement in the cash flow margin. He indicated that no one is expecting a large growth in the revenues or increase in margin; it is expected that the \$10-12 million of earnings pre-tax would be maintained over the years. Mr. Humphreys stated that if the projections hold true, the equity investors will do reasonably well.

Mr. Pavone asked the Commissioners to view this in terms similar to Jefferies. He stated that the equity and debt components are no different than that of London Bay and Northland. He reiterated that Signature has a commitment for \$18 million through Sunway, who will personally guarantee the project through equity and debt. The project has two commitment letters from Northland. Mr. Pavone indicated that he feels the confusion is around the fact of whether the money to cover the entire debt and equity is

actually in the bank at this time. He indicated it is not; that there is not a lender in the current market that would do so.

Chair Seyfer questioned whether a commitment is really in place. Mr. Pavone reiterated that commitments are in place to raise the necessary equity and debt financing for the project. Chair Seyfer asked what would happen if those companies are unable to raise the funds. Commissioner Cutler asked what would happen if the investors looked at the pro formas and decided that the numbers are incorrect. Mr. Pavone stated that the parties have already reviewed the pro formas.

Mr. Pavone informed Chair Seyfer that his question of Mr. Pavone should be the same one he asks of every licensee standing here: What happens if they can't raise the money? He pointed out that every applicant is raising money for their project. He indicated the confusion is as a result of the change made, and accepted responsibility for the timing of the 5% background checks. He reiterated that Signature has a committed equity source and a committed debt source. Mr. Pavone stated that even if this project loses 40% of its revenue, it would still be a viable project guaranteed by a hotel group that has completed over 200 hotel deals over the last 30 years. He stated that he hoped this response provided the Commission with a little more comfort

Commissioner Urban stated that the purpose of the Commission is to maintain the integrity of gaming in Iowa. London Bay has indicated that they have families that they approach for money. She is cognizant of the fact that in other situations and businesses, who those families are may not be important; but it does make a difference to the Commission. They need to know who the families are, and that information has not been made available. Mr. Pavone stated it is his understanding that all of the information would be disclosed prior to money being accepted from anyone, just as Jefferies will have to do. He pointed out that Mr. Kehl stated that if they don't raise the necessary amount of equity, Jefferies would have to seek additional equity investors. Those investors will have to be disclosed. Mr. Pavone stated their intent to do the same. He referenced an e-mail from Mr. Humphreys to SA Brosnahan indicating the names would be disclosed. Mr. Pavone stated that if the Commission wants the names next week; he assured them they would have them.

Commissioner Urban stated that the Commission wanted the names a long time ago. Mr. Pavone stated that the Commission wanted the names of the investors who owned more than 5%. Commissioner Cutler stated that the Commission wanted to know who was going to provide the financing so that the necessary backgrounds that needed to be done could be completed.

Commissioner Harrison stated that it was important to not overlook the thought and rules behind the process. She indicated there were deadlines attached to the process, and that it was not Mr. Pavone's first time going through this process. It was her expectation that he, knowing the rules, would meet the deadlines and supply the necessary information. Commissioner Harrison pointed out that they still have not received the requested

information. She indicated that some of the applicants have met the deadlines and provided the necessary information to the DCI in order for them to perform the necessary background checks. Commissioner Harrison stated that the Commission and DCI are still waiting for his.

Mr. Pavone stated that it was his understanding that as of three days ago the DCI had everything they needed from London Bay and the rest of the groups. If there is something different, he is not aware of it. He further stated that he has not been notified by anyone that they have missed a deadline or not provided anything that was requested. Mr. Pavone stated that he spoke with SA Brosnahan three days ago and was advised that the DCI had received everything necessary from them (London Bay). He stated that he did not know if the background investigations had been completed due to timing. He reiterated his understanding that London Bay had provided all of the information requested by the DCI. He stated that if some information is missing, they need to be notified and they will make sure it is provided as soon as possible. Mr. Pavone reiterated that financing is being provided by Sunway, London Bay, Northland, Midwest and Signature. He stated that Midwest and Sunway are standing behind the project with personal guarantees, with an \$18 million equity component and 2 letters from Northland to raise the necessary debt.

Commissioner Cutler, referring to Mr. Pavone's statement that Sunway was personally guaranteeing the project, asked if that was in writing, and what it is that they are guaranteeing. Mr. Pavone advised they are guaranteeing the debt and equity for the project. Mr. Brautman advised that Sunway will be guaranteeing the debt side along with Northland Networks for the project completion and everything else. Commissioner Cutler noted that Mr. Pavone had stated Sunway was going to personally guarantee the debt and equity. Mr. Brautman clarified that Sunway consists of himself and his partner. Commissioner Cutler asked if the DCI has looked at their information. Mr. Brautman confirmed that they have undergone the necessary background checks. Commissioner Cutler asked Mr. Brautman how much Sunway is going to personally guarantee. Mr. Brautman stated that any equity shorted that may come from London Bay, Sunway is prepared to put into the project.

Commissioner Hayes asked Mr. Pavone to provide an update on what steps have been taken with regard to construction drawings, bids, the timing of construction and when they expect the casino to be completed. He also asked for clarification as to when the casino is expected to be completed as he has seen two different dates: May 2012 and May 2011. Mr. Pavone stated that the expected completion date is in the fall of 2011. He stated that the engineering, construction and architectural firms are completing the construction documents, and most of the design documents have also been completed. They expect to be able to start the bid process within 30 days of being awarded a license, and moving dirt by the end of June, and physically start construction within 120 days.

Chair Seyfer asked if they would start construction prior to the November referendum date. Mr. Pavone answered in the affirmative, absolutely.

Commissioner Cutler asked Mr. Pavone to explain how the funding would work if the actual funding is not going to be in place. Mr. Pavone advised that the equity commitment would draw down first and the debt portion second. He stated that the equity portion is committed and will allow them to proceed with the project immediately, noting that there is a significant amount of dirt work to be done. Commissioner Cutler asked if even with the equity portion in place they would need 60 days before construction would begin. Mr. Pavone indicated that was correct; it will take approximately 30-120 days to complete the design work, get the bids, etc.

Commissioner Urban told Mr. Pavone that his proposed site was one of the most beautiful she has seen. She stated that from previous descriptions of the project provided by Mr. Pavone, it is going to be a recreational facility for families and in the summer time for people with recreational vehicles. She questioned how the property would sustain a hotel for 12 months out of the year when there is a 450-room hotel and large casino down the street. She asked him to explain the advantages of people coming to his facility.

Mr. Pavone advised that the hotel will be a Holiday Inn Express or Hilton Garden Inn, which will bring a built-in base of loyal customers. He noted that prior to his gaming industry career he was in the hotel business. He referenced Sunway's hotel experience as well. Commissioner Cutler asked if there were signed documents with any of the franchisees. Mr. Pavone indicated that an agreement has been signed with Holiday Inn Express and a letter was included in the application. He stated that the parties feel the recreational and family use areas are very important; they don't expect it to be a money maker. He indicated the RV park will be for the upscale RV traveler who has time and money. It is their belief that the location along I-35 and Iowa City will be a large draw. He noted there are 1.49 million gamers living within 90 minutes of the facility; They can draw patrons from Iowa City, Waterloo, Cedar Falls, Ames, Marshalltown, and Des Moines. He reiterated their belief that there is an untapped robust market, and that the project would provide those visiting the Meskwaki facility another option while they are in the area. Additionally, the added access via I-35 and Highway 30 will also be extremely beneficial.

Commissioner Hayes asked Mr. Pavone about the Innovation study piece of the revenue projections. Mr. Pavone advised that Signature utilized two studies; a company out of Denver, Colorado and since they wanted to use the Commission's figures, they also had The Innovation Group update the Commission's study to more accurately reflect the project as they see it. In the November study, Signature asked Innovation to update the market to show the out-of-state market of 12.4% and the increased revenues from the hotel rooms, slot machines, table games, the RV component, etc.

Commissioner Hayes noted that the proposal in the application indicates 518 gaming positions. The Innovation study shows the same revenue amount for 633 games. He inquired about the 115 game differences, and how the revenue numbers could be the same.

Mr. Hlavsa advised that each table game has seven seats, while a slot machine has one. The table game would account for seven positions versus one for the slot machine. Commissioner Hayes asked about the gaming win figure. Mr. Pavone indicated that Innovation's updated study showed \$175 win per gaming position.

Commissioner Hayes stated that he did not see anything reflecting the initial license fee payment in the pre-opening expenses. Mr. Pavone indicated it was on the 5-year spreadsheet included in the application. Commissioner Hayes explained that those figures are being taken out of revenue; the fee he is inquiring about is due within 30 days of being granted a license. Mr. Pavone advised that fee is part of the equity component; that \$5 million has been built in and the first \$1 million will come out when the license is granted. Commissioner Hayes stated that he felt it was in the five-year plan. Mr. Pavone reiterated that \$5 million is in the operating budget and is included in the project plan. Commissioner Hayes stated that he is reviewing the project financing document that was provided in March, and does not see an amount large enough to cover the fee; there are 18 months of construction and operating costs. Mr. Hlavsa stated that he is not sure if it is actually identified or if it is a component of the construction costs. He indicated that Commissioner Hayes is correct in that it does not appear in the March document; it was intended to be included but he can't identify where it is. Mr. Pavone stated that they will identify where it is for Commissioner Hayes. He requested that they do so prior to leaving the meeting today.

Commissioner Hayes noted that the group appearing before Tama indicated that each machine could cost between \$18-20,000, and they have only allotted \$12,500 per machine. Mr. Pavone advised they are actually using about \$17,000; have \$6 million slotted for machines. In their breakout for the construction budget, they have included the gaming license, the gaming system, the Oasis system, and the surveillance system all set forth independently. There is approximately \$7 million for games, some of which will be participation games that are not actually owned. He stated all of the 500 slot machines would be new on the floor, but there will be some that can not be owned.

Commissioner Hayes asked how many games they would own. Mr. Pavone indicated about 400. Commissioner Hayes asked if there would be approximately 100 games that would be leased. Mr. Pavone indicated that would be a good ballpark figure; that it could be 75-100 depending on what games are on the market when they are preparing to open. Commissioner Hayes asked how the mix of machines would affect the cash flow. Mr. Pavone stated that casino operators tend not to like participation games, and that when he was with Argosy, they tried to avoid them when possible. He indicated that is difficult as they usually are the newest, hottest games that the patrons want to play. The good news is that they generate more revenue so they offset any lease amount. Mr. Pavone advised that in terms of hard cash, there is \$6 million in hard costs for slots and another \$500-700,000 for the slot system, the Oasis system.

Commissioner Hayes asked Mr. Pavone to show where they have included funds for the non-profit. Mr. Hlavsa stated it is included in the 5-year projections. Mr. Pavone indicated they did not have a copy with them at the podium, but did have it with them. He stated that it is a line item that says fees to the city, county and non-profit. Mr. Pavone stated that it is also designated in the agreement with the non-profit; they start at 3.5%, and the city starts at 3% and climb from there. Mr. Hlavsa advised that about \$1.3 million will be going to the non-profit. Commissioner Hayes stated that he was not seeing it. Mr. Hlavsa stated that the document he was looking at was very generalized. Commissioner Hayes asked what line items were included in the document he was looking at. Mr. Pavone indicated it has the same numbers as before, the document just doesn't provide the details.

Chair Seyfer asked Mr. Humphreys if London Bay had all the information they would need at this point except for a license in order to proceed. Mr. Humphreys stated they have all of the materials they need; what they would typically do to complete the assignment is very much an itinerate process. He indicated there would be a lot of back and forth between London Bay and the family offices in understanding the aspects of the project. Mr. Humphreys stated that London Bay does not need anything else informationally.

Chair Seyfer asked the same question of Northland. Mr. Seidel answered in the affirmative, indicating that the normal process would be to put together an Offering of Memorandum which would summarize the transaction. He indicated that Northland has the needed information, but have to put together the book that would be used to go out and sell the project in the market. Chair Seyfer asked when the latest numbers that have been provided to the Commission were provided to him. Mr. Seidel advised that Northland is updated when the Commission is updated. He indicated Northland is good with the numbers that they have been provided.

As there were no further questions regarding the Tama project, Chair Seyfer called on Ingenus of Iowa, LLC (Ingenus)/River Hills Riverboat Authority (RHRA). Ken Mimmack, CEO of Ingenus, stated the site visit went well, and that the project has substantial support within the community. He noted that there has been a substantial amount of testimony regarding cannibalization. He indicated they are prepared to address that issue along with any questions concerning financing. The following individuals were present to respond to questions: Ken Mimmack, Antoine Smith from Saqqara Gruppe (Saqqara), Jim Bouchard from Esmark Corporation, Joe Helfenberger, City Administrator, and Dale Uehling, Mayor.

Commissioner Urban asked Mr. Mimmack when he first heard about Saqqara, what factors he used in choosing them to provide the financing, and what information he had available to him to lend them credibility. Mr. Mimmack stated that he was introduced to Saqqara by the Lynn Group, who has been involved in various projects in Michigan for the last 7 years. He stated that Fred Lynn has a relationship with Saqqara, and introduced Saqqara as a group that could provide financial support for the project. Saqqara's

original interest in the project was in the entertainment project, the development beyond the proposed casino facility. Mr. Mimmack reminded the Commissioners that when the application was submitted, it contained a letter from Esmark for financing. They withdrew due to other business transactions that were time sensitive, and it was at this time that Mr. Lynn offered Saqqara as a substitute funding source. Saqqara jumped at the opportunity and enhanced their ability to provide a larger pool of money. Mr. Mimmack stated that he did go out on the Internet in an attempt to find information on Saqqara, but found not much was available. He then called Mr. Lynn and asked questions. He learned this would be their first foray in the gaming industry; that most of their financial endeavors have been in other areas. In selecting Saqqara to provide the funding, Mr. Mimmack stated that he relied to some extent on their relationship with the Lynn Group.

Commissioner Hayes asked Mr. Mimmack what types of projects he learned of that Saqqara had funded during his conversation with Mr. Lynn. He is not sure of the number of projects Saqqara has funded, but they have been for new technology and some IPO development. He learned they are involved with some high net worth individuals with the ability to provide a cash stream to new businesses. He stated his understanding that there have been situations where Saqqara has participated in projects; they will not be involved in this project.

Commissioner Cutler inquired if he had talked with any of the net worth individuals. Mr. Mimmack indicated that he did not. Commissioner Cutler asked if he had talked to anyone connected to the projects that Saqqara has funded. Mr. Mimmack again stated that he had not.

Commissioner Urban asked Mr. Mimmack if it was his understanding when he was first introduced to Saqqara that they were going to provide the funding. Mr. Mimmack stated it was his understanding that they were the source to provide the equity but did not know if that meant participating equity-wise or providing the necessary funds from an institution. There were no specific discussions about whether the funds would be Saqqara money; he understood that Saqqara was the source that would provide the needed funding.

Commissioner Urban stated she is not very good at using the Internet, and just thought she was missing something when she was unable to find any information on Saqqara. Mr. Mimmack reiterated that he was not able to find much information. He indicated that Mr. Smith is available to talk about funding and the reasons why he can write the firm's commitment letters that have been presented to the Commission.

Commissioner Urban noted that they had questioned Mr. Smith about previous projects for which he has provided funding when he appeared before the Commission in March. At that time, Mr. Smith indicated the information was confidential. In her opinion, if someone is a successful business person, they would want to state that they had been involved in specific projects. She stated that the Commission has not received any

information regarding projects that Saqqara financed. Commissioner Urban requested that information.

Mr. Smith stated that with regard to the confidentiality, it is due to the fact that he is a facilitator of the loans. He noted that Mr. Humphreys from London Bay had used the term “agent” meaning that he is not controlling the money, but is out raising the funds. He stated his job primarily consists of some proprietary software and technology that provides him with the opportunity to solicit the client’s business, put the information into the system, review the financials and the software will provide him with a list of potential investors. He indicated the list is a very short list. That list, along with other relationships that he has leveraged with his Rolodex, allows him the opportunity to go into the private capital equity market to solicit funds. Mr. Smith stated that he is not in a position to state that Saqqara has financed anything; he is a facilitator and consultant. He sets up the client with the investor; they don’t allow him to disseminate, distribute or alter the proposal in any way to indicate that he was the facilitator of the transaction.

Commissioner Cutler asked who was going to provide the funding. Mr. Smith stated that in this particular case it is going to be Morgan Stanley, as submitted in the commitment letter based upon the preliminary underwriting package that he put together. Commissioner Cutler asked if the Commission could see the commitment letter from Morgan Stanley. Mr. Smith stated that Morgan Stanley would not allow him to release it as there are still several conditions that need to be met; one of those being evidence of licensure before they will consider themselves fully engaged.

Chair Seyfer asked what other conditions are in place. Mr. Smith stated that once evidence of licensure has been presented, Morgan Stanley would engage their full team of construction value estimators, engage a project manager, and a cash management system facilitator to work shoulder-to-shoulder with Ingenus to insure that the initial data that was submitted to them is consistent relative to the rate of return and debt value. Chair Seyfer asked Mr. Smith if he had worked with Morgan Stanley previously. Mr. Smith stated that he had referred other business to them. Noting that Mr. Smith used the term “referred”, Chair Seyfer asked if Morgan Stanley had accepted any of the business. Mr. Smith indicated they had. Chair Seyfer clarified that Mr. Smith could not provide any of that information. Mr. Smith indicated that was correct. Commissioner Cutler asked if that true even if the information would have remained confidential. Mr. Smith again indicated that was a correct statement.

Commissioner Cutler stated that from information contained on the website that Mr. Smith is now conducting business as ClearSight and asked what happened to Saqqara and if he is still going to provide funding for the project. Mr. Smith advised that ClearSight is an entity that was rebranded and some of the purposes of Saqqara were moved to ClearSight. Under ClearSight, they have a lead certified architectural firm in the form of ClearSight Architecture and a developer in the form of ClearSight Development as well as a number of general contractors. He noted there are still some existing relationships

and old contracts that need to expire under Saqqara. Saqqara is slowly but surely being wound down.

Commissioner Hayes asked Mr. Smith why he felt Morgan Stanley didn't want the Commission to see the commitment letter. Mr. Smith stated that it contains proprietary language, and until such time as a proper term sheet has been released and fully engaged they want to do everything within their power to protect their legal position relative to not intimating anything that would be presumptuous.

Commissioner Cutler took that to mean that Morgan Stanley has not committed to providing the funding at this time. Mr. Smith indicated that was not correct; they have given him the authorization based upon the underwriting process he previously outlined which allows him to underwrite the project to 90% specificity, so unless something occurs that could not have been imagined, it is just a matter of the final engagement of the final 10%.

Commissioner Hayes stated the Commission had been provided with a term sheet within the last two months that indicated the financing terms would have a rate of 10 years Treasury plus 275 basis points. He asked what the rate would be. Mr. Smith explained that it is difficult to obtain debt in today's market place, but the rate would be dependent upon the indices that they would be working with. The advantage that Ingenus has is that there really is not a true equity play here as the RHRA is providing other bond referenda. That provides an opportunity for a true debt package. Commissioner Hayes noted that the current 10-year Treasury rate is approximately 3.25%.

Commissioner Hayes asked how Morgan Stanley would look at the facility being on leased land. Mr. Smith stated that the last 10% process for the final underwriting, that is where the commitment and personal guarantees come into play. He indicated there are other ways to secure the debt stack in and of itself. Ingenus would have to be fully cooperative during those discussions.

Commissioner Hayes asked Mr. Mimmack if he was aware of these personal guarantees. Mr. Mimmack indicated that he was, but did not have the financial capabilities to do so on his own. He indicated there have been some discussions. It is his understanding that Ingenus is financing over half of the project. They will be borrowing \$40 million of debt, and the city and county will be financing the parking garage, street modifications and other infrastructure via bonds. Based on these and other amenities present, this facility would be considered a mature entry into the gaming industry.

Commissioner Hayes stated it is his understanding that if the project is 100% financed, the rate would be less. Mr. Smith indicated that was correct. Commissioner Harrison asked why that would be. Mr. Smith stated that there is investment grade and non-investment grade capital available on the private market, which is tied to the amount of cash available to the end user.

Commissioner Urban told Mr. Mimmack that she is very concerned that he does not have the necessary funding. Additionally, she is concerned about the expectations the residents of Ottumwa have. She referenced site visit, and the fact that during the presentation, those in attendance clapped when reference was made to the \$230 million commitment for an enclosed entertainment center that would go along with the casino. She stated that the residents did not see the following statement at the bottom of the document: "This document shall in no way be interpreted as a guarantee for funding." It is her opinion that everyone in attendance thought they would get the entertainment center if the casino license was granted. Mr. Mimmack stated that Ingenus has always felt that it was important to show a vision beyond the four walls of the casino. They brought the Lynn Group in to work with the city planners with regard to the entertainment center. He went on to state that it is their understanding, and they have made effort to make it very clear to the residents, the City and County, that without the casino, the entertainment center has no chance of coming to fruition. He indicated that he has comments from people wondering how real the entertainment center is over the last couple of months. They felt it was important to show the residents that it had a chance, but that it was tied to the success of getting the casino license. Additionally, they felt that if Mr. Lynn could show some form of financing it would show that he was serious about the development. Mr. Mimmack stated that in no way has the entertainment center absolutely been promised; they have been very clear that it has no chance of happening without the casino. He stated that if even half of what Mr. Lynn has envisioned for the entertainment center happens, it would provide an opportunity for Ottumwa to revitalize their downtown. Mr. Mimmack stated the casino project has firm financing from Saqqara.

Commissioner Cutler asked Mr. Mimmack if he had talked with Morgan Stanley. Mr. Mimmack indicated that he had not. Commissioner Cutler stated that the Commission has no proof of financing other than someone's name on a piece of paper. Mr. Mimmack noted the impasse with providing the requisite information to the DCI, and indicated that it has been very frustrating situation for Ingenus as well. He noted the willingness of Mr. Ketterer and other staff members to talk with them about the situation. Mr. Mimmack stated they also understand the position of Mr. Smith and his legal counsel; that he is not taking more than 5% equity therefore it does not make sense for him to complete the DCI background form. He further stated that Ingenus understands the need to have a transparent process. Mr. Mimmack stated that Ingenus made the decision that while Mr. Smith stands behind his commitment and has indicated the funds are available; they have reached out for some opportunities for a backup plan because they believe in the project and that Ottumwa deserves the project. He noted that the original application submission contained a letter from Esmark Corporation. Mr. Mimmack stated that Jim Bouchard, CEO and Chairman of the Board, and his team are present and prepared to address the Commission regarding his interest in the project and re-establishing their involvement in the project, as well as their ability to work with the DCI. He stated that Esmark has completed the business transactions that caused them to step back from the project earlier.

Commissioner Harrison asked Mr. Mimmack what steps he has taken to communicate with the residents of Ottumwa that the financing for the project is a secure deal. Mr. Mimmack stated they have been told they have a financing interest letter. The information has been provided over the radio and in the local newspaper, to the City and County representatives. At this time Mr. Mimmack turned the floor over to Mr. Bouchard, who provided a brief history regarding Esmark and their off and on-again involvement with this project. He indicated his belief that Mr. Mimmack would build a first class operation based on his own due diligence regarding Mr. Mimmack. He stated that Esmark would have all of the SEC information and bios of key personnel sent to the Commission.

Commissioner Hayes asked Mr. Bouchard if he would finance 100% of the project at 6.5%. Mr. Bouchard indicated that he would not. He assured the Commission that they have no fall back plan, and that any money put in the project would be cash. They are looking at this as a long-term investment with Mr. Mimmack and his group. He assured the Commissioners that Esmark would be taking nothing out of the casino.

Mr. Mimmack thanked the Commission for their patience in allowing Esmark the opportunity to reintroduce themselves. They have brought copies of their audited financial statement and company information that they are comfortable sharing with the Commission and DCI. Mr. Mimmack stated that Esmark provides a viable backup financing plan for the Ottumwa project.

Commissioner Urban stated that she wanted to know more about the Bridge View Center; Ottumwa received \$7.5 million from Vision Iowa for project. She stated that it is an extremely impressive center, and wanted to know why it hasn't been successful. Steve Siegel, Chairman of RHRA and a County Supervisor, stated that the City and County are contributors to the operation of the Bridge View Center. He indicated that the facility is operating at \$500,000 deficit per year, with part of the problem being that there is no hotel associated with it. Mr. Siegel stated that the casino, parking garage and hotel would be extremely beneficial to the Bridge View Center and turn it into a profitable, viable enterprise.

Commissioner Urban asked if the proposal and figures submitted to Vision Iowa for the project included the possibility of a hotel as an added incentive to fund the project. Mr. Siegel stated that he didn't think Vision Iowa expected it to be profitable right away.

Mayor Dale Uehling stated that the pro forma and projections that were presented to Vision Iowa were made by Bridge View Center, Inc., a non-profit organization that raised approximately \$5 million toward the center. He advised that Bridge View Center, Inc. and the city were a joint applicant for the Vision Iowa funds. The projections showed that the Bridge View Center would not make a profit. Mayor Uehling stated that a majority of event centers do not make a profit for a number of years. He stated the Center was improving and then the recession hit, and a lot of events were cancelled. Mayor Uehling stated that based on the way 2010 has started for Bridge View; they will again cut the

deficit. He stated the City hopes to start receiving some funds from Bridge View, Inc. to help with the deficit soon.

Commissioner Urban stated that she was not being critical, just trying to understand what was going on. She asked if the City had gone out looking for a hotel developer. Mayor Uehling answered in the affirmative, noting they had several that were interested until the recession hit. He stated the City sees the opportunity to create some synergy within the community and also with other communities within the County.

Commissioner Urban noted that only 19% of the eligible voters participated in the first vote, and the margin by which the referendum passed was very small. She asked if any kind of survey has been done to indicate that the upcoming November referendum would pass. Mayor Uehling indicated that an official survey has not been conducted, but the project has received a lot of support. He stated that they feel if the referendum were held today with what has been proposed that it would pass by a much higher percentage. He advised that there was no major campaign or promotion in opposition to the original referendum.

Mr. Siegel stated that the referendum in Wapello County took a different path than in most communities. A group of citizens collected the requisite number of signatures on a petition to get the referendum on the ballot, and it passed. Commissioner Urban showed the personal letters she has received from residents of Ottumwa expressing their opposition to a casino in Ottumwa, which is why she asked the previous questions. Mr. Siegel and Mayor Uehling both stated they feel the referendum will pass in November. Mr. Siegel noted that the local newspaper had printed some of the letters and conceded that there is an element within the community that opposes the project, and that there are some in every community. He reiterated that there is well-rounded support from various factions within the community and reiterated his belief that the November referendum will pass.

Commissioner Hayes asked if a vote is required to approve the bonds being sold by the city and county. Mr. Siegel answered in the affirmative. Commissioner Hayes asked when that vote would take place. Mr. Siegel indicated that it would take place as soon as possible after the granting of the license; that as a community, they can't invest a lot of public in something that they don't know is going to happen for sure. He stated that if Ottumwa receives a license, they will make it all happen.

Mr. Mimmack asked to provide his perspective on a couple of the recent questions. With regard to the negative letters mentioned by Commissioner Urban, Mr. Mimmack stated that the petition had 1500 signatures within a week and a half of being started. He stated there is a significant amount of support within the community, and believe it is sufficient that the referendum will pass.

As to why there is no hotel at Bridge Veiw, he indicated that most of the developers felt there was not sufficient room and the facility is under parked; there are only 300 parking

spaces for a 30,000 square foot facility. Mr. Mimmack stated that it is beautiful facility that is underutilized for what it was designed for. Their plan calls for a change in the circulation of the traffic and streets to allow for the addition of a hotel. They have received preliminary approval from the Iowa Department of Transportation for those plans. Mr. Mimmack stated that discussions have taken place with Vision Iowa about the plans to insure that they will not have an impact on the funds received to construct Bridge View.

Commissioner Hayes asked about the change in the number of hotel rooms, noting that the hotel revenue projections are based on 125 rooms while the original application calls for a 100-room hotel. A 25-room difference will impact costs substantially. Mr. Mimmack stated the hotel will have 104 rooms at a cost of \$75,000 per room. Removing 21 rooms will have a cost difference, but the performance numbers provided in the pro forma were for a 100-room hotel. From past experience, the additional value of a hotel guest compared to a casino guest is between five and eight times.

Commissioner Hayes asked where they provided for the \$2 million licensing fee. Mr. Mimmack stated that it is in the total project budget. He stated that it appears on the one-page pro forma but is not a separate line item.

Commissioner Hayes noted that the 5-year projection reflects a 10% growth per year. He stated that no other Iowa casino has experienced that type of growth recently. Commissioner Hayes asked how that would be possible here. Mr. Mimmack stated that the tourism market has been undervalued; that the addition of the hotel and the joint marketing with Honey Creek and existing local hotels, individuals will increase the length of their stay. He stated that in previous projects that Ingenus has developed from the ground up in a new market, they have experienced double digit growth.

Commissioner Hayes stated that in the March 23rd presentation Mr. Mimmack talked about building bridges with existing casinos in response to questions about cannibalization. He asked what steps have been taken to build those bridges. Mr. Mimmack stated that they have held meetings with the surrounding businesses and talked about the opportunity to do some joint marketing. They have also reached out to Honey Creek. Commissioner Hayes stated that the "building bridges" response was related to the current operations at Burlington and Osceola. Mr. Mimmack stated that they are committed to working with those facilities. He indicated that a letter had been sent to Mr. Winegard, and have had a meeting with Gary Hoyer and talked about partnering up and working together to create a southeastern casino trail, which naturally exists with the Amtrak train that runs from Chicago to Burlington to Osceola. They did offer to make the Burlington operation whole, within limits, if the Ottumwa facility had a negative impact. Ingenus has pledged that they are not going to aggressively market in the respective markets for Burlington and Osceola; that they will market in their own core market and northern Missouri.

Commissioner Hayes asked Mr. Mimmack to provide an update on where they are at in the process of construction drawings, bids, etc. Mr. Mimmack called on Brian Meyers with Weitz Construction. Mr. Meyers advised that the documents are in the conceptual stage at this time. He indicated there would be a pre-construction phase that would last approximately 3-4 months to get the documents completed. There would be a fast track organizational process and anticipate being able to get started with some construction activity within the first couple of months. The construction is anticipated to take 14 months overall, and with pre-construction time included, it would be 17-18 months. The facility should be ready to open in November 2011.

Commissioner Hayes stated that the original projections provided in the application showed net revenues of \$43.6 million; however, the information received in March shows revenues of \$50 million. He noted that expenses had not changed and wondered what had changed. Mr. Mimmack stated that Ingenus does a low, medium and high analysis when reviewing projects. He stated that everything was justified on their low projection. In meetings with the DCI, the DCI stated that if they really felt the facility is going to do differently than the lowest projections, they needed to put that information forward, which is when Ingenus provided the low, medium and high analysis of the project. He noted that the state studies indicated that a low end project with no hotel, convention center or waterpark would generate revenues of approximately \$32 million. This project will have a 100-room hotel, convention center and a parking garage. Those amenities move the project to the high end and should generate approximately \$50-55 million in revenues. He stated that if Ingenus has missed their own middle market number, they know that what they committed to is still a viable project.

Mr. Ketterer asked about the average room rate. Commissioner Hayes also inquired about the occupancy rate, noting that most hotels connected to a casino are experiencing a 65-70% occupancy rate. Ingenus has projected an occupancy rate of 85%. He stated they are going to focus on filling the hotel, reiterating their experience that an attached hotel and an average gaming win per guest of \$45; an average of 1.5 people per hotel room and an average value of 5-8 times of a walk-in guest. He stated that it is not important for them to get the \$115 rate as it is to achieve the 85-90% occupancy rate.

Mr. Ketterer asked if the vote on the bonds required a 50% or 60% approval in order to pass. Mr. Helfenberger advised that in order to pass 60% have to approve the sale of the bond. Mr. Ketterer asked the City's past experience with bond votes; have they passed or not. Mr. Helfenberger stated that he could not remember the last time they had a bond issue that had to go to a vote. Mayor Uehling advised that the City has not had a recent bond issue that had to go to a vote. There were a couple of bond issues that did not have the support that they anticipate this bond issue would have. It is anticipated that there is significant support within the community for this bond issue. Mr. Ketterer asked if there are any backup plans in the event the bond issue didn't pass. Mr. Mimmack stated that they have talked to a couple of other capital investment firms based on the stalemate with Saqqara. The plan is to get moving prior to the vote as it is their understanding that if the project is granted a license this time, they have at least 8 years to operate the facility

before it would have to be submitted for another vote. They feel it is worth the risk and they have the ability make some return on their capital.

Mr. Ketterer noted that Mr. Mimmack has mentioned the attractiveness of having the \$20 million from the City and County and only having to finance \$40 million. Based on what he has heard from the other applicants, he questioned how that is different than them having to put up 40-50% equity. The \$20 million represents about one-third of the project. What is it that makes it more attractive to the lenders and enables them to get a 6-7% interest rate on \$40 million rather than the 12% the others have to pay? Mr. Smith stated that it had to do with the weighted average cost of the capital. At a lower debt modicum, there is a lower internal rate of return or an annuitized return. Mr. Smith stated that when you look at the compilation of the vision of the referendum, the capital stack comes into play and lowers the overall risk at the end of the day.

Commissioner Urban stated that she feels like Esmark fell out of the sky and came to the rescue. She indicated that she is not sure how they fit in the process this late in the game, and is not sure that they do. Mr. Mimmack noted that over the last couple of weeks it became very clear that there was a stalemate between the financing source and their ability to submit the information specifically requested by the DCI in order for them to proceed with the background investigation. While Mr. Smith offered to have them at his company to see how it operates and show his clients, etc; that just doesn't compare with providing the information requested in the Class A background. After hearing those concerns and having an opportunity to meet with Mr. Ketterer and DCI, Ingenus was focused on finding the information from Morgan Stanley. At the above-mentioned meeting, it was clarified for him that the DCI was really interested in the Saqqara Gruppe. Mr. Mimmack introduced Esmark to AD Paulson, and felt that since Esmark was part of the original application, they would be a financing avenue that would provide a comfort level to everyone. It is his hope that Ottumwa will not be penalized for the position of their funding source. They have explained to Saqqara that if the Commission and the DCI are not comfortable with the information provided, then they would have to seek funding through another route. Mr. Mimmack stated that he wished they would have known the impasse existed 2-3 months ago.

Chair Seyfer stated that Ingenus did know of the impasse; that it has gone on for months. Mr. Mimmack stated that they had not understood that Morgan Stanley had not responded, and understood that it was their policy. It only became clear to them in the last couple of weeks that it was really Mr. Smith and Saqqara that the DCI was interested in even though he is not providing equity. Commissioner Cutler indicated that this has been going on since January. Mr. Mimmack stated that he informed Saqqara and Esmark upfront that Ingenus would not accept their commitment letter unless they understand that they had to be willing to open up their history, life and finances to the DCI. He believes that when the information was submitted to Morgan Stanley and they were asked to provide information on all of the Board members and officers, which had never occurred before, their legal counsel advised Mr. Smith that was not something they do. This transpired at the end of February. Mr. Mimmack stated it was their understanding when

they submitted the application that unless someone had a 5% or more equity interest, they were not required to submit to a background investigation.

Following a short break, Chair Seyfer called on Webster County gaming, LLC and the Heart of Iowa Foundation. The following individuals were present to respond to questions: Brent Stevens, CEO of Peninsula Gaming (PGP); Mark Crimmins, Monica Vernon, President of Vernon Research; Alan Tomes, and Jim Oberkirsch from Innovation.

Mr. Stevens stated that he would like to address some of the comments heard earlier today, and called on Ms. Vernon to address the issue of competition versus cannibalization. Ms. Vernon stated that she and two professors from Iowa State conducted an analysis of the gaming industry regarding competition and cannibalization. She stated that after completing the analysis of the industry and market conditions, it is their belief that the term cannibalization has been misused and misled the current debate. They found consistently increasing revenues, suggesting that cannibalization does not currently exist in Iowa's gaming industry. It is their opinion that approving new casinos would add healthy competition to the market place, improving the strength of the gaming industry in Iowa, and help Iowa to compete with other states. Ms. Vernon stated that the study showed when a market is saturated it no longer generates further demand and stops growing revenue. That has not been the case in Iowa, the average annual increase since 2002 has been approximately \$25 million, or 3.7%. She stated that introducing competition into a growing market is important to promote self-improvement within the gaming industry. Ms. Vernon stated that if a license is not granted to Ft. Dodge, Wild Rose Emmetsburg will continue to operate in their current fashion without making any additional investments. They do expect continuing competition from facilities outside of Iowa.

Ms. Vernon stated should a license not be granted to Ft. Dodge, Palo Alto County would not experience any additional economic impact in the short term, and Webster County would be denied millions of dollars annually in community economic impact. A positive vote would get a casino investment in excess of \$50 million, generating in excess of \$70 million in economic impact in the coming years. While Palo Alto would experience a slower growth, both properties would benefit from competition as they would work to differentiate themselves and continue to add products, better service and more attractions. Noting that Iowa is surrounded by six other states that offer gaming, Ms. Vernon stated that competition is inevitable.

Ms. Vernon stated that while Iowa may have questions about casino saturation, the study made it clear that other states are not going to stop looking at how they can build bigger and better properties to take on the demand that exists. She indicated the real question is how Iowa's gaming industry would be poised to compete in an intensely competitive upper Midwest market.

Alan Tomes, of Tomes Consulting in Cedar Rapids, IA, stated that he served as the director of the State Economic Development Department from 1986-1989 and again in 1991-1994. He stated that he would be addressing the issue of the economic impact of a casino in Ft. Dodge, Webster County, the surrounding counties and Palo Alto County. Areas he looked at were job growth in Webster County and the employment projections for the next 10 years; impact of the casino construction, impact of casino employment, the impact on the Ft. Dodge casino on Wild Rose in Emmetsburg, and the net impact of the project. He stated that the area has lost approximately 1300 jobs due to the closing of two major employers in the area, which has had a significant impact on growth in the Webster County area, resulting in a negative 1.5% growth over the next five years. Using 345 full-time employment position and projected revenues of approximately \$54 million per year, Mr. Tomes stated the casino jobs would create a total of 494 jobs due to the creation of spin-off jobs and \$18.3 in total earnings, resulting in a \$135 million annual impact on the Webster County economy.

With respect to the impact of a Ft. Dodge casino on the Wild Rose Emmetsburg casino, he found a negative impact ranging anywhere from \$2 million to \$7 million in revenue. Mr. Tomes stated that Wild Rose could possibly suffer some losses. He used that terminology because he feels Ms. Vernon presented a very strong case that competition should grow the market, thus Wild Rose would experience a leveling off of their revenue. Mr. Tomes stated that a loss of \$2 million would equate to the loss of 40 jobs at Wild Rose, or a total loss of \$6.8 million in economic impact in Palo Alto County and the surrounding counties. He proceeded to review the other scenarios set forth in his report. Mr. Tomes stated that the most important factor was to provide an idea of what the net loss would be, but given the information provided by Ms. Vernon, he does not believe there will be that much of a negative impact but does serve to show what the net impact on the State of Iowa would be if there were sustained losses. The report states that a new casino in Ft. Dodge would have a significant positive impact on the Ft. Dodge area. Arguments have been presented that a casino in Ft. Dodge would have a negative impact on the Emmetsburg area. Mr. Tomes stated that the two impacts need to be combined in order to show the net impact to the State of Iowa.

Mr. Stevens stated that the Commission has heard a lively debate about cannibalization versus competition, and economic growth. He further stated that PGP chooses to believe that competition can be a very powerful and good thing for the State of Iowa and the gaming industry. He noted that when the Commission considered additional licenses in 2005, the Dubuque Racing Association (DRA) was given a conditional opportunity to add table games and expand their casino operations in the Dubuque market; the Diamond Jo chose not to voice any opposition to additional licenses and the expansion opportunity for DRA. Instead they saw it as an opportunity to invest \$100 million into their property and DRA invested \$50 million in their property, and everyone thought the Dubuque market was saturated with \$93 million in revenues, which were declining. Today, the Dubuque market is at \$132 million. Mr. Stevens stated that the gaming customer is very sensitive to value, and it is imperative that the gaming industry and State deliver the very best product possible. In the case of PGP, that meant finding their niche and providing

something that the customer wants. Mr. Stevens indicated that their niche in Ft. Dodge would be the equestrian center, and that the synergy exists for a large regional equestrian event. He stated that if the regional market is addressed appropriately by someone who understands their needs, the parking lot of the proposed facility will be full of horse trailers from all over. He believes the community will be well-served by the equestrian center; that the application is not just about the casino.

Based on Ms. Vernon's presentation, Commissioner Hayes asked if the Commission should ignore the second study completed by The Innovation Group on behalf of PGP for the Ft. Dodge application. Mr. Stevens stated that Ms. Vernon's information should be considered as additive information. He stated there are two studies completed by The Innovation Group; one was completed using drive time information and the other used the radius method. He advised that Mr. Oberkirsch was available to answer any specific questions relating to the studies.

Commissioner Hayes asked Mr. Stevens to provide an update on development, construction, costs, etc. Mr. Stevens stated that construction costs will be approximately \$68.5 million. They hope to break ground this fall and open in the fall of 2011. Mr. Stevens indicated there would be \$17-18 million of pre-costs for the build out, another \$6 million for the hotel and then related costs.

Commissioner Urban asked about financing for the project, pointing out that in response to previous questions about the financing, Mr. Stevens' response was "Give us the license, and we will find the financing." She asked where the financing was. Mr. Stevens advised that the Ft. Dodge application is the only one that has the financing today; it appears on the balance sheet and they have the ability to write a check today. He indicated that PGP has a history of building their projects in a manner that allows the investment industry to see a great deal of opportunity; every project has been delivered on time, on budget and provided great operating results to everyone involved. Mr. Stevens stated that as a result of that track record, PGP has the ability to secure singular financing on just the Ft. Dodge assets, and if they go that route, the financing would be at a very competitive rate.

Commissioner Urban asked Mr. Stevens who he was referring to when he uses the term "we" – PGP or Jefferies. Mr. Stevens stated that he is referring to the Diamond Jo Ft. Dodge entity on a stand alone basis. He stated the project could get financing for \$40 million; he noted that they have been approached by Wells Fargo and others, including some hedge funds, which he has no interest in. Mr. Stevens stated that none of their financing plans would hold up construction; they have the ability to write the check off the Peninsula balance sheet today to finance the construction. He informed the Commission that the good news in the market place is that credit market has opened up even though it is not yet apparent in regional bank markets.

Commissioner Hayes asked Mr. Stevens about the relative size of the economy when comparing the Wild Rose location to the Ft. Dodge location. He noted that Mr. Tomes

had addressed the impact on the entire state, but stated that he is also interested in knowing the impact within the local area. Mr. Tomes stated that the figures used in his report are tailored to the Webster County. When considering the Emmetsburg area, the figures are for Palo Alto County and the five surrounding counties. The numbers presented in the report are specific to the areas referenced. Commissioner Hayes asked about unemployment in the respective areas. Mr. Tomes indicated that he did not have those figures, but offered to get them. He stated that he was just trying to look at net income.

Commissioner Hayes noted that The Innovation Group prepared a study for the Commission that indicated a Ft. Dodge casino would capture 43% of its revenue from other casinos. The Innovation Group then prepared a subsequent study which showed it would only capture 23% of its total revenues from other casinos. He noted that the total revenues for the Ft. Dodge casino did not change even though they are capturing 20% less. He asked where that revenue was coming from.

Mr. Oberkirsch stated that change was due to the change in the model used to perform the study. He stated that the drive time and distance model were out of line because of the rural area. He stated that the change works both ways; Emmetsburg will not be pulling as much revenue from the Ft. Dodge market and Ft. Dodge won't be pulling as much revenue from the Emmetsburg market. Using the drive time perspective, the people gaming in Emmetsburg are further away from the Ft. Dodge market, and the reverse is true for those gamers in Ft. Dodge. Each will tend to gamble in their local community rather than travel.

Commissioner Hayes asked whether the local gamer was considered in the original study. Mr. Oberkirsch indicated they were; however, gamers will travel to different alternatives that are located within 30-40 miles of their home. Since Emmetsburg is further away, the Ft. Dodge gamer is more apt to stay home to gamble.

Commissioner Urban asked Mr. Oberkirsch if he ever made the drive from Ft. Dodge to Emmetsburg. Mr. Oberkirsch answered in the affirmative. Commissioner Urban asked him how long it took. Mr. Oberkirsch indicated about 90 minutes. He also stated that MapQuest indicates the drive time is one hour and twenty-nine minutes. Commissioner Urban asked Mr. Ketterer if he had made the drive, and how long it took him. Mr. Ketterer stated that he made the trip in a state car, which required him to drive the speed limit, but from downtown Emmetsburg to Ft. Dodge, it took him 76 minutes.

Chair Seyfer stated his opinion that the gentleman that prepared the report referenced by Mr. Tomes really didn't know what the financial impact would be on the Emmetsburg facility. Mr. Tomes indicated that was correct. Chair Seyfer stated that if Emmetsburg lost \$2 million, the facility would close. Mr. Tomes questioned if he was referring to a \$2 million revenue loss, explaining that the report he referenced talked about revenue loss, not the bottom line.

Mr. Ketterer asked Mr. Tomes what the revenue loss would be if the facility closed. Mr. Tomes stated that he didn't know what it would be. Mr. Ketterer asked, hypothetically, what the economic impact would be if the Emmetsburg facility closed. Mr. Tomes stated that his report did not look at that as that would be considered an extreme result. It is their position that with the synergies between the two properties, and the way revenues have been growing in the state, and the differences between the two casinos, that there would be a leveling of revenue for a period of time and then an increase.

Commissioner Urban stated that she had a few comments. She started out by indicating that the Commission members have received a lot of letters from Ft. Dodge, and some from Emmetsburg as well. Commissioner Urban stated that there were some specific issues that spurred people to write; one of the being the slogan that "Fort Dodge is all in." She noted that 43% of the population voted against the referendum. In her opinion, the Commission would not have received as many letters if a different slogan had been chosen. Her other comment centered on the Commission's site visit and the fact that city employees who supported the project were paid to attend on work time; however, employees who opposed the casino were not allowed to do so. Additionally, opponents were not allowed on the property. Commissioner Urban noted that while all of these were little things in and of themselves, but they add up when taken as a whole.

Commissioner Urban also pointed out that the Commission paid Innovation to perform a study for them and then Ft. Dodge paid them to come up with other conclusions. She noted there are other companies that could have performed the study on behalf of Ft. Dodge. She stated that Innovation lost credibility with her in terms of using some of their figures, especially when she realized they had the ability to move their figures around. She reiterated that while these are not significant things, they did raise concerns and caused people to write letters when they might not have otherwise.

Mr. Stevens stated that Commissioner Urban's comments were fair criticisms. He stated that PGP has a relationship with the local community, noting that they were the ones to seek out Peninsula for the project. Mr. Stevens noted that this will be the first time PGP has had a minority partner in a project. He advised that the debate on the mistake that was made is fair; however, the mistake was not made with a malicious intent. He committed that if PGP is fortunate enough to receive a license, the Ft. Dodge facility will be branded as a Diamond Jo, and that they will bring all of the professionalism and conduct from the line employee through the Commission will be held to the same standards that the Commission has seen in Dubuque and Northwood.

Commissioner Urban commented on the length of the session, noting that it had started at 8:00. She indicated that while it has been that length, it was a good process because it allowed anyone who wanted to comment the opportunity to do so, and that what transpired in Ft. Dodge was not democratic.

As there were no further questions for the applicants, 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
MAY 13, 2010**

The Iowa Racing & Gaming Commission met on Thursday, May 13, 2010 at Stoney Creek Inn & 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 10:00 AM, and requested a motion to approve the agenda. Commissioner Cutler moved to approve the agenda as presented. Commissioner Harrison seconded the motion, which carried unanimously.

Chair Seyfer moved to the approval of the minutes. Commissioner Cutler moved to approve the minutes from March 23, April 6-7 and 14-15, and May 4, 2010 as submitted. Commissioner Hayes seconded the motion, which carried unanimously.

Chair Seyfer called on Jack Ketterer, Administrator of IRGC, for comments. Mr. Ketterer stated that one goal of the process was to be open and transparent. He noted that all meetings except the Division of Criminal Investigation (DCI) reports were open to the public, which was evident, as was the Commissioner's due diligence, during the hours of testimony received on May 4th.

Mr. Ketterer stated that the process was designed to provide the Commissioners with everything they needed to know about the proposed projects. Through the applications, requests for additional information including the equity and financing commitments, the presentations, the site visits, the DCI background investigations, the public hearing and finally, the Commissioners' question and answer period with the applicants, the applicants have had the opportunity to tell the Commission everything about their projects. He thanked the applicants for their courtesy throughout the process and in their communication with staff.

Mr. Ketterer thanked the DCI management team and agents for their extensive investigative work and information provided to the Commission during the process. He also recognized IRGC staff for their efforts throughout the process. Last, but not least, Mr. Ketterer thanked the Commissioners for the extensive amount of time spent over the last year deciding whether or not to open up the application process, and then on the process itself, noting that all have full-time jobs and are involved in service and activities other than the Commission. He stated that it is the staff's responsibility to provide the Commissioners with the necessary information to make an informed decision. Mr. Ketterer stated that the Commissioners reviewed all of the information provided, and asked questions and requested additional information from the applicants, leaving no room to question their due diligence. He thanked them for their efforts and dedication to the endeavor.

Chair Seyfer thanked Mr. Ketterer and IRGC staff on behalf of the Commission. He went on to note that after the four new licenses were granted in May 2005, questions were immediately asked about when the Commission would again consider applications. He anticipates that question coming up again, and asked each Commissioner to give their thoughts on this matter going forward, starting with his own thoughts.

Chair Seyfer stated that he had reviewed all of the minutes since the licenses were granted in 2005. The Commission members at that time decided not to impose a moratorium, and he concurred with their decision, stating that one Commission can not bind future Commissions. The members from 2005 decided to wait at least 18 months before beginning discussions, and did not commence any discussions until March 2008. Chair Seyfer stated that he felt a longer time frame would be more appropriate, noting the economy, financing difficulties, etc. He suggested anywhere from three to five years.

Chair Seyfer called on Commissioner Hayes, who stated that the issue of gaming saturation in Iowa is significant. He indicated that after reviewing the gaming studies performed on behalf of the Commission, and absent any substantial change in the population of the state, the Commission will not need to address the issue of additional licenses until the population increases substantially.

Commissioner Cutler concurred with comments from both Chair Seyfer and Commissioner Hayes, and believes that 3-5 years would be appropriate. She noted that discussions were delayed after the last process as it took IOC Waterloo longer to get up and going than anticipated.

Commissioner Urban expressed her agreement with the previous comments. She stated that the studies indicated a certain point of saturation in Iowa. She indicated that some of the outcomes may have been different if Iowa was experiencing a robust economy. Commissioner Urban concurred a 3-5 year time frame was appropriate before any further discussions regarding additional licenses.

Commissioner Harrison expressed her agreement with the previous comments in a five-year time span. She noted that in addition to being a lengthy process, it weighs heavy on hearts and dreams of the residents in the communities. She indicated it is a very expensive process in more ways than one.

Chair Seyfer moved to the discussion of the applications before the Commission, and called on Mr. Ketterer. He advised the Commissioners that staff has developed some conditions for all of the applicants should they be approved for a license, and that following any motion made to approve a license, he would like to read the conditions for that particular applicant.

Chair Seyfer stated that each Commissioner would address all of the license applications at the same time, and called on Commissioner Hayes.

Commissioner Hayes thanked the citizens of Iowa for the substantial input provided via correspondence, e-mails, and phone calls over the last several months, and particularly the personal comments made during the May 4th public hearing. He also thanked the DCI and IRGC staff for their support throughout the process.

Commissioner Hayes stated that his decision was based on a thorough review of the two independent studies of the gaming market, the contents of the application, the applicants' response to questions from the Commission, DCI background reports, site visits, and input from Iowans impacted by the decision. He noted the Commission's rules provide 17 criteria to be considered in making a decision to grant a gaming license. While he considered all of the criteria, he gave more weight to some factors than others. Commissioner Hayes stated that when he voted to open the application process, he expressed his belief that Iowa is reaching the saturation point with respect to gaming in the state. This belief was shown to be true due to the projected impact and cannibalization of existing casinos that would occur should licenses be granted to some of the applicants, and was an important factor in his decision. Commissioner Hayes stated that he was also interested in the level of community support as indicated by the local referendum, the projected support for the non-profit license holders and the impact on the county, the level of revenue from other states, the financial structure of the proposed facility and the input from the citizens of the entire state. He noted that there was no pressure from the applicants, elected officials or others outside of what is in the public records, and as such, did not play a part in his decision.

Commissioner Hayes stated that based on the process and the following reasons, it is his intention to vote for a license for Lyon County and vote to deny licenses to the other applicants. He noted that the gaming studies indicated only minimal cannibalization of an existing operator by granting a license to Lyon County. The other applicants would have received between 50-70 percent of their revenue from existing casinos. He felt in some cases existing properties would be impacted to the point that they would not be able to survive or their operations would have been seriously reduced, resulting in employment losses and reduced financial support for the non-profit license holders.

Secondly, Commissioner Hayes interpreted high voter approval of the gaming referendum with high voter turnout as a significant indicator of community support by an engaged and involved community. His review of the referendum results showed the highest voter turnout and percentage of votes in favor of the gaming referendum were in Lyon County with over 69% of eligible voters participating and 62% voting in favor of the referendum. No other county exceeded 50%, nor did any county exceed 30% of eligible voters' approval of the referendum. Only 19% of the eligible voters turned out in Wapello County.

Additionally, Commissioner Hayes looked at the projected support for the non-profit license holder and the relative impact it would have on the county, which are impacted by the revenues of the property and the population of the county in which it is located. He noted that Lyon County had the highest level of payments to the non-profit license holder

and the lowest county population, resulting in a significant impact on the individual residents of the county. The non-profit also provided a well-reasoned approach for distributing the funds received.

Commissioner Hayes noted that the gaming studies projected out-of-state revenues, and also played an important part in his decision. Lyon County was projected to receive over 80% of its revenues from out-of-state customers; all others were projected to receive less than 10%.

Commissioner Hayes noted that all applicants were advised at the October 2009 meeting that financing arrangements were expected to be in place by the January 2010 meeting, allowing applicants two months beyond the November application deadline to firm up any financing commitments. The extended deadline was provided in recognition of the challenges that all business ventures were experiencing obtaining financing. Additionally, the Commission wanted to be sure that all of the necessary background checks could be completed in a timely manner as the law requires and that construction would commence promptly after a license was granted. He stated that obtaining investor and lender commitments would be a solid vote of confidence for the financial feasibility of the property. Commissioner Hayes pointed out that Lyon County clearly met the requirement, while as recently as last week the Commission had not received adequate documentation from either the Wapello or Tama projects.

Commissioner Hayes stated that he received substantial input from the general public in opposition to the Webster County and Wapello County applications. He stated the above factors played a major part in his decision.

Chair Seyfer called on Commissioner Cutler. Commissioner Cutler stated that she too reviewed all of the information received, plus did her own due diligence. She stated that she felt there was a lot of misunderstanding or misinformation on the part of the public, noting the Commissioners heard from those individuals who were pro and con for casinos; heard from those who were enlightened, reasoned, confused, naive, hopeful, discouraged, and angry – the full spectrum. Commissioner Cutler pointed out that the Commission has rules they have to follow as a regulatory body; she indicated there were two that she looked at most closely were the financial integrity of the projected revenue numbers and the financing of the project itself. She noted that those in attendance at the public hearing should have been aware of the Commission's concern as to where the money was actually coming from and who would be supplying the money. She pointed out there were many unanswered questions. Commissioner Cutler stated the Commission knew the financing would be an issue last summer due to the economy, the fact that a lot of financial institutions were no longer financing casinos, some facilities have entered bankruptcy, and casinos in Las Vegas and Atlantic City are also experiencing difficulties. She stated that the Commission made it very clear to all of the applicants that it was important for the Commission to know who was providing the actually financing. She noted that Franklin County could not come up with the necessary financing, so did not pursue a license. Commissioner Cutler stated it was important for the financing to be in

place at the deadline was to allow sufficient time for the DCI agents to do the necessary background investigations. Iowa Code Section 99F.6(4) states that before a license can be granted the DCI shall conduct a thorough background investigation and the applicant shall provide information to them on a form prescribed by the DCI. She noted those in attendance at the public hearing should have been aware of the fact that the Commission did not have the required information; there was an outright refusal from one of the financing entities to complete the background check or provide any information. Those types of issues raise concerns as to where the financing is coming from. Commissioner Cutler stated that some wrote stating that financing problems can be addressed; it is a temporary issue; just a bump in the road. She stated that is not the Commission's view, and the numbers were to be provided in January. The Commissioners have let the process continue, and were provided additional information yet this week.

Commissioner Cutler stated that the Commission needed to look at the impact of the pro formas and the numbers provided to determine if they were solid numbers, or if they were picked out of the air. She stated that all of the Commissioners are concerned about the saturation point in Iowa. The Commissioners have been able to see from the numbers provided over the last few months that the revenues from the same store properties from Fiscal Year 2006 and projected through the end of Fiscal Year 2010, are down: IOC Bettendorf is down 21.8%, Lady Luck Davenport down 29.4%, Ameristar down 17.8%, Harrah's down 21.8%, and Terrible's 18.8%. Commissioner Cutler stated these numbers show there is a saturation point in the state; and the reason the total numbers haven't reflected that is because of the gaming machines at the racinos and the four new licenses granted in May 2005. She stated the numbers caused a real concern for all them, and made it imperative that they made sure the financial projections were realistic; and there were some that kept floating around and didn't provide much confidence. She moved to her review of the applications.

Tama County: Asked who the equity investors would be at the January 14th Commission meeting; they were not identified. On January 25th, during a meeting it appeared there would be five or six investors from Sioux City. On February 8th, there was a memo of understanding indicating there would be a core group of investors, but none were identified. Commissioner Cutler noted the length of time required to perform a thorough DCI background. On April 6th, the Commission was still receiving changes to the financing for the project with the addition of Sunway Hotel, London Bay, and Northland Securities. She noted that no background investigation was completed on London Bay; talking with individuals at the company or going to the physical office is not the same as a background check. Based on the above, Commissioner Cutler stated that she would not vote in favor of a license for Tama County.

Wapello County: The Bridge View Center is great; the project was good – much better than last time, and a much better approach. That being said, there were issues with the funding source; that it changed during the public hearing on May 4th which did not allow for the necessary time to perform the background investigation, regardless of how reputable the company/individuals are. All applicants needed to follow the same process.

She stated that if Franklin County felt they could change the funding source in mid-May they might have stayed in the mix. She stated that the rules and regulations were in place and should have been clear to every one. The Commission was very clear on the fact that they needed to know who the funding sources were. The Commission did not have a signed Commitment Letter from Morgan Stanley, nor anything in writing from any of the funding sources. She noted that the pro forma projections were based on double digit revenue growth, which she felt was unrealistic in the current economy. The operating expenses were 48.65% of revenue, which none of the current operators has been able to achieve. Commissioner Cutler stated that based on the above factors, she would vote no for a gaming license in Wapello County.

Webster County: She stated that the on-going investigation into the financial contributions to Governor Culver's re-election committee was not a factor in her decision. Her main concern was the cannibalization of Wild Rose Emmetsburg (WRE) facility, noting the Commission has received numbers from various groups as to what the impact would be. Based on the amount of money that a Fort Dodge facility would pull from WRE in 1-2 years would be sufficient to put them out of business. She stated that while she enjoyed the presentation on how the two facilities would grow the market, she does not feel that is what would happen. Commissioner Cutler stated that she would vote no for a license for Webster County.

Lyon County: Tourism is great, and comes from South Dakota and Minnesota, and provides a reminder of Worth County; finding out after three months of operations that the projections were not correct, that there was much more revenue coming in and growth within the county. The projected revenue numbers, solid bids, and preliminary bid packages that are out, all provide solid numbers the Commission could look at, and they did not change over time. The financing for the project was in place in January as requested, and the necessary DCI background checks could be completed. Based on these facts, Commissioner Cutler stated that she would vote for a license for Lyon County.

Chair Seyfer called on Commissioner Urban. She thanked the applicants for their perseverance throughout the process, noting that it has been lengthy, demanding, tedious and financially burdensome. She noted that Iowans have participated in the process through e-mails and letters voicing their approval or disapproval of additional casinos. Commissioner Urban thanked them for taking the time to express their concerns.

Commissioner Urban stated this was the first time cannibalization would be a major issue, as well as the economy. Current licensees have experienced an average loss of revenue of approximately 4% over the last eight months. The two gaming market studies done on behalf of the Commission indicated new casinos would cannibalize current facilities in various degrees. Commissioner Urban stated that while revenues may look good at existing facilities, the reality could be quite different if a new facility opened nearby. She felt that if the Legislature intended every county to have casino, the law would have stated that. She went on to state that the Commission specifically talked

about the difficulty in obtaining financing as many sources used previously are not available at the present time.

Commissioner Urban noted that the criteria to be utilized in granting licenses are set forth in Administrative Rules 491-1.7(1) through 1.7(17), and ultimately, the applicants must answer to the administrative rules regarding the granting of a license.

Commissioner Urban stated that Lyon County was the least difficult application to review; the information was submitted in a professional, detailed and organized manner. Additional materials were prepared and submitted in a timely manner. They met all of the deadlines, including the one for financing. The Administrative Code addressed the economic impact to the state and local communities from direct and indirect benefits and the impact on existing casinos. The gaming studies indicated a \$120 million investment with estimated annual revenues in excess of \$70 million would have a major impact on Lyon County and revenues to the state. It is estimated that Sioux Falls, South Dakota, with an estimated population of 200,000, would account for approximately 71% of the total gaming revenue for Lyon County. A Lyon County casino would have a negligible impact on existing facilities; taking less than 6% of their revenues from Argosy Casino-Sioux City. Commissioner Urban noted that metropolitan Sioux City encompasses four counties with a population of 143,000.

With regard to tourism, a Lyon County casino could draw from tourists traveling to the Badlands, Mt. Rushmore, and other tourist attractions to the west. The facility will also feature many amenities which will help make it a destination vacation spot for families.

The Administrative Rules also address employment opportunities for Iowans. Commissioner Urban noted that the applicant estimates over 700 will be employed at the facility with an annual payroll of \$13.5 million. She noted that while the casino will be located in a less populated area of the state and in close proximity to the South Dakota and Minnesota borders, the applicant has assured the Commission that they will make every effort to employ Iowa employees, and anticipation of receiving a license, is making a concerted effort to hire Iowa contractors.

Commissioner Urban noted that questions have been raised regarding the efficient and safe operation of the casino and the possible need for additional fire equipment for the county and additional deputies to cover the increased traffic. The applicant has assured the Commission that everything needed by the County will be provided to insure that the casino will function safely.

Commissioner Urban noted that 491-1.7(3)c requires the Commission to consider the strength and credibility of financing for the new casino. She noted that the Kehl family will provide the equity financing using a substantial amount of family money, along with 457 equity partners, most of whom are Iowans. She stated that the list of equity partners and commitment letter from Jefferies Company for the debt financing of \$70 million were provided to the DCI by the January 7, 2010 deadline.

Commissioner Urban stated that a Lyon County casino will benefit the residents of the County by providing funding for community projects, estimated to be approximately \$2.7 million annually. Additionally, it will provide much needed revenue to the State with the least amount of cannibalization. She stated that the Kehl family has shown their loyalty to Iowa, and that they have the character and integrity that Iowa appreciates. Commissioner Urban indicated she would vote in favor of a casino in Lyon County.

Commissioner Urban stated that Tama County has put together a relatively modest project for a casino and hotel on a beautiful piece of property. She stated that one of the criteria the Commission must look at is the viability of a proposed casino. The facility would have four casinos in close proximity; a large Native American casino in the immediate area, Prairie Meadows Racetrack & Casino in Des Moines, Isle of Capri in Waterloo and Riverside Casino & Golf Resort south of Iowa City. The gaming studies indicated that this proposed facility would only capture 3.3% of the local market; the lowest rate of any of the applicants. The studies further indicated that a Tama County facility would benefit the least from tourism, due to its central location. The proposed \$40 million project would generate approximately \$17.3 million in annual revenue. The GVA Marquette study did not even consider a casino/hotel project in Tama with an investment of less than \$100 million. Commissioner Urban stated that it was her belief that the project as proposed was not viable; that the amenities are for summer travelers, and while the Commission has heard about winter activities, it does not appear they would attract casino visitors. She also noted that the majority of attendees at a conference in a 500-seat conference center would not be able to stay at the property with just an 80-room hotel. She wondered why they would choose to return to the property to gamble.

Commissioner Urban noted that revenue information from the Meskwaki Tribe is proprietary but they have indicated their casino has sustained a substantial revenue loss with the opening of the Isle of Capri in Waterloo. The Meskwaki facility has a 450-room hotel, RV parking and large gaming floor, providing too much competition for a much smaller facility. Commissioner Urban stated that the Commission does not wish to grant a license unless there is an assurance of viability and a projection of continued increases in revenue and profitability, both of which she believes would be at risk for the proposed project.

Commissioner Urban moved on to the financing of the proposed project. She noted that Signature Management (Signature) did not have the equity financing committed by the January 7, 2010 deadline. The Commission continued to allow prospective licensees time to acquire financing. Signature was unable to supply the names of any equity partners, even after having an extension of time until February 7th. Financing options continued to change and became even more convoluted. A May 6th letter from Sunway Hotel Group states they are committed to the hotel casino project in Tama County, and further states that the debt financing for the project will be with Northland Networks. The letter indicates that Sunway knows "that Northland Networks will be successful in raising the debt for this project." While Signature maintains that Northland Securities is

providing the debt financing, Northland states that they will need to use the bond market for the Tama financing. Therefore, there is no guarantee of the debt financing. Additionally, there is \$16 million of equity financing that is needed. At the May 4th public hearing, Signature skyped in Sam Humphreys, CEO of London Bay Company, who indicated his company is able to provide the equity partners for the project, but only after a license is provided. Commissioner Urban stated that on several occasions, Commission members made it quite clear that facilitators, syndicators and agents did not take the place of a firm binding term of commitment, whether for debt or equity. It is the Commission's responsibility as a regulatory agency to protect the integrity of gaming in Iowa. Financing must be credible, transparent and committed. In the case of the Tama County application, it is not.

Commissioner Urban moved to the question of community support. She questioned the relationship between the Meskwaki Tribe and Signature; noting the Commission had been informed they had a harmonious working relationship with the Tribe. However, the Commission has received letters from the Tribal Council urging denial of the license. Commissioner Urban noted that the Native Americans have had the ability to enrich the lives of their tribal members through casino revenue; and it is believes that other Iowa casinos have already cannibalized some of the revenue. In their letters, the Meskwaki stated they employ 984 individuals and that 85% of the jobs are not held by Meskwaki tribal members. The Meskwaki Casino is the largest employer in Tama. Commissioner Urban stated that she would vote to deny a license for Tama County.

Commissioner Urban stated that the voters of Wapello County have voiced their support and disapproval of a casino in various ways, and are highly emotional about what a casino could or could not do for the community. While the project meets most of the criteria according to the Code, there are two main issues which are still in question: the economic impact and financing.

Commissioner Urban pointed out that a low-end investment, as proposed, is estimated to bring in \$35 million in annual revenue with approximately 15.8 million of that being cannibalized from existing facilities; and due to the location, there is little ability to improve revenue or profitability without further affecting other casinos. She noted that the proposed project is located between two casinos which are facing financial difficulties – Terrible's Lakeside Casino in Osceola and Catfish Bend in Burlington. One of the gaming studies performed on behalf of the Commission indicated 15-20% of the revenue would come from Terrible's and approximately 4.3% from Catfish Bend although Catfish Bend believes the impact would be much greater. Commissioner Urban noted that Catfish Bend has already experienced a decline of 3.3% in revenue due to the economy, and is projected to see modest declines through 2013 due to new major casinos across the river.

Commissioner Urban stated that the applicant started out with what may have been an acceptable financial proposal through Esmark; however, they turned to Saqqara Gruppe, LLC and Antoine Smith to act as their financing agents. The Commission originally

believed that Saqqara was going to fund the project but came to realize that they were only a “facilitator”. The applicant was reminded over a 4 month period that he did not appear to have financing, only empty promises. The latest promise through Saqqara was that Morgan Stanley was going to finance the project; however the Commission never received any documentation supporting that claim. During the Public Hearing on May 4th, the applicant reintroduced Esmark as their financial alternative. Commissioner Urban pointed out that the deadline for submitting committed financing was on January 7, 2010, and while the Commission showed much leniency, May 4th was far too late to bring Esmark back into the picture. At that late date, there was no time for the DCI to do a thorough background investigation as required by law. Commissioner Urban stated that, in short, the applicant did not have financing for the project. She stated that she would vote to deny a license to Ottumwa.

Commissioner Urban stated that while the Fort Dodge applicant has met most of the criteria for a license, they have been unsuccessful in dealing with the matter of cannibalization. She noted that the GVA Marquette study estimated that a mid-size Webster County facility would receive 50% of its revenue from existing casinos, mostly Wild Rose Emmetsburg and Prairie Meadows, and to a lesser degree, the Meskwaki Casino, the Isle in Waterloo and Diamond Jo Worth. The study pointed out that Wild Rose Emmetsburg has a finite base to draw from, and the location of larger facilities in all directions would prevent them from being able to significantly expand their customer base. Commissioner Urban noted that a second study predicted that Wild Rose Emmetsburg could see gaming revenues decline between 20-27% if a casino were built in Webster County.

Commissioner Urban pointed out that late in the process, Peninsula Gaming’s CEO stated that he would make the non-profit whole in Emmetsburg and even buy out the investors in case Emmetsburg was found to be struggling as a result of a new casino in Webster County. In Peninsula’s latest attempt, a letter was sent to the owners of Wild Rose Emmetsburg setting forth an offer to buy them out; nothing has been resolved. Commissioner Urban stated that a 27% decline in gaming revenues at Emmetsburg would likely cause them to default on their loans. She noted that the facility has lost revenue annually since opening; and many who addressed the Commission on May 4th expressed the opinion that a Webster County facility would eventually force Emmetsburg to close.

Commissioner Urban stated that the Commission granted Emmetsburg a gaming license at a cost of \$5 million, and believes the Commission must give them an opportunity to succeed. She indicated that had the economy been different, the outcome might be different. Commissioner Urban stated that it is not the Commission’s position to bolster one casino at the expense of another. The criteria state that the Commission is to look at the impact of potential markets as well as the impact on existing licenses. Commissioner Urban stated that she would vote to deny Webster County a license.

Commissioner Urban noted that the GVA Marquette study indicated that gaming development in Iowa is limited and that most of Iowa is approaching “equilibrium”, and

suggest that only one facility in Lyon County would generate additional demand by tapping underserved markets, and her review of the criteria leads her to the same conclusion.

Chair Seyfer called on Commissioner Harrison, who commenced her comments by thanking IRGC staff and the DCI agents for the thorough investigations and time throughout this process. She noted that she had reviewed hundreds of e-mails and letters from Iowans voicing their opinions. She comments on the efforts and enthusiasm that the citizens of Lyon, Webster, Tama and Wapello Counties exhibited during the site visits.

Commissioner Harrison stated that she based her decisions on the criteria set forth by Iowa Code Chapter 99F and the Administrative Rules. She indicated that she took the results of the studies from GVA Marquette and The Innovation Group into consideration, along with the impact on existing casinos, benefits to Iowa tourism, gaming integrity, stability, reliability of out-of-state markets and the number of employment opportunities for Iowans.

Commissioner Harrison stated that the Tama County applicant had incomplete financial disclosure, the out-of-state market is non-existent, would have little or no benefit to Iowa tourism, and only a high-end facility would be able to compete with the Meskwaki Casino. She stated that she would oppose granting a license to Tama County.

Commissioner Harrison stated that she would oppose granting a license to Wapello County for the following reasons: projected revenues would come from existing casinos, with 12-14% coming from Terrible's Lakeside; incomplete background investigations; incomplete information regarding funding and financial institutions; and DCI deadlines not met.

Commissioner Harrison stated that a Webster County casino would generate approximately 50% of its revenues by cannibalizing revenue from existing casinos, with a largest shares coming from Wild Rose Emmetsburg and Prairie Meadows, and to a smaller extent, Meskwaki Casino, The Isle in Waterloo, and Diamond Jo Northwood. A Webster County facility would provide little in "new gaming demand". She also expressed her dismay that individuals were not allowed to exercise their freedom of speech as they were not afforded the opportunity not compensated to voice their opinion. Commissioner Harrison stated that she opposed granting a license to Webster County.

Commissioner Harrison stated that Lyon County has the potential to be successful in tapping underserved markets in the northwest corner of Iowa, southwest Minnesota and the Sioux Falls area in South Dakota, as shown in The Innovation Group and GVA Marquette gaming studies. She noted that they have met all of the criteria, and will have very little impact on existing casinos. Commissioner Harrison stated that upon the granting of a license, she will be paying attention to the contracts and employment to Iowa-based companies and citizens. She indicated that she would support granting a license to Lyon County.

Chair Seyfer noted that the Commission has been looking at the issue of additional licenses since he was appointed to the Commission in 2006. He advised that over the weekend, he re-read his file, which included the minutes of each Commission meeting, each of the applications, the letters and e-mails from the public, and the two studies. The following items stuck out. When the Commission announced in July that they were going to accept applications, he made the following statements:

- I think it is going to be an uphill battle for anyone who is going to apply now.
- There is a good chance we may not grant any new licenses
- The Commission would focus on financing and the potential negative impact on existing casinos.
- That the Commission would have an open and fair process and discussion.

He expressed his belief that all of the above proved to be true.

Chair Seyfer stated that the Commission elected to have two gaming market studies done on their behalf, and feels, in retrospect, that it was a wise decision. He noted that Commissioner Cutler commented on the impact of the recession on the existing properties; and while the Commission has heard about how the market continues to grow; the growth over the last five years has been at the newer casinos and existing facilities changing over to land-based operations. Chair Seyfer stated that each of the Commissioners has received a voluminous amount of e-mails and letters, most of which expressed their opposition to an expansion of gambling for the following reasons:

- Iowa already has an adequate number of casinos; no one is more than an hour's drive from a casino.
- There is no new money; just a shifting of entertainment dollars.
- New casino is a quick easy fix; Iowa needs manufacturing jobs.
- Most casino jobs would be temporary.
- Most money would go out-of-state.
- The image Iowa is presenting to the nation as a whole.

Chair Seyfer advised that one letter he received expressed most of the above, and proceeded to read it:

“Passing a local referendum to approve a casino license should be the first rather than the final step in granting a license.

Only a state Commission can review the economic viability of adding additional casinos.

There comes a point, and some would argue we've reached it already, where the market can only sustain a given number of gambling operations.

The idea is to grant licenses to ensure viable strong operations with resulting jobs and the potential for spin-off of other local economic growth versus a hodgepodge of barely surviving ones.

It's also important to remember the goal is to bring new dollars into the state's economy; churning existing dollars through the system doesn't provide any real growth unless the jobs and impact improves the state overall."

Chair Seyfer stated that he looked at how the following statutory criteria applied to each of the applicants: revenue provided by the facility, tourism and out-of-state visitors, community support, population base to be served, impact on existing operators, financing, viability of the project, Iowa ownership, socioeconomic impact, and the potential economic impact of the proposed amenities and adjacent development. He noted that the Commission made it known early in the process that they expected financing to be an issue, and that played out as predicted.

Chair Seyfer stated that he would approve a license for Lyon County based upon the studies, the minimal impact on existing casinos, high voter approval, the out-of-state revenues and a very well put together financing package.

Chair Seyfer stated that he would deny a license to Tama County based upon financing issues, the financial integrity of the projections, viability, and little out-of-state market.

Chair Seyfer stated that he would deny a license for Wapello County based upon issues regarding the financing and the funding source, financial integrity of the projections, the impact on Terrible's Lakeside and Catfish Bend Casino, and viability issues.

Chair Seyfer stated that he would deny a license to Webster County based upon the fact that Iowa has a finite market and the impact on Wild Rose Emmetsburg, the city of Emmetsburg and Palo Alto County.

Chair Seyfer called for any further comments. Hearing none, he requested a motion. Commissioner Cutler moved to grant a gaming license to Lyon County, subject to the conditions established by Commission staff. Mr. Ketterer read the following conditions for Lyon County Resort & Casino, LLC and Lyon County Riverboat Foundation, Inc.:

- Subject to the license period of May 13, 2010 through March 31, 2013 and payment of the first installment of the license fee within 30 days.
- Subject to opening the gaming floor to the public only after substantial completion of the entire project. Interpretation of this condition shall be in the sole determination of the Commission.

- Subject to a status report on the construction time table and on financing at the August 26, 2010 Commission meeting and submission of written documentation by August 13, 2010.
- Subject to all required state and local approvals for construction of the project in the proposed location pursuant to 491 IAC 5.4(18)
- Subject to substantial completion of the entire project by December 31, 2011 in essentially the same form as submitted in the application. Interpretation of this condition shall be in the sole determination of the Commission. If the project is not completed by June 30, 2012, a fine of \$41,490.41 per day will be instituted.
- Subject to completion of the golf course by June 30, 2014 and the course opening for play no later than May 15, 2015, in essentially the same form as presented to the Commission. Interpretation of this condition shall be in the sole determination of the Commission.
- Subject to improved access to a fire truck with ladder able to service the hotel proposed in the application by the date of facility opening.

Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-51)

Commissioner Cutler moved to deny gaming licenses to Signature Management Group of Iowa, L.L.C./Tama County Community Enrichment, Inc.; Ingenus of Iowa LLC/River Hills Riverboat Authority; and Webster County Gaming, LLC/Heart of Iowa Foundation. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-52)

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

MINUTES TAKEN BY:

JULIE D. HERRICK

IOWA RACING AND GAMING COMMISSION

MINUTES

JUNE 3, 2010

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, June 3, 2010 at Stoney Creek Inn & 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. He noted that agenda item 9E – Schedule of Racing-related Capital Improvements under Prairie Meadows Racetrack & Casino (PMR&C) was being deferred until the July meeting. Commissioner Urban moved to approve the agenda as amended. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Seyfer moved to the next agenda item, Executive Session, and requested a motion. Commissioner Cutler moved to go into Executive Session for the purpose of receiving Division of Criminal Investigation (DCI) background investigation reports pursuant to Iowa Code Section 21.5(1)g. Commissioner Hayes seconded the motion which carried unanimously on a roll call vote.

Upon reconvening the open session, Chair Seyfer moved to the approval of the minutes from the May 13, 2010 Commission meeting, and requested a motion. Commissioner Cutler moved to approve the minutes as submitted. Commissioner Urban seconded the motion, which carried unanimously.

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

- July 29, 2010 – Stoney Creek Inn, Johnston, IA (Submissions due by July 15, 2010)
- August 26, 2010 – Riverside Casino & Golf Resort, Riverside, IA (Submissions due by August 12, 2010)
- October 7, 2010 – Hotel Julien Dubuque, Dubuque, IA (Submissions due by September 23, 2010)

Chair Seyfer called on Clinton County Community Development Association regarding their request to change the name of the non-profit organization to Clinton County Development Association. Tim Bollmann, General Manager of Wild Rose Clinton, stated the name change was precipitated by the change from the riverboat to a land-based facility and a desire to simplify the name. The non-profit board is also looking at changing their logo to reflect the land-based facility.

Chair Seyfer called for any questions concerning the proposed name change. Hearing none, he requested a motion. Commissioner Hayes moved to approve the name change for Clinton County Community Development Association to Clinton County Development Association. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-53)

Chair Seyfer called on Terrible's Lakeside Casino for an update on the bankruptcy proceedings. Sean McGuinness, Legal Counsel for Wilmington Trust, the senior lending group, and David Ross, Chief Operating Officer (COO) of the current company, were present to address the Commission. Mr. McGuinness advised that Herbst Gaming, Inc. filed for Chapter 11 Bankruptcy in Reno, Nevada in March 2009. As part of the bankruptcy process, a reorganization plan was put together, and has been approved. The plan calls for the senior lender to convert their debt into equity and become the 100% owner of a new Herbst Gaming, which will be known as Herbst Gaming, LLC. When the company comes out of bankruptcy, the stock of Herbst Gaming, Inc. will be cancelled and the LLC membership shares will be issued to the senior lending group upon regulatory approval from Iowa, Missouri and Nevada. Mr. McGuinness stated the reorganization plan was approved in October 2009; however, there was a delay as a bondholder group did not agree with the plan. As there was a disagreement between the parties, the Bankruptcy Judge decided in January that he would write the final order in the matter, which gave Wilmington Trust the green light to make application in Nevada, Iowa and Missouri. Mr. McGuinness advised that the necessary applications have been filed in all three jurisdictions. He has been coordinating with Mr. Ketterer, IRGC staff and the DCI. He stated that Herbst Gaming, LLC would remain a publicly traded gaming company for gaming purposes, meaning there are different thresholds that determine who has to be licensed. Mr. McGuinness noted there is one group that is above 10%, Silverpoint Capital, who has filed the necessary applications in all three states, and the investigation process has been started. He advised there are three other groups that are between 5-10%, and the necessary information has been submitted to qualify the entities/investors. The Herbst Gaming board was reorganized earlier this year, and five individuals have been designated to run the reorganized company should licensing occur in all three states. The new board consists of David Ross, COO of the existing entity, will be the Director of the Herbst Gaming, LLC Board and has been designated the Chief Executive Officer (CEO) in waiting; Don Hornstein, designated Chairman of the Herbst Gaming, LLC Board; and members Thomas Benninger, Michael Rumboldt, and Ferenc Szoney, President and COO of the existing Herbst Gaming entity, and will remain in that capacity going forward with Herbst Gaming, LLC. All have an extensive background in the gaming industry. Mr. McGuinness reiterated that applications have been filed for the equity holders, an equity waiver request has been made, and applications have been filed for all of the Board members in all jurisdictions. He stated they are hoping to have everything completed and the turnover occur during the fourth quarter of this year. Since the board members have been previously licensed in Nevada, the Nevada licensing process will be more in line with that of Missouri and Iowa. Mr. McGuinness turned the floor over to Mr. Ross.

Mr. Ross stated that the Board does not expect any changes at the regional level with respect to Terrible's Lakeside; they are very happy with the operation in Iowa. He stated that working through a bankruptcy is no fun; everyone is trying to do the right thing for the company. Mr. Ross stated that the lenders are very much aware of the various regulatory issues and have not interfered in the licensing process.

Chair Seyfer asked if the new Board would reassess the situation with regard to future plans after the fourth quarter. Mr. Ross stated that Herbst Gaming, LLC is very excited about Iowa, and it is their intent to conduct market research in order to gain a better sense of what can be done at the property to drive additional revenue and determine what it is the customer wants. Mr. Ross stated that his job is to oversee the transition and determine what opportunities are available. He noted that they had installed some new games, and pending approval of the contract, will be changing the surveillance system. They also intend to remodel the existing hotel rooms, noting that they continue to reinvest in the property even though they are subject to bankruptcy court.

Chair Seyfer asked if the hotel project would be on the list. Mr. Ross answered in the affirmative, indicating the feasibility study has to be updated as it is two years old. He stated that the most recent proposal in front of the Commission was from the 360 Group of Iowa, and the hotel was going to be a joint venture. Mr. Ross stated that both parties have signed a non-binding agreement which calls for the 360 Group to obtain the financing even though it is a joint project. He stated that the 360 Group has now expressed concern that they will not be able to obtain the financing under the current economic conditions.

Chair Seyfer moved to the review of the licensees' financial audits and called on Ameristar Casino Council Bluffs. Jane Bell, Director of Government Affairs, and John O'Neil, Director of Planning and Analysis, were present to answer any questions.

Commissioner Hayes asked about the large increase in capital expenditures. Ms. Bell advised that they had replaced the air filtration system, which cost approximately \$4.3 million. Commissioner Cutler asked if the project has been completed. Ms. Bell answered in the affirmative. Commissioner Cutler asked if it was for the whole property or just on the boat. Ms. Bell indicated the air filtration system was just replaced on the boat.

Hearing no further questions concerning the Ameristar audit, Chair Seyfer called on Argosy Casino-Sioux City (Argosy). Joelle Shearin, CFO, was available to answer questions. Commissioner Hayes asked about the capital investment made at Argosy over the year, it is just over 2% of the revenue for the company. He asked if there are any plans for any significant improvements based on what the property seems to be contributing to the company. Ms. Shearin stated that Penn National Gaming has been making significant improvements at other properties; however, the rate of return on capital investment does not pencil out for the Sioux City property. Commissioner Cutler asked if there is any chance the facility would be converted to a land-based property.

Kees Eder, General Manger, stated that the company has looked at that prospect, but at this time, such a move does not make sense financially as the population is declining in the area and additional competition is coming into the area.

Commissioner Urban asked if there is a parking problem at the facility. Mr. Eder indicated that was correct; that it is an ongoing struggle with the city. He indicated the company would have liked to build a small parking deck, but the city has prevented that from happening so far.

Mr. Ketterer asked Mr. Eder what hotels the facility utilizes for its guests. Mr. Eder advised that they use the Hilton Garden Inn, located approximately 1 mile from the property, and the Holiday Inn Downtown, which is less than a mile. He stated that the Hilton Garden Inn is a little newer property and guests prefer to stay at that hotel. Commissioner Harrison asked if the facility offers shuttle service because of the parking issue. Mr. Eder answered in the affirmative; to all of the hotels, and if no shuttle is available, they provide a taxi.

Hearing no further questions regarding the audit for Argosy-Sioux City, Chair Seyfer called on Catfish Bend Casino and Southeast Iowa Regional Riverboat Commission (CBC/SIRRC). Jerry Baum, COO for Great River Entertainment, stated that CBC produced gross revenues of \$38.5 million, down from \$38.4 million in 2008. He stated CBC continues to market heavily to their primary base through the Players Club and direct mail program; 65% of CBC's revenue comes from Iowa residents and 35% from out-of-state. Mr. Baum stated that in 2009 CBC paid \$9.6 million in taxes to the State of Iowa, \$1.2 million in fees to Lee County, and the cities of Fort Madison and Keokuk, and an additional \$1.2 million to Des Moines County and the city of Burlington. He advised that CBC spent \$39.6 million with Iowa vendors, and employs 520 individuals with an annual payroll of \$12.4 million. Mr. Baum stated that CBC was able to reduce its long term debt significantly through Great River Entertainment in 2009 through a debt repurchase funded by additional equity from owners. He introduced Donald Spears, Controller for CBC, who was present to answer any questions.

Mr. Ketterer asked if the distributions to the shareholders were shown at the bottom. Mr. Spears answered in the negative, indicating the distributions are made to the parent company who then determines whether distributions will be made to the shareholders.

Mr. Ketterer noted that the balance is down to \$1.1 million, and depends upon whether distributions to the shareholders are continued. Mr. Spears stated he could not answer the question; that it is a management decision. He indicated the entry is a quasi-book entry in terms of posting to the parent company and will have no effect on the ability of the casino to continue operating in its current manner.

Commissioner Hayes pointed out that the capital expenditures at CBC for 2008-2009 if not the lowest, were almost the lowest. He asked what the capital investment plans were in the near future. Mr. Baum stated that the company's own covenants require them to

set aside 3% of gross revenues, which is done on a monthly basis, and based on that set aside, just over half of it was spent on slot machine conversion purchases to keep the gaming floor current, and a substantial portion of the second half was used for refurbishing the hotel, which is an ongoing process. He noted there are just a few projects to complete this year. Another substantial portion is utilized to keep the arcade games updated.

Commissioner Hayes asked if the money spent in 2010 would be greater than in 2009. Mr. Baum felt that a significant portion of the 3% set aside would be utilized for slot machine replacement/enhancement. He pointed out that when the Ft. Madison boat was closed in 2007, there were 400 slot machines on the boat. Mr. Baum explained that upgrading machines already on the gaming floor was cheaper than purchasing new slot machines. Commissioner Hayes asked if that meant CBC would spend more in 2010 than in 2009. Mr. Baum stated they would still do the 3% of gross revenue set aside. Commissioner Hayes stated that setting the funds aside is different than spending the money. Mr. Baum stated that they are spending the funds; that they are current with the 3%. He advised that there are a number of projects for which the money is utilized.

Hearing no further questions concerning the CBC audit, Chair Seyfer called for any questions concerning the audit for the SIRRC. Hearing none, Chair Seyfer called on Diamond Jo (DJ). Kim Pang, General Manager for Diamond Jo Worth (DJW), introduced Scott Cooper, the new General Manager for DJ. Mr. Cooper advised that Wendy Runde, Director of Finance, and Lori Nelson of Peninsula Gaming, were present to address questions. Mr. Cooper commented on the great job Peninsula Gaming did in building an outstanding, quality facility, which helped the first full year's performance in 2009. He stated that revenue, admissions and EBITDA performance were up significantly from 2008; that the market between DJ and Mystique Casino grew overall. Admissions were up 17%, and gross gaming revenue for the market was up 13.5%.

Ms. Runde stated that she wanted to cover a few items that impacted the financial statement. She reiterated that 2009 was the first full year of operations in the land-based facility; therefore the income statement from 2009/2008 is not an apples-to-apples comparison. From a balance sheet standpoint, she advised that Peninsula Gaming, the parent company, completed some global refinancing in 2009; senior secured notes at the Diamond Jo were redeemed and new notes have been recorded at the parent company. She indicated that a number of the large fluctuations reflected on the balance sheet are a direct result of the refinancing.

Hearing no questions for Mr. Cooper or Ms. Runde, Chair Seyfer called on DJW. Mr. Pang and Tim Wendel, Director of Finance, were present to answer questions. Mr. Pang stated that DJW saw gaming revenue increase by \$500,000 in 2009, win per admission increased 2.9%, and that a significant portion of the business continues to come from the Minnesota market. He noted that food and beverage revenue increased \$400,000, and EBITDA increased by \$1 million, primarily due to increased revenues and a reduction in casino operating costs. Mr. Pang stated that Peninsula is happy with the performance of

the management team, which has been able to effectively manage cost reductions without layoffs or a negative impact to the customer's experience. He stated DJW employed an average of 329 FTEs during 2009. Mr. Pang referenced the global refinancing completed by Peninsula, noting that DJW is still financing the debt. He advised that an outside vendor is looking to develop a new hotel across the street from the facility. Mr. Pang noted that development at the property and the intersection is at a standstill due to the wastewater treatment plant, which is experiencing some financial difficulties. The Worth County Supervisors are considering purchasing the wastewater treatment plant, and expanding it to allow additional development. The developer for the Holiday Inn Express is building their own wastewater and sewage system, and will be trucking waste to Northwood for the time being. It is hoped the properties will be able to tie in with the wastewater treatment plant within the next year or so.

Commissioner Urban asked the occupancy rate of the existing hotel. Mr. Pang indicated the Country Inn & Suite has 100% occupancy during the weekends, indicating there is room for additional hotel rooms. He stated that another hotel developer is waiting for a truck stop.

Hearing no further questions regarding the DJW financial audit, Chair Seyfer called on Harveys Iowa Management Company, Inc. Janae Sternberg, Director of Finance, was present to answer questions. Commissioner Hayes asked for an explanation of capital expenditures. Ms. Sternberg advised that Harrah's spent approximately \$750,000 in 2009 and will be closer to \$1.8 million in 2010 due to the refurbishing of the hotel rooms.

Mr. Ketterer asked about the occupancy rate for the Garden Inn Hotel. Ms. Sternberg indicated the current occupancy rate is approximately 65%, with Harrah's filling 50% of the 65%. She stated the hotel is picking up some business over the summer months, and Harrah's is finding it more difficult to get their 15 contracted rooms during the week. She noted that the Garden Inn has hired a couple of sales managers in the last month, who have been successful in booking some larger groups for the hotel as well.

Commissioner Hayes asked about capital expenditures for Horseshoe Casino. Ms. Sternberg stated that Harrah's spent approximately \$2 million in 2009 due to the opening of the VIP lounge; the figure will be somewhat lower for 2010 – \$1.2 or \$1.3 million for maintenance.

Commissioner Hayes asked about operating cash flow, noting that the management company reduced their fee. Ms. Sternberg advised that the report was somewhat deceiving as a lot of their cash goes to the corporate level; she indicated the property is cash flowing very well for Harrah's. She indicated that cash flow is up year over year between 4% and 6% for the past couple of months. Ms. Sternberg noted that Horseshoe has prospered to the detriment of the Harrah's property; stating that Harrah's is pleased with what Horseshoe has done so far this year.

Hearing no further questions concerning the Horseshoe audit, Chair Seyfer called on HGI-Lakeside. Bob Thursby, General Manager, was present to answer any questions. Chair Seyfer noted that a number of questions were more than likely answered in the previous discussion concerning the bankruptcy proceedings.

Hearing no questions regarding the HGI-Lakeside audit, Chair Seyfer called on Wild Rose Clinton (WRC). Tom Timmons and Scott Ivers, Director of Operations and CFO respectively for Wild Rose Entertainment, were present to answer questions regarding the audits for WRC or Wild Rose Emmetsburg (WRE).

Mr. Ivers stated that WRC had \$32.9 million in gaming revenue, an increase of 9.5% from the previous year. He noted that 96% of their purchases are from Iowa vendors, and employs 330 individuals.

Mr. Ketterer asked the approximate occupancy rate for the hotel on the property. Mr. Timmons stated that it is about 66-67% year-to-date, but weekends are 100%. Commissioner Urban asked if those occupancy rates were true for the Emmetsburg hotel. Mr. Timmons indicated the Emmetsburg hotel is experiencing about the same occupancy rates, but was somewhat lower the previous year. He noted that they have stepped up marketing in an attempt to increase week night business. Commissioner Harrison asked for some examples of steps taken to increase the occupancy rate at Emmetsburg. Mr. Timmons indicated they have lowered the rate charged for the hotel rooms, increased the amount of free play during the week, free or reduced meals, etc.

Hearing no further questions regarding the financial audits for WRC or WRE, Chair Seyfer called on Riverside. Joe Massa and Dan Franz, General Manager and Controller respectively, were present to answer questions. Mr. Massa noted that the audit before the Commission reflects 3 years of operations. He advised that total assets are \$111 million, and as of the year end, the parent company has invested \$127 million in property and equipment, almost \$2 million in 2009. Liability is \$94.5 million, a reduction of \$12 million from the previous year; the final license fee installment of \$2 million was paid to the Commission, and bank debt was reduced by \$8.1 million. Mr. Massa stated that total revenue for 2009 was \$103.3 million, or an increase of \$600,000 from the previous year. He advised that revenue was more challenged than the figures indicated because if the promotional allowances were removed, revenue would have decreased. Mr. Massa stated that slot play increased by 2.2%, but table game play was down approximately 8.6%. Hotel revenue decreased 11%; however golf revenue increased 50%. He advised that despite the softening revenues, Riverside was able to decrease operating expenses, and EBITDA for 2009 was approximately \$22 million, a decrease of 2%.

Mr. Massa stated that payroll was about \$20.2 million, including profit sharing and health insurance. Riverside paid approximately \$963,000 to its employees in profit sharing. Gaming taxes and fees were \$19.3 million, or \$65 million since the facility opened. The licensing fee raises the figure to \$75 million. The City of Riverside has received \$5.7 million, or about \$1.7 million per year as stated in the agreement between the parties.

The facility has also paid \$5.3 million in property taxes since opening; \$2.1 million last year alone. The not-for-profit license holder has received \$3.3 million in 2009, and \$10.5 million since the facility opened. Mr. Massa stated that the company made contributions of \$256,000 last year for a total of \$756,000 since opening. He noted that 97% of their expenditures are with Iowa vendors if specialized vendors, gaming equipment and other purchases that are not available from Iowa businesses are excluded. Mr. Massa noted that Riverside started the GIVE Foundation in 2007 with the Veterans Administration and the Iowa Professional Golfers Association. Mr. Massa pointed out that the facility is owned by 700 Iowa residents. After taxes, investors have received \$13,125,000 in distributions, a return of 37.5% on their original investment.

With regard to the Blue Top Ridge Golf Course, Mr. Massa noted the course was well received in 2007; however 2008 was a disappointment due to the floods. The holes along the river were rebuilt and opened in mid-May last year. After analyzing the situation, it was decided to acquire additional land and build five new holes that should open by mid-July of this year. They opened a golf performance studio last winter; it was well received as it is one of only a few in the Midwest. Mr. Massa stated that Golf Digest again named the course as one of the top five golf courses in the United States.

Mr. Massa concluded his remarks by stating that even though revenues are softening due to the economy, the facility is profitable, is effectively controlling costs without affecting quality, and is well within the bank loan covenant requirements. They are able to maintain their commitment to return funds to the investors and continue the profit-sharing program for the employees.

As there were no questions for Mr. Massa regarding the Riverside financial audit, Chair Seyfer called on Iowa West Racing Association (IWRA). Jerry Mathiasen and Tim Miller, Associate Executive Director and Finance Officer respectively, were available for questions.

Mr. Mathiasen advised the Commission that revenues from 2008 to 2009 decreased approximately \$131,000, mostly due to the economy and bad weather at the end of the year. He indicated they will watch revenues closely throughout 2010 to make sure that they can maintain their current grant giving level.

Commissioner Urban asked how IWRA advertises their grant application process. Mr. Mathiasen stated that everything is on the IWRA website; applications are submitted online. He advised that the website is publicized in all of their documents; using the example of a newspaper insert that goes into 28,000 newspapers across southwest Iowa. The insert, sent out quarterly, explains grants that have been distributed and provides information on how to contact IWRA. When the grants are announced to the media, the information provided tells where the money comes from, the recipients of the grants, IWRA contact information and the deadlines for the next round of grant applications.

Commissioner Urban asked if IWRA receives many applications from southwest Iowa. Mr. Mathiasen stated that IWRA has been very transparent in getting information out; however, they have stated within their guidelines that Council Bluffs and Pottawattamie County are their priority areas, but do indicate organizations in contiguous counties and Omaha are next in line, with the next focus area being outside those areas. Based on those guidelines, he noted that IWRA has distributed money to 17 counties.

Mr. Ketterer noted that while revenue declined slightly, expenses increased significantly. Mr. Mathiasen advised that IWRA increased the number of staff. He noted that while IWRA has four staff members, they also work for the Iowa West Foundation. The increase in staff would also be reflected in increases in supplies, payroll, etc.

Hearing no additional questions regarding the IWRA financial audit, Chair Seyfer called on the Dubuque Racing Association (DRA). Roger Hoeger, Assistant General Manager, was available to answer questions. Mr. Hoeger stated that DRA spent \$14.8 million on capital improvements in 2009, mostly for renovation of the facility and slot machine replacements. He advised that the State of Iowa received \$14.6 million, City of Dubuque - \$8 million; Dubuque County - \$359,000; payroll, taxes and benefits amounted to \$17.6 million and purses to greyhounds totaled \$4.4 million, totaling about \$45 million in disbursements.

Commissioner Hayes asked if DRA had refinanced their term debt yet. Mr. Hoeger answered in the negative, stating that the balloon payment was due December 1st at which time they will refinance the debt. He stated they prepaid approximately \$4.4 million in principal and are now making regular payments on interest only. Commissioner Hayes asked if DRA has a commitment for the refinancing. Mr. Hoeger indicated that is currently in the works, but they have received a commitment. The refinancing will be brought before the Commission once the details are finalized.

Hearing no further questions concerning the DRA financial audit, Chair Seyfer called on PMR&C. Gary Palmer and Brian Wessels, General Manager and CFO respectively, were present to answer any questions.

Mr. Wessels advised that 2009 was PMR&C's second best year for gaming revenue, ending the year at \$189.4 million. Payroll totaled \$52.7 million, and they ended the year with a total of 1,257 employees. At this time, the facility employs 1,353 due to the seasonal employees for racing. PMR&C spent \$4.5 million in maintenance capital, and has a budget of \$8 million for 2010. Mr. Wessels noted that the PMR&C Board has approved a \$10 million budget for the convention center expansion and the connection to the hotel for the casino.

As there were no questions concerning the PMR&C financial audit, Chair Seyfer moved to the contract approval portion of the agenda and called on Ameristar. Jane Bell, Director of Government Affairs, presented the following contracts for Commission approval:

- Fulfillment Xcellence, Inc. – Secondary Mail House
- Haworth Marketing + Media – Media Agency
- Meredith Corporation – Primary Mail House
- Powertech, Inc. – New Governors for the Boat Auto Transfer Switch
- US Foodservice – Food Provider

Hearing no questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Ameristar. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-54)

Chair Seyfer called on Harrah's. Ms. Sternberg presented the following contracts for Commission approval:

- Concert Security Services – Concert Services & Labor
- Leick Landscaping – Landscaping for Casino
- NRT Technology Corp. – Self-Redemption Kiosks
- Pinnacle Construction, Inc. – Construction Work
- Theatrical Media Services – Roof and Lighting for Concerts
- William Morris Agency – Booking Agent for Concerts

Hearing no questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by Harrah's. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-55)

Chair Seyfer called on Isle of Capri Bettendorf (IOCB). Nancy Ballenger, General Manager, presented the following contracts for Commission approval:

- Lithographic Communications – Printing
- Rock Town Entertainment – Booking & Production Services for Weekly Entertainment Shows
- Wellmark, Inc. – Third Party Administrator for Employee Health Benefits for Isle of Capri Casinos, Inc.
- North American Video, Inc. – Purchase of Digital Surveillance Equipment

Commissioner Hayes questioned the contract for the purchase of digital surveillance equipment as no Iowa vendors were approached; noting there are Iowa vendors. He asked why no Iowa vendors were asked to bid on the project. He indicated the same questions would apply to the contract submitted by Rhythm City.

Ms. Ballenger noted that corporate has several projects going in Iowa and Missouri. They approached a variety of vendors for the various projects and chose this one to provide the surveillance equipment. She noted that the Iowa vendor was utilized when

the equipment was purchased for the Waterloo facility. Commissioner Hayes asked Ms. Ballenger to communicate to the corporate office that they need to consider Iowa vendors even if they are the ones making the final decision; that the use of Iowa vendors is important to the Commission. Ms. Ballenger noted there have been instances when Iowa vendors have been utilized at out-of-state properties; that corporate tries to maintain a two-way street. Commissioner Hayes stated the Commission just wants the Iowa vendors to have a chance to compete.

Commissioner Cutler asked about the contract with Wellmark. She asked if the \$3.5 million was the administrative fee or funding of a trust account to pay medical costs. Ms. Ballenger deferred to Sally Rogers, Director of Finance, who indicated the money is to fund medical costs.

Commissioner Harrison asked why there was such a large increase in the transaction value with Lithographic Communications, an out-of-state vendor. Ms. Ballenger advised that their direct mail goes to a majority of those in the Players Club database; therefore, they have changed the specifications for what they use for that, and have included more things and increased the quantity of pieces mailed. Ms. Ballenger advised that an Iowa vendor is utilized for shorter turn-around items. Commissioner Harrison reiterated Commissioner Hayes' earlier comments about giving Iowa vendors the opportunity to compete.

Commissioner Cutler noted that the next time these contract come around, even if it is a corporate decision, that there is a possibility the Commission would not approve the contract. She stated that it is important for the Commission to have the information before them showing that an Iowa vendor was given the opportunity to bid.

Hearing no further discussion concerning the contracts submitted by IOCB, 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. 10-56)

Chair Seyfer called on Rhythm City (RC). Mo Hyder, General Manager, advised that they were withdrawing the contract with Builders Sand and Cement as the company has been sold to another Iowa vendor and the dollar amount of the transaction does not meet the Commission's criteria requiring submission. Mr. Hyder submitted the following contracts for Commission approval:

- Wellmark, Inc. – Third Party Administrator for Employee Health Benefits for Isle of Capri Casinos, Inc.
- North American Video, Inc. – Purchase of Digital Surveillance Equipment

Commissioner Hayes advised Mr. Hyder that his comments regarding the surveillance contract with IOCB would also apply to his contract. Mr. Hyder stated that the comments were duly noted.

Hearing no further comments regarding 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. 10-57)

Chair Seyfer called on Diamond Jo Worth. Mr. Pang presented a contract with The Dimensional Group for direct mail printing services.

Hearing no questions concerning the contract, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contract as submitted by DJW. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-58)

Chair Seyfer called on Terrible's Lakeside Casino (Lakeside). Mr. Thursby presented a contract with Control Installations of Iowa, Inc. for the installation and parts for a new digital surveillance system.

Hearing no questions concerning the contract, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contract as submitted by Lakeside. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-59)

Chair Seyfer called on Lady Luck Marquette. Bari Richter, General Manager at Isle Casino Hotel Waterloo (Isle Waterloo), appeared on behalf of General Manager Todd Steffen, and presented a contract with Halvorson Trane for a replacement casino chiller.

Hearing no questions concerning the contract, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contract as submitted by Lady Luck Marquette. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-60)

Chair Seyfer called on Wild Rose Clinton (WRC). Mr. Bollmann presented a contract with Micro Gaming Technologies for the purchase and installation of MGT Promotional intelligence and two kiosks for the casino floor and an annual support and maintenance agreement.

Hearing no questions concerning the contract, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contract as submitted by WRC. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-61)

Chair Seyfer called on Riverside. Mr. Massa presented the following contracts for Commission approval:

- Carousel Motors – Vehicles for Slot Carousel
- GRP Associates – Medical Waste Disposal Services

Hearing no questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the contracts as submitted by Riverside. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-62)

Chair Seyfer called on Lyon County Resort & Casino (Lyon County). Mr. Massa presented the following contracts for Commission approval:

- Marsh USA, Inc. – Insurance Premium – Multi-Peril Casualty, Umbrella Liability, Builders Risk
- Minger Construction – Construction – Site Utilities
- R & G Construction Co. – Construction – Grading

Commissioner Hayes noted that 100% of the construction costs submitted is with out-of-state vendors. He asked if the Commission would see some Iowa vendors. Mr. Massa answered in the affirmative; that there are some contracts in the process at this time.

Commissioner Urban noted that one of the contracts submitted by Lyon County listed all of the companies submitting a bid and what their bid was. She stated that the Commission would like to see more of that type of information from other facilities when they are using an out-of-state vendor.

Hearing no further comments concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by Lyon County. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-63)

Chair Seyfer called on Isle Waterloo. Ms. Richter presented the following contracts for Commission approval:

- Wellmark, Inc. – Third Party Administrator for Employee Health Benefits for Isle of Capri Casinos, Inc.
- Halvorson Trane – 1 Year Maintenance/Service Agreement
- Wheaton Franciscan Healthcare – IA, Inc. – Team Member Health Clinic Provider

Hearing no questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Isle Waterloo. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-64)

Chair Seyfer called on Horseshoe Casino. Ms. Sternberg presented the following contracts for Commission approval:

- CB Lodging d/b/a Springhill Suites – Lodging for Patrons
- G&T Lawn Landscape – Grounds Maintenance
- Holiday Inn Express – Purchase of Hotel Rooms
- M&M Mills Tree Service d/b/a MTS, Inc. – Waste Management/Disposal Services
- NRT Technology Corp. – Self-Redemption Kiosk
- SkyMall Ventures, Inc. – Promotional Items
- The JDR Group – Promotional Items

Commissioner Hayes asked about the self-redemption kiosks. Ms. Sternberg advised that the kiosks allow patrons to cash out winning tickets. Commissioner Hayes asked if there is a dollar limit that can be cashed at the kiosks. Ms. Sternberg answered in the affirmative; it is based upon the number of bills the machine can count and to those less than \$1,199 so that the appropriate forms can be completed for reportable jackpots.

Hearing no further questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Horseshoe. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-65)

Chair Seyfer called on Mystique Casino. Mr. Hoeger presented a contract with Bird Signs for a digital billboard.

Hearing no questions concerning the contract, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contract as submitted by Mystique. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-66)

Chair Seyfer called on PMR&C, and requested an update on the purses for the Standardbred meet. Mr. Palmer introduced Ann Atkins and Derron Heldt, Director of Operations and Director of Racing respectively. With regard to the purses, Mr. Palmer advised that PMR&C's position on the matter has not changed from the previous month: 10 days of live racing at PMR&C and a purse of \$550,000. If the standardbreds choose not to have the track surface removed for the meet, the county fair races would receive \$1 million for purses; if the track surface is removed, the purse money for the county fairs would be reduced to \$750,000. Mr. Palmer advised that PMR&C sent a letter to Mr. Lamberti on February 21st, and another on May 21st. PMR&C received a e-mail from Mr. Lamberti on June 2nd stating that the Standardbreds do not agree with either one of those terms. Mr. Palmer stated that it appears the parties are at a standstill.

Mr. Palmer stated that he was aware of some conversation on the RFP for the track removal. He stated that PMR&C has four or five people on their list to bid on the track

removal. It is their preference that union contractors be utilized for the job in order to avoid any unnecessary disturbances such as picketing, etc. Mr. Palmer also noted there are some restrictions as the track surface has to be removed within 72 hours, and they have concerns regarding the safety of the horsemen and the horses. The same is true when the track surface is replaced for the thoroughbred and quarter horse meets the following season. Mr. Palmer advised that the above-mentioned restrictions limit the scope of the RFP because there are very few companies large enough to move that fast and bring in the necessary equipment.

Chair Seyfer asked if there was a specific time frame in which PMR&C needed to have the contract approved to do the track. Mr. Palmer advised that the contract needed to be finalized quickly, probably by July 1st, so that the selected company can get the work on their schedule. Chair Seyfer asked if the contract would come before the Commission at the July meeting for approval. Mr. Palmer answered in the affirmative. Chair Seyfer asked when the work would be completed. Ms. Atkins advised that it would be done at the end of September.

Chair Seyfer moved to the status of the metrics for the three breeds. Mr. Palmer advised that the thoroughbreds have signed a five-year contract and a copy of the metrics as agreed upon has been submitted to the Commission. The same is true for the quarter horses, except they have a three year contract. With regard to the standardbreds, Mr. Palmer advised that PMR&C has worked with them on the metrics, and learned yesterday that there are some measurements that the standardbreds do not agree with. Mr. Palmer indicated PMR&C's willingness to continue discussions regarding the metrics; they are very similar to those submitted for the thoroughbreds and quarter horses. He believes those metrics provide a good benchmark for starting the process of evaluating the meets. Mr. Palmer stated they are comfortable with what the metrics look like. Chair Seyfer asked if there were still items that could be discussed. Mr. Palmer advised that PMR&C would be happy to continue discussions with the standardbreds. He noted that a letter received yesterday seemed to indicate that PMR&C is never available to meet; Mr. Palmer stated that he doesn't believe they have ever turned anyone away.

Commissioner Urban asked Mr. Palmer if PMR&C was pleased with the thoroughbred races at this time. Mr. Palmer answered in the affirmative; noting that the horse population has been flat. Currently there are approximately 1,038 horses in the barns; 200 short of being at capacity. Mr. Palmer stated there were 21 new trainers and seven new jockeys that came to PMR&C this year.

Mr. Heldt advised that the handle is flat; however, field sizes are running a little higher than last year. He stated there has been some sickness since the first part of May; the horses were confined to the barn area and are showing improvement. Mr. Heldt noted that some two-year old horses have started and participated in races; they are running sooner than they ever have. He stated that the track surface has been kind; they have been working very hard to have a safe track and he feels PMR&C is accomplishing that feat. He advised that they are continuing to try and build the horse inventory, noting that

this is the first year in a five-year program building plan. PMR&C is aware of where their weaknesses are and will be able to concentrate on those areas. Mr. Heldt feels the new trainers will help spread the word about the track and hopefully draw more new trainers next year.

Commissioner Hayes asked Mr. Heldt if he expected any additional horses to come in late. Mr. Heldt stated that Oaklawn Park just ended their season and PMR&C is expecting 25-30 horses and a couple more trainers.

Commissioner Urban asked how the horse inventory compares to last year based on the number of stalls available. Mr. Heldt stated that the numbers were similar; there have been some trainers that have brought in some horses, but not their full allotment. He stated that this issue is not just an issue for PMR&C, but is being seen throughout the industry as a whole.

As there were no further questions for Mr. Palmer or Mr. Heldt regarding the metrics or the racing program, Chair Seyfer moved to the update on the planned hotel. Mr. Palmer advised that Kinseth Hospitality is experiencing some difficulty in obtaining the necessary financing. The PMR&C Board voted to give them a 30-day extension to finalize the financing, with an option of an additional 30 days if progress is being made. He stated that if progress is not made within 30 days, it would be necessary to go to Plan B. Mr. Palmer advised that Weitz Company is on property doing the necessary work to connect the hotel to the current facility. He indicated the stumbling block in Kinseth obtaining the financing is the referendum; Kinseth is trying to work out some kind of language whereby PMR&C would guarantee the passage of the next two or three referenda, and if they don't, PMR&C would pay them. Mr. Palmer stated that he feels Kinseth is doing their best to obtain the financing. PMR&C is anxiously waiting at the starting gate; they want to get the project going before winter arrives. He is hopeful that he will have a much brighter report to give at the next meeting.

Commissioner Cutler asked Mr. Palmer what Plan B was if Kinseth could not obtain the financing. Mr. Palmer stated there is no definitive Plan B; there are several ideas. He advised that PMR&C will get the project done one way or another.

Chair Seyfer asked if there had been one 30-day extension already. Mr. Palmer answered in the affirmative. Chair Seyfer asked if the current extension was the second with the possibility of a third 30-day extension. Mr. Palmer again answered in the affirmative. Chair Seyfer asked how PMR&C's Board was going to define progress. Mr. Palmer stated that if no progress is made during the current 30-day extension he is not sure that another 30-day extension would make any difference. He advised the PMR&C Board is split on the issue at the present time; half wants to proceed on their own and the other half wants to give Kinseth more time to acquire the financing.

Commissioner Harrison stated that it was her impression from the report given at the previous Commission meeting that PMR&C's Board had given the hotel project the OK,

that it “was in the bag”, and would move forward. She is confused by what she has heard today. Mr. Palmer stated that was the Board’s intention, and still is. Commissioner Harrison clarified that she did not know the Board was split on the idea of moving forward with the hotel project. Mr. Palmer advised that the split on the Board is whether to proceed with Kinseth or do the hotel project on their own. He stated the entire Board is in favor of building the hotel; the question is how to proceed. He stated that the delays are frustrating some people. As bankers are brought in and discussions held, the economy has been especially difficult for the hospitality side of things. The banks are faced with various restrictions, and the referendum is coming into play; they are looking for guarantees that they will be repaid. Mr. Palmer stated the PMR&C Board is trying to figure out how they can guarantee any loans.

Hearing no further questions concerning the hotel project, Chair Seyfer moved to the parking issue. Mr. Palmer stated they are at the same place as the last report. PMR&C has taken a preliminary look at a 1,000 parking stall ramp and where it would be located. They would like to dovetail construction of the parking ramp with the hotel so that construction is not occurring on the north and south sides of the building at the same time. It is the Board’s intent to be able to start construction on the parking ramp as soon as the hotel is open. Mr. Palmer stated that the Board is 100% in favor of constructing the parking ramp.

As there were no further questions for Mr. Palmer, Chair Seyfer moved to the hearing for IOC Bettendorf for a violation of Iowa Code §99F.9(5) (Wagering – age restriction). Mr. Ketterer advised Chair Seyfer that Commission staff and IOCB management had entered into a Stipulated Agreement. On March 24th of this year, an underage female and a male companion entered IOCB via the main podium; the security officer failed to request identification from the female, allowing her to enter the gaming floor unchallenged. A surveillance tape shows the underage female playing roulette for approximately 20 minutes; she then stood in line at the cage and performed a transaction. The underage female then proceeded to play two slot machines and blackjack for the next five minutes. She and her companion exited the casino at 10:19 PM. A security officer recognized the female as being underage and alerted the DCI. The DCI’s investigation determined the female’s age to be 20 and that she had obtained a Player’s Club account. Mr. Ketterer stated that as the individual had entered the casino and gaming floor unchallenged, was on the casino floor for more than thirty minutes and either gambled or consumed alcohol, the situation met the criteria to come before the Commission. IOCB acknowledges the facts constitute a violation of Iowa Code §99F.9(5) and agrees to pay an administrative penalty in the amount of \$20,000 to the Commission. Mr. Ketterer requested the Commission’s approval of the Stipulated Agreement.

Ms Ballenger stated that IOCB had some challenges with this situation; they had the opportunity to learn some things. She noted they had the knowledge that this individual had been in the casino and obtained the Player’s Club account but failed to act on the information in a timely manner. She advised the Commission that IOCB takes underage gambling very seriously; they have ongoing training for the employees, put them through

rigorous training and require them to sign off that they understand the procedures/policies and what they are supposed to do. Ms. Ballenger stated that many times the family or other individuals are in collusion with the underage gambler. She noted that was not the case here as the individual was charged with identity theft. She advised that they have instituted some policy changes to help address what was learned through this case. Ms. Ballenger informed the Commission that IOCB cards approximately 10% of its patrons, or 115,000 last year, that appeared to be under the age of 35. If the individual is under 25, they request a second form of ID; however, individuals do become aware of what is required to gain entrance to the casino.

As there were no questions for Mr. Ketterer or Ms. Ballenger, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the Stipulated Agreement with IOCB as presented. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-67)

Chair Seyfer moved to Public Comment. Wes Ehrecke, President of the Iowa Gaming Association, distributed the American Gaming Association's State of the States report, which gives a quick snapshot of how the gaming industry is doing in the various jurisdictions. It also offers insight into sports betting, and the consumer's attitude toward gambling. The amount of discretionary dollars being spent is down, but Mr. Ehrecke feels this is a reflection of the economy.

As there was no one else signed up for Public Comment, Chair Seyfer moved to Administrative Business, and the Notice of the Dog Promotion Fund. Keith Soring, DVM, Director of Racing, advised that notice was being given that applications for the Dog Racing Promotion Fund for Fiscal Year (FY) 2011 were due in the Commission's Des Moines office by 4:30 PM on July 2nd. Additionally, the recipient of the funds for FY 2010 is to submit an accounting of how the funds were utilized. Pursuant to Iowa Code §99D.12(2)c, the commission each year shall approve a nonprofit organization to use moneys in the fund for research, education and marketing of dog 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. Dr. Soring advised that the application would be posted on the Commission's website.

Chair Seyfer moved to the Amendment to Standards and Penalties for Violations of Voluntary Self-Exclusion Law. Brian Ohorilko, Director of Gaming, noted that during the April Commission meeting, it was recommended that the Commission amend the resolution with respect to procedures on the above process, specifically to add the Social Security number to verify against the licensee's systems when certain situations require the patron to produce identification. He advised that a draft was sent to the licensees, and it was brought to staff's attention that the Federal CTR requirement for reportable amounts is for anything exceeding \$10,000 instead of \$10,000 or greater, so staff adjusted the wording in items 2A and 2B from the draft provided to the licensees. Mr.

Ohorilko requested approval of the Amended Standards and Penalties for Violations of Voluntary Self-Exclusion law.

As there were no questions for Mr. Ohorilko concerning the Amended Standards and Penalties, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the Amended Standards and Penalties for Violations of Voluntary Self-Exclusion Law as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-68)

Chair Seyfer moved to the regulatory fees. Karyl Jones, Director of Licensing/Administration for IRGC, advised that on Tuesday she e-mailed the Commission's portion of the regulatory fees for FY 2011 to the Commission members and the general managers at the licensed facilities; the DCI's portion was not available but should be sometime next week. She noted that since the Commission's budget is appropriated through the General Fund, it is easy to distribute the fees between the licensees. Ms. Jones asked for approval of just the Commission's portion of the FY 2011 regulatory fees and the ability to take the figures provided by DCI next week in order to begin the regulatory fees at the beginning of the fiscal year. The DCI portion of the regulatory fees will be brought before the Commission at the July meeting for approval. Mr. Ketterer advised that if there is any discrepancy in the DCI numbers, it will be adjusted.

As there were no questions concerning the regulatory fees, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the regulatory fees subject to final review and approval at the July Commission meeting. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-69)

As there was no further business to come before the Commission, 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
JULY 29, 2010**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, July 29, 2010 at Stoney Creek Inn and Conference Center, Johnston, Iowa. Commission members present were Greg Seyfer, Chair; Toni Urban, Vice Chair and members Andrea Harrison and Paul Hayes. Commissioner Kate Cutler was absent.

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

Chair Seyfer moved to the approval of the minutes from the June 3, 2010 Commission meeting. Commissioner Urban moved to approve the minutes from June 3, 2010 as submitted. Commissioner Harrison 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 regarding upcoming meetings:

- August 26, 2010 – Riverside Casino & Golf Resort, Riverside, IA (Submissions due by August 12, 2010)
- September 2010 – No Meeting
- October 7, 2010 – Hotel Julien Dubuque, Dubuque, IA (Submissions due by September 23, 2010)
- November 10, 2010 – Stoney Creek Inn, Johnston, IA (Submissions due by October 27, 2010)
- December 2010 – No Meeting

Mr. Ketterer noted that the November meeting is being held on a Wednesday due to the Veteran's Day holiday on Thursday.

Mr. Ketterer provided a brief synopsis of his medical leave which caused him to be out of the office for approximately three weeks.

Chair Seyfer moved to the Rules before the Commission. Brian Ohorilko, Director of Gaming, advised the Commission members that the rules before them for final adoption were the same ones they reviewed and approved for Notice of Intended Action at the meeting held in Council Bluffs in April. He noted that there had been no changes and respectfully recommended approval for final adoption.

As there were no questions regarding the rules, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the rules as presented for final adoption. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-70)

Chair Seyfer moved to the contract approval portion of the agenda and called on Riverside Casino & Golf Resort (Riverside). Joe Massa, former General Manager, introduced Dan Franz as the new General Manager for the Riverside property. Mr. Franz has been with the property for approximately five years and was the Controller.

Mr. Franz presented the following contracts for Commission approval:

- 7G Distributing, LLC – Name Change to Previously Approved Vendor
- Hawkeye Foodservice Distribution – Food
- Lyon County Resort and Casino, LLC – Service Agreement (RP)

As there were no questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contracts as submitted by Riverside. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-71)

Chair Seyfer moved to the contracts submitted by Lyon County Resort & Casino (Lyon County). Dan Kehl, Chief Executive Officer, advised that the facility will be doing business as the Grand Falls Casino Resort. He noted that Mr. Massa has joined Kehl Management as the Chief Operating Officer and will be overseeing both properties.

Mr. Kehl presented the following contracts for Commission approval:

- AAA Pools – Construction – Swimming Pools
- Allied Construction Services – Construction – Access Floors
- Allied Construction Services – Construction – Operable Partitions
- Altorfer, Inc. – Construction – Emergency Generators
- American Structural Metals, Inc. – Construction – Structural Steel Material
- APEX – Construction – Cementitious Fireproofing
- Brockway Company, Inc. – Construction – Mechanical
- Engineering America, Inc.- Construction – Water Storage Tank
- F. M. Acoustical Tile, Inc. – Construction – Acoustical, Wood Fiber & Linear Wood Strip Ceilings
- Fluidyne Corporation – Construction – Wastewater Treatment Facility
- Grazzini Brothers & Company – Construction – Tiling & Granite Stair Components
- Heartland Glass Co. – Construction – Aluminum Entrances, Storefronts, Auto Entrances, Windows
- Link Strategies – Consulting – Consulting on Referendum (RP)

- Low Tide, LLC – Aircraft Dry Lease (RP)
- Lyon County, IA – Match for Iowa DOT Rise Grant for Resort Entrance
- Midwestern Mechanical – Construction – Fire Suppression
- Millard Lumber, Inc. – Construction – Rough Carpentry Hotel Framing
- Molin Concrete Products Co. – Construction – Precast Structural Concrete Material
- Myrl & Roy's – Construction – HMA Paving
- Reliance Electric – Construction – Electrical
- Riverside Casino & Golf Resort, LLC – Service Agreement (RP)
- Sands Drywall – Construction – Drywall & EIFS
- Schelling Construction, Inc. – Construction – Finish Carpentry Installation
- Schindler Elevator Corporation – Construction – Elevators
- Seedorf Masonry, Inc. – Construction – Masonry
- Story Construction – Construction – Architectural Precast Metal, Structural Steel Erection, Misc. Dc. Metal Fabrications, Architectural Aluminum Scr. Labor
- TSP – Construction – Building Foundations
- TSP – Construction – Concrete Slabs/Toppings
- Joel & Lorna Stevens – Land Purchase
- Report on Construction Timetable

Mr. Kehl provided a brief description of the process for selecting the companies that are awarded contracts for various aspects of the construction. He stated that they put all of the bid packages on the websites the construction industry utilizes to view upcoming construction opportunities. On the last posting, there were bids from ten different states, and they called several Iowa contractors about bidding on the various projects as well. Two pre-bid meetings were held on-site prior to the letting of the bids. Upon opening the bid packages, the bids are reviewed to insure the company is able to provide bonding, and the Statement of Qualifications is reviewed. Mr. Kehl advised that if the low bidder is not an Iowa bidder, the Iowa bidder is contacted and asked if he can meet the low bid provided they are qualified to do the project. Some are able to meet the lower bid; some can not. He indicated that they are finding it is a long travel distance for a lot of the bidders. A lot of the construction companies have down-sized and are working more local jobs. Mr. Kehl indicated they were disappointed they were not able to utilize more Iowa vendors. He noted that a lot of the contracts have been given to South Dakota entities, which allows them to show South Dakota that they will be a good neighbor.

Commissioner Urban voiced concern over a number of the contracts; stating that she understood the need to utilize contractors from South Dakota and Minnesota. Specifically, she asked about the contract for the granite, noting that they had started out with a company from Burlington, the same one used for the Riverside project. She noted that no other Iowa companies bid on this aspect of the project, and asked why, stating that the contract is worth \$1.3 million. Mr. Kehl stated that he felt the answer lay in his previous comments; that a lot of companies have down-sized due to the lack of construction taking place. He stated that Larry Reinschmidt is an investor in both

Riverside and Lyon County, and has made several phone calls to Mr. Kehl in an attempt to get the job; however his bid is significantly higher than the companies located in the area. He associated the higher cost with the travel distance between Burlington and northwest Iowa.

Commissioner Urban expressed her opinion that there surely were companies in Des Moines, Council Bluffs or other locations that could have bid on the project. Mr. Kehl stated that he did not know why additional companies did not bid; that he can only take the bids that are submitted. He reiterated that they do place personal phone calls to Iowa companies that they are aware of.

Commissioner Urban noted that the contractors were willing to negotiate. Mr. Kehl concurred; stating that it is a good time to build a casino, but is not sure it's a good time to open one.

Commissioner Harrison asked if there were other websites other than their own where the bids were posted. Mr. Kehl indicated there were three different sites utilized; one of them was the Dodge Report. He advised that most involved in the construction industry subscribe to these web sites to find work and new projects. Commissioner Harrison asked if they had also utilized newspaper advertising as a form of communication. Mr. Kehl answered in the negative.

Commissioner Hayes noted that almost \$7 million in work had been awarded to contractors from South Dakota. Mr. Kehl stated that the Democratic candidate for Governor of South Dakota held a press conference at the building site and indicated that if he is elected as Governor he is going to pursue getting a casino in Sioux Falls. Mr. Kehl pointed out that South Dakota has failed to elect a Democratic Governor for a substantial number of years. Mr. Kehl stated that the new name for the facility better represents the greater Sioux Falls area and region; noting that the Sioux Falls region encompasses all of southwest Minnesota, South Dakota and northwest Iowa. This provides an opportunity to show that they are good neighbors.

Commissioner Harrison asked how many comments, if any, have been received from Minnesota. Mr. Kehl indicated that they have not heard much out of Minnesota.

Hearing no further discussion concerning the contracts or the project, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the contracts as submitted by Lyon County. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-72)

Chair Seyfer called on Catfish Bend Casino (CBC). Jerry Baum, Chief Operating Officer, presented the following contracts for Commission approval:

- Southeast Iowa Regional Riverboat Commission – Payment to Not-for-Profit License Holder

- Aristocrat Technologies, Inc. – Participation Games and New Slot Machines
- WMS Gaming, Inc. – Participation Games and New Slot Machines
- Bally Gaming, Inc. – Purchase of Slot Machines
- W.R. Faeth Wholesale – Purchase of Bar Inventory - Cigarettes
- Amsan – Purchase of Cleaning Supplies
- Comcast/Onmedia – Purchase of Advertising
- Fidler Printing – Purchase of Print Advertising
- Fort Madison Bank and Trust – ATM and Banking Relationship (RP)
- Golden Eagle – Purchase of Bar Inventory – Beer
- Hy-Vee – Purchase of Bar Inventory – Liquor
- Winegard Realty – Purchase of Shared Items (RP)

Commissioner Hayes asked about the fees referenced in the contract with Ft. Madison Bank and Trust. Mr. Baum explained they are for ATM machines; the bank holds CBC's line of credit, and because the facility wanted to utilize ATM machines, the contract was submitted as a related party contract.

Commissioner Harrison asked Mr. Baum how the facility can better provide services to the patrons by having the ATM available, other than convenience. Mr. Baum stated that it is a convenience for the patron; that casinos are utilizing ATM machines more to reduce the number of checks being handled. Commissioner Harrison asked if there are fees attached to the use of the ATM machine. Mr. Baum answered in the affirmative.

Hearing no further questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contracts as submitted by CBC. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-73)

Chair Seyfer called on Wild Rose Emmetsburg (WRE). Amy Rubel, General Manager, submitted the following contracts for Commission approval:

- Imagine This – Customer Give-Aways and Promotions
- Lakes Print – Printing and Advertising
- Shuffle Master, Inc. – Equipment and Game Lease
- Konami Gaming – Equipment and Game Lease
- WMS Gaming – Equipment and Game Lease

As there were no 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. 10-74)

Chair Seyfer called on Ameristar Casino. Monty Terhune, the new General Manager, expressed his pleasure at returning to Iowa after a 12 year absence. He presented the following contracts for Commission approval:

- Cintas – Linen Rental/Uniform Purchase
- Global Surveillance – Digital Surveillance Equipment

Commissioner Harrison noted that the Cintas contract indicates the company is the only one that specializes in casino uniforms. Mr. Terhune stated that Ameristar took a significant amount of time in selecting fabrics/materials that team members would find comfortable. He advised that contracts with Cintas had been approved previously; that there was some confusion as to the magnitude and scope and timing of when the changing of the uniforms would take place. Mr. Terhune attributed some of that to the turnover in the general manager position and the lack of continuity. He stated that he had addressed that matter in the short amount of time he has been at the property and does not believe it will be an issue going forward.

Commissioner Harrison stated that she raised the issue because of the Commission's emphasis on utilizing Iowa vendors when possible, and there are Iowa companies that do have casino uniforms available. Mr. Terhune indicated that would be taken into consideration going forward.

Hearing no further discussion concerning the contracts, 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. 10-75)

Chair Seyfer called on Argosy Casino-Sioux City (Argosy). Kees Eder, General Manger, presented the following contracts for Commission approval:

- Reinhart Food Service – Food Products
- Farnar Bocken – Vending Machine Products – Tobacco & Food

As there were no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by Argosy. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-76)

Chair Seyfer called on Diamond Jo (DJ). Scott Smith, Assistant General Manager, presented a contract with Critical Systems, Inc. for a preventative maintenance program for the UPS System.

As there were no comments or questions concerning the contract, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contract as submitted by DJ.

Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-77)

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

- Midwest Lumber Museum – Sale & Purchase of Real Estate Property
- Konami Gaming, Inc. – Purchase of 20 Slot Machines and 20 IGT TITO Licenses

Chair Seyfer asked Mr. Timmons to provide a brief description on the sale of the property. Mr. Timmons stated the property being sold is property Wild Rose Entertainment “inherited” when they purchased the property from the Kehl family, and is located 1-2 miles from the original location of the boat. The buildings previously housed a car dealership; WRC has utilized the property for storage over the years. Mr. Timmons advised Wild Rose did own additional property adjacent to the property under discussion, and it was sold to the sawmill museum approximately 2 years ago under a similar transaction. The museum approached Wild Rose asking to purchase the remaining property.

Hearing no further comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contracts as submitted by WRC. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-78)

Chair Seyfer called on Mystique Casino. Roger Hoeger, Assistant General Manager, submitted the following contracts for Commission approval:

- City of Dubuque – Additional Real Estate & Payments to City and Non-Profit
- IKON Financial Services – Copy Machine Leases & Service Agreements

Hearing no comments or questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contracts as submitted by Mystique. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-79)

Chair Seyfer called on the Iowa Greyhound Association (IGA) regarding their request to withdraw funds from the Bluffs Run/IGA Escrow Account. Jerry Crawford, legal counsel, requested the Commission’s approval to utilize \$5,000.00 from the escrow account to have an update completed on a study initially conducted in 2001 by Dan Otto, a professor at Iowa State University. He provided the following historical information in support of the request: On November 15, 2001, the IGA requested approval to use \$7,500 from the escrow account for the initial study to be performed by Professor Otto. He noted that Lorraine May, legal counsel for Bluffs Run, was present and did not raise any objections to the request. The IGA advised the Commission that the study would be

distributed to elected officials, in the IGA's newsletters and used in brochures and publications and to the news media. Mr. Crawford pointed out that the Commission unanimously approved the IGA's request to use \$7,500 for the completion of the study. He stated there are only two differences between the previous and current request: In 2001, the request for funds was made from the podium by Tom Timmons, the Executive Director of the IGA; and secondly, Harrah's has been involved in the effort to get the Iowa Legislature to eliminate greyhound racing in Iowa. He stated that the greyhound industry, according to Professor Otto, employs over 1,000 Iowans. Mr. Crawford advised that the uses for the Otto study are the same today as when the Commission gave its unanimous consent in 2001. He requested the Commission's approval of the request.

Ms. May provided the following historical background information on the establishment of the escrow fund: The fund was established in 1989 by a Decision issued by David Blair, which stated there was to be \$4 million in escrow for the sole purpose of supplementing purses. She stated that some dichotomy has occurred; money placed in the fund by Bluffs Run has to be used for purse supplements; however, the income (interest, dividends) can be used for other purposes. The decision further stated that the terms of the escrow fund are to be negotiated between the parties and approved by the Commission. While concurring that the first study was completed in 2001, Ms. May advised that there was no agreement between the parties at that time nor was there any approval by the Commission with regard to the purposes for which the income could be used. It is her opinion that the situation is entirely different this time around. In 2006, the parties agreed that "No portion of the escrow fund may be used to lobby or support lobbying efforts or for payment of legal fees." Ms. May stated that provision, as approved by the Commission in a purse supplement agreement, was not in place in 2001. Secondly, there is great lobbying going on in front of the Legislature by both parties. The previously quoted provision was specifically included in the purse supplement agreement to address that possibility. Ms. May advised that the agreement, as agreed to by IGA, was that the funds can not be used to either lobby or support lobbying efforts. Based on Mr. Crawford's previous comments, it is Ms. May's belief that the IGA intends to use the study to support their lobbying efforts by providing it to public officials, which would be in direct contradiction of the agreement as approved by the Commission. Ms. May requested that the Commission deny the IGA's request to withdraw funds from the escrow account for the study.

Chair Seyfer called for any questions regarding the previous presentations. Hearing none, he requested a motion. Commissioner Hayes stated that he would like more time to study the issues presented. Commissioner Harrison agreed. Chair Seyfer asked Mr. Ketterer if this was an issue the Commission could defer until the next meeting. Mr. Ketterer answered in the affirmative, and recommended a motion to that effect.

Commissioner Hayes moved to defer action on the IGA's request to withdraw \$5,000.00 from the Bluffs Run/IGA escrow account until the August Commission meeting. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-80)

Chair Seyfer moved to the distribution of the Dog Racing Promotion Fund pursuant to Iowa Code §99D.12(2)C, and called on Christine Dorchak, President of Grey2K USA. Ms. Dorchak distributed a copy of her remarks, which are attached and incorporated in their entirety. She advised that Grey2K USA is an independent, non-profit organization that does not have any position on the issue of gambling, but does take issue with the cruelty of greyhound racing and those organizations, such as the IGA, which use taxpayer funds in order to promote a political agenda. Ms. Dorchak requested that the Commission suspend further distribution of statutory dog racing promotion fund money to the IGA for the following reasons:

- The IGA engages in political activity.
- It has a record of using awarded monies for political purposes.

Ms. Dorchak stated that the above two facts make the IGA ineligible to receive the promotion fund under both prongs of the statutory definition in Iowa Code §99D.12. She pointed out that records indicate the IGA uses the funds for meeting expenses, mileage, telephone, and for the newsletters. She advised that since at least 2003 the newsletters have included legislative updates, provide a schedule of IRGC meetings, and the contact information for the Commission. Additionally, the March 2010 newsletter encouraged members to contact their legislators and the Governor to defeat legislative efforts to end live racing. Ms. Dorchak read an excerpt from her printed remarks regarding the July 2010 newsletter. Ms. Dorchak stated that the above facts make it very clear the IGA newsletter and the IGA are involved in political activity to protect the interests of its members. She advised that the newsletter also seems to prompt political contributions to the same candidate on the same day by IGA members. Ms. Dorchak concluded her remarks by stating the cruelty of dog racing should not be rewarded by more money from the statutory promotion fund; that the use of taxpayer funds for political purposes should no longer be tolerated by the Commission.

Mr. Crawford requested the Commission's approval of IGA as the recipient of the Dog Racing Promotion Fund. He advised that Ms. Dorchak was incorrect when she stated that taxpayer funds are being used in Iowa for greyhound racing in Iowa. Further, Mr. Crawford stated that he wished Ms. Dorchak had come to Iowa during the legislative session when the Legislature was considering one of the most far reaching and aggressive puppy mill bills in any state in the nation to insure the humane treatment of all animals, and particularly dogs; the way they are raised, sold, and their treatment in general. He advised that the legislation affected thousands of dogs. He noted that Don Avenson, the IGA's lobbyist, supported the legislation.

Regarding Ms. Dorchak's comments concerning the IGA newsletter, Mr. Crawford stated that they plead guilty. The newsletters contain news, and have occasionally included references to legislative activity; by their count, that has been 18 paragraphs out of the last 600 pages of the newsletter. He stated the IGA also pleads guilty to encouraging people to vote; he wondered how many other organizations are guilty of also encouraging

individuals to vote. Mr. Crawford noted they don't encourage members to vote for a specific person; just to get out and vote.

Mr. Crawford stated that in future dog racing promotion fund applications the IGA will apportion out of the request the use of any promotion fund dollars that go for providing legislative updates.

Chair Seyfer asked Mr. Crawford what the IGA's annual budget was. Mr. Crawford asked if he meant just the promotion fund money or overall. Chair Seyfer clarified that he was asking for the overall budget. Mr. Crawford asked if he wanted the 2% check off included. Chair Seyfer answered in the affirmative. Mr. Crawford deferred to Jim Quilty, an associate. Mr. Quilty stated that he did not have the numbers available either. He noted that the promotion fund is approximately \$24,000. Chair Seyfer asked for a ballpark figure. Mr. Quilty indicated he did not have any idea, but would be happy to provide the information later in the day or the following day. Mr. Crawford stated that he would estimate it to be in the area of \$200,000.

Commissioner Urban, referencing Mr. Crawford's comments on the puppy mill legislation, asked if the greyhounds were exempt under the bill. Mr. Crawford answered in the negative, noting that the Department of Agriculture inspects the farms regularly and is on site on a regular basis. Commissioner Urban stated that it was her understanding that the greyhounds were exempt under the bill passed by the Legislature. Mr. Quilty stated that the first draft of the bill did include an exemption for greyhound operations; however, Mr. Avenson, acting on behalf of the IGA, had the clause removed. It is his belief that the final legislation signed into law places greyhound operations under greater inspections and scrutiny. Mr. Crawford clarified that the IGA did not request the exemption contained in the initial draft; however, when they saw the exemption, the IGA did request that the exemption be removed from the legislation. He advised that the Commission could confirm the above facts by checking with the Iowa Department of Agriculture or the Humane Society of the United States.

Commissioner Urban asked if Senator Matt McCoy was the sponsor of the legislation. Mr. Quilty answered in the affirmative. Commissioner Urban stated that she had questioned Senator McCoy regarding this particular issue, but had not received a response. Mr. Quilty stated that he was confident in his answers; the exemption was there in the first draft, was removed following a request from Mr. Avenson, and the final bill did not exempt greyhound racing. Mr. Crawford advised that the IGA received thank you notes from other animal rights organizations that did come to Iowa to participate in the debate because the IGA's attitude was so different from what they had encountered in other states.

Commissioner Harrison stated that the amount of funds dedicated to the newsletter seems to be high; that from 2003 to 2007 the amount goes as high as \$11,000 in some cases. She asked if that seemed high in relation to the other costs listed; that the newsletter appears to be the highest expense. Mr. Crawford advised that the newsletter is the

primary method of communicating with the members; that it is sent to over 1,000 people and is often 16 plus pages long. He noted that mail and printing costs have increased. He stated that the newsletter is sent out quarterly. Mr. Quilty noted that while the Commission's numbers are correct, the percentage of money from the dog promotion fund allocated to the newsletter has been declining; it has been as high as 54%, and last year it was approximately 25%. He advised that the bulk of the funds are used to cover the expenses of their booth at the Iowa State Fair for the duration of the fair.

Commissioner Harrison, returning to the costs for the newsletter, stated that with all of the technology available today, that the costs could be drastically reduced. Mr. Crawford advised that it is possible the IGA has received similar suggestions in the past; however, it is also possible that not everyone has a computer. He noted the newsletter also contains schedules and other information that members like to refer back to, so the newsletter is not necessarily a one-time scan kind of thing. Mr. Crawford stated that he understood Commissioner Harrison's concerns and would pass them on. Mr. Quilty advised that the newsletters are archived on the IGA's website.

Commissioner Urban asked Mr. Quilty to provide the Commission with a copy of the legislation referenced in her earlier comments. Mr. Quilty indicated he would do so.

Hearing no further questions for Mr. Crawford or Mr. Quilty, Chair Seyfer called for any other discussion. Commissioner Hayes stated that the level of political activity is negligible, and he is not concerned about the newsletter being utilized to encourage individuals to vote. Chair Seyfer concurred, indicating that the primary purpose of the newsletter is current events and the activities of the IGA. He stated that he did not feel the Commission has the ability to determine if it is political. Commissioner Hayes noted that he has used the website to review the newsletters.

Commissioner Harrison stated that she also agreed with the previous comments regarding the newsletter and the information provided. She stated that the newsletter was an excellent manner in which to keep members informed.

Hearing no further comments, Chair Seyfer requested a motion regarding the distribution of the Dog Racing Promotion Fund. Commissioner Hayes moved to approve the distribution of the Dog Racing Promotion Fund to the IGA subject to compliance with the following contingencies:

1. The recipient shall provide an evaluation of the agreement(s) with, and performance by, the investment manager annually and consider soliciting and evaluating new proposals if they are under performing. This evaluation should be provided in an annual audit of the Escrow Account(s) by an independent audit company. The audit should cover activity from January 1, 2010 through December 31, 2010, and be submitted to the Iowa Racing and Gaming Commission by April 1, 2011.

2. The cost of the annual audit of the Escrow Account(s) shall be paid from the Escrow Account Fund(s).
3. Investment agreements should be for one-year terms subject to renewal conditions approved by the Commission. Provide a report on the status of the investment agreements.
4. Requests for proposals and all other correspondence should include a copy to IRGC and IWRA.
5. The recipient shall disclose any potential related parties to the Commission.
6. Investment funds shall not be withdrawn from the account(s) until the Commission has approved contracts or expenses. If events occur which no longer require expenditure of funds, the funds will be immediately returned to the Escrow Account(s) and not deposited in any other account(s).
7. The recipient shall have and maintain written minutes of all meetings and include copies to the IRGC and IWRA.
8. In the event of arbitration, the recipient shall ensure availability to the arbitration committee so that decisions are provided to the Commission by November 1, 2010.

Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-81)

Chair Seyfer called on Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer, General Manager; Ann Atkins, Vice President of Operations; and Derron Heldt, Director of Racing, were present to address questions.

Mr. Heldt presented the request for approval of the 45-day plan for the upcoming harness meet, which commences on October 1.

Commissioner Hayes asked if there would be any horses for the meet. Mr. Heldt advised that there is not a signed contract between PMR&C and the Iowa Harness Horsemen's Association (IHHA).

Chair Seyfer asked where the matter stands and where PMR&C is proposing to go. Mr. Palmer stated that PMR&C has not heard from the IHHA since July 1st. He reiterated that PMR&C's position is a 10-day live meet at PMR&C with a purse of \$550,000. Additionally, PMR&C would either give IHHA \$1 million for purses at the county fairs if the current track surface is not removed; however, if the track surface is removed, the IHHA would receive \$750,000 for the county fairs. Mr. Palmer stated that PMR&C has received a bid for removing the track surface if that is the manner in which the IHHA wishes to proceed. He stated that it would be PMR&C's recommendation to not remove the track and give IHHA \$1 million; PMR&C would just pack the track surface this year. Mr. Palmer provided the following reasons for the recommendation:

- The thoroughbred people have requested that the track surface not be removed; it messes up the track surface for the live meet the following year.

- PMR&C feels it would be worthwhile to try packing the track this year.

He reiterated that PMR&C has not heard from the IHHA and does not know which way they want to proceed.

Mr. Ketterer asked Mr. Heldt if the stall applications that have gone out included an indication that the track would be packed, or if he would have the opportunity to indicate that to any participants that may come for the meet. Mr. Heldt advised that at this time PMR&C has not done anything with stall applications, condition sheets or books for the harness meet.

Mr. Ketterer advised that if PMR&C does decide to pack the track surface, they should be prepared to present information to the Commission that the decision would not raise any concerns with regard to track safety. Secondly, he stated that when stall applications are sent out, there should be an indication that the track will be packed so that any horsemen traveling from a distance do not arrive at the facility expecting the track to look like it did in previous years.

Chair Seyfer asked Mr. Palmer if the contract with McAninch Corporation is something that would occur with or without the issue of the harness races. He stated that the contract indicates it is for racetrack surface maintenance. Mr. Palmer answered in the negative.

Chair Seyfer asked if PMR&C would utilize the contract whether or not they came to an agreement with the IHHA on how they want the track to be prepared. Mr. Palmer stated that PMR&C is prepared to have a 10-day live harness meet; they have the officials in place.

Mr. Ketterer, noting that PMR&C submitted a contract for the McAninch Company to perform racetrack maintenance, stated that if PMR&C advises the Commission today that they are going to pack the track for the harness meet, then the McAninch contract would not be needed. Mr. Palmer indicated that was correct.

Chair Seyfer read the following staff recommendations, which are tied to the approval of the 2010 45-day plan for the upcoming Standardbred meet:

- 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.

Chair Seyfer requested a motion to approve the 2010 Standardbred meet with the above conditions. Commissioner Hayes so moved. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-82)

Chair Seyfer asked when McAninch would perform the racetrack surface maintenance. Mr. Heldt asked if the motion just approved meant PMR&C, notwithstanding the conditions just read, could proceed with a Standardbred meet for 10 days with a purse of \$550,000 and run the meet on a packed track. As requested, they would be making a presentation at the August Commission meeting as to the safety of a packed track for the Standardbred meet.

Chair Seyfer asked if the McAninch contract could be deferred until the August meeting. Mr. Ketterer advised that since the Commission has approved the 45-day plan, and PMR&C is indicating that they intend to run the meet on a packed track, PMR&C could withdraw the contract with McAninch if they desired. Mr. Palmer advised that time is running short to get this project on the contractors' schedule; the contractors would need to know soon if PMR&C is going to move forward with removing the track surface. He stated that due to the lack of any communication from IHHA, PMR&C would recommend packing the track. Mr. Palmer went on to state that if IHHA contacted PMR&C on Monday and the parties reached an agreement, Mr. Palmer indicated PMR&C could still change directions and have the track surface removed.

Commissioner Hayes suggested approving the contract, and then it would be up to PMR&C whether or not they utilized the contract. Chair Seyfer indicated that would be taken up in the order it appeared on the agenda.

Chair Seyfer moved to the hotel update. Mr. Palmer stated the PMR&C Board met the previous day, which coincided with the expiration of the 60-day extension granted to Kinseth Hotel to obtain the necessary financing to build the hotel. He stated it is the Board's intent to proceed with the construction of the hotel. Mr. Palmer advised that they are in the process of reviewing RFPs from banks, and are close to choosing the bank that they want to negotiate with for the loans. The PMR&C Board believes they can hire a management team to get started on a "brand" under a two-year contract, and then PMR&C would take over the hotel. It is the Board's intent to expedite this process and get things moving as fast as they can. The original plan was to have the hotel started prior to the referendum and winter set in. Mr. Palmer noted the original plan was to have the hotel operator obtain the financing to build the hotel, and then PMR&C would finance and build the parking ramp. He stated that PMR&C can not finance the building of the hotel and the parking ramp at the same time. He requested that PMR&C be allowed to place their emphasis on the hotel at this time, and after the hotel is up and running for a few years, they would begin the process for the construction of the parking ramp.

Mr. Ketterer asked Mr. Palmer if PMR&C acknowledged the need for additional parking at the facility. Mr. Palmer stated that PMR&C could use additional parking about four

days a year, and feels that if they do the hotel without the parking ramp that it will not have an impact on business. Mr. Ketterer stated that his question was a general one - that they acknowledge the need for additional parking; he understands PMR&C can not afford to construct both at the same time. He asked if the banks that had received the RFPs for providing the financing for the hotel had expressed interest. Mr. Palmer answered in the affirmative. It is their intent to move cash handling process to the selected bank. PMR&C is assuming they will need a loan of approximately \$20 million.

Mr. Ketterer, noting that PMR&C faces the obstacle of distributions made to governments and other charities, the non-profit status, and referendum requirements, indicated he was curious as to why/how PMR&C believes they can obtain the necessary funding while Kinseth Hospitality, a private, successful company with a chain of hotels, is unable to obtain the financing. Mr. Palmer indicated that it may have been due to leverage; he does not know what Kinseth's debt service is, and banks are requiring a larger amount of equity when issuing loans at this time. He stated that no other hotel chains expressed an interest. Mr. Palmer noted that the facility is debt-free, and is doing fairly well at this time; and believes the banks will be comfortable in providing the necessary financing after the referendum for eight years, but will not go any longer than that.

Commissioner Hayes asked Mr. Palmer how much the Meadows' addition cost. Mr. Palmer advised that the top dollar was \$60 million, but the project came in at about \$52 million. Commissioner Hayes asked about the projected cost of the hotel. Mr. Palmer stated that PMR&C believes they will have to borrow approximately \$21 million. Commissioner Hayes asked if the Meadows was added to the facility without borrowing a substantial amount of money and if it was paid off. Mr. Palmer answered in the affirmative. Commissioner Hayes suggested that PMR&C should carefully examine their borrowing capacity to determine what the amount actually is, and not just preclude the parking ramp because the banks won't lend all of the necessary funds today. He stated that PMR&C has a lot of opportunities and has proven they have the ability to add a substantial addition without borrowing a significant amount of money. Furthermore, PMR&C does not know what their agreement with Polk County will look like. It may be that it will be favorable to expanding the capacity at PMR&C and improving the facility. Mr. Palmer stated that the parking ramp would remain on the Board's radar; they just want to remain financially viable in the current economy. He noted that when the Meadows was added to the facility, the economy was much better and PMR&C was experiencing increased revenues and sales annually. Mr. Palmer stated that even though revenues are down, the PMR&C Board feels this is the right time to proceed with building a hotel on the property.

Commissioner Urban noted that PMR&C never intended to construct the parking ramp at the same time as the hotel. Mr. Palmer indicated that was correct; they did not want to disrupt the flow of traffic with constructions projects on the north and south sides of the facility. Additionally, the upcoming referendum is another sticking point with the banks and limits how much money the banks are willing to lend and the length of the loan.

Commissioner Urban stated that it will be another year before the Commission sees a hotel. Mr. Palmer stated that if PMR&C is able to get the banking issue resolved in the next few weeks, they plan to move forward as quickly as possible. The plans are done; the design is started. Commissioner Urban asked if PMR&C had borrowed \$10 million for the connection currently being built to connect the hotel to the current facility. Mr. Palmer answered in the negative; he noted that they have a \$10 million line of credit but have not had to use it. The current work is being paid for out of cash flow.

Commissioner Harrison asked when work on the hotel would commence. Mr. Palmer stated there is another Board meeting in two weeks and hopes they will be able to select a bank at that time. He reiterated that everything is in place. He indicated they should be able to provide a better update on the situation at the August Commission meeting. Mr. Palmer stated the PMR&C Board is anxious to put all the pieces together now that the deadline for Kinseth has passed. Commissioner Harrison asked what the earliest and latest dates were for commencing work on the hotel. Mr. Palmer indicated the earliest would be this fall and the latest would be first thing in the spring when work could begin on installing the necessary sewers and footings, etc. He indicated the City of Altoona is ready to install the sewers; but don't want to go to the expense if the project is not going to happen. He stated the goal is to start work as soon as possible.

Hearing no further discussion regarding the hotel, Chair Seyfer moved to the schedule of racing-related capital improvements. Mr. Palmer stated that they had submitted a five-year projected capital improvement plan; it includes racing and general maintenance items. He noted that the facility is going to be 25 years old. Mr. Ketterer noted that the highlighted areas relate to racing, and asked if the document had been prepared by PMR&C staff and submitted to the Board. Mr. Palmer answered in the affirmative. Ms. Atkins advised that the document before the Commission was approved during the previous budget year; a new year will be added at the commencement of the next budget year so that there is always a five-year plan.

Commissioner Urban advised that this kind of document is important to the Commission, and future licenses could be contingent upon improvements. She noted that it is important for Polk County to be made aware of what needs to be done at the facility. She asked what the replacement cycle is as the document before them does not provide that information. Noting that the building is approximately 25 years old, she wondered if some of the items would be taken care of and would not be seen again for another 20 years. Ms. Atkins used the barn and backside maintenance improvements as an example: There are 52 barns, so that will be an ongoing project as they only work on two or three barns per year. She stated that a lot of the projects are that way; that the Commission may see the same dollar amounts year after year. Commissioner Urban asked if the capital improvements listed were unusual; and whether the barn roofs have been replaced previously. Ms. Atkins advised that roofs have been replaced all along.

Commissioner Urban noted that she did not see anything about replacing the track on the list of capital improvements, nor has there been any discussion of it at recent meetings.

She noted that the Commission did receive regular updates for a period of time. Ms. Atkins stated that the materials used on the track don't fall under the capital plan; they are contained within the operating budget as they have to buy additional sand, dirt, or clay every year and every three to four years they buy a whole new mix from the supplier to replace the track. Mr. Palmer advised that PMR&C is scheduled to give an update on the track surface at the August Commission meeting. He indicated that a synthetic track is not included in the budget at this time.

Commissioner Harrison asked if the amounts shown for the barn maintenance improvements included the interior as well as the exterior. Ms. Atkins answered in the affirmative.

As there were no further questions regarding the schedule of racing-related capital improvements, Chair Seyfer moved to the approval of the ancillary agreement with the IHHA. As there is no signed agreement for the Commission to approve, Chair Seyfer moved to the next agenda item, the contract with McAninch Corporation for maintenance of the racetrack surface. He noted that the Commission decided in earlier discussions to approve the contract, providing PMR&C with the ability to utilize the contract if necessary. He requested said motion. Commissioner Urban moved to approve the contract with McAninch Corporation as submitted by PMR&C. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-83)

Mr. Palmer stated that Ms. Atkins distributed copies of the Horse Racing Marketing study, which was provided to the PMR&C Board the day before. He indicated they would be happy to answer any questions the Commission may have at the August meeting. The marketing study on the casino side of the operations has not been completed at this time.

Chair Seyfer moved to Public Comment. Nancy Stillians, representing herself and WiserIowa, LLC, stated she heard a report on NPR that appeared to be a late-breaking addition to a story about the theft of a great amount of personal information that had something to do with dog racing and the Department of Agriculture. She was informed by another individual that there was something in the news sometime ago, but she felt the report she heard was about an incident that had occurred recently. Ms. Stillians stated that if that was the case, it would be relevant for there to be some kind of follow-up report on the matter.

Ms. Stillians stated that she worked as a program director for various state agencies under former Governors Ray and Brandstad. In observing the operations of various state agencies and boards pertaining to the use of state finances, she has become alarmed by what she sees as the lack of ethical memory pertaining to Iowa laws and culture. Ms. Stillians advised that she had volumes of data detailing the deterioration of ethics, the misuse of inflation in bonding, contracting, etc. She noted there are many hidden forces that shape decisions. Ms. Stillians stated that the Commission, of all the boards she has

observed, is one of the most intelligent and is disposed to do good, referencing the very thorough manner in which they questioned the developer of the Larchwood facility.

Ms. Stillians stated that the Commission, more than any other Board, is responsible for cultural conditions in Iowa. She stated that racing is a scavenger industry; it sucks out the creativity and independence of businesses in and around it. She called dog racing tacky and inhumane; and noted that it is not profitable. She stated that the industry does nothing to enhance Iowa or for a majority of Iowans. Ms. Stillians stated there is no fiscal, cultural or intelligent defense of dog racing. She further stated that Boards and Commission must not keep having amnesia about the purpose and original laws and protections that are there.

Ms. Stillians urged the Commission to take a leap of purpose and address the whole thing from a different point of view; that they have the power to do that and that politically, some of the members are astute enough to do so.

Ms. Dorchak asked the Commission to reconsider its vote on the distribution of the greyhound promotion fund to the IGA. She referenced Commissioner Hayes' remark that there has been references made in the IGA's newsletters to legislative activity, but feels that it has been minimal. She pointed out that the statute prohibits all political activity. Chair Seyfer stated that the Commission has taken the action they feel is appropriate unless another Commissioner wishes to readdress the issue. No Commissioners indicated their desire to do so.

Chair Seyfer moved to Administrative Business and the approval of the regulatory fees for FY11. Karyl Jones, Director of Licensing/Administration, stated that the Commission gave staff approval to set the regulatory fees for FY11 provided they were brought back before the Commission for final approval. She advised that Mr. Ketterer did establish the fees once the DCI's portion was received. The fees were distributed to all of the facilities, and they began paying the FY 11 fees at the beginning of July. Ms. Jones requested the Commission's approval of the fees that are currently in place for FY11.

Hearing no comments or questions concerning the fees, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the regulatory fees for FY11 as submitted. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-84)

Chair Seyfer moved to the election of the chair and vice chair. Mr. Ketterer took this opportunity to thank Mr. Seyfer for his service over the last two years as chair of the Commission. He noted that the Commission has an administrative rule that limits the chair to serving two consecutive years, and the Commission is required to meet every year in July for the election of the chair and vice chair for the upcoming fiscal year. Mr. Ketterer stated that Mr. Seyfer lead the Commission in an exemplary manner through a very difficult application process for new licenses; has always been available to staff, is always well prepared and has provided invaluable leadership. All of his decisions have

been well-reasoned and thought out. In recognition of Mr. Seyfer's service as chair, Mr. Ketterer presented him with a plaque, with his gavel, which stated: Greg Seyfer – In appreciation of your service as Chair of the Iowa Racing and Gaming Commission – July 17, 2008 – July 29, 2010”.

Chair Seyfer thanked Mr. Ketterer, stating that he was glad Mr. Ketterer was back in the office and able to present him with the plaque. He thanked the staff for everything they do for the Commissioners and especially for their efforts while Mr. Ketterer was out of the office.

Chair Seyfer called for a motion with regard to the Chair and Vice Chair. Commissioner Harrison moved to nominate Commissioner Urban to serve as Chair and Commissioner Hayes to serve as Vice Chair. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-85)

Commissioner Seyfer handed the gavel to Chair Urban, who requested a motion to adjourn the meeting. Commissioner Seyfer so moved. Commissioner Harrison seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
AUGUST 26, 2010**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, August 26, 2010 at Riverside Casino & Golf Resort (RCGR), Riverside, Iowa. Commission members present were Toni Urban, Chair; Paul Hayes, Vice Chair; and members Kate Cutler, Andrea Harrison and Greg Seyfer.

Chair Urban called the meeting to order at 8:30 AM, and noted the following additions to the agenda, Public Comment and Adjournment. She requested a motion to approve the agenda as amended. Commissioner Hayes so moved. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Urban moved to the Welcome and thanked Dan Kehl and Joe Massa, Chief Executive Officer and Chief Operating Officer respectively for RCGR and Grand Falls, for the breakfast. Mr. Massa welcomed the Commission back to Riverside. He introduced Tim Putney, President of the Washington County Riverboat Foundation. Mr. Putney also expressed his pleasure at having the Commission back in Riverside and welcomed Lyon County (Grand Falls) as the newest member of the Iowa Gaming Association. He offered praises for the Kehl family.

Chair Urban moved to the approval of the minutes from the July 29, 2010 Commission meeting. Commissioner Harrison moved to approve the minutes as submitted. Commissioner Seyfer seconded the motion, which carried unanimously.

Chair Urban called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer introduced Scott Ditch and Sue Hansen, the Commission's representatives at Riverside, and thanked them for the efforts on behalf of the Commission.

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

- September 2010 – No Meeting
- October 7, 2010 – Hotel Julien, Dubuque, IA (Submissions due by September 22, 2010)
- November 10, 2010 – Stoney Creek Inn, Johnston, IA (Submissions due by October 27, 2010)
- December 2010 – No Meeting
- January 13, 2011 – Stoney Creek Inn, Johnston, IA (Submissions due by December 29, 2010)

He advised that at the November meeting the Commission would be deciding racing dates and purses for 2011.

Chair Urban moved to the review of the financial audits for the Isle of Capri properties. Sally Rogers, Senior Director of Finance for IOC Bettendorf (IOCB) and Rhythm City (RC) introduced Grant Gubbrud, Director of Finance at IOC Waterloo, and Laurie Fisher, Controller at Lady Luck Marquette. She advised that all of the properties have experienced a decline in revenue due to the economic situation as well as increased competition from Illinois. Ms. Rogers stated that the properties have taken steps to mitigate the losses without having to decrease benefits for team members or a reduction of staff.

Commissioner Hayes asked Ms. Rogers to explain what steps the company has taken to address the exceptions to the internal controls listed in the audit. Ms. Rogers advised that there is a committee within the company that reviews the exceptions. She advised that those listed were due to human error or the failure of a control. Ms. Rogers stated that new or enhanced controls were put in place and that each exception has been addressed.

Commissioner Hayes asked if there was an internal audit team at the various properties that performs some of the same duties as the external auditors. Ms. Rogers answered in the affirmative, advising that it is based out of the corporate office and that some of the properties have an auditor that performs audits throughout the course of the year. She advised that is where most of the exceptions came from. Commissioner Hayes clarified that the exceptions were issues found by the internal audits that the external auditor included them in the overall audit. Ms. Rogers answered in the affirmative.

Mr. Ketterer, noting that part of the reason for the decline in revenues was the competition from across the river, asked about the status of the temporary lane restrictions on I-80 and I-74. Ms. Rogers advised that I-74 is down to 1 lane; I-80 is down to one lane in each direction. She stated that she did not know how the company could place a dollar value on the loss of business due to the road construction.

Nancy Ballenger, General Manager at IOCB, stated that 2-3 lanes of I-80 have been closed over the last 19 months, but should be completed by the end of October. It has made it difficult to attract customers from their wider customer base. She advised that I-74 is back and forth, but also should be completed by the end of October.

Chair Urban moved to the contract approval portion of the agenda and called on Diamond Jo (DJ). Wendy Runde, Director of Finance at DJ, advised that she was representing DJ and Diamond Jo Worth (DJW), and presented the following contracts for Commission approval:

- Diamond Jo: Shuffle Master, Inc. – Four Card Poker, Pai Gow Poker, Mississippi Stud Poker, Shufflers, and Parts

- Diamond Jo Worth – The Dimensional Group – Direct Mail Printing Services

As there was no discussion concerning the contracts, Chair Urban requested a motion. Commissioner Cutler moved to approve the contracts as submitted by DJ and DJW respectively. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-86)

Chair Urban called on IOCB. Ms. Rogers presented a contract with Technology Solutions Groups for telephone equipment and maintenance services.

As there were no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Cutler moved to approve the contract as submitted by IOCB. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-87)

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

- Technology Solutions Group – Telephone Equipment & Maintenance Services
- Blackhawk Fleet – Flood Mitigation Expenses
- Konami – Purchase Slot Machines & Parts

As there were no comments or questions concerning the contracts, Chair Urban 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. 10-88)

Chair Urban called on RCGR. Dan Franz, General Manager, presented the following contracts for Commission approval:

- Loffredo Fresh Produce Co., Inc. – Food and Produce Purchases
- Marsh USA, Inc. – Insurance
- MedOne Healthcare Systems – Prescription Drug Benefit Plan for 2010
- Mercy Iowa City – Health Plan Costs – 2010 Medical
- William Morris Endeavor – Entertainment Broker

As there were no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Cutler moved to approve the contracts as submitted by RCGR. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-89)

Chair Urban called on Lyon County Resort & Casino. Dan Kehl, Chief Executive Officer, noted that Riverside was celebrating its fourth anniversary this week. He stated the first referendum passed by 52%; they are anticipating that the upcoming referendum will pass with 70% voting in favor of the continued operation this November.

Mr. Kehl presented the following contracts for Commission approval:

- Architectural Arts – Architectural Millwork Materials
- Modern Gas Company – LP Tanks

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Lyon County. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-90)

Mr. Kehl provided the following information on the progress of the Grand Falls facility in Larchwood: Groundbreaking for the project was delayed as the Flandreau Tribe in South Dakota filed a request that the Corp of Engineers conduct an archeological survey, which was completed on Memorial Day weekend. No artifacts were found. The groundbreaking ceremony was held on June 23, 2010.

Mr. Kehl stated that the timeline submitted with the application indicated the building would be turned over to them on May 15, 2011; however, due to the large amount of rain this summer, this is more likely to be in June, with the opening taking place in late June or early July 2011. The excessive rain has made it necessary to over excavate the footings, fill them with rock and then finish the footings. Mr. Kehl advised that the HVAC system has been upgraded, which will improve the air quality in the casino. The geothermal wells are being dug, one of the parking lots has been paved for the workers and construction trailers to use. All of the asphalt will be put down in early September, and the topping off ceremony will be held during the first two weeks of November. The game plan is to have the building enclosed by December in order to provide good working conditions for the winter months. Department directors will be hired in January, table game staff will be hired in early March, and the dealer school will open in April. Job fairs will be held in May, as well as slot bases installed and the IRGC office completed. The goal is to be open by the Fourth of July weekend in 2011.

Mr. Kehl stated that he signed financing documents with Wells Fargo on August 25th. The agreement calls for a \$50 million first tranche at 8%; Wells Fargo has agreed to take \$25 million of that piece. The second part is a \$25 million tranche at 15%; Wells Fargo has agreed to take \$15 million of this loan. The final piece of the financing is a \$10 million completion guarantee; they are working with Jefferies to finalize this piece.

Mr. Kehl provided the following web site: www.grandfallscasinosort.com. A webcam allows for live viewing of what is occurring on the construction site. He noted that the cement work is behind, and they are attempting to get that component back on schedule.

Commissioner Hayes asked how much of the construction costs have been bid. Mr. Kehl advised there is approximately \$1 million of construction costs left to go out for bid. He indicated that approximately 55% has been awarded to Iowa vendors. They have most of the gaming equipment to purchase yet. The budget for the project is \$120 million, and

currently the amount spent is \$118 million. Mr. Kehl stated that the project will not go over budget.

Commissioner Harrison commended Mr. Kehl for his commitment to completing the project on time.

Mr. Kehl introduced the following individuals who sit on the Lyon County Resort & Casino board: Jim Wells, Chair; Dan Hoffman, Gary Bishop, Aimee Meardon-Orris, Eileen Krull, and Jeff Link. All of them have submitted their backgrounds investigation forms to the Division of Criminal Investigation.

Mr. Kehl turned the floor over to Jeff Gallagher, President of the Lyon County Riverboat Foundation, who advised that they had received approval from the IRS for their non-profit status. He stated the Board is comprised of 13 people, 8 of whom have submitted their background investigation forms. Mr. Gallagher stated they have not heard anything from the DCI in the last nine months, and feels everything is OK with those. Three more individuals are in the process of completing and submitting their forms. At this time, there are still two positions to fill on the Board. In the near future, the Board members will begin meeting with the various communities in Lyon County to ascertain their needs in order to start distributing some of the available funds.

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

- Atronic Americas, LLC – Slot Machines, Equipment & Leases
- Casino Signs – Slot Signage
- Hartford Financial Services – Insurance Provider

As there were no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Harrison moved to approve the contracts as submitted by Ameristar. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-91)

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

- ASCAP - Purchase of License to Perform Non-Dramatic Musical Compositions
- International Gaming Technology – Leases, Royalties, Conversion & Parts Purchases
- Mediacom Iowa, LLC – Mediacom Commercial Family Cable Video Service in Casino & Coaches Corner Sports Bar
- Mediacom – Mediacom CATV Service for Hotel Rooms
- MetLife – Employee Life Insurance, Long & Short Term Disability, and Dental Insurance Premiums
- Wellmark Blue Cross Blue Shield – Employee Health Insurance Premiums

As there were no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by WRC. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-92)

Chair Urban called on Horseshoe Casino/Bluffs Run Greyhound Park (HSC/BRGP). Janae Sternberg, Director of Finance, presented a contract with Pettit's Pastry, Inc. for baked goods.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Cutler moved to approve the contract as submitted by HSC/BRGP. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 10-93)

Chair Urban called Mystique Casino. Roger Hoeger, Assistant General Manager, presented a contract with the International Association of Machinists & Aerospace Workers for a labor agreement for the pari-mutuel tellers.

As there were no comments or questions regarding the contract, Chair Urban requested a motion. Commissioner Harrison moved to approve the contract as submitted by Mystique. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-94)

Jesus Aviles, General Manager of Mystique, advised that about three years ago the citizens of Dubuque took it upon themselves to raise funds to build a small ice arena for hockey. The Dubuque Racing Association (DRA) Board donated \$1.4 million to the project. Mr. Aviles announced that in mid-September the arena will be opening. The final project cost was \$7 million. The community was also able to bring back an UHL hockey team and will be playing the team from Sioux City for their first exhibition game on September 7th at the new arena.

Chair Urban called on the DRA and the Iowa Greyhound Association (IGA). Jerry Crawford, legal counsel for the IGA, announced that neither party would be submitting the name of a third arbitrator as they had reached a new tentative five-year agreement. The proposed agreement will come before the Commission after it has been approved by the IGA members and the DRA Board of Directors. Mr. Crawford stated that IGA was willing to accept less money than previously received through arbitration, 7.1% going forward, in return for a five-year agreement. The agreement calls for the parties to work together at the Legislature, rather than against each other, for the improvement of the greyhound industry in Iowa. Mr. Crawford stated that during discussions Mr. Aviles asked the IGA to be sensitive not only to the needs of their organization, but to the needs of his employees, the recipients of charitable grants, and the City of Dubuque. In return, the IGA asked Mr. Aviles to be sensitive to the needs of the Iowa families involved in the greyhound industry and their ability to plan for the future rather than year to year. Mr. Crawford commended Mr. Aviles for his willingness to put Iowans first.

Mr. Aviles noted that this was a tough experience for him as he only has two and one-half years of experience in the racing industry, and had to go back and review the history. As a non-profit, DRA has to be mindful and responsible for every dollar. Mr. Aviles commended Mr. Crawford and the IGA for their willingness to be sensitive to the financial needs of DRA. He advised the agreement has to be ratified by the DRA board; hopefully, the finalized agreement can be brought before the Commission at the October meeting.

Chair Urban called on the Iowa West Racing Association (IWRA) and the IGA. Mr. Crawford stated that both parties have agreed to use former Supreme Court Chief Justice Louis Lavorato as the third arbitrator in the upcoming arbitration. He advised that the IGA is willing to consider an agreement similar to the one just announced with the DRA.

Mr. Ketterer asked that evidence be closed by the October 7th meeting so that the arbitration panel would have the remainder of October to issue a decision, which could be submitted to the Commission by November 1st. Mr. Crawford advised that the parties have not yet cleared schedules in order to commence arbitration. He stated that he felt it would be closer to October 15th before evidence is closed, but no later. Mr. Ketterer stated that was alright, as long as the panel would have their decision to the Commission by November 1st.

Hearing no further discussion concerning the arbitration or the third party arbitrator, Chair Urban requested a motion. Commissioner Harrison moved to approve former Chief Justice Louis Lavorato as the third party arbitrator for IWRA/IGA. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-95)

Chair Urban called on the IGA regarding their request to withdraw funds from the Bluffs Run/IGA Escrow Account, which was deferred from the July commission meeting. Jim Quilty, legal counsel for the IGA, stated that the request was to withdraw funds to pay for the updating of a previous study performed by Iowa State University in 2001. The original study was paid for by funds from the escrow account, and Harrah's did not oppose the withdrawal of funds for that purpose at that time. Mr. Quilty advised that the bulk of the study is completed, but has not been paid for. He indicated that Harrah's is opposed to the withdrawal of funds as they are trying to eliminate greyhound racing in Iowa. Mr. Quilty stated that the study would serve as a promotional tool to promote the industry, and will be based on facts. He noted that the study would be shared with legislators, the media, the Commission and will also be posted on the IGA's website.

As there were no questions for Mr. Quilty, Chair Urban called on Lorraine May, legal counsel for IWRA. Ms. May stated that the difference between now and 2001 is that the parties entered into an agreement stating that the funds would not be used for lobbying. She stated that the question before the Commission is not about attempting to end greyhound racing; that the study would be performed anyway. She stated that the question before the Commission is IGA's compliance with the agreement to not use the funds for lobbying. Ms. May advised that there are other sources of funding and offers to

perform the study. She requested that the request to withdraw funds from the escrow account to pay for the study be denied.

Hearing no comments or questions for Ms. May, Chair Urban called for a motion. Commissioner Hayes moved to approve the withdrawal of the \$5,000 from the escrow account. Commissioner Harrison seconded the motion.

Chair Urban called for any discussion. Commissioner Cutler stated that she concurred with Ms. May; that the study seems to fall into the category of lobbying, and would vote against the withdrawal of the funds.

Commissioner Seyfer stated that he does not want to get in the middle and have to determine the difference between promotional material and lobbying. He noted that the Code makes several references to promoting the industry.

Hearing no further discussion, Chair Urban called for the vote. The motion carried on a 4-1 vote, Commissioner Cutler voting nay. (See Order No. 10-96)

Chair Urban called on Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer and Derron Heldt, General Manager and Director of Racing respectively, were present to address the Commission. The first item for discussion was a racetrack surface report. Mr. Palmer advised that Mr. Heldt and the track superintendent have been keeping updated on track surfaces nationwide, and have attended some racetrack surface seminars. He advised that a handout containing various articles on artificial surfaces had been distributed to them earlier. Mr. Heldt advised that the racing industry is divided on the topic of the synthetic surfaces; noting that last week the Santa Anita racetrack in California, which had a synthetic track, removed it and returned to a dirt surface. He stated PMR&C will continue to monitor the track surface discussion and keep the Commission apprised on the issue.

Commissioner Harrison asked if one surface, synthetic or dirt, is faster than the other. Mr. Heldt indicated it would depend on the maintenance; there have been some issues with the synthetics. He stated that when the synthetic tracks first came out, they were touted as virtually maintenance free. He went on to say that all tracks are different; that the issue is the safety of the horse. Commissioner Harrison indicated that was the answer she was hoping to receive.

Mr. Ketterer concurred that the issue is the safety of the horse. He agreed that there is a lot of divisiveness in the industry regarding the artificial surfaces. He noted that the purveyors of the tracks have fallen short in providing guidance for maintenance, how they perform in certain climates, etc., creating a lot of uncertainty. Mr. Ketterer stated that inclement weather has caused the cancellation of races at some tracks with synthetic tracks where the installation was not done properly. He feels that the issue of track surfaces remains a challenge; that the only reason the synthetics came to the forefront was because of the safety issue. Mr. Ketterer stated that is why he feels it is important for

PMR&C to stay abreast of the issues. Whether they race on a dirt or synthetic track in the future, maintenance and composition vary due to the climate where the track is located; the goal is the safety of the rider and the horse. He thanked Mr. Palmer and Mr. Heldt for the update, and looks forward to future updates. He requested an update on the recently completed thoroughbred meet.

Mr. Heldt advised that the thoroughbred meet ended on August 7th, and that the track received a tremendous amount of heavy rain throughout the meet. He stated that the track held up very well. Prior to the start of the meet, PMR&C met with the Iowa Horsemen's Benevolent and Protective Association and formed a track committee that met every two weeks with the track superintendent. Mr. Heldt stated that the track surface did lose fines and silts due to the heavy rains and PMR&C was unable to obtain a mixture of those elements as the quarries were also under water. Mr. Heldt advised there were injuries but they were well within the range of the national average. He advised that they are on track to have a good surface for next year.

Chair Urban asked Mr. Heldt if PMR&C was pleased with the length of the season for the thoroughbreds. Mr. Heldt noted this was the first year under the new format; the quality of horses was up but the inventory was a little weak. That is an issue they will work on next year. Mr. Heldt noted there are several tracks competing for the same pool of horses; that it is imperative that PMR&C sell itself better than they have in the past. He stated that the Festival of Racing drew national interest this year; one horse, Majestic Perfection, won the Iowa Sprint and set a new track record. His next start at Saratoga Park in New York was in a Grade I race; he beat some of the best horses in the country. The Iowa Derby winner went on to win the West Virginia Derby, a Grade II stakes race with a purse of \$750,000. The winner of the Cornhusker Race ran at Remington Park and won a \$750,000 stakes race. Mr. Heldt advised that the stakes program is improving at PMR&C and is getting national recognition.

Chair Urban noted that PMR&C received some very good press regarding new trainers and horses coming to PMR&C for the thoroughbred meet. Mr. Heldt concurred, and stated that the trend needs to continue next year; hopefully, some of the new people from this year will help spread the word and draw more new owners, trainers and jockeys next year.

Chair Urban moved to the hotel update. Mr. Palmer noted that PMR&C's original plan was to work with Kinseth Hospitality; however they were unable to obtain the necessary financing. At the board meeting yesterday, the Board chose a new bank and is in negotiations to obtain the financing for the hotel. Additionally, the Board voted to proceed with fixing the elevation of the parking lot where the hotel will be located. Mr. Palmer advised that during their collaboration with Kinseth, a \$7 million RTA was submitted and approved for Weitz Company. Weitz Company is the company who will be performing the necessary elevation work. The RTA included \$2.1 million in start-up costs for Phase 1 of the hotel project. He asked for permission to proceed with the Weitz

Company RTA; the only difference being that Weitz would be working for PMR&C versus Kinseth.

Commissioner Seyfer asked if this would be the exact same contract. Mr. Palmer answered in the affirmative. Commissioner Cutler asked who the contract is with. Mr. Palmer advised that the contract was originally between Kinseth and Weitz when Kinseth was expected to be the developer.

Commissioner Hayes moved to accept the change in the previously approved contract as described by Mr. Palmer. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 10-97)

Mr. Palmer stated that PMR&C is moving forward on the hotel at a fast pace in order to get as much done as possible before winter sets in. He advised that PMR&C will be bringing Phase 2 before the Commission. He anticipates that the work done by the Weitz Company will exceed the \$7 million already approved, and will request approval of an increased amount in October.

Commissioner Harrison asked when Phase 1 would be started. Mr. Palmer advised that the plan is to commence work on September 7th and complete it by the end of October. Commissioner Harrison asked what would happen next. Mr. Palmer stated that hopefully Phase 2 can be started, dependent upon the weather. Commissioner Harrison asked what Phase 2 consists of. Mr. Palmer stated that would be the actual construction of the hotel. Commissioner Harrison asked what month that would be. Mr. Palmer indicated that it would be at the end of October, which is when the clock would start. Commissioner Harrison clarified that he meant October 2010. Mr. Palmer again answered in the affirmative. Commissioner Harrison stated that she just wanted to be clear on the projected start date.

Hearing no further discussion concerning the hotel; Chair Urban moved to the request for an additional racing day contingent upon inclement weather. Mr. Heldt advised that the Commission has a contract between the Iowa Harness Horsemen's Association (IHHA) and PMR&C. Paragraph 13 of the contract states: Although PMR&C will make its best efforts to run all races as provided herein, PMR&C is not obligated to make up any days lost during the racing season that are attributable to driver strikes, inclement weather, or any other circumstances beyond the control of PMR&C, provided, however, if the Friday, October 15, 2010 race day is lost for any reason, PMR&C agrees to run either a double card on Saturday, October 16, 2010 or to hold races on Sunday, October 17, 2010. He advised that the IHHA usually runs the Iowa championships on the last day of the meet. With the new experiment of running on a packed track, there is some concern that inclement weather could cause the races to be cancelled; therefore, the championships were moved to Friday, providing the opportunity for them to be run on either Saturday or Sunday, possibly adding one day to the racing season, which was approved for ten days.

Commissioner Seyfer asked if both parties were in agreement with the above. Mr. Heldt answered in the affirmative, noting that the agreement has been signed by both parties. Hearing no further discussion, Chair Urban called for a motion to approve the extra day of racing. Commissioner Harrison moved to approve the request for an extra day of racing. Commissioner Cutler seconded the motion, which carried unanimously. (See Order no. 10-98)

Chair Urban moved to the approval of the ancillary agreement with the IHHA. Mr. Heldt advised this was the agreement referenced in the previous agenda item, and reiterated that the agreement had been signed by Mr. Palmer and Royal Roland, President of the IHHA.

Hearing no comments or questions concerning the agreement, Chair Urban requested a motion. Commissioner Cutler moved to approve the ancillary agreement between PMR&C and the IHHA as submitted. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-99)

Chair Urban moved to the contract. Mr. Palmer submitted a contract with Pristine Linen for linen service. Mr. Palmer advised that the contract was being submitted due to a change in ownership.

Hearing no discussion concerning the contract, Chair Urban requested a motion. Commissioner Cutler moved to approve the contract as submitted. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-100)

Chair Urban moved to Public Comment, and called on Sharon Haselhoff. Ms. Haselhoff, the current Public Relations Director for Riverside, advised that effective October 1st she will be the General Manager for the Grand Falls Casino & Resort. She introduced Karlyn Ollendick who has been promoted to the position of Chief Information Officer for both properties, and Dan White, who will begin his employment on September 1st as the Director of Finance/Controller for the Grand Falls property. He previously worked at the Mississippi Belle II and is returning to Iowa from Oklahoma.

As there was no further business to come before the Commission, Chair Urban 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 6-7, 2010**

The Iowa Racing & Gaming Commission (IRGC) met on Wednesday, October 6, 2010 at the Hotel Julien, Dubuque, Iowa. Commission members present were Toni Urban, Chair; Paul Hayes, Vice Chair; and members Kate Cutler, Andrea Rivera-Harrison and Greg Seyfer.

Chair Urban called the meeting to order at 8:30 PM and advised that Agenda Item 9 was being renumbered as A, B and C, with each item being voted on separately. She requested a motion to approve the agenda as amended. Commissioner Cutler so moved. Commissioner Harrison seconded the motion, which carried unanimously.

Chair Urban requested a motion to go into Executive Session. Commissioner Hayes moved to go into Executive Session for the purpose of receiving DCI background investigation reports pursuant to Iowa Code Section 21.5(1)g. Commissioner Seyfer seconded the motion, which carried unanimously on a roll call vote.

At the conclusion of the report, Chair Urban requested a motion to leave Executive Session. Commissioner Cutler so moved. Commissioner Harrison seconded the motion, which carried unanimously.

As there was no further business at this time, Chair Urban requested a motion to recess the meeting. Commissioner Hayes moved to recess the meeting until 8:00 AM the following morning. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Urban reconvened the meeting at 8:00 AM on Thursday, October 7th. She recapped the amendments to the agenda, and moved to the welcome. Jesus Aviles, General Manager at Mystique Casino (Mystique), introduced Scott Cooper, the new General Manager at the Diamond Jo (DJ). Mr. Cooper informed the Commission about several initiatives that the DJ and Mystique are working on together, one of them being the upcoming referendum. They are working to canvas the county, and are focusing on the absentee ballot issue as over half of the eligible voters elect to cast their ballot in that manner.

Mr. Aviles extended his welcome on behalf of the Dubuque Racing Association (DRA) board members and the team members at Mystique.

Chair Urban moved to the approval of the minutes. Commissioner Seyfer moved to approve the minutes from the August 26, 2010 Commission meeting as submitted. Commissioner Hayes seconded the motion, which carried unanimously.

Chair Urban moved to the announcements. She advised those in attendance that Jack Ketterer, Administrator of IRGC, has been selected to receive the Regulator of the Americas award from the International Masters of Gaming Law. Mr. Ketterer will receive the award at a reception held in conjunction with the Global Gaming Expo in Las Vegas in November. Chair Urban stated that this is the first time the award has been given to a regulator outside of the major gaming jurisdictions. She commended Mr. Ketterer for the outstanding job he has done in Iowa.

Mr. Ketterer thanked Chair Urban for her kind words, stating that the award is a reflection of the job the Commissioners and staff have done as well. He stated that he will accept the award on behalf of everyone involved with the Commission.

Mr. Ketterer noted that Commissioner Harrison has a conflict, and in the event the meeting is not over by 9:00 AM, she will need to leave. He recognized Scott Franke and Joe Gau, Gaming Representative at DJ and Gaming Representative/Racing Steward at Mystique Casino respectively. Mr. Ketterer also recognized Terry Hirsch, the former Director of Gaming for the Commission.

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

- November 10, 2010 – Stoney Creek Inn, Johnston, IA (Submissions due by October 27, 2010)
- December 2010 – No Meeting
- January 13, 2011 – Stoney Creek Inn, Johnston, IA (Submissions due by December 29, 2010)
- February 2011 – No Meeting
- March 3, 2011 – Stoney Creek Inn, Johnston, IA (Submissions due by February 17, 2011)

He advised that the November meeting will be on a Wednesday due to the Veteran's Day holiday and is a week earlier due to the Global Gaming Expo the following week. He stated that the Commission will be hearing from the new applicant for the Lakeside Casino, and will be reviewing the license renewal applications for Bluffs Run and Prairie Meadows. Mr. Ketterer noted that there is no meeting in December and February, and that the March 3rd meeting will be the renewal of the excursion gambling boat/gambling structure license renewals. He reminded the licensees that the applications are due in the Commission's office by December 31st.

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

- Hawkins Construction – Extension of Original Master Agreement
- Thomas Dredging & Excavating – Vessel Slip Maintenance
- Pro-Dive, Inc. – Bow Thruster Repair

Chair Urban called for any questions concerning the contracts. Hearing none, she requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Ameristar. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-101)

Chair Urban called on Riverside Casino & Golf Resort (RCGR). Dan Franz, General Manager, presented the following contracts for Commission approval:

- Culver's Lawn & Landscape – Snow Removal and Maintenance
- Konami Gaming, Inc. – Daily Fee Lease Agreement
- State University of Iowa Hospital and Clinics – Additional Health Plan Costs for 2010
- Washington County Citizens for Good Jobs – Campaign Funding for Washington County Referendum

Hearing no questions concerning the contracts, Chair Urban requested a motion. Commissioner Harrison moved to approve the contracts as submitted by RCGR. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-102)

Chair Urban called on Lyon County Resort & Casino (Lyon County). Sharon Haselhoff, General Manager, presented the following contracts for Commission approval:

- Architectural Roofing – Construction – Exterior Wall Panels, Louvers, Flush Wall Panels & Column Covers
- Architectural Roofing – Construction – EPDM Roofing
- Brockway Mechanical & Roofing – Slot Bases
- Brockway Mechanical & Roofing – Construction – Mechanical
- Citizens for Economic Growth in Lyon County – Campaign Funding for Lyon County Referendum
- Doors, Inc. – Construction – Doors, Finish Hardware and Locks, including Hotel Locks
- Lyon & Sioux Rural Water System, Inc. – Construction – Water Connection Fee
- Lyon Rural Electric Cooperative – Construction – Electrical Substation
- Lyon Rural Electric Cooperative – Electrical Power Deposit & Service Agreement
- Myrl & Roy's – Construction – Temporary Paving
- Schelling Construction, Inc. – Construction – Door Installation
- Schelling Construction, Inc. – Construction – Fireplaces
- Schelling Construction, Inc. – Construction – Projection Screens

- Schelling Construction, Inc. – Construction – Specialties
- Schelling Construction, Inc. – Constructions – Stone Countertops & Vanities; Stone Toilet Partitions
- Swanson & Youngdale, Inc. – Construction – Paint, Wall Coverings, Abrasive Resistant Coatings

Mr. Ketterer requested a brief update on the construction, noting that the Commission had received an e-mail from Dan Kehl, Chief Executive Officer, with some pictures. Ms. Haselhoff stated that the project is moving along, but did receive a significant amount of rainfall approximately two weeks ago, causing some paving to be pushed back. She advised that work is progressing on the event center and back of house areas.

Hearing no questions concerning the contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Lyon County. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-103)

Chair Urban called on Isle of Capri Bettendorf (IOCB). Nancy Ballenger, General Manager, presented a contract with Lambourne Environmental Diving Services, L.C. for sediment cleaning/removal under the boat and in the marina.

Hearing no questions concerning the contract, Chair Urban requested a motion. Commissioner Cutler moved to approve the contract as submitted by IOCB. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-104)

Chair Urban called on DJ. Wendy Runde, Director of Finance, presented the following contracts for Commission approval:

- 7G Distributing – Beer Distributor
- Citizens for Growth Through Continued Gaming – 2010 YES/YES Referendum
- Cumulus Broadcasting – Radio Advertising
- Oky Doky – Convenience Store (Point Partner)
- Radio Dubuque – Radio Advertising
- Telegraph Herald – Newspaper Advertising

Hearing no questions concerning the contracts, Chair Urban requested a motion. Commissioner Hayes moved to approve the contracts as submitted by DJ. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-105)

Chair Urban called on IOC Waterloo. No one was present at this time; however, the Commission addressed the following contracts:

- Myers-Cox Company – Cigarette Vendor

- Dimensional Graphics Corp. – Marketing Vendor for Direct Mailing
- Seamless Exterior – Contractor for LED Lighting

Chair Urban requested a motion. Commissioner Harrison moved to approve the contracts as submitted by IOC Waterloo. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-106)

Chair Urban called on Lakeside Casino. No one was present from the facility at this time. The following contracts were submitted for Commission review:

- Flynn Wright – Marketing Services
- The Printer, Inc. (TPI) – Marketing Services
- VDP Direct, LLC – Marketing Services
- US Foodservice – Food and Supplies for Kitchen

As there were questions concerning the US Foodservice contract, the Commission elected to defer that contract until the November meeting. Chair Urban requested a motion regarding the remaining contracts. Commissioner Seyfer moved to approve the three remaining contracts as submitted by Lakeside. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-107)

Chair Urban called on Catfish Bend Casino (CBC). Rob Higgins, General Manager, presented the following contracts for Commission approval:

- Burlington Auto Finance – Lease of Storage Facility (RP)
- Paltronics – Game System
- Great River Entertainment, LLC – Amended Operating Agreement

Hearing no questions concerning the contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by CBC. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-108)

Chair Urban moved to the renewal of the racetrack license and racetrack enclosure gambling license for DRA/Mystique. Roger Hoeger and Brian Carpenter, Assistant General Manager and Director of Racing respectively, were present to address any questions regarding the license renewal application. The first item before the Commission was the approval of the new agreement between DRA and the Iowa Greyhound Association (IGA).

As there were no questions concerning the agreement, Chair Urban requested a motion. Commissioner Hayes moved to approve the purse agreement as submitted by DRA. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-109)

Chair Urban moved to the renewal of the pari-mutuel license and request for race dates. Mr. Hoeger stated that DRA has requested race dates at Mystique from April 30, 2011 through October 30, 2011 with six performances per week for a total of 162 performances. Evening performances and post times requested are Thursday, Friday and Saturday at 7:00 PM. Matinee performances and post times requested are Wednesday, Saturday and Sunday at 1:00 PM. The following additional performances and post times were requested for holidays: Monday, May 30th; Monday, July 4th, and Monday, September 5th. All will have a post time of 1:00 PM. DRA/Mystique has requested the continuation of year-round simulcasting.

Commissioner Harrison asked about live handle revenues. Mr. Hoeger advised that live handle is down slightly, approximately 2%; while simulcast revenues are up approximately 5%. Mr. Ketterer asked if they had increased the number of tracks that they are simulcasting. Mr. Hoeger stated that they were receiving about the same number as last year. Mr. Ketterer advised the Commission members that DRA does not export their signal; that they only receive simulcast signals.

Jim Quilty, legal counsel for the IGA, complimented DRA on their plans for additional seating, an outdoor patio and new windows in the pari-mutuel area. He indicated these were areas of concern raised by the IGA with Mystique; and they are pleased to see the response.

Hearing no further comments or questions concerning the license renewal and application for race dates, Chair Urban requested a motion. Commissioner Harrison moved to approve the renewal application for the pari-mutuel license and the requested race dates as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-110)

Chair Urban moved to the renewal of the racetrack enclosure license. Mr. Hoeger provided the following statistics for 2009: DRA paid \$14.6 million to the state; \$8 million to the city of Dubuque; \$359,000 to the County, and \$17.6 million in payroll, taxes and benefits. In addition, purses and purse supplements were approximately \$4.4 million. Mr. Hoeger stated revenues are even, or down slightly, but advised that the property remains profitable.

Mr. Aviles introduced Dan Kruse, Chairman of the DRA Board, who took a moment to welcome the Commission to Dubuque.

Commissioner Hayes asked about the employment levels. Mr. Hoeger advised that they have approximately 360 full-time employees, and slightly more during the racing season. He stated that Mr. Aviles has indicated that any decrease in employment levels would occur through attrition.

Mr. Hoeger noted that the property had undergone a \$13.5 million renovation in 2009, and purchases of goods and services from Iowa vendors, except for gaming equipment, is in excess of 90%.

Hearing no further comments or questions regarding the renewal application, Chair Urban requested a motion. Commissioner Cutler moved to approve the renewal of the racetrack enclosure license and the contracts contained within the renewal application for DRA/Mystique. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-111)

Chair Urban called on Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer and Derron Heldt, General Manager and Director of Racing respectively, were present to address the agenda items; the first being an update on the hotel.

Mr. Palmer advised that the hotel project is moving forward; Weitz Construction is working on the necessary elevation of the parking lot for the hotel. That segment is to be completed by October 22nd. Staff is currently working with various groups to put together an RFP to determine whether the hotel will be part of a franchise or if PMR&C will do it on their own.

Chair Urban asked about funding for the project. Mr. Palmer advised that funding is complete, and has been secured through Bankers Trust.

Commissioner Seyfer asked Mr. Palmer about progress on the new lease with Polk County. Mr. Palmer advised that there have been four different meetings with the County; that the parties are getting closer to an agreement, but are not there yet.

Chair Urban inquired if the construction has affected any events scheduled for The Meadows Convention Center. Mr. Palmer answered in the negative. Guests are inconvenienced somewhat by having to enter through the main doors.

Hearing no further comments or questions concerning the hotel, Chair Urban moved to the review of the quarter horse meet and the track surface. Mr. Heldt stated that PMR&C had a great quarter horse meet; that the parties are in the first year of a three-year agreement. There were 26 days of quarter horse racing. He stated that he started recruiting horses, trainers, jockeys and owners in April. Mr. Heldt advised there were 20-25 new quarter horse trainers this year. PMR&C received applications for over 1,250 stalls; however, the highest number of horses on the backside at any given time was 880. Mr. Heldt stated there were nine races many days, and field sizes were up over last year. He stated that he felt the colony of jockeys was probably one of the top colonies in the country. He noted that the trainer and jockey titles for the meet were not decided until the last race on the last night of the meet.

Mr. Heldt stated that the quarter horse filly, Spit Curl Diva, is one of the top fillies in the country. She won a stakes race at PMR&C and set a track record, and went on to win a

stakes race at Lone Star Park just this last weekend. In that race, she was competing against a horse that had won the All American Futurity, and was trying to become the top money earner for all time for quarter horses in the country. Mr. Heldt stated that she is probably one of the top five horses in the country.

Mr. Heldt stated that PMR&C was very happy with the quality of horses, jockeys, trainers, and track surface.

Mr. Heldt stated that dealing with the track surface was a whole new undertaking for the track superintendent and staff. He noted there was always some tension between the thoroughbreds and the quarter horses regarding the track surface. Mr. Heldt advised there were five track records set during the meet; and that the track was kind to the horses. He noted there were three catastrophic injuries; that is something they will work to improve next year. Mr. Heldt felt the meet just concluded was a step in the right direction. He indicated that handle off-track was a little weak while the handle on-track was strong with good attendance on the apron. Mr. Heldt advised that a meeting has been scheduled with the quarter horse representatives to discuss the weaknesses and strengths of the meet; they are looking for ways to improve next year.

Commissioner Hayes commented on an ad for the quarter horse meet that he had seen on television. Mr. Palmer stated that the ad was a joint effort by the quarter horse representatives and the track's marketing group; that everyone was pleased with how it turned out.

Chair Urban asked Mr. Heldt to comment on the track surface report distributed at the August Commission meeting. Mr. Heldt stated that he did not have anything to add to the information distributed; the issue is still synthetic vs. dirt.

Mr. Heldt advised that the standardbreds are racing on a packed surface. Track personnel worked the track surface on Wednesday, Thursday and Friday, and the standardbreds started racing on Saturday. The track was slow on the first day, but adjustments have been made and the drivers have since indicated they are pleased with the surface. Everyone feels it is a safe surface.

With regard to the upcoming referendum in November, Chair Urban stated that she had received a postcard from PMR&C, as well as a robo call. She moved on to the contracts. Mr. Palmer submitted the following contracts for Commission approval:

- Delta Dental – Employee Dental Insurance
- Hawkeye Foodservice Distribution – Food, Equipment & Supplies
- Reinhart Food Service – Food, Equipment & Supplies
- Wellmark Blue Cross Blue Shield of Iowa – Employee Medical Insurance
- Wood Roofing – Roofing Contractor

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by PMR&C. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-112)

Chair Urban called on Bob Thursby, General Manager of Lakeside Casino. She explained to Mr. Thursby that the Commission had approved all of the submitted contracts except for US Foodservice as there were questions concerning the contract.

Commissioner Harrison, noting that the contract indicated bids had been received from Martin Brothers and Rinehart, inquired as to the amount of those bids. Mr. Thursby advised that the bid from Martin Brothers was \$819,945, or 35% higher. The bid from Rinehart was \$812,000, or 34% higher. Commissioner Harrison stated that the bids from the other companies would have been helpful to the Commissioners in determining why one vendor was selected over another. Mr. Thursby stated that US Foodservice advised him that they are opening an office in Des Moines.

Hearing no further comments or questions concerning the contract between Lakeside and US Foodservice, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contract as submitted. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-113)

Chair Urban moved to Public Comment, and called on Tom Lopic. Mr. Lopic stated that he addressed the Commission a year ago and asked the Commission to consider giving the quarter horses an opportunity to have a stand-alone meet. He thanked the Commissioners for providing the opportunity; and also thanked Mr. Palmer and Mr. Heldt. He stated that he went to their offices, unannounced last fall and requested a meeting. Mr. Lopic advised that prior to this time, he had not been involved in the process for setting up a meet, but wanted to express some concerns. He stated that Mr. Palmer and Mr. Heldt were very professional and listened to his comments. He further stated that Mr. Heldt and Chad Keller have gone above and beyond in raising the level of the quarter horse meet. During his extensive travels, he kept hearing comments about PMR&C, Mr. Heldt and Mr. Keller. He estimated that PMR&C had the second largest field of horses in the country. He noted that the fields last year averaged 8 horses per race while this year there were 8-9 races per day with an average of 9 horses per race. Mr. Lopic stated there were many races every day where 20-30 horses entered, and Mr. Keller had to keep the owners, trainers and jockeys happy. He advised that he had been approached by numerous individuals who had traveled to various states to race that informed him that no one put on a better meet than PMR&C. Mr. Lopic stated that he feels the quarter horse meet will only improve; that PMR&C has opened the door for quarter horse racing in Iowa. He feels there will be significantly more horses at the meet next year.

Mr. Lopic thanked the Commissioners for their work and due diligence, and efforts in making improvements at PMR&C. He feels the hotel will help the situation at PMR&C tremendously.

Mr. Lopic commented on a recent article by Dan Johnson in The Des Moines Register regarding the decrease in the number of foals born in Iowa. Mr. Lopic indicated the figures contained within the article were correct, but attributed the decrease to the uncertainty surrounding the industry. He stated that six new owners, who have never foaled in Iowa before, have approached him about bringing their mares to Iowa to foal.

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

MINUTES TAKEN BY:

JULIE D. HERRICK

**IOWA RACING AND GAMING COMMISSION
MINUTES
NOVEMBER 10, 2010**

The Iowa Racing & Gaming Commission (IRGC) met on Wednesday, November 10, 2010 at Stoney Creek Inn & Conference Center in Johnston, Iowa. Commission members present were Toni Urban, Chair; Paul Hayes, Vice Chair; and members Kate Cutler, Andrea Harrison and Greg Seyfer.

Chair Urban called the meeting to order at 8:30 AM. She congratulated all of the licensed facilities and non-profits on the successful passage of the mandated referendums. Chair Urban noted the following changes to the agenda: Argosy Casino is withdrawing the contract with Majestic Industries; add a contract with Ainsworth Technology for Wild Rose Emmetsburg, and Agenda Item 11 is being postponed. She requested a motion to approve the agenda as amended. Commissioner Cutler so moved. Commissioner Harrison seconded the motion, which carried unanimously.

Chair Urban then requested a motion to approve the minutes from the October 7, 2010 Commission meeting. Commissioner Hayes moved to approve the minutes as submitted. Commissioner Cutler seconded the motion, which carried unanimously.

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

- December 2010 – No Meeting
- January 13, 2011 – Stoney Creek Inn, Johnston, IA (Submissions due by December 29, 2010)
- February 2011 – No Meeting
- March 3, 2011 – Stoney Creek Inn, Johnston, IA (Submissions due by February 17, 2011)
- April 14, 2011 – Harrah's, Council Bluffs, IA (Submissions due by March 31, 2011)

Chair Urban moved to a discussion relating to the charges filed by the special prosecutor appointed by the Attorney General in the matter of alleged illegal campaign contributions by two licensees. Commissioner Seyfer stated that the Commission has been aware of the ongoing investigation and the filing of the misdemeanor charges. He believes the Commission should let the judicial process run its course; and advised that he does not intend to make any comments regarding the matter during the process. Commissioner Seyfer stated that he does not feel the Commission should take any action, if any, until all of the evidence has been presented and the final disposition has been made public.

Commissioner Cutler voiced her agreement with Commissioner Seyfer's comments. Commissioner Hayes also concurred, noting that this agenda item is a non-action item, and that any comments from him would be speculation as he does not have all of the facts of what happened; that it is a matter for the courts to decide.

Chair Urban moved to the contract approval portion of the agenda and called on Lakeside Casino. Bob Thursby, General Manager, presented the following contracts for Commission approval:

- AC Coin – Slot Leases/Parts/Supplies and Slot Machines
- Alliant Energy – Gas & Electric Service
- Aristocrat – Slot Leases/Hardware-Software Maintenance Agreement/Parts/Supplies/Slot Machines
- Atronic America – Slot Leases/Parts/Supplies and Slot Machines
- Bally – Slot Leases/Parts/Supplies and Slot Machines
- Citadel Broadcasting Company – Radio Advertising
- Clarke County Development – Contributions for Terrible's Lakeside Casino Community Fund
- ColorFx – Marketing Services
- Core-Mark International – Purchases for Resale at the C-Store (Candy, Food, Tobacco & Supplies)
- Crawford Law Firm – Legal Services
- Cummins-Allison – Kiosk Machines
- The Des Moines Register – Marketing Services/Advertising
- Golden Eagle Distributing – Purchase of Beer for Resale at Casino and C-Store
- Guardian Life – Life and Dental Insurance
- Holmes Murphy – Property/Casualty/Liability & Workers Comp Insurance
- International Gaming Technology – Lease of Slot Machines/Parts/Supplies and Slot Machines
- Konami – Lease of Slot Machines/Parts/Supplies and Slot Machines
- Loffredo – Purchase of Fresh Produce for Kitchen
- Martin Brothers – Purchase of Food and Supplies for Kitchen
- Metro Fish – Purchase Food for Kitchen
- Global Payment Check Services – Patron Check Processing Guarantee Service
- Osceola Municipal Services – Water & Sewer Service
- Pepsi – Beverages for Patrons/Employees and Resale
- Principal Financial Group – 401K Plan
- Roberts Dairy – Food & Supplies for Kitchen – Dairy Product
- Spurrier Oil Co., Inc. – Fuel Purchase for C-Store
- Sysco – Purchase Food and Supplies for Kitchen
- WMS Gaming – Lease of Slot Machines/Parts/Supplies

Commissioner Cutler asked about the contract with Guardian Life for life and dental insurance, and wondered if the contract was negotiated by the parent company in Nevada. Mr. Thursday indicated that was correct; that the health portion was submitted at a previous Commission meeting. Herbst Gaming checked with Blue Cross Blue Shield, but found the costs to be prohibitive.

Hearing no further comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Lakeside. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-114)

Chair Urban called on Lyon County Resort & Casino (LCRC). Joe Massa, Chief Operating Officer, and Sharon Haselhoff, General Manager, were present to address the following items before the Commission:

- Commercial Interiors – Construction – Flooring (Wood, Tile, Carpet)
- DLR Group/KKE – Construction – Architect Name Change
- Rapids Food Service – Construction – Purchase Food Service Equipment
- Seffl Drilling & Pump, Inc. – Construction – Geothermal Wells
- TSP – Construction – Additional Excavation Change Orders
- Authorization for LCRC to Enter into an Operating Agreement with Grand Falls Casino Resort (GFCR)
- Authorization LCRC to Transfer all Assets, including Gaming License, Cash, Real Estate, etc. to GFCR
- Authorization for LCRC to assign all contracts to GFCR

Chair Urban advised that the Commission would take up the vendor contracts separately from the other agenda items.

Chair Urban called for any questions concerning the vendor contracts. Hearing none, she requested a motion. Commissioner Seyfer moved to approve the vendor contracts as submitted by LCRC. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-115)

Commissioner Harrison thanked Mr. Massa and Ms. Haselhoff for the way the bids from other vendors are shown on the submitted Request for Transaction Approval forms as it provides a broader picture of the bids being received. She also noted their ability to negotiate lower bids in some cases.

Chair Urban asked Mr. Massa to address the remaining items before the Commission. Mr. Massa advised that the last four items are related to the financing of the Lyon County project. The format is the same one that was used at Riverside. Mr. Massa advised that the company was originally formed as a limited liability corporation for the purpose of soliciting investors for the project. He noted there are over 400 individual investors that own membership units. In order to simplify the financing process moving forward, rather

than having all of the individuals pledge their units as collateral, LCRC formed a subsidiary of the initial corporation and transferred all of the assets and agreements to the subsidiary which is wholly owned by the first limited liability corporation, which then has the ability to pledge the membership units and stock to the bank, thus giving the bank control of everything they need in order to provide the financing.

Chair Urban called for any questions for Mr. Massa or Ms. Haselhoff. Commissioner Hayes asked if LCRC was required to get approval in order to transfer any of the contracts, management agreement, etc. Mr. Massa stated that the agreements before the Commission authorize the corporation to enter into an Operating Agreement with Grand Falls Casino and Resort, a limited liability corporation. Everything is assigned, just not by the individual investors.

Hearing no further questions or comments, Chair Urban requested a motion to approve the documents with regard to the financing. Commissioner Harrison so moved. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-116)

Ms. Haselhoff provided the following update regarding the Lyon County project. She indicated that due to the excellent weather the area has been experiencing, the building should be enclosed by Thanksgiving. They are still trying to do some work on the outside of the building. Workers are trying to complete the third level of the hotel; the last footings have been poured, which are for the last half of the building that needs to be enclosed. The website is up and running, and has the ability to provide live updates. They will start placing ads in local newspapers seeking applicants for senior level management positions in the near future.

Mr. Ketterer advised that he had spoken with legal counsel for Wells Fargo, with whom LCRC is pursuing the loan, and Ken Bonnet, with the organization. The Commission felt they had approved the financing at the August meeting, and did not feel a need to approve the submitted commitment letters. Mr. Ketterer asked for clarification on the closing of the financing.

Mr. Massa stated they are working on the closing, and the final documents will be submitted for the January meeting. He advised that no funds would be released until after the final closing.

Chair Urban called on Riverside Casino & Golf Resort (RCGR). Dan Franz, General Manager, presented the following contracts for Commission approval:

- Mercy Iowa City – Additional Medical Health Plan Costs for 2010
- Shuffle Master, Inc. – Table Games and Shuffler Licenses and Lease Agreement

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

Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-117)

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

- Dell Marketing, LP – Computers, Software, Peripherals
- Mid-America Center – 5-Year Luxury Suite License Agreement
- Metropolitan Entertainment & Convention Authority (MECCA) – 5-Year Club Seat License Agreement
- Trace 3 – Product and Support for Network Attached Storage

Commissioner Hayes, noting the supporting documentation stated there was no Iowa resource, asked how Ameristar determined that. Ms. Bell stated that no Iowa company sold the product needed to support their network.

Hearing no further comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Ameristar. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-118)

Chair Urban called on Argosy Casino – Sioux City (Argosy). Kees Eder, General Manager, presented the following contracts for Commission approval:

- Williams Gaming – Additional Slot Product
- Shuffler Master, Inc. – Automatic Shufflers and Maintenance

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Argosy. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-119)

Chair Urban called on Isle of Capri Bettendorf (IOCB). Nancy Ballenger, General Manager, presented a contract with the City of Bettendorf agreeing to a trail easement in order to extend the bike path through Isle-owned land. The path will be along the Mississippi River and has the potential of extending to Clinton and Savannah. This will be the only area along the river where the American Discovery Trail and the Great Mississippi Trail merge together. It is viewed as a tourism opportunity.

As there were no comments or questions, Chair Urban requested a motion. Commissioner Cutler moved to approve the contract as submitted by IOCB. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-120)

Chair Urban called on Harrah's. Janae Sternberg, Director of Finance, presented a contract with Busco d/b/a Arrow Stage Lines for transportation of patrons to the casino.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Harrison moved to approve the contract as submitted by Harrah's. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-121)

Chair Urban called on Diamond Jo (DJ). Kim Pang, General Manager for Diamond Jo Worth, presented the contract with Rockford Charter for motor coach transportation.

Hearing no comments or questions concerning the contract, Chair Urban requested a motion. Commissioner Cutler moved to approve the contract as submitted by DJ. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 10-122)

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

- Heartland Payment Systems – Credit Card Processor
- WMS – New Slot Machines
- IGT – New Slot Machines
- Aristocrat – New Slot Machines
- Bally Technologies – New Slot Machines
- Ainsworth game Technology – New Slot Machines
- Konami – New Slot Machines
- Atronic Americas, LLC – New Slot Machines

Hearing no comments or questions concerning the contracts, Chair Urban 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. 10-123)

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

- Aristocrat Technologies, Inc. – New Slot Machines and Related Equipment
- International Gaming Technology (IGT) – New Slot Machines and Related Equipment
- WMS Gaming, Inc. – New Slot Machines and Related Equipment
- Heartland Payment Systems – Service Fees for Processing Electronic Credit Card Transaction Funds for Purchases from Non-Gaming Venues

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Harrison moved to approve the contracts as submitted by WRC. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-124)

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

- Lithographic Communications – Direct Mail Vendor
- Microtel Inn & Suites – Guest Lodging
- Shuffle Master, Inc. – Purchase and Maintenance of Shufflers

Hearing no comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by LLCM. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-125)

Chair Urban called on Mystique Casino (Mystique). Roger Hoeger, Assistant General Manager, submitted the following contracts for Commission approval:

- American Trust & Savings Bank – Full Service Banking Agreement (RP)
- American Trust & Savings Bank – Refinancing and Increasing Debt (RP)

Commissioner Hayes asked how much of the above refinancing and increased debt was existing debt versus new. Mr. Hoeger advised Mystique has existing debt of approximately \$14.3 million, and is looking at the possibility of total debt of \$19.9 million.

Commissioner Hayes asked if this was a current credit facility that was being refinanced with the same lender. Mr. Hoeger answered in the affirmative. Commissioner Hayes asked if Mystique looked at other vendors that were not related parties. Mr. Hoeger advised that American Trust serves as the lead bank; they in turn work with Dubuque Bank and Trust. They are the two largest banks in Dubuque. Commissioner Hayes asked how the banks split the loan. Mr. Hoeger indicated that American Trust and Dubuque Bank and Trust are splitting the \$14.9 million. Mystique is taking on a total of \$19.9 million debt; there are two separate notes-one for \$14.9 million and another for \$5 million. The bigger loan is being split in half by the two banks.

Hearing no further questions or comments concerning the contracts, Chair Urban requested a motion. Commissioner Cutler moved to approve the contracts as submitted. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-126)

Chair Urban moved to the next agenda item – request for approval of the operator's license for HGI Lakeside, Inc. Jerry Crawford, speaking on behalf of HGI Lakeside,

stated they were seeking regulatory approval. He stated the management contract is assignable; the assignability issue was thoroughly litigated in the Bankruptcy Court in Reno, Nevada. The Judge ruled that under Bankruptcy law, Iowa law and the terms of the contract, that the agreement was assignable. The Judge stated in the ruling: "For the avoidance of all doubt, objections to confirmation of the plan filed by Clarke County Development Corporation (CCDC) are hereby overruled in all respects and ever shall be and are permitted to assume and assign the management and operation agreement and all ancillary agreements thereto, subject only to the regulatory approval by the Iowa Racing and Gaming Commission." Mr. Crawford stated that subsequent to that ruling, there was no appeal of the ruling by CCDC; therefore, the issue of assignability is resolved. He noted that the Commission has received information indicating that Herbst Lakeside is a qualified entity and requested the Commission's approval.

Doug Gross, representing CCDC, informed the Commission that representatives of the Clarke County Water Board and City were present. Mr. Gross stated that CCDC was before the Commission as this is a case of first impression as Iowa has never had an operator go bankrupt. He noted that Terrible's holds the operator's license while CCDC owns the gambling games and license, creating a partnership. Mr. Gross stated that he is not aware of a previous instance where both the for-profit operator and non-profit license holder were not before the Commission in support of licensure. He asked the Commission to delay their decision and ask Terrible's to work with the non-profit partner so that both parties may come before the Commission to seek approval of the license. Mr. Gross stated that CCDC has been trying for the last year to get Terrible's attention; CCDC has written 3-4 letters, and Terrible's dragged CCDC through the Bankruptcy Court in Nevada where they had to hire Nevada bankruptcy counsel to try and defend their interest in a Nevada court. Everything centered on the issue of the assignability of the contract. Mr. Gross noted that when Terrible's purchased the operation from Herbst in 2004, it was very clear to Terrible's that the CCDC had to approve the contract before it could be assigned. CCDC and Terrible's negotiated a new agreement at that time, which was approved. However, this time around CCDC resisted the notion that the contract was assignable and went to Bankruptcy Court in an effort to prevent that.

Mr. Gross stated that he was not before the Commission to re-litigate Bankruptcy Court issues. He stated that the Commission's responsibility under Iowa law is not supplanted by a Nevada Bankruptcy Court, noting that the Bankruptcy ruling stated that the contract was assignable *subject to the regulatory approval of the Iowa Racing & Gaming Commission*. (Emphasis added) It is Terrible's argument that that statement means that the Commission only needs to review the backgrounds of the individuals and nothing else. Mr. Gross pointed out that Terrible's submitted an application for a new license as licenses are not transferrable in Iowa. He noted that when the Commission considers a new license, they look at the financial impact on the community. In this case, the share that is being provided to the local non-profit partner is the lowest percentage in the state – 1.5%. CCDC is simply asking for a fair shake – at least the statutory minimum of 3% as established in 2004. Mr. Gross stated that Terrible's has never engaged in good faith negotiations or discussions to try and negotiate a new agreement. He indicated the first

time CCDC heard from Terrible's officially was October 29th when they had a scheduled meeting, which the President of the company failed to attend. At the meeting, CCDC asked who would be on the Board of Directors; company representatives referred CCDC to SEC Form 10. Mr. Gross stated that he reviewed the form and found that the licensee is a group of creditors (banks) that made large loans to Terrible's and ended up getting caught in Terrible's financial problems, which were not caused by the Iowa or any of the Midwest operations. Mr. Gross stated that instead of selling the assets of the entity, the banks decided to hold on to the assets in order to drive the value up and sell them later. Their current goal is to cut costs as much as possible in order to increase their returns in order to make back the money lost. Mr. Gross stated that the issue before the Commission is whether the people of southern Iowa should be hurt because the bankers on Wall Street want to recover money lost due to bad loans. He noted that the licensee (banks) would suggest that the Commission has no role in that; that the Bankruptcy Court took it out of the Commission's hands. Mr. Gross pointed out that one of the Commission's statutes states that one of the factors associated with the Commission's decision regarding a new license is what the financial impact will be on the community. He asked the Commission to instruct the new licensee to negotiate with CCDC in good faith to determine if the parties can reach an agreement that treats the people of Osceola and southern Iowa fairly, noting that has not happened to this point. Mr. Gross noted that company representatives have taken the position that not only does the Commission not have any role in this decision, that the Bankruptcy Court has the sole responsibility for this matter; they further state that the company would have a difficult time from a financial standpoint in adjusting in any way the percentage of funds that CCDC receives. However, SEC Form 10 shows that the company made \$13.7 million during the first six months of this year, and the Midwest operations of the company are extremely profitable negating the argument that they do not have sufficient resources to provide a more equitable split to the non-profit. Mr. Gross stated that the company has cut costs significantly; and indicated to CCDC that is how they achieved the additional profit.

Mr. Gross advised that Terrible's has a contract with the City and Water Board in Osceola that requires them to maintain an employment level of 500 at all times; he stated they are well below that number, and could possibly be below 400. The company attempted to get the City to change the contract so that they would not be in violation. The Water Board, a party to that contract, blocked the move.

Mr. Gross stated that company representatives will assert that if the Commission does not approve this application today, their ability to get licensed in other jurisdictions will be jeopardized; that they need to move quickly in order to get this accomplished. He stated that after further review of the SEC Form 10 filing, Mr. Gross found that the company has a February 5 deadline for substantial consummation of the bankruptcy effort. He noted that the February 5th date can be extended by mutual consent of the parties. Mr. Gross noted that the Commission's next meeting is scheduled for January 13th. He asked the Commission to inform company representatives that they should work with CCDC to resolve the issue with the non-profit partner and return on January 13th with a new

agreement with CCDC that treats them fairly so that both parties can support the license application.

Commissioner Hayes asked Mr. Gross what percentage CCDC would receive from the operations if there had not been any bankruptcy proceedings. Mr. Gross stated that CCDC gets 1.5% of gross revenue. Commissioner Hayes asked how long they would continue to receive that amount. Mr. Gross indicated they would receive the 1.5% until there was a sale or an attempt to get a new licensee at that location, which is what happened when Herbst sold the operation to Terrible's. He advised that the contract in and of itself clearly is not assignable; however, the Bankruptcy Court allowed it to be assigned due to the bankruptcy. The contract requires CCDC's approval in order to be assigned, and they would have negotiated an additional percentage at the time of the transfer of the previous entity to a new entity. Mr. Gross stated that the Commission may be wondering why CCDC feels they are entitled to an additional percentage, or money, at this time. He advised that he is approaching this from a business standpoint: the company is asking the non-profit entity to assume a new partner in this venture; a partner who has not previously operated a gambling facility and consists of 142 creditors whom he feels will flip the business as quickly as they can. In his opinion, they are asking CCDC to assume a higher level of risk and feels the business should offer additional funds to offset the higher risk levels. Mr. Gross noted that CCDC did accept a lump sum payment from Herbst in 2004 as they had felt they were underpaid prior to that time, and are glad that they did so as Herbst went bankrupt shortly thereafter. He stated that it is standard business procedure to get paid when assuming larger risks.

Additionally, during the October meeting, CCDC inquired as to plans for landside development, as that is an important issue for the community. Company representatives showed CCDC pictures that CCDC had given to them over the last several years of ideas that CCDC had regarding landside development. CCDC representatives asked if these were commitments being made to the community; company representatives answered in the negative. They also asked for any market studies CCDC might have done in order to determine what type(s) of development would make sense within the community. Mr. Gross advised that the company is a long way from making any commitment to landside development. He stated that while he understands what the licensee (creditors) are going through; it does not change the regulatory structure in Iowa. He indicated the company should respect, and attempt, to work with their non-profit partner.

Hearing no further questions for Mr. Gross, Chair Urban called for any questions of Mr. Crawford. Commissioner Cutler asked him if he represented the new entity. Mr. Crawford advised that the new entity is not yet in a position to make decisions, nor will it be until the matter comes out of Bankruptcy Court and the new board is officially constituted. He stated that he anticipates a continued relationship with the new company.

Chair Urban stated that she recalled someone addressing the Commission about a new hotel shortly after the bankruptcy proceedings started, and that the Commissioners had wondered how a new hotel could be built during bankruptcy proceedings. She inquired

as to the status of the new hotel. Mr. Crawford concurred with Mr. Gross' comments about the October 29th meeting, and noted that they had also met on numerous occasions prior to that over an extended period of time with the Executive Director of the CCDC. The company now understands that the CCDC does not consider that to be satisfactory to the Board of CCDC. Mr. Crawford advised that company officials have briefed the Executive Director of CCDC, the full CCDC, and the Mayor of Osceola on the development that Mr. Ross, the current, and anticipated, CEO, intends to recommend to the new Board of Directors once they are officially constituted. He advised that the development plans that Mr. Ross intends to recommend are very exciting, and indicated that he believes anyone who has seen the plans would concur. As to whether or not they are ideas that came from Osceola or CCDC, Mr. Crawford advised that the ideas shown to the CCDC are ideas that Mr. Ross has implemented at various times in Las Vegas in conjunction with other entities and properties. Mr. Crawford pointed out that CCDC was invited to go to Las Vegas to see what Mr. Ross had done along the lines of what he is now suggesting and recommending for Osceola. CCDC originally agreed to travel to Las Vegas, and then decided not to go. Mr. Crawford stated that the prior guarantee of an extension of the existing hotel by 80-100 rooms does not begin to touch what is now being contemplated for development in Clarke County. He indicated the forthcoming proposed development will be worth far more than any incremental percentage.

Mr. Crawford stated that Mr. Gross was correct when he stated that the company had not been paying 1.5%; Mr. Crawford stated they have been paying 2.5% as they prepaid 8 years of an additional percent. He noted there were a couple of casino projects in Iowa where the local communities did not have the resources to do the infrastructure, Osceola being one of those communities. The original developer, William Grace, covered the costs himself in exchange for a lower payment to the CCDC; this was done prior to the time the statute was passed requiring a minimum payment of 3% to the non-profit from the operator. Mr. Crawford stated that for the first 8 years of the agreement Herbst has paid 1.5% plus 1; starting in 2012, Herbst has to pay 1.5% plus 1% and will receive a 50% credit for development projects that have already been agreed to by definition in the agreement with CCDC. He provided further clarification: Herbst is paying the original 1.5%, a future 1/2%, and the additional 1% of expenditures necessary in order to receive the 1/2% credit, which equals 3% in costs/contributions to Clarke County beyond 2012. Mr. Crawford again stated that the contribution from a cost standpoint will be significantly greater than 3%, and believes that the community will benefit in multiple ways in excess of 3%.

Chair Urban stated she feels the Commission would need a guarantee of improvements to the casino, whether it is a hotel or other kinds of development. A hotel or other development would increase the revenue and in turn, increase the amount CCDC receives. She asked if anyone was willing to put their signature on the line with regard to future development. Mr. Crawford advised that no one can legally commit to future development as the jurisdiction in this matter is still with the Bankruptcy Court. He indicated the only way that could happen is if the bankruptcy case were to be reopened; however, he feels there would be an overwhelming number of objections based on the

large number of creditors. He does not feel that is a viable option at this late date. Mr. Crawford stated that the core issue is whether or not the agreement is assignable.

Commissioner Seyfer asked the earliest date that the matter would be out of bankruptcy court. Mr. Crawford indicated it would be the end of the year. Commissioner Seyfer clarified he meant 2010. Mr. Crawford answered in the affirmative. Commissioner Cutler asked if the new board members would be in place at that time. Mr. Crawford again answered in the affirmative. Commissioner Cutler asked Mr. Ketterer if all of the new directors had been backgrounded. Mr. Ketterer answered in the affirmative. Mr. Crawford pointed out that the new board members have a significant amount of gaming experience amongst them. Commissioner Cutler clarified that it was not within Mr. Crawford's authority to bind the new entity. Mr. Crawford advised that no one present at the meeting had the authority to bind the new entity. Commissioner Cutler called for rebuttal from Mr. Gross.

Mr. Gross stated that the company has been hiding behind bankruptcy for a year. He noted that bankruptcy is to provide a shield from your creditors; but does not feel it should be able to shield a company from its partner. He stated that the company has been using the bankruptcy process as a shield from CCDC since the very beginning. Mr. Gross stated that the matter before the Commission is not about the assignability of the contract, but whether the licensee is going to provide significant financial support worthy of the Commission determining that they should receive a license at this time. He noted that every new licensee appearing before the Commission makes promises, even though they may not be constituted or financed. Mr. Gross stated that CCDC has asked the company to enter into negotiations for a new agreement that is contingent upon all of the necessary approvals from the bankruptcy court and regulatory approvals; however, the company has refused to do so. He pointed out that Mr. Crawford does not represent the new company; Sean McGuinness, who was present, does. Mr. Gross pointed out there is no reason the company can not enter into good faith negotiations with CCDC subject to the Commission's approval and licensure, which is what CCDC is requesting. He advised that CCDC is all for any landside development that might be done, but noted the company is not willing to make any commitments related to said development. Mr. Gross stated he is not aware of any situation where the Commission has approved a new license/entity that has not made any binding commitments associated with any development. He noted the company is indicating they can not do so while they are in bankruptcy; however, the Bankruptcy Court ruling indicated that bankruptcy action was subject to the Commission's regulatory responsibilities. Mr. Gross expressed his hope that the Commission, in this case of first impression, would not cede its authority over what happens in Iowa to a bankruptcy court in Nevada.

Commissioner Seyfer stated that he thinks bankruptcy trumps the issue, and that as long as the approvals and backgrounds have been done then the Commission is bound to agree to the assignment of the license. He expressed his hope that all parties are trying to work toward a common goal. Commissioner Seyfer stated that the Commission would like to know, and have some assurance, that there are going to be improvements made in

Osceola. He indicated the operator and non-profit need to work together. He asked Mr. Ketterer if the Commission could approve a license at this time that would be good through March 31, 2011. Mr. Ketterer answered in the affirmative; that the excursion boat licenses are valid from April 1 to March 31. He noted that renewal applications are due from all of the licensees, other than the pari-mutuel facilities, by December 31. The Commission will take those applications up at the Commission meeting on March 3, 2011.

Commissioner Hayes stated it was his understanding the Commission could approve the license today, and the company would be out of bankruptcy prior to the licenses being renewed in March, giving the parties some time to try and come to an agreement. He stated that he would expect the license renewal application to contain some expansion-type plans.

Commissioner Cutler, noting that the renewal applications are due by December 31st, asked if they could be amended. Mr. Ketterer answered in the affirmative.

Hearing no further comments or discussion, Chair Urban called for a motion. Commissioner Seyfer again stated that he felt the Commission was bound by the bankruptcy proceedings to approve the assignment. He likes the idea of trying to find a way over the next three months to assure the Commission that things are moving forward.

Commissioner Hayes expressed concern about the fact that Herbst wants to keep the operator's contract in place as is; however, the community would like to have it modified to provide a greater benefit to them. He noted there is another contract involving the Water Board that Herbst is not living up to, and the community would like to see them live up to that contract. Commissioner Hayes suggested that Herbst should live up to the contract; that they can't have it both ways.

Commissioner Cutler moved to approve the transfer/assignability of the license with the following conditions:

- The Commission staff shall receive regular updates of ownership interests in HGI Lakeside, due to the frequency of changes in the ownership interests in order to assure that all necessary background checks are performed.
- HGI Lakeside shall immediately notify Commission staff if any institutional investor not previously qualified subsequently determines that they would exercise influence over the affairs of HGI Lakeside. (The Commission would likely require the entity to complete background forms.)
- Pursuant to the forgoing discussion, the Commission would expect firm plans in place by the March 3rd meeting regarding a new hotel or other amenities that will be added so that both parties are assured that things will move forward

Commissioner Seyfer seconded the motion. Chair Urban called for any further discussion.

Mr. Ketterer noted there are approximately 142 banks and a number of entities that own less than 5%. IRGC typically does backgrounds on institutions or any ownership interests above 5%. If there is some consolidation among the banks or minority interests that causes them to exceed 5%, then the Commission would be notified in order to determine if a background check was necessary.

Hearing no further comments or discussion, Chair Urban called for the vote. The motion carried unanimously. (See Order No. 10-127)

Chair Urban called on Iowa West Racing Association and Horseshoe Casino/Bluffs Run Greyhound Park. Lorraine May, legal counsel for Horseshoe Casino, informed the Commission that the Arbitration Decision before them maintains the status quo – the percentages remain the same; it is very similar to previous arbitration decisions. She stated that it does not contain any limitations on Bluffs Run with regard to lobbying; no agreement with regard to the 2% check off or the escrow fund. She stated that the decision is purely a purse supplement agreement.

Mr. Crawford, representing the Iowa Greyhound Association (IGA), stated that he agreed with most of Ms. May's comments. He stated that he had not intended to address the Commission on this issue until Ms. May mentioned the 2% check off. He stated the procedure has been in place for many years; it is a voluntary check off by the individuals who win the purses to escrow the money for use by the IGA. Mr. Crawford stated that the IGA hoped Bluffs does not intend in any way to be punitive about the result of the arbitration by refusing to continue to provide for the check off in the future. He indicated that while he did not hear that Bluffs was going to end the check off; if they were going to end the check off, they would do so prior to the next Commission meeting, thus preventing IGA from raising the issue with the Commission. Mr. Crawford asked for assurance that the 2% check off would continue and that no effort would be made to end it.

Ms. May advised that the 2% check off is not a matter of the purse supplement or subject to arbitration or anything else. She noted that it has been contained in the contracts that Bluffs Run has with the various kennels. She indicated that it has become a substantial bookkeeping issue for the facility and is something Bluffs Run has been looking at terminating for quite some time. Ms. May advised that Bluffs Run does intend to cease collecting the 2% check off as of January 1, 2011; that it will not be contained in the new kennel contracts that will be issued. She stated there is nothing punitive in Bluffs Run's action as there is no change in the purse supplement; that ending the check off is a change in a procedural process and the operation of the track itself.

Mr. Crawford stated that Bluffs Run's action would prevent the IGA from financing its activities; that it would be a death blow for the IGA. He stated that the money belongs to

IGA and that individuals entitled to the funds are asking that it be set aside and paid separately. He reiterated that the process has been in place for many years. He noted there was one other attempt to cease doing the check off that was brought to the Commission, and it was continued. Mr. Crawford stated the check off is a very important matter to the IGA; ending the check off would make it impossible for individuals to use their private funds to retain legislative and legal counsel. He referenced the legislative fight Harrah's initiated a year ago to end greyhound racing. Mr. Crawford asked the Commission to use its authority to make it clear that the IGA should be allowed to continue to escrow its own dollars from the purses.

Commissioner Seyfer asked if the issue was raised during arbitration. Ms. May indicated that it was not; that the check off is not the subject of the arbitration, and can not be a part of the arbitration decision. Commissioner Seyfer asked if the Commission could make a decision on this issue. Ms. May stated that the Commission can decide anything they want with regard to the kennel contract; she pointed out that there is nothing in the contract that would prevent the kennels from sending the money directly to the IGA.

Commissioner Hayes clarified that the check off is withheld from the winnings. Ms. May indicated that was correct, and reiterated that there is nothing preventing the kennels from withholding the funds and sending the funds directly to the IGA. She stated that the track is not withholding funds from the IGA that were previously available to them; the track is simply ceasing to act as a bookkeeper.

Commissioner Seyfer asked how much processing the check off money costs the facility each year. Ms. May stated that she did not know. Commissioner Seyfer stated that since it is apparently such a big issue, he thought someone would have an approximate number. Ms. Sternberg indicated it takes approximately one hour per week at \$25.00/hour. Ms. May pointed out that in addition to managing the check off for the kennels; they also have to do so for the individual owners. She advised there are over 1,000 dogs at Bluffs Run, and the individual owners can determine if they want the funds withheld or not – another area requiring time from Bluffs Run personnel. Ms. May stated that if the industry wants to support IGA, then they should be willing to pay IGA directly.

Commissioner Cutler stated that IGA hopes the industry people would have the funds taken directly out of their check. Ms. May stated that is what Bluffs Run is currently doing; the issue now is whether the Commission can force Bluffs Run to continue doing so at this time.

Chair Urban stated that the issue before the Commission today is the arbitration decision. Ms. May concurred, noting that the 2% check off issue was not even on the agenda.

Chair Urban indicated the following individuals were attendance at the arbitration negotiations: Jerry Crawford, Jim Quilty, and Mark McCormick. She stated the Commission would move on and return to the Arbitration Decision.

Mr. Crawford stated that he tried to do the math. He feels the check off costs Bluffs Run approximately \$2,500 per year; he stated that IGA would cover the cost. He stated that the matter has to be decided because Bluffs Run will cease the check off before the Commission meets again, leaving the IGA with no redress. Mr. Crawford pointed out how much easier it is for Bluffs Run to send one check per week versus the difficulty for IGA to send out invoices to hundreds of greyhound owners.

Commissioner Seyfer concurred that the Commission needed to return to the arbitration decision; however, he noted that one of the paragraphs states that “All parties to the negotiations ... shall consider that the dog racetracks were built to facilitate the development and promotion of Iowa greyhound racing dogs in this state and *shall negotiate and decide accordingly* (emphasis added).”

Commissioner Seyfer moved to approve the Arbitration Decision, but stated that as part of the license renewal approval he would like to see a condition that the 2% check off continue with the IGA covering reasonable costs up to \$2,500. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-128)

Chair Urban moved to the granting of race dates for Bluffs Run for 2011. Bo Guidry, General Manager, noted they have requested race dates of January 1 through December 31, 2011 with six performances per week for a total of 302 performances. Matinee performances and post times requested are Tuesday through Saturday at 4:00 PM with 15 races per performance. They have also requested the continuation of year-round simulcasting.

Hearing no comments or discussion regarding the submitted race dates, Chair Urban requested a motion. Commissioner Cutler moved to approve the race dates as submitted by IWRA/Horseshoe Casino/Bluffs Run Greyhound Park. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-129)

Chair Urban moved to the renewal of the pari-mutuel and racetrack enclosure licenses for IWRA/Horseshoe Casino for 2011. Todd Graham, Executive Director of IWRA, requested the Commission's support of the license renewal. He noted that IWRA's relationship with the three gaming facilities in Council Bluffs has been very beneficial to the community, and the facilities are key corporate citizens in the area. Mr. Graham advised that the referendum on the continuation of gaming and pari-mutuel racing passed with 80% voting in favor of the measure. He informed the Commission that as of earlier this year IWRA has distributed \$250 million in grants to the community. He highlighted a few of the projects that have received funding, with the most important area being education. Another area is neighborhood transformation, and they have funded the establishment of a neighborhood center, which lead to the creation of 12 new neighborhood associations. Additionally, IWRA has started a public art program and is helping to restore historic downtown Council Bluffs. He again requested the Commission's support of the license renewal application. Mr. Graham turned the floor over to Mr. Guidry.

Mr. Guidry advised that Horseshoe Casino has an excellent relationship with IWRA, and would be happy to continue working with the entire team.

Hearing no comments or questions regarding the license renewal application, Chair Urban requested a motion. Commissioner Seyfer moved approval of the license renewal application of IWRA subject to the following staff recommendations:

- The import and export contracts should continue to have the review and approval by staff to insure regulatory compliance.
- Continuous review of racetrack maintenance issues and monitoring of injuries in cooperation with the IGA and IRGC representatives.
- The 2% check off shall continue with IGA reimbursing expenses associated therewith up to an amount not to exceed \$2,500.

Commissioner Hayes seconded the motion.

Ms. May advised that there are hundreds of lease contracts, some of which request the check off and others that do not; she requested that any funds paid in error to the IGA, the IGA is responsible for reimbursing those funds so that any funds that should not have gone to them doesn't. Mr. Crawford concurred.

Commissioner Seyfer indicated that he would amend the motion to include the above stipulation. Commissioner Hayes concurred.

Hearing no further comments or discussion, Chair Urban called for the vote. The motion carried unanimously. (See Order No. 10-130)

Chair Urban moved to the season approvals for Bluffs Run's 2011 live meet. As there were no comments or questions, she requested a motion. Commissioner Cutler moved to approve the season approvals as submitted by Bluffs Run. Commissioner Seyfer indicated there were staff recommendations that needed to be included; they are as follows:

- That BRGP staff continue to submit simulcast schedule requests for approval by IRGC staff to insure compliance with all regulatory requirements.
- The applicant shall work with Commission staff on an ongoing basis to review procedures related to housing, management, care, infectious control and welfare of racing greyhounds, including periodic review with staff members and IGA members on track maintenance and safety issues.

Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-131)

Chair Urban called on the Iowa Harness Horsemen's Association (IHHA). Royal Roland, President, stated that he wanted to address Prairie Meadow Racetrack & Casino's

(PMR&C) request for 2011 race dates, which does not include any harness racing dates. He noted their organization is not that large and is made up of ordinary people that have a passion for harness racing. He stated the members have invested time, money, sweat and tears to raise approximately 750 standardbred horses that were born or conceived prior to PMR&C's decision to end harness racing at the track. Members proceeded, knowing that only about 60% of the bred mares would have a live foal, as well as the risks of illness and injury, etc. Mr. Roland stated the one thing that did not appear to be a risk was Iowa law, which requires PMR&C to "nurture, promote, develop and improve the racing industry in Iowa." He further noted that the definition of racing in Iowa Code Section 99D.2 refers to quarter horses, thoroughbreds and harness horses. Mr. Roland stated that proposed legislation last year would have changed the criteria and deleted the language "nurture, develop, promote and improve the horse racing industry in Iowa"; however, the language was not adopted, thus providing further assurance to the IHHA that the legislative intent was for PMR&C to support horse racing in Iowa.

Mr. Roland noted that PMR&C's financial support of the IHHA for fifteen years, the Iowa Administrative Code directing PMR&C to nurture and promote horse racing in Iowa, and legislative oversight that affirms PMR&C's obligation to do so were the basis for the IHHA members to proceed in good faith to raise the horses. PMR&C's decision to end racing over the last two years was lead time for the horses that had been raised is going to create a economic disaster for the IHHA members, assuming that they are willing to continue the fair funding, the earning potential of the horses is approximately half of what it was in 2008. Mr. Roland, on behalf of IHHA, respectfully requested that as a condition of the license renewal for PMR&C that the Commission compel them to have some harness racing at the track in 2011.

As there were no comments or questions for Mr. Roland, Chair Urban called for a 10 minutes recess.

Following the recess, Chair Urban called on the Iowa Quarter Horse Racing Association (IQHRA). John Vernon, legal counsel for IQHRA, stated that they did not think they would be before the Commission at this time as they felt the contract issues were put to rest last year when the 3-year contract between PMR&C and the IQHRA was approved by the Commission. That is not the case as PMR&C is seeking to change the quarter horse meet by expanding the thoroughbred meet until August 13, 2011; last year the thoroughbred meet ended on August 7th. If the proposed changes stand, the 2011 quarter horse meet, which ran from August 13th to September 25, 2010, would run from August 19th through October 1st, 2011. The language in both the thoroughbred and quarter horse contracts with PMR&C is the same; it gives the dates for 2010 and then states "The meet shall commence and end on dates similar in time to 2010." Mr. Vernon noted that some people may be wondering why the quarter horse people are concerned about a one-week variation; he stated that it is a very big deal. He stated that the letter sent to the Commission dated November 5th cited the following reasons: overlap and conflict with other tracks, matrix, IQHRA Youth Days and the AQHA Challenge Races.

Mr. Vernon stated that the reason for the expansion of the thoroughbred meet and moving of the quarter horse meet an additional week is that the thoroughbreds want a week longer so that they do not have to race on Thursdays as they were unable to fill the fields for the Thursday races. In his opinion, PMR&C is punishing the quarter horses, even though they were diligent in assuring good field sizes throughout 2010. The IQHRA is very much aware that full fields mean a larger handle. In 2010, there were four quarter horse races with five horses or less; however, there were 54 thoroughbred races with five horses or less. For the quarter horse races, three of the four races were stakes races; for the thoroughbred races, four of the 54 races were stakes races. If you look at those races from a percentage standpoint, the quarter horse had 1.92 % of races with five or fewer horses; the thoroughbreds had 8.95%.

Mr. Vernon stated that if the quarter horse meet runs until October 1, 2011, PM&RC would lose horses to Will Rogers in Oklahoma and Evangeline Downs in Louisiana. Evangeline's meet commences on October 1st. He provided the following information regarding quarter horse departures for 2010:

- On September 3rd, there were 858 quarter horses stabled at PMR&C.
- One week later on September 10th, there were 765 quarter horses, a difference of 93.
- On September 17th, there were 625 quarter horses at PMR&C.

Those horses were leaving for Will Rogers and Evangeline Downs. PMR&C's quarter horse meet ended on September 25th. The average field size starting the third week from the end of the meet was 9.12 horses before scratches and 8.83 horses after scratches per race. In the second to the last week, the average field size was 8.83 before scratches and 8.37 horses after scratches. During the last week, the average field size was 8.87 entries before scratches and 8.30 after scratches. Mr. Vernon stated that the IQHRA worked diligently with the racing and marketing departments at PMR&C to keep the field sizes strong in order to have a better handle. The matrix goals that the IQHRA must meet over the next two years will be based on the 2010 meet. Mr. Vernon asked that the Commission not allow PMR&C to punish the quarter horses; and requested that the quarter horse meet for 2011 run from August 12th through September 24th. He suggested that PMR&C should move the thoroughbred meet up a week in order to accommodate their request for four more racing days so they will not have to race on Thursdays. Mr. Vernon stated that a delay of one week in the start of the quarter horse meet for 2011 would have a tremendous impact on the IQHRA and the success of the quarter horse meet.

Mr. Vernon turned the floor over to Butch Hammer, President of the IQHRA. Mr. Hammer commenced his comments by noting that for the past five or six years the quarter horse meet has started at different times with a varying number of races. He stated the IQHRA needs stability in order to grow the program, and felt they had achieved that with the signing of the three year contract. He expressed concern about the overlapping of the quarter horse meets in the Midwest. It is important to be able to draw

good horses to PRM&C in order to maintain the field sizes achieved this year. Mr. Hammer advised the Commission that an Iowa-bred quarter horse will run in the national championship the following week. He stated that the field sizes during the meet were one of the top in the nation, and there are many tracks that wish they had achieved that average. He stated the IQHRA needs to do whatever they can in order to maintain that average.

Chair Urban asked if the owners/trainers were moving their horses to Louisiana and Oklahoma because of the purses. Mr. Hammer stated that purses are about the same at Will Rogers, and are significantly higher, particularly the stakes races, at Evangeline Downs. He noted there were 600-700 horses here in 2010 that were trained by Oklahoma trainers, and it is significantly cheaper for them to work out of their own facilities as it cuts down on expenses for the trainers and owners.

Commissioner Hayes asked when the IQHRA learned about the proposed change in racing dates for 2011. Mr. Hammer indicated it was toward the end of the meet, around September. Commissioner Hayes, noting there is a Horsemen's Committee with representation from the horsemen's groups and PMR&C, asked if this topic was discussed. Mr. Hammer answered in the negative. Commissioner Hayes, pointing out that the Commission just learned about the proposed change in dates, asked what has transpired in the five or six weeks since the IQHRA learned about the change in dates; he asked if the IQHRA had talked with PMR&C representatives. Mr. Hammer advised that they discussed the issue with them about three weeks ago when there was a meeting to discuss the matrix for 2011.

Chair Urban asked if there was anyone else that wanted to address the Commission regarding this issue. Commissioner Hayes asked if part of the increase in overlap was due to the other tracks starting their meets earlier. Mr. Hammer advised that Will Rogers has two Futurity races that are held during the first week of their meet. Mr. Vernon stated that Will Rogers is starting their meet one week earlier in 2011 compared to 2010, another reason to maintain the 2010 schedule for 2011 at PMR&C.

Commissioner Hayes asked if the trainers take all of their horses when they move to another track or if they phase them out. Tom Lopic, a quarter horse owner, advised that horses that come on a track at a specific time are given preference over horses that arrive later. The horses are given preference by a date, and a "zero date" is the preferred date. This year Will Rogers told the trainers that were at PMR&C that they needed to be there within three weeks of the start of their meet in order to have a "zero date." Horses with a "zero date" are entered into races before horses that arrived later. Mr. Lopic stated that money is not always the most important issue; sometimes it is the ability to get their horses entered into races.

Mr. Lopic stated that he was recently in Oklahoma City and had numerous trainers from all over the country approach him about the 2011 race dates for PMR&C. He informed the Commission that the IQHRA is very pleased with what PMR&C did for them this

year, which helped them tremendously in their meet. Mr. Lepic stated that the IQHRA understands where PMR&C is coming from on the date issue; but noted that the change in the four days will have a major impact on the quarter horse meet. The trainers in Oklahoma City found it difficult to fathom that PMR&C was not starting the quarter horse meet until mid-August and going until October. Those dates also leave the trainers and horses with no where to go immediately after the conclusion of the meet where they are at; they could choose to go to Minnesota, Indiana, or other places as they would much rather be on a track somewhere than nowhere.

Chair Urban called on PMR&C. Gary Palmer, General Manager, stated that the construction of the hotel is progressing very well since the weather is cooperating. The contract approvals before the Commission include the approval of the financing. He advised that the PMR&C Board of Directors is holding a special meeting to approve the contract with Weitz Company, the company constructing the hotel, in order to keep the project moving forward.

Commissioner Hayes asked about a probable opening date. Mr. Palmer stated they would like to open the hotel in January 2012 if possible, but the weather will play a major part in how fast the project moves forward.

Chair Urban moved to the review of the 2010 standardbred meet. Derron Heldt, Director of Racing, stated there were 47 trainers that participated this year, and brought a total of 390 horses. The majority of the horses were from Iowa. Of the 703 starters during the meet, 640 were Iowa-bred or Iowa registered horses, or 90%. There was very little participation from out-of-state trainers. Mr. Heldt advised that the IHHA agreed to run for 10 days for \$550,000 on a packed surface. He stated that the packed surface did provide a bit of a challenge; track maintenance personnel had five days from the end of the quarter horse meet to get the surface hard enough for the standardbreds. He stated that there were issues the first weekend; that a lot of the silt and clay had washed out due to the rain over the summer months. PMR&C representatives met daily with IHHA representatives to work on the issue of the track surface. PMR&C ended up peeling back the top 1 – 1½ ” of the track surface to attempt to find firmer ground. When the surface dried out, it would crumble; however, PMR&C track maintenance personnel kept packing, rolling and doing whatever else was necessary in order to make the track as hard, and as safe, as possible for the standardbreds. Mr. Heldt noted that their times were 3-4 seconds slower than with a sandstone base, but noted there are a number of variables that come into play with times. He noted that no horses suffered catastrophic injuries and that none had to be euthanized.

Commissioner Seyfer asked if there had been any discussions with the IHHA regarding dates for next year. Mr. Heldt indicated that he had not had any discussions with the IHHA since the conclusion of their race meet on October 16th. Commissioner Seyfer asked if he or anyone else from PMR&C attempted to make contact with the IHHA. Mr. Heldt stated that he personally was not involved in any discussions with the IHHA.

Commissioner Cutler asked who made the decision to not grant IHHA any race dates for 2011. Mr. Palmer advised that the Board of Directors made the decision.

Commissioner Cutler asked if they had any discussions with IHHA representatives. Mr. Palmer advised that the Board's last discussions with the IHHA took place a year ago. He stated that when PMR&C submitted this application two or three months ago, no one seemed to take notice of the fact that the application did not contain dates for the standardbreds; that IHHA representatives have made no attempt to contact PMR&C regarding the issue prior to addressing the Commission today.

Chair Urban asked if the Board's decision to not give the standardbreds race dates was a unanimous decision. Mr. Palmer stated that he thought so, but was not certain.

Commissioner Seyfer asked if the Board discussed continuing the county fair supplement. Mr. Palmer answered in the affirmative, indicating that was also done last year during negotiations with the IHHA. Commissioner Seyfer stated that he was inquiring as to whether there was a discussion this year about supplementing the county fair circuit when the Board decided not to give the standardbreds race dates for 2011. He stated that is a year-by-year decision by PMR&C; that the Commission has no control or authority in that area. Mr. Palmer stated that the county fair supplement of \$1 million is contained in the 2011 budget; however, that budget has not yet been approved. Commissioner Cutler asked when the budget would be approved. Mr. Palmer advised the budget would be up for approval on November 30th.

Chair Urban stated that she recalled PMR&C having some discussions with the IHHA regarding a long-term contract for funding of the county fair circuit. Mr. Palmer stated that the discussions reached a stalemate and then ceased; he did not know the reason. Chair Urban asked if that was an area that PMR&C was willing to negotiate again. Mr. Palmer stated he felt staff would be willing, but indicated he could not speak for the Board.

Chair Urban stated that standardbred racing in Iowa has been a tradition, and with no racing dates at PMR&C, they are left up in the air without any guarantees of funding for the county fairs. She stated that is an area of concern for her; that she would like to see the two parties negotiate. She noted that the IHHA has been dependent upon the \$1 million they receive from PMR&C.

Commissioner Cutler, noting the decision to not set race dates for the standardbreds, asked that a member of the Board attend the Commission meetings so that Mr. Palmer would not have to be the messenger for the Commission. She does not agree with the fact that the IHHA is out of luck regarding race dates just because PMR&C's Board of Directors decided not to establish race dates for 2011.

Mr. Palmer stated that he did not feel anyone was "out of luck". He noted that it takes the cooperation of two parties to enter a contract, which is difficult to do without any

communication. He stated that if he was the party requesting the money, he would be attempting to make contact with someone to commence discussions; he reiterated that PMR&C has not heard from the IHHA at all.

Commissioner Cutler, noting the contentious relationship between IHHA and PMR&C over the years, expressed her hope that someone at PMR&C would have reached out to them rather than coming before the Commission without any dates for 2011. She stated that she found the scenario unacceptable. She indicated the parties could work with a mediator or negotiator if they are unable to sit down and work things out themselves.

Commissioner Harrison pointed out the license renewal process and the granting of race dates occur at the same time on an annual basis. She stated that someone should reach out to the other party a couple of months prior to the Commission meeting; that just because one party has not heard from the other is not a reason for no action to be taken.

Commissioner Hayes noted that the racing dates become public record upon submission to the IRGC at the end of October; and that the IQHRA knew about the proposed change in race dates at the end of September. He did say that if a horseman's group felt they were being cut out of the racing dates, they should take it upon themselves to contact PMR&C. He stated that the IHHA had even just recently contacted IRGC about the matter. Commissioner Hayes stated that not all of the blame goes to PMR&C.

Commissioner Harrison indicated that was not what she was saying either. She just meant that someone from either the IHHA or PMR&C should have made the effort to contact the other party.

Commissioner Seyfer, noting that he has been dealing with this particular issue for several years at this same time, stated that if he was representing the IHHA he probably would tell them to just bring the issue before the Commission based on how things have gone in the past. Commissioner Seyfer stated that he would go back to what the Iowa Code, and Administrative Rules say; he feels it is the legislative intent that there be nurturing of the breeding and racing industry in Iowa and that is where the change needs to come from. He stated that he would like to see the exact same program for 2011 that was in place for 2010 at PMR&C, but was not sure he had enough support for that to occur. He reiterated that the Commission can not bind PMR&C to provide support for the county circuit, but does have ways in which to show their displeasure.

Chair Urban asked Mr. Palmer if the parties would have a sufficient amount of time to negotiate if this particular item were tabled until the Commission's January meeting. Mr. Palmer answered in the affirmative. Mr. Ketterer stated he felt some type of agreement should at least be reached regarding the thoroughbred and quarter horse race dates, and then continue any discussions of harness dates, or lack thereof, to the January meeting.

Commissioner Cutler indicated another option would be to see if there is enough support among the Commission members to maintain the same racing program for 2011 as was run in 2010 as suggested by Commissioner Seyfer.

Commissioner Seyfer stated that the Commission is at the same point they were at in 2009 regarding the 2010 race dates and purses; harness dates and purses were tabled until the January 2010 meeting. Mr. Ketterer pointed out that as bad as the situation is today, it was worse in 2009.

The discussion regarding the standardbred meet segued to the submitted racing dates for the thoroughbreds and quarter horses for the 2011 meet. PMR&C requested the dates of April 22 through August 13, 2011 for the thoroughbred meet with four performances per week for a total of 603. Evening performances and post times requested are Friday and Saturday at 6:30 PM with matinee performances requested for Monday and Tuesday at 3:30 PM. Additional performances and post times requested are: Saturday, May 7 at 4:15 PM; Saturday, May 21 at 4:45 PM; Saturday, June 11 at 5:00 PM; and Sunday, July 3 at 5:00 PM. PMR&C also requested the continuation of year-round simulcasting.

The quarter horse meet would commence on August 19th and run through October 1, 2011 with four performances per week for a total 208 performances, including trial races. Evening performances and post times requested are Monday, Tuesday, Friday and Saturday at 6:30 PM. No additional performances were requested.

Commissioner Cutler asked Mr. Heldt why the thoroughbred meet could not start a week earlier. Mr. Heldt first addressed some timeline issues, noting that the renewal application and request for race dates was submitted on September 20th; PMR&C had had discussions with the President of the IQHRA prior to that date to make him aware of the calendar that was being submitted with the application. In response to the question posed by Commissioner Cutler, Mr. Heldt advised that the last day of racing at Oaklawn Park is April 16th. If PMR&C commences their meet earlier, they will have to compete against Oaklawn, which is one of the main feeder tracks for the thoroughbred meet. He stated that 50-60% of the horses that race at PMR&C come from Oaklawn; Oaklawn is part of the circuit that PMR&C tried to create last year. Part of the approval of the five-year and three-year agreements with the ITBOA and IQHRA was to have a circuit on the thoroughbred side – Oaklawn Park, PMR&C and Remington. Starting the thoroughbred meet a week earlier would impact the number of horses coming from Oaklawn which would then impact PMR&C's ability to fill races.

Chair Urban asked if there is a way to compromise by having some thoroughbred races on Thursday, even though they were disastrous this year. She wondered if it was possible to have some quarter horse races on Thursdays. Mr. Heldt stated there were five Thursdays during the thoroughbred meet in 2010; one has been changed to a Sunday and the other four account for the additional week in the thoroughbred meet. He stated that any track trying to run five days per week has found that it is not working; PMR&C spaced the Thursday race dates out to every three weeks in hopes that the horses that

raced on Thursday would be rested enough to rotate back. He does not want to jeopardize the welfare of the horses by having them race back to soon.

Commissioner Cutler asked about shortening the thoroughbred meet. Mr. Heldt stated that the five-year agreement calls for 67 thoroughbred days and 26 quarter horse dates for three years. Since the Commission approved the agreements, PMR&C is locked into those dates. He stated that PMR&C believes the plan submitted is a good plan; and while he is cognizant of the concerns of the IQHRA, they also expressed a lot of concerns during the process in establishing the 2010 race dates. Mr. Heldt noted the IQHRA had great success during this year's meet, and feels it can be repeated in 2011. He feels there are steps that PMR&C can take that would help the IQHRA and make the last four days of the meet successful.

Commissioner Hayes stated that the discussions and implementations of the metrics used to measure the success of the meets were important, but that everyone needs to be open to experimenting and trying new things to see what really does work for everyone. Mr. Heldt stated that PMR&C is looking at the 2011 calendar as an opportunity, a challenge that he hopes PMR&C can meet. He reiterated that he understands the concerns expressed by the IQHRA, that they are valid; but feels that if everyone works hard, the last four days of the quarter horse meet for 2011 can be successful.

Chair Cutler asked if holding the stakes races at the end of the meet would have any impact. Mr. Heldt noted that some trainers save their 2-year olds for the stakes races. He reiterated there are some things that PMR&C can do with regard to the added week.

Commissioner Cutler, referring to "things that we can do", asked Mr. Heldt if those things were up to him or the Board of Directors. Mr. Heldt stated that he felt it would fall under his jurisdiction in working with the IQHRA, whether that is on the marketing side, PMR&C's thoughts on stakes races, etc. He indicated he was speaking for himself.

Mr. Palmer reiterated that the quarter horse meet was very successful this year. While this year was the benchmark year, in reviewing the matrix, the parties have found some areas that weren't quite perfect, so he feels that if the parties continue to work together 2011 will also be successful; that it is to everyone's advantage to do so.

Commissioner Cutler asked if there was room within the budget to do some additional marketing or implement other "out-of-the-box" ideas with regard to the quarter horse meet. Mr. Palmer answered in the affirmative, and advised that both the ITBOA and IQHRA have already been working with PMR&C's marketing department and have come up with some innovative ideas that have not been tried before. He stated that the Thursday race dates placed too much strain on the horsemen, PMR&C, and everyone involved, necessitating the change. He conceded that adding a week at the end to the quarter horse meet is not ideal.

Mr. Ketterer stated that while the quarter horse meet was not an unqualified success, it was successful in terms of the quality of horses, horse inventory, and the field sizes were very good. He noted that wagering was down, which can occur with a stand alone meet. He pointed out that the race days and post times hinge on the simulcast markets that are available. PMR&C elected to race on Monday and Tuesday afternoons so that they could send the signal to the New York OTB and provide greater exposure to the Iowa product. He advised that there are not as many places in the eastern United States to go to for simulcasting for a stand-alone quarter horse meet, but there is a larger market in the southern and western United States. He stated that changing the days of the week or the post time could increase the amount of simulcasting interest. Mr. Ketterer stated he felt this was an area that PMR&C and the IQHRA needed to look at in order to try and increase the handle.

Hearing no further discussion, Chair Urban requested a motion. Commissioner Hayes moved to approve the dates as submitted by PMR&C for the thoroughbreds and quarter horses, and defer any further discussion and decision on standardbred dates until the January meeting. Commissioner Seyfer seconded the motion.

Mr. Heldt advised that during the 2010 meet, there were two days during the thoroughbred meet that were trial days for the quarter horses. Mr. Heldt stated that Leroy Gessmann, President of the ITBOA, has advised that they are OK with the same scenario for 2011. Mr. Heldt stated that this is not part of the submission; they would take two dates in either July or August during the thoroughbred meet to run quarter horse trials. Chair Urban asked if that should be added to the motion. Commissioners Hayes and Seyfer agreed to the amendment to the motion.

Hearing no further discussion, Chair Urban called for the vote. The motion carried unanimously. (See Order No. 10-132)

Chair Urban moved to the renewal of the pari-mutuel and racetrack enclosure gambling license for 2011. Mr. Ketterer noted that several conditions were placed on the renewal of the license last year, and staff has worked with PMR&C throughout the year and advised that most of the conditions have been satisfied. One of the conditions that remains is that by this time next year PMR&C is to have some kind of funding mechanism or reserve that could be utilized to fund the list of capital improvements submitted to the Commission in July that averaged approximately \$9 million per year over the next five years.

The other outstanding issue is an audit in compliance with Iowa Code Section 99D.20 that would clarify the costs of racing and subsidizing racing and exactly what assumptions were made by PMR&C's controller, recognizing that there may be people who agree or disagree with those assumptions. The information is to be submitted in such a way as to remove some of the mystery as to the actual costs of racing at PMR&C.

Mr. Palmer advised that Brian Wessels, PMR&C's Chief Financial Officer, was present, and would address those issues. He stated that PMR&C is working on the audit in order to identify those areas when they receive the external audit in March. Mr. Wessels advised that those costs should be included as separate schedules at the back of the annual audit.

Mr. Palmer stated that the long-term capital improvement program states that the average expenditure would be \$12.5 million per year. The next two years have been reduced to \$10 million because of the covenants on the loan for the hotel. He stated they are working with Polk County on a new lease, and have another meeting scheduled for next week. During the meetings, PMR&C shows the County what is needed for capital improvements and the County has not disagreed with the need for capital improvements. Mr. Palmer noted that the property is now 20 years old, and that it takes a large sum of money to maintain a facility like PMR&C and that the improvements have to be part of the lease. Mr. Palmer stated that PMR&C would bring in the five-year schedule after the budget and lease are approved by the Polk County Board of Supervisors.

Chair Urban reminded Mr. Palmer that with no lease agreement between the County and PMR&C, PMR&C could not make any payments to the County after December 31st. She noted that PMR&C may have a license but no building in which to operate. Mr. Palmer advised that they are very cognizant of that fact.

Commissioner Hayes asked Mr. Palmer if PMR&C sets aside allowances or reserves for fixed asset expenditures on the financial statement or capital expenditures over the course of a year. Mr. Palmer indicated they do so now; that this is the second year they have done so. Previously, funds were taken out of the cash flow. Commissioner Hayes asked if the capital expenditure fund was reserved based on what PMR&C felt the capital expenditures would be for the year. Mr. Wessels advised that the capital reserve fund is not restricted, but is set aside. Commissioner Hayes stated the capital improvements are a concern of the Commission, and they want to insure there is adequate funding.

Commissioner Cutler asked if the lease will make reference to funds being set aside for capital improvements. Mr. Palmer stated that PMR&C has to justify to the County Supervisors why they are unable to give more money. PMR&C always stresses the need for funds for capital improvements.

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

- Bankers Trust Company – Banking Services and Credit Cards
- Bankers Trust Company – Revolving Loan
- Bankers Trust Company – Line of Credit
- Data Business Equipment – Cash Handling Equipment
- Des Moines Register – Advertising and Subscription Expense
- Ernst & Young – Tax Audit Services

- Hansen Company, Inc. – General Contractor –On Site Services
- Infomax Office Systems, Inc. – Equipment Lease and Maintenance
- MicroEdge, LLC – Grant Application Software License Maintenance
- R&D Industries – Audio-Visual Engineering Services
- Snyder & Associates, Inc. – Engineering Services
- Weitz Company – Construction Services – Hotel Development

As there were no comments or questions concerning the contracts, Chair Urban requested a motion regarding the license renewal application and the contracts. Commissioner Hayes moved to approve the renewal of the pari-mutuel and racetrack enclosure gambling license for 2011, the contracts contained within the application as well as the additional contracts submitted by PMR&C, and to include the following staff recommendations:

- The import and export contracts should continue to have the review and approval by staff to insure regulatory compliance.
- Continuation of a Simulcast Program Committee with the goal of increasing net simulcast revenue and review of export contracts. Committee should include horsemen, board member, director of racing, mutuel manager and commission representative.
- All marketing promotions that may affect live racing, particularly the racing schedule and post times, shall have prior approval from the Iowa Racing & Gaming Commission.
- An audit that covers the entire racing season as well as a yearly overall operations audit as provided by Iowa Code 99D.20 with the caveats mentioned earlier.
- The restricted funds for capital improvements.

Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-133)

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

MINUTES TAKEN BY:

JULIE D. HERRICK